Powering Business Worldwide

Eaton is a power management company with 2014 sales of $22.6 billion. Eaton provides energy-efficient solutions that help our customers effectively manage electrical, hydraulic and mechanical power more efficiently, safely and sustainably. Eaton has approximately 102,000 employees and sells products to customers in more than 175 countries.

For more information, visit www.eaton.com.

In a complex global society, our common denominator is power.

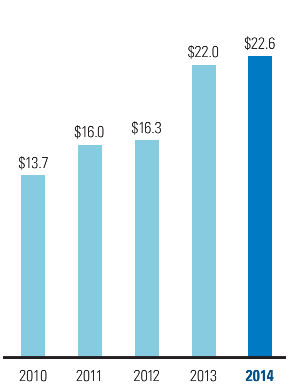
Demand is growing—exponentially—for power that is reliable + safe + efficient + sustainable. It's no simple problem. But Eaton people love a challenge. Designing solutions is our passion.

We are the Power Multiplier.

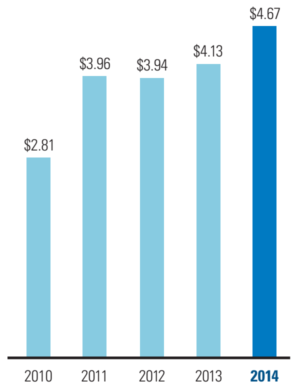
Multiply power online:
www.eaton.com/AR14

2014 Financial Highlights

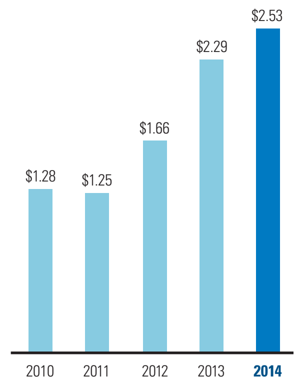
NET SALES
(Billions of dollars)



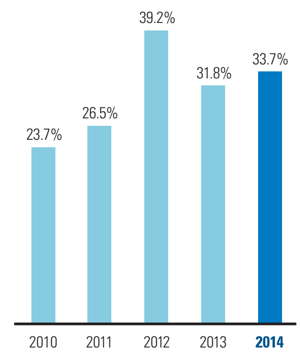
OPERATING EARNINGS PER ORDINARY SHARE (Dollars per share)*



CASH FLOW FROM OPERATIONS
(Billions of dollars)*



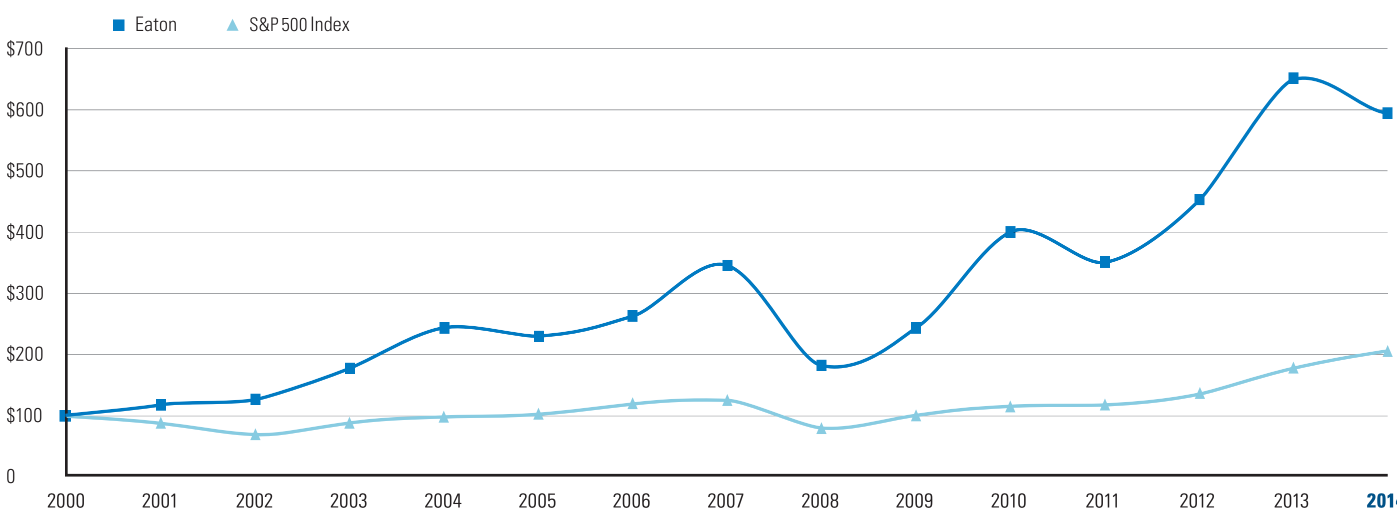
NET-DEBT-TO-TOTAL-CAPITAL RATIO



(In millions except for per share data)	**2014**	2013
Net sales	$22,552	$22,046
Net income attributable to Eaton ordinary shareholders	1,793	1,861
Excluding acquisition integration charges and transaction costs (after-tax)	102	110
Operating earnings	$ 1,895	$ 1,971
Operating earnings excluding litigation settlements and divestiture gain*	$ 2,230	$ 1,971
Net income per ordinary share – diluted	$ 3.76	$ 3.90
Excluding per share impact of acquisition integration charges and transaction costs (after-tax)	0.21	0.23
Operating earnings per ordinary share	$ 3.97	$ 4.13
Operating earnings per ordinary share excluding litigation settlements and divestiture gain*	$ 4.67	$ 4.13
Weighted-average number of ordinary shares outstanding – diluted	476.8	476.7
Cash dividends declared per ordinary share	$ 1.96	$ 1.68
Total assets	$33,529	$ 35,491
Total debt	9,034	9,549
Eaton shareholders' equity	15,786	16,791

*Operating earnings were $2,230 for 2014, excluding the pre-tax cost for two extraordinary litigation settlements of $644, and a pre-tax gain from two Aerospace divestitures of $154. Operating earnings per ordinary share were $4.67 for 2014, excluding a $0.70 per share impact of the extraordinary litigation settlements and the gain from the Aerospace divestitures. Operating cash flows were $2,532 for 2014, excluding $654 of payments made for the extraordinary litigation settlements.

COMPANY STOCK PERFORMANCE



The above graph compares the cumulative total return to shareholders for Eaton and the S&P 500 Index on an initial $100 investment over the time period 2000 through 2014. The shareholder returns reflected on the graph assume dividends were reinvested as of the ex-dividend date.

To Our Shareholders:

With more than a century of experience to guide us, Eaton has proven once again to be strong, agile and confident as we faced the daunting challenges of 2014. Despite continued slow global growth, the fourth quarter collapse in oil prices and international currency volatility, we set several performance records in 2014.

We're pleased with the performance of our historic businesses and energized by the progress made in the integration of the five businesses we acquired since 2012. The ongoing integration of Cooper Industries, the largest acquisition in Eaton's history, is ahead of schedule and providing greater benefits than we had anticipated.

In my letter to shareholders last year, I mentioned that Eaton's transformation will continue—and it has. Your Eaton team delivered strong results in 2014 through product and process innovation and a laser focus on continuous improvement. We remain intent on our mission to help our global customers solve their most demanding power challenges. In solving these challenges, we take full advantage of the multiplier effect of our electrical, mechanical and hydraulic technologies and, most importantly, our people.

Delivering record performance in challenging times.

Like many companies, we entered the year anticipating a modest upturn in our end markets—only to experience even slower growing markets than we anticipated. Our Eaton teams did an extraordinary job of focusing on what they could control—leading to record performance on several fronts. We finished the year on a strong note, with 5 percent organic growth in the fourth quarter—our strongest since 2011.

Among the year's financial and operating highlights:

- We posted record sales of $22.6 billion, up 2 percent from 2013.
- Operating earnings (excluding acquisition integration charges, litigation settlements and the aerospace divestiture gain) grew to a record $2.2 billion, an increase of 13 percent from 2013.
- Operating earnings per share, excluding the same items, increased to a record $4.67, up 13 percent.
- We generated a record $2.53 billion in cash from operations, excluding the litigation settlements.
- We raised our dividend 17 percent in February 2014 and another 12 percent in February 2015, maintaining our dividend yield among the highest within our peer group.
- We repaid $560 million of the debt we borrowed to finance the Cooper acquisition.
- We contributed $362 million to our pension plans, strengthening our balance sheet.
- We repurchased $650 million, or 9.6 million, of our shares—approximately 2 percent of our outstanding shares.
- We strengthened our commitment to sustainability by reducing emissions and our environmental footprint in waste to landfill and water consumption, while expanding efforts to build safer and healthier workplaces and communities.
- We improved the safety of our facilities and our work practices—reducing recordable incidents by 15 percent from the previous year.

In 2013, Eaton stock set new record highs with the value of our stock and dividends growing by 44 percent. In 2014, our stock declined by 11 percent and the value of Eaton shares (including dividends) declined by 8 percent—compared to gains of 10 percent for the Dow Jones industrial average, 14 percent for the S&P 500 and 15 percent for the Nasdaq composite index.

> We take full advantage of the multiplier effect of our electrical, mechanical and hydraulic technologies and, most importantly, our people.

Fortunately, as I write this letter, our stock price in 2015 has rebounded 7 percent. And, when viewed over the long term, from 2000 through the middle of February 2015, Eaton stock has delivered a strong 14 percent compounded annual total shareholder return.

Maximizing opportunities in the "new normal."

The business headlines over the last several months have highlighted slowed momentum for many organizations and raised investor concerns—stagnant global growth, tough economic challenges in many emerging nations, unusual volatility in currency and commodity prices, regional political instability and increased regulatory reform. At Eaton, we believe these conditions are unlikely to change. Accordingly, we've worked hard to craft a strategy to succeed in these new conditions and to ensure that our execution maximizes our opportunities.

During 2014, our strategic approach delivered noteworthy results:

- With Eaton's geographic and end market balance, we have stability to withstand changes during any one year, whether these are declines in country or regional growth rates or headwinds in specific end markets. While investors know that our revenues are split approximately 50 percent in the U.S. and 50 percent in the rest of the world, Eaton's end market breadth is equally impressive—few of our individual end market segments amount to more than 5 percent of our total global sales.
- We reduced our historical earnings volatility through the economic cycle by expanding our span of businesses and end markets. As a result of the acquisition and successful integration of Cooper Industries, Eaton's earnings volatility has decreased by 20 percent.
- During times of slower global growth, we believe a successful strategy must include a "self-help" earnings accelerator. That accelerator has been, and will continue to be in 2015 and 2016, our successful integration of Cooper Industries. Achieving $95 million in incremental synergy profits during 2014 was a significant driver of our increase in operating earnings and operating cash flows.
- Continuing to "change the mix" is a fundamental pillar of our strategy. For example, during the year we freed capital in parts of our Aerospace business by selling two small Aerospace businesses that weren't meeting critical scale or target profitability levels.
- We revitalized our company—rather than simply restructuring—by launching our company-wide RESET/REFOCUS initiative. We re-examined traditional ways of doing business and identified new approaches to unlock value in our businesses, regions and functions while opening the door for even further constructive and creative change. The extraordinary scope of imaginative ideas and approaches that emerged was just what we hoped to see. And, many of these new ideas are already in place and creating value for Eaton.

Among our operating highlights for 2014:

Electrical. What a year for our electrical businesses! We grew our revenues by 3 percent, excluding foreign exchange; we achieved our targeted $95 million of incremental synergy profits; the overall Cooper integration activities remain slightly ahead of the original schedule; and we introduced an incredible array of new products. We are particularly proud of our broad collection of new LED lighting products, with LED sales comprising more than 50 percent of our total fourth quarter lighting sales.

Hydraulics. Our hydraulics business faced the most challenging end-market conditions of any of our businesses during 2014. Battling the headwinds of weak global agricultural and mining equipment production, along with the continued downturn in Chinese construction equipment, our hydraulics business achieved 2 percent revenue growth, excluding foreign exchange.

Aerospace. This business had a terrific year, growing revenues by 8 percent, excluding foreign exchange and the two divestitures. Aerospace achieved strategic platform wins, including a next-generation widebody aircraft engine and the MA700 Chinese regional turboprop. As another important achievement, our aftermarket aerospace bookings took a positive turn this year.

Vehicle. Both light vehicle and commercial vehicle markets were strong in the U.S. during 2014, helping propel revenues up 6 percent, excluding foreign exchange. With solutions that enhance fuel economy, emissions reduction and safety, customers around the world continue to choose Eaton vehicle solutions. We were particularly delighted to introduce our new lines of heavy-duty and medium-duty transmissions for commercial vehicles.

Multiplying profits and performance in 2015.

Riding on strong momentum from the second half of 2014, we have set the stage for outstanding performance in 2015, despite slow global growth. We expect our 2015 operating earnings per share will set a new record—reaching between $4.75 and $5.05 per share. Achieving this is all the more challenging given the combined impact of anticipated currency devaluation and a higher tax rate. Together, these forces are expected to decrease our 2015 operating earnings per share by approximately $0.37 compared to 2014.

Contributing to another record year will be our expected $150 million in additional synergy profits in 2015 from the integration of Cooper Industries. In 2016, we should gain an additional $115 million from synergy profits. In addition, we expect to increase operating cash flow in 2015 to between $2.7 billion and $3.1 billion.

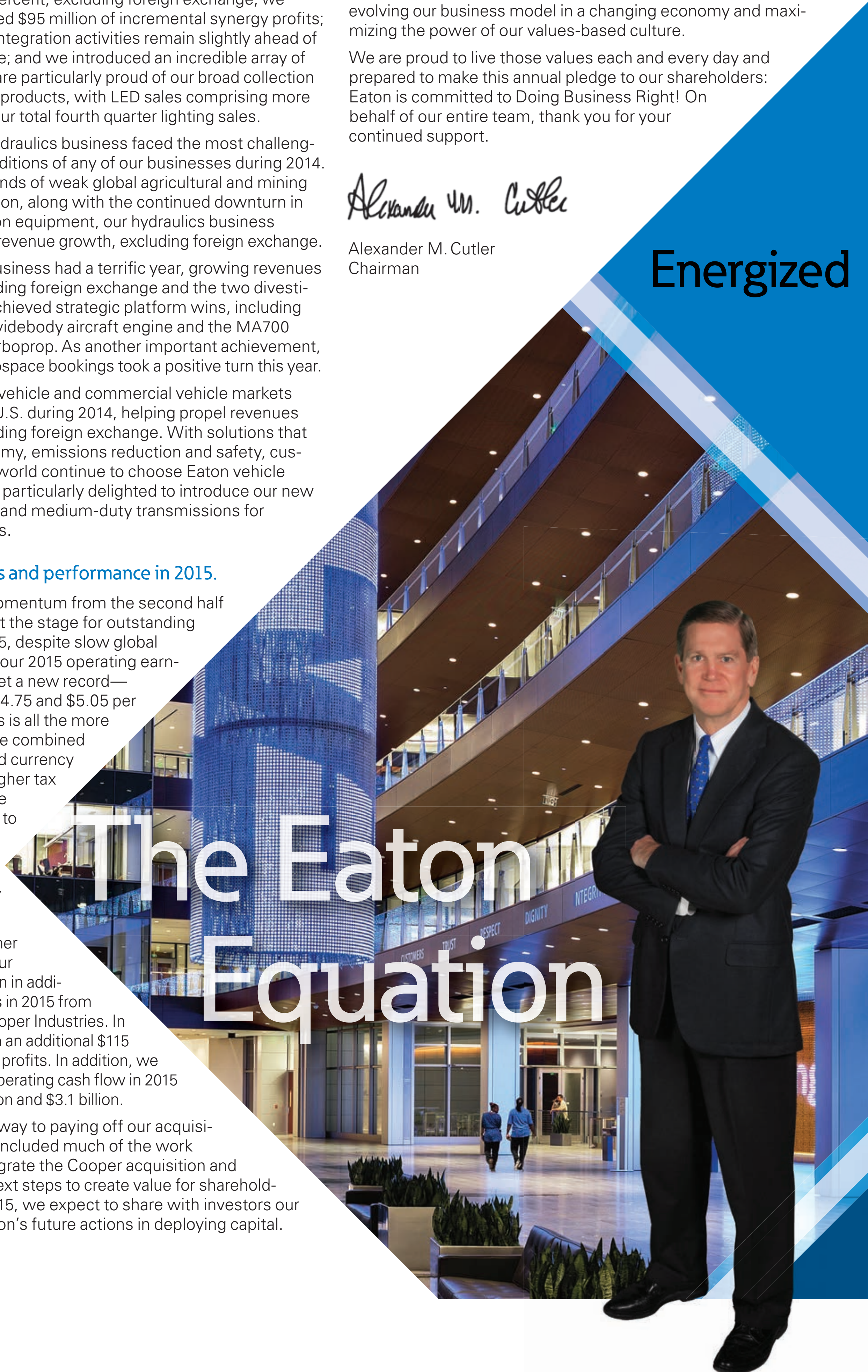
We are well on our way to paying off our acquisition debt, having concluded much of the work to successfully integrate the Cooper acquisition and ready to chart our next steps to create value for shareholders. By mid-year 2015, we expect to share with investors our plans regarding Eaton's future actions in deploying capital.

Join me in recognizing the achievements of our global team, now 102,000 strong. We are the Power Multiplier—discovering more ways to solve our customers' most critical challenges, evolving our business model in a changing economy and maximizing the power of our values-based culture.

We are proud to live those values each and every day and prepared to make this annual pledge to our shareholders: Eaton is committed to Doing Business Right! On behalf of our entire team, thank you for your continued support.

Alexander M. Cutler

Alexander M. Cutler
Chairman



1 Protecting critical health care data. Our power management systems support health care applications, real-time consultation and secure storage of electronic medical records.

2 Increasing machine productivity. Smart technology delivers a competitive advantage with simpler, faster machine design and build processes.

3 Powering off-grid communities. Eaton helps improve quality of life as part of Africa's largest solar microgrid project.

Reliable power drives both economic growth and quality of life. With worldwide demand for electricity expected to increase about 80 percent by 2040, intelligent technologies that multiply reliability are increasingly vital. Eaton's electrical, hydraulic and mechanical power innovations increase reliability where it matters most.

Intelligent technology. Greater reliability.

At Eaton, innovation is a commitment to create differentiated value with new solutions that comprehensively address our customers' problems. Intelligent technology from Eaton includes our new LifeSense Wireless hose monitoring system, which predicts imminent hydraulic hose failure before expensive downtime or environmental damage occurs. Breaking new ground in the industry, this intelligent system monitors up to 100 hoses, transmitting real-time data and alerting the customer by text and email.

Eaton customer Matrix Design manufactures customized equipment for robotic handling—a highly competitive industry in which time-to-market and cost can determine success. In search of a reliable solution to increase productivity and simplify highly complex circuit wiring, the company turned to our new SmartWire-DT intelligent wiring solution, which drastically reduced the time needed to wire control consoles from two days to less than two hours.

Built to withstand temperature extremes and harsh environments, our new Pro-FX family of electronic controls and software delivers both reliability and comfort. Precise machine functions reduce operator fatigue while data-logging functions reduce cost by predicting problems before they happen.

Reliable grid. Better life.

Imagine living in a remote part of the world where electricity is available only five hours a day. That describes life on Annobón Province, a four-square-mile island off the coast of West Africa. Eaton is helping to construct a 5-megawatt solar microgrid system, the largest self-sufficient solar microgrid project in Africa. With our engineering services and electrical equipment, we are helping to bring reliable, cost-effective power to remote communities and improve quality of life and economic growth.

In the developed world, our intelligent two-way demand response system is helping PacifiCorp, a leading utility in the western United States, cut costs, reduce energy consumption and improve grid reliability during peak electrical demand for more than 95,000 residents and businesses.

Increased uptime. Safer living.

In health care services, one of the largest consumers of energy, a power outage of even a few seconds can compromise patient care. More than 5,000 health care personnel in 50 locations rely on TriRivers Health Partners for 24/7 access to critical applications and to allow doctors to consult remotely in real time. TriRivers chose Eaton to provide end-to-end power quality and distribution solutions, including a completely redundant and scalable system for reliable backup power to help maintain 24/7 uptime.

On the other side of the world, Australian miners require reliable lighting for around-the-clock underground operations. In this highly corrosive environment, fluorescent fixtures need frequent replacement, driving up expenses and downtime. That's why two mines in Australia converted to Eaton's Endure LED fixtures. With 75 percent fewer lights, our luminaires provide higher quality illumination with longer life, minimal maintenance and reduced costs by up to $150,000 a year.

Learn more online: www.eaton.com/reliable14

Reliable

Critical Applications

Reliability drives the world. Electric utilities reduce residential power consumption and cost with our two-way demand response technology. On commercial and military aircraft, our main engine fuel pumps have nearly 2 billion in-flight hours of service. And in the mining industry, our LED solutions provide reliable, cost-effective lighting in the world's harshest environments.

The global workforce is expected to number 3.5 billion people by 2030—and every one of them needs to work safely. Across the markets we serve, our customers demand solutions that protect their people, equipment and the environment. And Eaton delivers. It begins with research and development at our five global innovation centers and is tested every day as our solutions are put to work in the world's harshest environments and most demanding industries.

Safer people, safer places.

The threat is real. And it can start with the slip of a wrench. On live equipment, a worker can accidentally unleash the explosive energy of an arc flash. Reaching 36,000 degrees Fahrenheit within milliseconds, an arc flash can cause power loss, equipment damage, personal injury and even death. That's why electricity suppliers such as Europe-based RWE trust Eaton to help manage and distribute power safely. Our new Arcon arc fault protection system, which uses fiber optic cable and logic modules to detect and extinguish an arc flash in less than two milliseconds, virtually eliminates risk of personal injury and minimizes switchgear damage.

On the road, drivers negotiating difficult terrain or congested urban traffic will like the control they get with Eaton's all-new Procision, the first dual-clutch transmission for medium-duty trucks. Intelligent features such as "tap-down" help slow the vehicle on downhill grades, while "hill helper" prevents rolling backward or forward while on a grade. At the same time, Procision's dual-clutch technology delivers energy efficiency and cost savings, with up to 10 percent improvement in fuel economy.

Intelligent solutions that improve workplace safety.

When a natural disaster or catastrophe strikes, communication is critical. At the MillerCoors mega brewery, Eaton's new ALERiTY mass notification system helps keep the more than 700 hundred employees at the 150-acre brewery safe in the event of an emergency. With one click, a facility manager can launch messages across the 1.2 million-square-foot campus—high power speakers, strobes and LED display signs alert employees, even in noisy industrial environments.

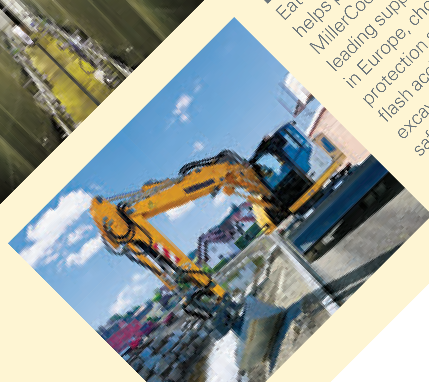
On the construction site, workers responsible for electrical maintenance on massive tower cranes must climb to the operator's cabin, located near the top of the crane. Zoomlion Heavy Industry Science & Technology Development Company, one of China's leading manufacturers of construction equipment, wanted to reduce the risk of this costly and dangerous work. Working with Zoomlion, Eaton developed a customized compact electrical control panel engineered to protect against overloads and short circuits while safely managing power for the entire installation. Eaton's solution is now standard on Zoomlion's main tower cranes.

Solutions serving people and the environment.

Smart enterprises understand that meeting safety and sustainability goals represents an opportunity to innovate. To help protect sea turtle nesting areas adjacent to our customer's natural gas plant, Eaton worked with the customer for more than two years to carefully engineer special covers and light filters on more than 20,000 fluorescent units. The lights provide enough illumination for plant personnel to work safely, but are also the right color spectrum to allow the turtle hatchlings to orient themselves and migrate safely to the sea.

In Florida, Eaton is providing variable frequency drives and motor control solutions for the state's first waste-to-energy project. A South Florida wastewater treatment facility will use urban waste—including fats and oil collected from restaurants—to create energy, reducing its energy consumption by 30 percent.

Learn more online: www.eaton.com/safe14



Engineering a safer world. Eaton's ALERiTY notification system helps protect employees at the MillerCoors mega brewery. RWE, a leading supplier of electricity and gas in Europe, chose our Arcon fault protection system to help avoid arc flash accidents. Liebherr Group excavator operators can maneuver safely in tight spaces—and increase productivity—with our electro-hydraulic steering system.

Trusted to Protect

Safe

1 More control in all situations. Eaton transmissions provide drivers with the confidence to concentrate on the road ahead.

2 Protecting life in all its forms. Safeguarding people and the environment with innovation.

3 Solving construction industry hazards. Smart technology enhances safety while reducing costly downtime and dangerous maintenance operations.

More Power Less Energy

Eaton redefines efficiency. Our HAYFLOW-Q filters help a German manufacturer of automotive components reduce costs and meet environmental regulations. Montreal's ROOT data center reduces power distribution costs by more than 20 percent with our Power Xpert 9395 UPS. Our award-winning WaveStream LED lighting delivers new levels of performance and return on investment.

1

Efficient

Our solutions have a multiplier effect: When we reduce power usage, we cut operating costs while creating a more sustainable ecosystem. When we increase efficiency, we help customers increase profitability. Around the world, Eaton solutions multiply value. We thrive on inventing and discovering solutions to some of the world's most challenging demands for managing power.

Next-generation solutions.

Eaton customers trust our expertise to deliver real solutions, and they come back to us for more. After success with the Trent XWB engine build-up program, Rolls-Royce again selected Eaton as a single-source supplier for its new XWB-97 engine program for Airbus. This higher-thrust engine will power the Airbus A350-1000, the largest of the A350 family of widebody jets and designed to use 25 percent less fuel. And Embraer S.A. selected us to supply hydraulic components on its next-generation E-Jets E2 commercial aircraft, adding a new chapter to our long-standing relationship with the Brazilian aerospace company.

We also extended our SmartAdvantage powertrain portfolio with Cummins, unveiling a new package for the North American heavy-duty truck market. The new product integrates Eaton's Fuller Advantage Series 10-speed automated transmission with Cummins ISX12 diesel engine and is expected to deliver fuel economy improvements, lower maintenance costs and total life cycle cost improvements.

Beauty behind the science.

We believe innovation can do more than achieve efficiencies. Travelers walking the new T2 terminal in Chhatrapati Shivaji International Airport in Mumbai, India, are treated to artistically silhouetted patterns of light—all powered by our energy-efficient io LED fixtures. The airport's designers wanted lighting inspired by India's rich heritage, but also needed solutions capable of reducing costs and energy consumption while providing precise and adjustable illumination. Our io LED solution reduced heat waste and electrical load, contributing to the airport earning Leadership in Energy and Environmental Design gold certification.

In China, the world's largest market for passenger and commercial vehicles, Eaton's EGerodisc electronic differential will be offered on the 2015 luxury Haval H9 sport-utility vehicle from Great Wall Motors. On demanding road conditions, the EGerodisc provides stability and control, identifying optimal traction based on driver-controlled terrain settings for sand, snow and mud.

Pioneering more efficient motors.

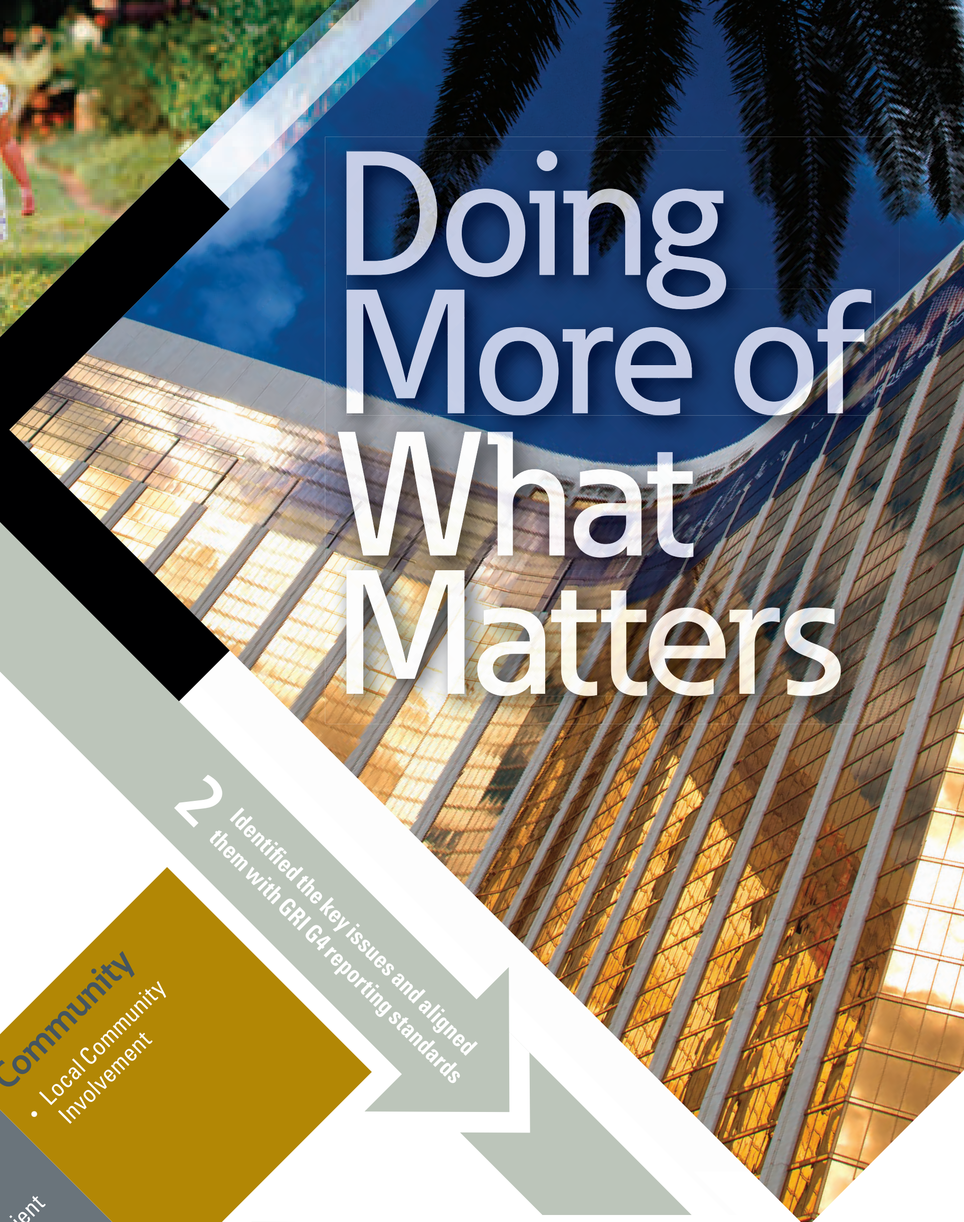
Electric motors are the world's single largest consumer of electrical power, using twice the energy of lighting applications. It's become a pressing global dilemma, especially with the rise in automated machinery coupled with stricter standards for energy-efficient design set by the European Union's Energy Related Products (ErP) directive. That's why we developed the new PowerXL DE1 variable speed starter. It adjusts motor speed to reduce power demand and improve energy efficiency—all in a clever, easy-to-use installation ideal for simple motor applications. Our new Hydre-MAC motor meets the heavyweight demands of industries such as mining, marine and metal recovery. This robust motor uses less energy to provide more power—delivering a staggering 900kW of power at more than 94 percent efficiency.

Learn more online: www.eaton.com/efficient14

1 **Making innovation look good.** Efficiency joins forces with aesthetics and performance to make Eaton a market leader.

2 **Next-generation fuel efficiency.** Commercial aircraft manufacturers rely on Eaton as a single, integrated source of supply.

3 **Smarter solutions to reduce consumption.** Eaton responds to new global directives for reduced power usage with elegant, practical solutions.



Sustainable X

Doing More of What Matters

The Materiality Principle:

Focusing on the sustainability issues most relevant to our stakeholders and our company

1 Collected input from a diverse group of external and internal stakeholders

2 Identified the key issues and aligned them with GRI G4 reporting standards

3 Conducted internal interviews to prioritize the topics with substantive impact

4 Confirmed the top 16 issues with senior leadership

5 Assessed our strategy, goals, metrics, performance and reporting on each issue

Transparency & Governance
- Ethics and Compliance
- Risk Management
- Transparency

Community
- Local Community Involvement

Shareholder Value
- R&D
- Reliable, Safe, Efficient and Sustainable Products
- Operational Excellence
- Economic Value

Workforce
- Employee Engagement
- Development and Training
- Health and Safety
- Inclusion and Diversity

Environment
- GHG and Emissions Reduction
- Spills and Releases
- Waste Reduction
- Water Use

To multiply our impact in sustainability, Eaton is doing more of what matters. In 2014 we started a new conversation about how we measure and report sustainability, driven by the revised Global Reporting Initiative (GRI) G4 standards. The vision is to go beyond "doing a lot" and instead focus on doing more of what makes the greatest impact. We devised a rigorous process to analyze the business issues most material to our company and stakeholders. And we're using the results to multiply our effectiveness in reducing energy consumption, improving the environment and protecting lives.

The Eaton Process for Analyzing Materiality

To take strategic advantage of the GRI G4 focus on reporting the sustainability issues that matter most, we first needed to accurately identify where our greatest impacts occur. This process of analyzing materiality strengthens trust between our stakeholders and us and results in more meaningful sustainability reporting. Ultimately, this more-focused process helps us increase shareholder value, improve the natural environment, expand transparency, foster a thriving workplace and build stronger communities.

Sustainability: fundamental to our business.

Eaton has a long history of helping to create a more sustainable world through our products and solutions, practices and people. Rooted in our corporate philosophy of "Doing Business Right," we work with our customers and suppliers to answer the world's growing need for power without consuming more of the world's resources. We promote the health, safety and development of our employees, and we seek to improve the communities in which we live and work.

In 2014, a number of respected organizations recognized us for leadership in sustainability and responsible business practices. For a sixth year, CDP named us to its S&P 500 Climate Disclosure Leadership Index. CDP recognizes companies that provide "transparency of information" regarding sustainability reporting, initiatives and governance.

Corporate Responsibility magazine named us to its list of "100 Best Corporate Citizens" for the seventh consecutive year, with ratings based on corporate transparency in sustainability reporting.

Driving customer and shareholder value.

Eaton understands global energy trends—and responds to them. We're committed to increasing shareholder value by consistently creating solutions that decrease energy consumption and reduce greenhouse gas (GHG) emissions while helping our customers increase productivity and profitability.

During 2014, we invested $647 million in research and development, continuing our focus on solving both power management and sustainability challenges. During the year, we launched several products that use less energy to create more power with greater reliability, safety and efficiency. Some examples include:

- Explosion-proof LED luminaires, providing durability and safety in harsh environments.
- Variable speed motor starters, meeting new European energy-efficiency standards for applications such as HVAC, material handling and machine building.
- Low-speed, high-torque motors, delivering more power with less energy for industrial applications.
- Powertrain solutions with smart technology, optimizing communication between the engine and transmission and improving driver safety and fuel economy.
- Spiral-wire reinforced hydraulic hose, performing safely in extreme low-temperature environments.

At our operations around the world, we view continuous improvement key to meeting the expectations of our customers and shareholders. This is especially so in today's challenging, slow-growth economic environment. Across our facilities, we have long used sophisticated tools and disciplined processes to plan for and measure operational performance excellence in quality, efficiency and sustainable process improvement.

In 2014, this focus resulted in our San Luis Potosi plant—which manufactures high-quality transmissions, clutches and machined gears and shafts for commercial vehicles—winning Mexico's prestigious National Quality Award. The award, presented by Mexican President Enrique Peña Nieto, recognizes exemplary quality and organizational capability, including innovation, competitiveness and sustainability. The same site also earned the 2014 Industria Limpia (Clean Industry) award from Mexico's Environmental Protection Agency.

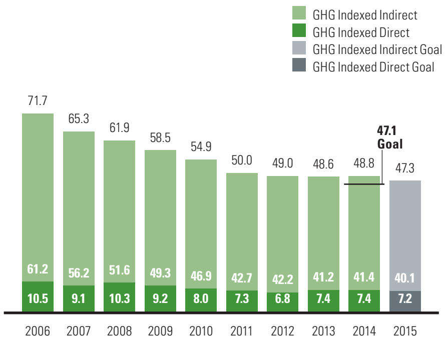
Materiality Metrics

See the complete Metrics online: www.eaton.com/sustainability14

Greenhouse Gas Generation

Indexed to sales, our greenhouse gas (GHG) generation increased by 0.4% in 2014 compared to 2013. On an absolute basis, we increased our GHG generation by 17,700 metric tons (from 772,400 to 790,100), or 2.3% compared to the prior year. Since 2006, we have reduced the total amount of GHG generated by our operations from 1,050,000 metric tons to 790,100, which equals a 24.8% reduction. Indexed to sales, we lowered our GHG emissions by 32% over the period, allowing us to achieve ahead of schedule our 2015 target of 25% reduction versus the 2006 baseline.

INDEXED GHG GENERATED Metric tons of GHG per million dollars of sales

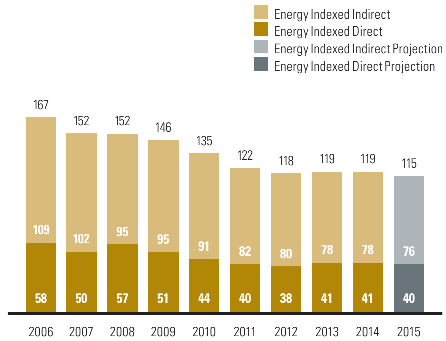


Emission rates are generated using World Resources Institute-recommended CO_2 conversion factors, which account for variations by region. These conversion factors are based on typical energy generation methods, such as those using fossil fuels or other energy sources. When we compare 2014 to 2013, sales from the manufacturing plants that make up Eaton's GHG profile increased by 1.9%.

Energy Consumption

Indexed to sales, our energy use increased by 0.2% in 2014 when compared to 2013. On an absolute basis, our energy consumption increased by 38.2 million kilowatt-hours, or 2.0% compared to the prior year. Since 2006, we have reduced the total energy used by our operations from 2,442 million to 1,926 million kilowatt-hours, which equals a 21.1% reduction. Indexed to sales, we reduced usage by 28.7% over the period, allowing us to achieve ahead of schedule our 2016 target of 25% reduction versus the 2006 baseline.

INDEXED ENERGY USED Kilowatt-hours per $1,000 of sales

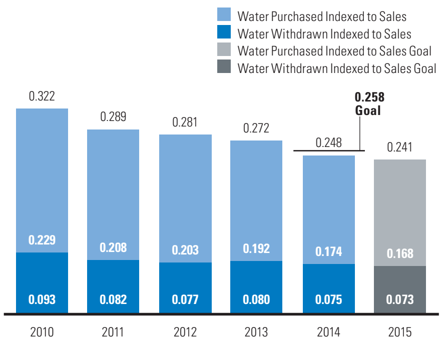


Energy Consumption data were compiled from a majority of Eaton's manufacturing plants worldwide. Of the sites reporting, 15% were located in Asia Pacific; 33% in Europe, the Middle East and Africa; 4% in South America; and 48% in North America. When we compare 2014 to 2013, sales from the manufacturing plants that make up Eaton's energy profile increased by 1.9%.

Water Consumption

Indexed to sales, our water consumption decreased by 8.5% in 2014 compared to 2013. On an absolute basis, we decreased our water consumption by 7.1% compared to the prior year. Eaton does not consume large volumes of water, therefore the majority of the decrease relates to reduction efforts of a few targeted plants. Since 2010, we have reduced our water consumption from 4,320,000 to 3,800,000 cubic meters, which equals a 12.0% reduction. Indexed to sales, we reduced water usage by 22.9% over the period, allowing us to achieve ahead of schedule our 2015 target of 20% reduction versus the 2010 baseline.

INDEXED WATER CONSUMED Cubic meters of water per $1,000 of sales

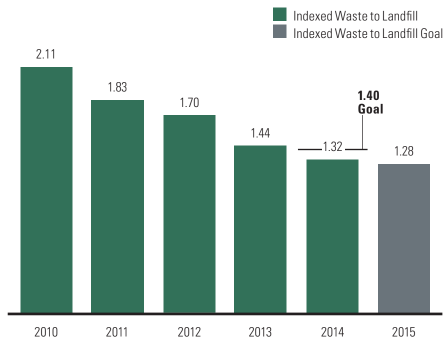


Water Consumption data reported represent a majority of Eaton's water consumption at manufacturing plants worldwide. Of the sites reporting, 16% were in Asia Pacific; 29% in Europe, the Middle East and Africa; 3% in South America; and 52% in North America. When we compare 2014 to 2013, sales from the manufacturing plants used to create Eaton's water profile increased by 1.6%.

Waste to Landfill

Indexed to sales, our waste to landfill, which includes waste incinerated without heat recovery, decreased by 8.0% in 2014 compared to 2013. On an absolute basis, we decreased our generation by 6.7% (from 21,800 metric tons in 2013 to 20,400 in 2014), a total decrease of 1,400 metric tons. Since 2010, we have reduced the waste sent to landfill by our operations from 28,500 to 20,400 metric tons, which equals a 28.6% reduction. Indexed to sales, we lowered landfilled waste by 37.3% over the period, allowing us to achieve ahead of schedule our 2015 target of 30% reduction versus the 2010 baseline.

INDEXED WASTE TO LANDFILL Metric tons of waste per million dollars of sales

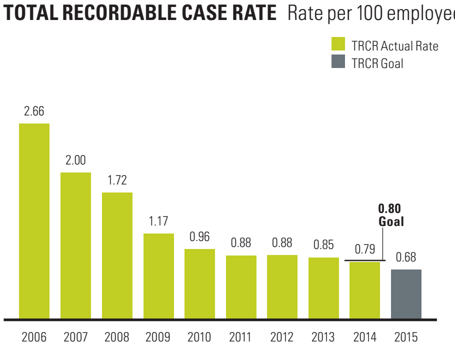


Waste to Landfill data were compiled from a majority of Eaton's manufacturing plants worldwide. Of the sites reporting, 16% were in Asia Pacific; 29% in Europe, the Middle East and Africa; 3% in South America; and 52% in North America. When we compare 2014 to 2013, sales from the manufacturing plants used to create Eaton's waste profile increased by 1.4%.

Health and Safety

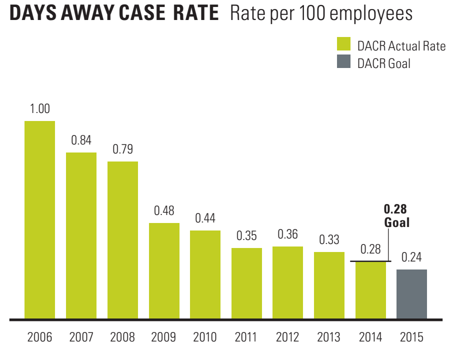
We met our goals for both the Total Recordable Case Rate (0.80) and Days Away Case Rate (0.28).

TOTAL RECORDABLE CASE RATE Rate per 100 employees



Health and Safety Recordable Cases are work-related injuries or illnesses as defined by the U.S. Occupational Safety and Health Administration (OSHA).

DAYS AWAY CASE RATE Rate per 100 employees



Days Away Cases are injuries or illnesses involving one or more days away from work as defined by OSHA.

TRCR and DACR metrics include working hours and accidents from recent acquisitions; therefore our 2014 goal was modified to reflect the adjusted baseline. For environmental metrics, Eaton's internal management guidelines require that data from acquisition sites be excluded for three years.

Energy, waste, water and safety data are collected and reported through use of company processes that are designed to produce reliable information. EarthCon Consultants Inc. reviews our waste and water data processes and provides a third-party verification of our energy and GHG data (verification statements are available at www.eaton.com/sustainability).

Materiality Metrics percent changes are based on actual values; rounded values are shown in the charts.

Eaton facilities around the globe are engaging employees to achieve zero waste-to-landfill goals. Forty-four Eaton locations keep at least 98 percent of their waste out of landfills. It's part of doing business right at Eaton.

Since 2010, we have reduced waste sent to landfill by 8,157 metric tons, about 37 percent (indexed to sales). We reduced our water consumption by 520,000 cubic meters, nearly 23 percent (indexed to sales). Since 2006, we have reduced the total amount of GHGs generated by our operations by nearly 260,000 metric tons, a reduction of 32 percent (indexed to sales).

In 2014, 44 of our facilities achieved zero waste-to-landfill status, up from 29 in the prior year. An Eaton facility is designated as a zero waste-to-landfill site when it consistently achieves a diversion rate of 98 percent through recycling, reuse, composting or incineration (when the heat generated is collected and used to create more energy than required for incineration). We modeled our zero-waste benchmark on standards set by an internationally recognized certifying organization. By reducing the volume of waste sent to landfills, our global zero waste-to-landfill program helps to reduce the release of GHGs associated with landfills, especially methane, a harmful GHG 20 times more potent than carbon dioxide.

One of our largest sources of waste to landfill is grinding swarf, debris made up of oil residue and metal particles that remain after grinding metal gears. Historically, swarf has been difficult to recycle. In 2014, our Bosconero, Italy, plant, a zero waste-to-landfill site, found a creative—and sustainable—way to dispose of swarf. The plant invested in equipment that separates the oil residue for reuse and compresses the remaining metal particles into briquettes, which can be sold and recycled.

Meeting the challenge to protect the environment.

Whether reducing emissions, waste and water consumption or preventing and remediating spills and releases, we are committed to environmental stewardship and reducing the environmental impact of our products and operations. We believe that sustainable practices are integral to growing profitably and responsibly. We've set tough performance goals for ourselves—and we accept them as a call to action to create value for our customers and shareholders.

To control and manage chemicals at our facilities, we work to assure minimal risk of release and environmental impact. We aggressively prevent or manage spills or releases at our facilities around the world—through proactive measures, bioremediation or other measures and by working cooperatively with state, federal or provincial agencies. As a recent example, at one of our facilities in Michigan we are mitigating the source of historical groundwater contamination with ozone injection, an innovative and minimally invasive approach. In less than two years we achieved a 75 to 90 percent reduction of contaminant.

More than five years ago we committed to meeting several environmental goals by 2015—and we have already exceeded them. We reduced waste to landfill by 30 percent and water consumption by 20 percent (both compared to our 2010 baseline). We reduced GHG emissions by 25 percent (compared to a 2006 baseline). And we've already met our commitment to the U.S. Department of Energy's "Better Buildings, Better Plants" program to reduce our energy use by 25 percent by 2016 (compared to our 2006 baseline).

Fostering an inclusive, diverse and thriving workplace.

Eaton's culture places high value on employee health, safety, inclusion and career advancement. Our innovation, productivity and creativity depend on our ability to draw the very best people from the global, cross-cultural talent pool reflecting the diversity of our customers, communities and markets.

Eaton Global Employment

Table 1

(As of December 31, 2014)	Total Global	Number of Women	Percentage of Women	Total U.S.	Number of Minorities (U.S. only)	Percentage of Minorities (U.S. only)
Board of directors	12	3	25.0%	12	3	25.0%
Global leadership team	31	5	16.1%	31	9	29.0%
Executives	704	120	17.0%	517	65	12.6%
Managers	7,722	1,334	17.3%	4,415	672	15.2%
All other employees	93,770	29,038	31.0%	28,226	8,300	29.4%
All employees	102,227	30,497	29.8%	33,189	9,046	27.3%

Diverse Supplier Spending

Table 2

(In millions)	2014	Percentage of 2014 U.S. Spend	2013	Percentage of 2013 U.S. Spend	2012	Percentage of 2012 U.S. Spend
Minority-owned business	$ 256	5.9%	$ 229	5.5%	$ 235	5.6%
Women-owned business	173	4.0%	172	4.1%	146	3.5%
Veteran-owned business	106	2.5%	103	2.5%	109	2.6%
Small business (other than classified above)	759	17.6%	774	18.5%	915	21.7%

For the sixth year, Eaton was named among the Top 100 Military Friendly Employers, topping the list in the manufacturing industry category. Eaton was also named a Top 50 Employer for Workforce Diversity in the 2014 Reader's Choice Awards as chosen by readers of *Workforce Diversity for Engineering and IT Professionals* magazine. And in Brazil, we ranked first place for social responsibility in 2014 by the magazine *IstoÉ Dinheiro*, recognizing Eaton for promoting inclusion and sponsoring initiatives for community development.

In 2014 we launched "Valuing Inclusion & Diversity at Eaton: The Power of Perspectives," an executive education program focused on the business rationale for inclusion and diversity, with topics including emotional and cultural intelligence and leaders as change agents.

To help foster awareness, respect and inclusion within the workplace, we launched three inclusion resource groups: WAVE (Women Adding Value at Eaton); ENGAGE (Eaton Next Generation Achieving Goals and Excelling); and Military Veterans. Open to all Eaton employees, the groups support the inclusion and diversity goals and objectives determined by our global and regional inclusion councils.

In addition, we developed a new strategy to attract diverse talent through widening our partnership with more than 50 diversity and veterans associations. During 2014, we added a new member to our Board of Directors, increasing the representation of women on the board, and increased the number of women and minorities in executive and management roles.

We also strengthened employee engagement with expanded support for global education and career development. Six new "Functional Colleges" now provide online access to hundreds of learning resources most relevant to specific functions within Eaton, such as sales and marketing, engineering and finance. More than 31,000 Eaton employees participated in the colleges in 2014.

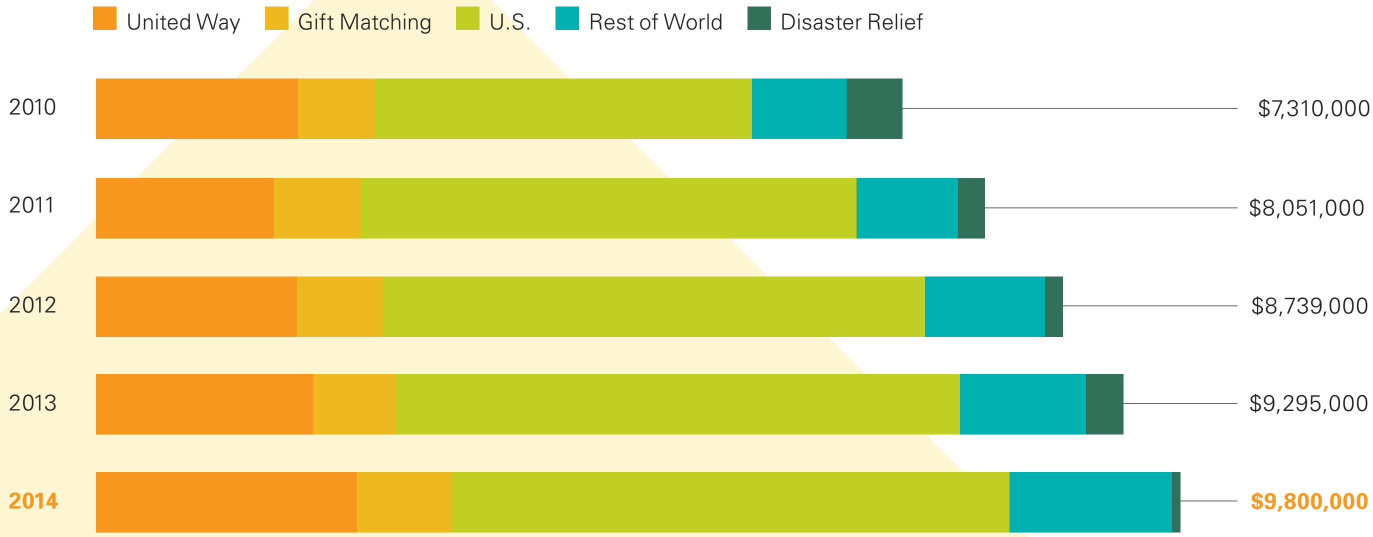
We expanded our Global Learning Hubs to improve employee access to career growth and learning opportunities in more regions around the world. The new Regional Learning Hub in Prague, Czech Republic, enhances employee support throughout Europe, the Middle East and Africa, and we expanded the Asia Pacific Hub to better serve that region. Worldwide, Eaton employees completed 230,000 courses in 2014, a 19 percent increase from 2013. We also deployed two new skills-building programs designed expressly for manufacturing environments.

A diverse supplier base is equally vital to the continued growth and success of our company and communities. In 2014, we increased spending with strategic diverse suppliers and identified several more. Collectively, we purchased nearly $1.3 billion of goods and services from small and diverse suppliers in 2014, a 1.3 percent increase over the previous year. Eaton's combined spending with minority, women and veteran-owned businesses was 12.4 percent of supplier spending in 2014 and 12.1 percent in 2013. For 2015, we expect combined spending with these diverse businesses to reach 15 percent of supplier spending.

In workforce health and safety, we met or exceeded our targeted 2014 goals for both Total Recordable Case Rate (0.80) and Days Away Case Rate (0.28). This achievement was due in great part to the success of our Zero Incident Safety Culture efforts and our Focus Site program, a disciplined process of data analysis to identify and understand key hazards and risks and to prioritize improvement plans to eliminate safety incidents at Eaton facilities. During 2014, sites in the Focus Site program reduced their Total Recordable Case Rate by 38 percent. Sadly, we suffered three work-related fatalities, which tell us that while we have made progress in implementing our Zero Incident Safety Culture, we have more work to do.

And, finally, to really live by Eaton values, employees must have the opportunity to voice concerns and resolve workplace issues. Eaton's Office of the Ombuds provides employees with an independent, neutral and confidential resource for identifying and resolving work-related issues and problems. During 2014, we expanded Ombuds services to employees in Japan, Saudi Arabia and Turkey.

Eaton Charitable Contributions



Promoting an open and ethical workplace.

Our reputation for integrity is at the core of the Eaton brand; it's a promise we make to our customers, our employees, our shareholders and the communities we serve. To ensure we continue to meet this promise every day, our Global Ethics Office maintains a comprehensive global ethics and compliance program designed to meet and exceed government standards.

In 2014, we deployed "Leading with Integrity" training for managers to help them improve ethical decision-making in their day-to-day work environments. We further strengthened this competency through leadership development programs that focus on ethical decision-making as a key leadership responsibility for our executive, mid-level and future leaders. We also launched our new "Values in Action" online compliance training curriculum, targeted to employees in high-risk environments. And we've added additional ethics and compliance resources in our growth regions, increasing support to help local managers identify and assess the impact of emerging risks, legislation and enforcement trends.

Supporting strong and sustainable communities.

We work hard to become part of the communities in which we live and work. Our involvement in communities not only makes us a good neighbor, but helps us attract and retain the best local talent. And, because local Eaton employees best know the needs of their communities, they determine where Eaton donates a large share of contributions and volunteer hours. We help support hundreds of local organizations every year. Eaton people also contribute countless hours of their own time to local causes.

Notable examples of our local activities in 2014 include:

- In China, Eaton donated $40,000 to support Habitat for Humanity China in its efforts to renovate senior housing for elderly citizens in the Shanghai area. Eaton has supported this cause for several years.
- In Haina, Dominican Republic, Eaton donated $100,000 to build the Francisco del Rosario Sanchez School in an area that had no access to basic education. Eaton employees also volunteer time to work with students.
- In Taiwan, Eaton employees participated in the 2014 International Coastal Cleanup, helping collect 3,300 pounds of trash. Eaton also supported the event with a $20,000 donation to the Society of Wilderness.
- In Cleveland, Ohio, we donated $100,000 to help with the construction of the Greater Cleveland Fisher House, which will provide free lodging for families of veterans hospitalized and under treatment at area hospitals.

We base our yearly contributions on a rolling average of our annual profits, so as we grow, so do our contributions to the communities in which we live and work. In 2014, that was nearly $9.8 million, including $866,000 in corporate matches through our retiree and employee matching gift program. Eaton employees donated $4.28 million to 141 local United Way campaigns during the year. We added $2.34 million in corporate matches for a total United Way contribution of $6.62 million. We also contributed more than $82,000 to relief funds for disasters such as the magnitude 6.4 earthquake in China's Yunnan Province and a devastating tornado in Searcy, Arkansas.

Learn more about our sustainability efforts at Eaton.com.

Eaton affirms our commitment to transparency through reports like this one and by sharing our data and best practices through cooperative efforts such as the CDP. We strive to align our information with the Global Reporting Index (GRI) G4 standards.

Learn more or view our full GRI Content Index online at: www.eaton.com/sustainability

Financial Information

Multiplying Power.
Multiplying Performance.

See the Financial Information online:
www.eaton.com/financials14

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Eaton Corporation plc

We have audited the accompanying consolidated balance sheets of Eaton Corporation plc ("the Company") as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) and our report dated February 26, 2015 expressed an unqualified opinion thereon.

Ernst & Young LLP

Ernst & Young LLP

Cleveland, Ohio
February 26, 2015

Management's Report on Financial Statements

We have prepared the accompanying consolidated financial statements and related information of Eaton Corporation plc ("Eaton") included herein for the three years ended December 31, 2014. The primary responsibility for the integrity of the financial information included in this annual report rests with management. The financial information included in this annual report has been prepared in accordance with accounting principles generally accepted in the United States based on our best estimates and judgments and giving due consideration to materiality. The opinion of Ernst & Young LLP, Eaton's independent registered public accounting firm, on those financial statements is included herein.

Eaton has high standards of ethical business practices supported by the Eaton Code of Ethics and corporate policies. Careful attention is given to selecting, training and developing personnel, to ensure that management's objectives of establishing and maintaining adequate internal controls and unbiased, uniform reporting standards are attained. Our policies and procedures provide reasonable assurance that operations are conducted in conformity with applicable laws and with the Company's commitment to a high standard of business conduct.

The Board of Directors pursues its responsibility for the quality of Eaton's financial reporting primarily through its Audit Committee, which is composed of six independent directors. The Audit Committee meets regularly with management, the internal auditors and the independent registered public accounting firm to ensure that they are meeting their responsibilities and to discuss matters concerning accounting, control, audits and financial reporting. The internal auditors and independent registered public accounting firm have full and free access to senior management and the Audit Committee.

Alexander M. Cutler
Principal Executive Officer

Richard H. Fearon
Principal Financial Officer

Ken D. Semelsberger
Principal Accounting Officer

February 26, 2015

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Eaton Corporation plc

We have audited Eaton Corporation plc's ("the Company") internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2014 and our report dated February 26, 2015 expressed an unqualified opinion thereon.

Ernst + Young LLP

Ernst & Young LLP

Cleveland, Ohio
February 26, 2015

Management's Report on Internal Control Over Financial Reporting

The management of Eaton Corporation plc ("Eaton") is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act rules 13a-15(f)).

Under the supervision and with the participation of Eaton's management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2014. In conducting this evaluation, we used the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework (2013 Framework). Based on this evaluation under the framework referred to above, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2014.

The independent registered public accounting firm Ernst & Young LLP has issued an audit report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2014. This report is included herein.

Alexander M. Cutler

Principal Executive Officer

Richard H. Fearon

Principal Financial Officer

Ken D. Semelsberger

Principal Accounting Officer

February 26, 2015

Consolidated Statements of Income

YEAR ENDED DECEMBER 31	**2014**	2013	2012
(In millions except for per share data)			
Net sales	$ 22,552	$ 22,046	$ 16,311
Cost of products sold	15,646	15,369	11,448
Selling and administrative expense	3,810	3,886	2,894
Litigation settlements	644	-	-
Research and development expense	647	644	439
Interest expense - net	227	271	208
Other (income) expense - net	(183)	(8)	71
Income before income taxes	1,761	1,884	1,251
Income tax (benefit) expense	(42)	11	31
Net income	1,803	1,873	1,220
Less net income for noncontrolling interests	(10)	(12)	(3)
Net income attributable to Eaton ordinary shareholders	$ 1,793	$ 1,861	$ 1,217
Net income per ordinary share			
Diluted	$ 3.76	$ 3.90	$ 3.46
Basic	3.78	3.93	3.54
Weighted-average number of ordinary shares outstanding			
Diluted	476.8	476.7	350.9
Basic	474.1	473.5	347.8
Cash dividends declared per ordinary share	$ 1.96	$ 1.68	$ 1.52

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

Consolidated Statements of Comprehensive Income

YEAR ENDED DECEMBER 31	2014	2013	2012
(In millions)			
Net income	$ 1,803	$ 1,873	$ 1,220
Less net income for noncontrolling interests	(10)	(12)	(3)
Net income attributable to Eaton ordinary shareholders	1,793	1,861	1,217
Other comprehensive (loss) income, net of tax			
Currency translation and related hedging instruments	(1,019)	(28)	135
Pensions and other postretirement benefits	(315)	429	(152)
Cash flow hedges	(5)	3	17
Other comprehensive (loss) income attributable to Eaton ordinary shareholders	(1,339)	404	-
Total comprehensive income attributable to Eaton ordinary shareholders	$ 454	$ 2,265	$ 1,217

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

Consolidated Balance Sheets

DECEMBER 31	2014	2013
(In millions)		
Assets		
Current assets		
Cash	$ 781	$ 915
Short-term investments	245	794
Accounts receivable - net	3,667	3,648
Inventory	2,428	2,382
Deferred income taxes	593	577
Prepaid expenses and other current assets	386	415
Total current assets	8,100	8,731
Property, plant and equipment		
Land and buildings	2,343	2,461
Machinery and equipment	5,621	5,504
Gross property, plant and equipment	7,964	7,965
Accumulated depreciation	(4,214)	(4,132)
Net property, plant and equipment	3,750	3,833
Other noncurrent assets		
Goodwill	13,893	14,495
Other intangible assets	6,556	7,186
Deferred income taxes	228	240
Other assets	1,002	1,006
Total assets	$33,529	$35,491
Liabilities and shareholders' equity		
Current liabilities		
Short-term debt	$ 2	$ 13
Current portion of long-term debt	1,008	567
Accounts payable	1,940	1,960
Accrued compensation	420	461
Other current liabilities	1,985	1,913
Total current liabilities	5,355	4,914
Noncurrent liabilities		
Long-term debt	8,024	8,969
Pension liabilities	1,812	1,465
Other postretirement benefits liabilities	513	668
Deferred income taxes	901	1,313
Other noncurrent liabilities	1,085	1,299
Total noncurrent liabilities	12,335	13,714
Shareholders' equity		
Ordinary shares (467.9 million outstanding in 2014 and 475.1 million in 2013)	5	5
Capital in excess of par value	11,605	11,483
Retained earnings	7,078	6,866
Accumulated other comprehensive loss	(2,899)	(1,560)
Shares held in trust	(3)	(3)
Total Eaton shareholders' equity	15,786	16,791
Noncontrolling interests	53	72
Total equity	15,839	16,863
Total liabilities and equity	$33,529	$35,491

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

Consolidated Statements of Cash Flows

YEAR ENDED DECEMBER 31	2014	2013	2012
(In millions)			
Operating activities			
Net income	$ 1,803	$ 1,873	$ 1,220
Adjustments to reconcile to net cash provided by operating activities			
Depreciation and amortization	983	997	598
Deferred income taxes	(382)	(311)	(155)
Pension and other postretirement benefits expense	293	384	335
Contributions to pension plans	(362)	(341)	(413)
Contributions to other postretirement benefits plans	(40)	(59)	(43)
Excess tax benefit from equity-based compensation	(20)	(32)	(21)
(Gain) loss on sale of businesses	(68)	(2)	1
Changes in working capital			
Accounts receivable - net	(205)	(231)	108
Inventory	(152)	(92)	166
Accounts payable	49	86	(220)
Accrued compensation	(32)	-	(52)
Accrued income and other taxes	(73)	1	(86)
Other current assets	73	(42)	117
Other current liabilities	8	(46)	30
Other - net	3	100	79
Net cash provided by operating activities	1,878	2,285	1,664
Investing activities			
Capital expenditures for property, plant and equipment	(632)	(614)	(593)
Cash received from (paid for) acquisitions of businesses, net of cash acquired	2	(9)	(6,936)
Sales (purchases) of short-term investments - net	522	(288)	603
Proceeds from sales of businesses	282	777	3
Other - net	(31)	(68)	(49)
Net cash provided by (used in) investing activities	143	(202)	(6,972)
Financing activities			
Proceeds from borrowings	-	9	7,156
Payments on borrowings	(582)	(1,096)	(1,324)
Payments of financing costs	-	-	(117)
Cash dividends paid	(929)	(796)	(512)
Exercise of employee stock options	54	121	95
(Repurchase) issuance of shares	(650)	-	159
Excess tax benefit from equity-based compensation	20	32	21
Other - net	(43)	(6)	2
Net cash (used in) provided by financing activities	(2,130)	(1,736)	5,480
Effect of currency on cash	(25)	(9)	20
Total (decrease) increase in cash	(134)	338	192
Cash at the beginning of the period	915	577	385
Cash at the end of the period	$ 781	$ 915	$ 577

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

Consolidated Statements of Shareholders' Equity

(In millions)	Ordinary shares		Capital in excess of par value	Retained earnings	Accumulated other comprehensive loss	Shares held in trust	Total Eaton shareholders' equity	Noncontrolling interests	Total equity
	Shares	Dollars							
Balance at January 1, 2012	334.4	$ 167	$ 4,169	$ 5,103	$ (1,964)	$ (6)	$ 7,469	$ 23	$ 7,492
Net income	-	-	-	1,217	-	-	1,217	3	1,220
Other comprehensive income (loss), net of tax					-		-	-	-
Cash dividends paid	-	-	-	(512)	-	-	(512)	(3)	(515)
Exchange of Eaton Corporation shares (par value $0.50 per share) for Eaton shares (par value $0.01 per share)	-	(166)	166	-	-	-	-	-	-
Issuance of shares under equity-based compensation plans - net (net of income tax benefit of $23)	5.0	2	129	(2)	-	-	129	-	129
Issuance of shares under employee benefit plans	3.2	-	166	-	-	2	168	-	168
Issuance of shares from acquisition of business	128.1	2	6,648	(1)	-	-	6,649	42	6,691
Registration of ordinary shares	-	-	(7)	-	-	-	(7)	-	(7)
Balance at December 31, 2012	470.7	5	11,271	5,805	(1,964)	(4)	15,113	65	15,178
Net income	-	-	-	1,861	-	-	1,861	12	1,873
Other comprehensive income, net of tax					404		404	-	404
Cash dividends paid	-	-	-	(796)	-	-	(796)	(5)	(801)
Issuance of shares under equity-based compensation plans - net (net of income tax benefit of $32)	4.4	-	212	(4)	-	1	209	-	209
Balance at December 31, 2013	475.1	5	11,483	6,866	(1,560)	(3)	16,791	72	16,863
Net income	-	-	-	1,793	-	-	1,793	10	1,803
Other comprehensive loss, net of tax					(1,339)		(1,339)	-	(1,339)
Cash dividends paid	-	-	-	(929)	-	-	(929)	(5)	(934)
Issuance of shares under equity-based compensation plans - net (net of income tax benefit of $20)	2.4	-	136	(2)	-	-	134	-	134
Purchase of additional noncontrolling interest of consolidated subsidiaries	-	-	(14)	-	-	-	(14)	(24)	(38)
Repurchase of shares	(9.6)	-	-	(650)	-	-	(650)	-	(650)
Balance at December 31, 2014	467.9	$ 5	$ 11,605	$ 7,078	$ (2,899)	$ (3)	$ 15,786	$ 53	$ 15,839

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 and Basis of Presentation

Eaton Corporation plc (Eaton or the Company) is a power management company with 2014 net sales of $22.6 billion. The Company provides energy-efficient solutions that help its customers effectively manage electrical, hydraulic and mechanical power more efficiently, safely and sustainably. Eaton has approximately 102,000 employees in over 60 countries and sells products to customers in more than 175 countries.

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States. 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. Management has evaluated subsequent events through the date the consolidated financial statements were filed with the Securities Exchange Commission.

The consolidated financial statements include the accounts of Eaton and all subsidiaries and other entities it controls. Intercompany transactions and balances have been eliminated. The equity method of accounting is used for investments in associate companies where the Company has significant influence and generally a 20% to 50% ownership interest. Equity investments are evaluated for impairment whenever events or circumstances indicate the book value of the investment exceeds fair value. An impairment would exist if there is an other-than-temporary decline in value. These associate companies are not material either individually, or in the aggregate, to Eaton's consolidated financial statements. Eaton does not have off-balance sheet arrangements or financings with unconsolidated entities. In the ordinary course of business, the Company leases certain real properties and equipment, as described in Note 7.

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 Accumulated other comprehensive loss.

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

Revenue Recognition

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

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

Goodwill and Indefinite Life Intangible Assets

Goodwill is evaluated annually for impairment as of July 1 using either a quantitative or qualitative analysis. Goodwill is tested for impairment at the reporting unit level, which is equivalent to Eaton's operating segments and based on the net assets for each segment, including goodwill and intangible assets. Goodwill is assigned to each operating segment, as this represents the lowest level that constitutes a business and is the level at which management regularly reviews the operating results. The Company performs a quantitative analysis using a discounted cash flow model and other valuation techniques, but may elect to perform a qualitative analysis. Additionally, goodwill and indefinite life intangible assets are evaluated for impairment whenever events or circumstances indicate there may be a possible permanent loss of value.

Goodwill impairment testing for 2014 was performed using a qualitative analysis, which is performed by assessing certain trends and factors, including projected market outlook and growth rates, forecasted and actual sales and operating profit margins, discount rates, industry data, and other relevant qualitative factors. These trends and factors are compared to, and based on, the assumptions used in the most recent quantitative assessment. The results of the qualitative analysis did not indicate a need to perform a quantitative analysis.

Goodwill impairment testing for 2013 was performed using a quantitative analysis under which the fair value for each reporting unit was estimated using a discounted cash flow model, which considered forecasted cash flows discounted at an estimated weighted-average cost of capital. The forecasted cash flows were based on the Company's long-term operating plan and a terminal value was used to estimate the operating segment's cash flows beyond the period covered by the operating plan. The weighted-average cost of capital is an estimate of the overall after-tax rate of return required by equity and debt market holders of a business enterprise. These analyses require the exercise of significant judgments, including judgments about appropriate discount rates, perpetual growth rates and the timing of expected future cash flows of the respective reporting unit. Sensitivity analyses were performed in order to assess the reasonableness of the assumptions and the resulting estimated fair values.

For 2014 and 2013, based on a qualitative and quantitative analysis, respectively, the fair values of Eaton's reporting units continue to substantially exceed the respective carrying amounts.

Indefinite life intangible assets consist of 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 2014 and 2013 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. For 2014 and 2013, the fair value of indefinite lived intangible assets substantially exceeded the respective carrying value.

For additional information about goodwill and other intangible assets, see Note 4.

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, 2014, the weighted-average amortization period for intangible assets subject to amortization was 17 years for patents and technology, primarily as a result of the long life of aircraft platforms; 17 years for customer relationships; and 16 years for trademarks. Software is amortized up to a maximum life of 10 years.

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

Retirement Benefits Plans

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

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

Warranty Accruals

Product warranty accruals are established at the time the related sale is recognized through a charge to Cost of products sold. Warranty accrual estimates are based primarily on historical warranty claim experience and specific customer contracts. Provisions for warranty accruals are comprised of basic warranties for products sold, as well as accruals for product recalls and other events when they are known and estimable. See Note 7 for additional information about warranty accruals.

Asset Retirement Obligations

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

Income Taxes

Deferred income tax assets and liabilities are determined based on the difference between the financial statement and tax basis of the respective assets and liabilities, using enacted tax rates in effect for the year when the differences are expected to reverse. Deferred income tax assets are recognized for income tax loss carryforwards and income tax credit carryforwards. Judgment is required in determining and evaluating income tax provisions and valuation allowances for deferred income tax assets. Eaton recognizes the income tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Eaton evaluates and adjusts these accruals based on changing facts and circumstances. Eaton recognizes interest and penalties related to unrecognized income tax benefits in the provision for income tax expense. Penalties on unrecognized income tax benefits have been accrued for jurisdictions where penalties are automatically applied to any deficiency, regardless of the merit of the position. For additional information about income taxes, see Note 8.

Equity-Based Compensation

Eaton recognizes equity-based compensation expense based on the grant date fair value of the award over the period during which an employee is required to provide service in exchange for the award. Participants awarded restricted stock units (RSUs) do not receive dividends; therefore, their fair value is determined by reducing the closing market price of the Company's ordinary shares on the date of grant by the present value of the estimated dividends had they been paid. The RSUs entitle the holder to receive one ordinary share for each RSU upon vesting, generally over three or four years. The fair value of restricted stock awards (RSAs) is determined based on the closing market price of the Company's ordinary shares at the date of grant. RSAs are issued and outstanding at the time of grant, but remain subject to forfeiture until vested, generally over three or four years. Stock options are granted with an exercise price equal to the closing market price of Eaton ordinary shares on the date of grant. The fair value of stock options is determined using a Black-Scholes option-pricing model, which incorporates assumptions regarding the expected volatility, the expected option life, the risk-free interest rate, and the expected dividend yield. See Note 10 for additional information about equity-based compensation.

Derivative Financial Instruments and Hedging Activities

Eaton uses derivative financial instruments to manage the exposure to the volatility in raw material costs, currency, and interest rates on certain debt. These instruments are marked to fair value in the accompanying Consolidated Balance Sheets. Changes in the fair value of derivative assets or liabilities (i.e., gains or losses) are recognized depending upon the type of hedging relationship and whether an instrument has been designated as a hedge. For those instruments that qualify for hedge accounting, Eaton designates the hedging instrument, based upon the exposure being hedged, as a cash flow hedge, a fair value hedge, or a hedge of a net investment in a foreign operation. Changes in fair value of these instruments that do not qualify for hedge accounting are recognized immediately in net income. See Note 12 for additional information about hedges and derivative financial instruments.

Recently Issued Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (ASU 2014-09). This accounting standard supersedes all existing US GAAP revenue recognition guidance. Under ASU 2014-09, a company will recognize revenue when it transfers the control of promised goods or services to customers in an amount that reflects the consideration which the company expects to collect in exchange for those goods or services. ASU 2014-09 will require additional disclosures in the notes to the consolidated financial statements and is effective for annual and interim reporting periods beginning after December 15, 2016. Eaton is evaluating the impact of ASU 2014-09 and an estimate of the impact to the consolidated financial statements cannot be made at this time.

Note 2. Acquisitions and Sales of Businesses

In 2012, Eaton acquired businesses for combined purchase prices totaling $13,796. The Consolidated Statements of Income include the results of these businesses from the dates of the transactions or formation.

Cooper Industries plc

On November 30, 2012, Eaton Corporation acquired Cooper Industries plc (Cooper) for a purchase price of $13,192. At the completion of the transaction, the holder of each Cooper common share received from Eaton $39.15 in cash and 0.77479 of an Eaton ordinary share. As a result of the transaction, based on the number of outstanding shares of Eaton Corporation and Cooper as of November 30, 2012, former Eaton Corporation and Cooper shareholders held approximately 73% and 27%, respectively, of Eaton's ordinary shares after giving effect to the acquisition.

Cooper was a diversified global manufacturer of electrical products and systems, with brands including Bussmann electrical and electronic fuses; Crouse-Hinds and CEAG explosion-proof electrical equipment; Halo and Metalux lighting fixtures; and Kyle and McGraw-Edison power systems products. Cooper had annual sales of $5,409 for 2011. For segment reporting purposes, Cooper has been included in Electrical Products and Electrical Systems and Services business segments. See Note 14 for additional information about business segments.

Fair Value of Consideration Transferred

The total purchase price for the acquisition of Cooper was $13,192, comprised of Eaton share consideration valued at $6,649 and cash consideration for Cooper shares of $6,474 and to settle certain Cooper equity-based compensation plans of $69, as follows:

Cooper shares outstanding as of November 30, 2012	163.6
Cooper shares issued pursuant to conversion of stock options and share units outstanding under Cooper equity-based compensation plans	1.8
Total Cooper shares and share equivalents prior to transaction	165.4
Exchange ratio per share	0.77479
Total Eaton shares issued	128.1
Weighted-average Eaton Corporation per share price on November 30, 2012	$ 51.91
Total value of Eaton shares issued	$ 6,649
Total cash consideration paid at $39.15 per Cooper share and share equivalent	6,474
Total cash consideration paid for equity-based compensation plans	69
Total consideration	$ 13,192

Purchase Price Allocation

The acquisition of Cooper has been accounted for using the acquisition method of accounting which requires, among other things, the assets acquired and liabilities assumed be recognized at their respective fair values as of the acquisition date. For accounting purposes, Eaton has been treated as the acquirer in the transaction. The process for estimating the fair values of identifiable intangible assets and certain tangible assets and assumed liabilities requires the use of judgment in determining the appropriate assumptions and estimates.

The purchase price allocation below represents Cooper's opening balance sheet on November 30, 2012, which was initially reported in Eaton's Form 10-K for the year ended December 31, 2012, updated by Exhibit 99.1 of Eaton's current report on Form 8-K filed on September 6, 2013 and subsequently updated in Eaton's Form 10-K for the year ended December 31, 2013. During the measurement period, which ended November 30, 2013, opening balance sheet adjustments were made to finalize Eaton's preliminary fair value estimates related primarily to intangible assets, goodwill, certain property values, contingent liabilities and the related deferred tax impact. Eaton's consolidated balance sheet at December 31, 2012, as presented in the Company's Form 10-K for the year ended December 31, 2013, was adjusted to reflect the final purchase price allocation. The Company did not revise the Consolidated Statement of Income for the year ended December 31, 2013, as any adjustment was considered immaterial.

	November 30, 2012 (as previously reported)	Adjustments	November 30, 2012 (final adjusted)
Working capital accounts [1]	$ 2,304	$ (18)	$ 2,286
Prepaid expenses and other current assets	204	69	273
Property, plant and equipment	885	(40)	845
Investment in Apex Tool Group, LLC	807	(7)	800
Intangible assets	5,250	119	5,369
Other assets	35	30	65
Debt	(1,221)	-	(1,221)
Accounts payable	(519)	3	(516)
Other current liabilities	(673)	(206)	(879)
Other noncurrent liabilities	(2,185)	(177)	(2,362)
Total identifiable net asset	4,887	(227)	4,660
Goodwill	8,305	227	8,532
Total consideration	$ 13,192	$ -	$ 13,192

(1) Working capital accounts include Cash, Short-term investments, Accounts receivable and Inventory.

Goodwill has been allocated to the Electrical Products and Electrical Systems and Services segments. Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the expected revenue and cost synergies of the combined company and assembled workforce, which are further described above. Goodwill recognized as a result of the acquisition is not deductible for tax purposes. See Note 4 for additional information about goodwill and other intangible assets.

The estimated fair value of Accounts receivable is based on the historical gross contractual amount receivable as of the acquisition date and totals $955.

Contingent liabilities assumed as part of the transaction total $419 and are included in Other current liabilities and Other noncurrent liabilities. These contingent liabilities are related to environmental, legal (including product liability claims) and tax matters. Contingent liabilities are recorded at fair value in purchase accounting, aside from those pertaining to uncertainty in income taxes which are an exception to the fair value basis of accounting. Legal matters, and certain environmental matters that are legal in nature, are recorded at the respective probable and estimable amount.

Actual and Pro Forma Impact

Eaton's Consolidated Financial Statements for the year ended December 31, 2012 include Cooper's results of operations from the date of acquisition on November 30, 2012 through December 31, 2012. Net sales and operating profit attributable to Cooper during this period and included in Eaton's Consolidated Financial Statements for the year ended December 31, 2012 total $470 and $66, respectively.

The following unaudited pro forma information gives effect to Eaton's acquisition of Cooper as if the acquisition had occurred on January 1, 2012 and Cooper had been included in Eaton's consolidated results of operations for the year ended December 31, 2012.

	2012
Net sales	$ 21,792
Net income from continuing operations attributable to Eaton ordinary shareholders	1,695
Diluted earnings per share from continuing operations	$ 3.54

The historical consolidated financial information of Eaton and Cooper has been adjusted in the pro forma information to give effect to pro forma events that are (1) directly attributable to the transaction, (2) factually supportable and (3) expected to have a continuing impact on the combined results. For pro forma purposes, the equity in income of Apex Tool Group, LLC has been excluded as this joint venture was sold on February 1, 2013.

Acquisitions and Sales of Other Businesses

In 2012, Eaton acquired other businesses in separate transactions. The Consolidated Statements of Income include the results of these businesses from the dates of the transactions. These transactions, and the related annual sales prior to acquisition, are summarized below.

See Note 3 for additional information about acquisition integration charges and transaction costs related to Eaton's business acquisitions.

Sale of Aerospace Power Distribution Management Solutions and Integrated Cockpit Solutions

On May 9, 2014, Eaton sold the Aerospace Power Distribution Management Solutions and Integrated Cockpit Solutions businesses to Safran for $270, which resulted in a pre-tax gain of $154.

Sale of Apex Tool Group, LLC

In July 2010, Cooper formed a joint venture, named Apex Tool Group, LLC (Apex), with Danaher Corporation (Danaher). On February 1, 2013, Cooper and Danaher sold Apex to Bain Capital for approximately $1.6 billion, subject to post-closing adjustments.

Summary of Acquisitions of Businesses

Acquired businesses	Date of transaction	Business segment	Annual sales
Rolec Comercial e Industrial S.A. *A Chilean manufacturer of integrated power assemblies and low- and medium-voltage switchgear, and a provider of engineering services serving mining and other heavy industrial applications in Chile and Peru.*	September 28, 2012	Electrical Systems and Services	$85 for the 12 months ended September 30, 2012
Jeil Hydraulics Co., Ltd. *A Korean manufacturer of track drive motors, swing drive motors, main control valves and remote control valves for the construction equipment market.*	July 6, 2012	Hydraulics	$189 for 2011
Polimer Kauçuk Sanayi ve Pazarlama A.Ş. *A Turkish manufacturer of hydraulic and industrial hose for construction, mining, agriculture, oil and gas, manufacturing, food and beverage, and chemicals markets. This business sells its products under the SEL brand name.*	June 1, 2012	Hydraulics	$335 for 2011
Gycom Electrical Low-Voltage Power Distribution, Control and Automation *A Swedish electrical low-voltage power distribution, control and automation components business.*	June 1, 2012	Electrical Systems and Services	$24 for 2011

Note 3. Acquisition Integration and Restructuring Charges

Acquisition Integration Charges and Transaction Costs

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

	2014	2013	2012
Acquisition integration charges			
Electrical Products	$ 66	$ 44	$ 4
Electrical Systems and Services	51	37	13
Hydraulics	12	36	16
Total business segments	129	117	33
Corporate	25	37	11
Total acquisition integration charges	154	154	44
Transaction costs			
Corporate	-	8	106
Financing fees	-	1	72
Total transaction costs	-	9	178
Total acquisition integration charges and transaction costs before income taxes	$ 154	$ 163	$ 222
Total after income taxes	$ 102	$ 110	$ 167
Per ordinary share - diluted	$ 0.21	$ 0.23	$ 0.48

Business segment integration charges in 2014 related primarily to the integration of Cooper. Business segment integration charges in 2013 related primarily to the integrations of Cooper and Polimer Kaucuk Sanayi ve Pazarlama (SEL). Business segment integration charges in 2012 related primarily to the integrations of SEL, Jeil Hydraulics, Cooper, and Internormen Technology Group. These charges were included in Cost of products sold or Selling and administrative expense, as appropriate. In Business Segment Information, the charges reduced Operating profit of the related business segment.

Corporate integration charges in 2014 and 2013 related primarily to the acquisition of Cooper. These charges were included in Selling and administrative expense. In Business Segment Information, the charges were included in Other corporate expense - net.

Acquisition-related transaction costs, such as investment banking, legal, and other professional fees, and costs associated with change in control agreements, are not included as a component of consideration transferred in an acquisition but are expensed as incurred. Acquisition-related transaction costs in 2013 and 2012 related to the acquisition of Cooper and were included in Corporate above. These charges were included in Selling and administrative expense, Interest expense - net and Other (income) expense - net. In Business Segment Information, the charges were included in Interest expense - net and Other corporate expense - net.

See Note 2 for additional information about business acquisitions.

Restructuring Charges

During the fourth quarter of 2012, Eaton undertook restructuring activities to improve the efficiency of certain businesses. These actions resulted in a charge in the fourth quarter of 2012 of $50, comprised of severance costs totaling $34 and other non-cash expenses totaling $16, of which $2, $2, $17, $17, $4 and $8 were recognized in the Electrical Products, Electrical Systems and Services, Vehicle, Hydraulics, and Aerospace business segments and Corporate, respectively.

During 2014 and 2013, Eaton undertook restructuring activities related to the acquisition and integration of Cooper in an effort to gain efficiencies in selling, marketing, traditional back-office functions and manufacturing and distribution. These actions, resulted in charges of $95 during 2014, comprised of severance costs totaling $69 and other expenses totaling $26, of which $53 and $42 were recognized in the Electrical Products and Electrical Systems and Services business segments, respectively. During 2013, these actions, comprised primarily of severance costs, resulted in charges of $36, of which $19 and $17 were recognized in the Electrical Products and Electrical Systems and Services business segments, respectively. These restructuring initiatives are expected to continue through 2015. These charges are included in the table above in acquisition integration charges.

During 2014, Eaton undertook additional restructuring activities in an effort to gain efficiencies in operations. These actions resulted in charges of $54 during 2014, comprised of severance costs totaling $48 and other expenses totaling $6, of which $32, $16, $2 and $4 were recognized in the Vehicle, Hydraulics and Aerospace business segments, and Corporate, respectively.

Restructuring charges were included in Cost of products sold or Selling and administrative expense, as appropriate. In Business Segment Information, the charges reduced Operating profit of the related business segment. See Note 14 for additional information about business segments. As of December 31, 2014 and 2013, the liabilities related to these restructuring actions totaled $84 and $32, respectively.

Note 4. Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill by segment follow:

	Electrical Products	Electrical Systems and Services	Hydraulics	Aerospace	Vehicle	Total
December 31, 2012	$ 7,117	$ 4,520	$ 1,404	$ 1,045	$ 357	$ 14,443
Additions	1	22	4	-	-	27
Translation adjustments	71	(25)	(23)	3	(1)	25
December 31, 2013	7,189	4,517	1,385	1,048	356	14,495
Goodwill written off from sale of businesses	-	-	-	(78)	-	(78)
Translation adjustments	(249)	(203)	(58)	(8)	(6)	(524)
December 31, 2014	$ 6,940	$ 4,314	$ 1,327	$ 962	$ 350	$ 13,893

A summary of other intangible assets follows:

	2014		2013	
	Historical cost	Accumulated amortization	Historical cost	Accumulated amortization
Intangible assets not subject to amortization				
Trademarks	$ 1,844		$ 1,868	
Intangible assets subject to amortization				
Customer relationships	$ 3,674	$ 834	$ 3,859	$ 669
Patents and technology	1,494	440	1,588	389
Trademarks	980	250	1,052	215
Other	103	15	103	11
Total intangible assets subject to amortization	$ 6,251	$ 1,539	$ 6,602	$ 1,284

Amortization expense related to intangible assets subject to amortization in 2014, and estimated amortization expense for each of the next five years, follows:

2014	$ 424
2015	410
2016	397
2017	387
2018	367
2019	360

Other Intangible Assets Related to the Acquisition of Cooper

The estimated fair values of other intangible assets acquired in the Cooper transaction and included in the table above were determined using an income valuation approach, which requires a forecast of expected future cash flows either through the use of the relief-from-royalty method or the multi-period excess earnings method. The final adjusted estimated fair value, as of November 30, 2012, of these identifiable intangible assets, their estimated useful lives and valuation methodology are as follows:

	Fair value	Useful life	Valuation method
Trade names (indefinite-lived)	$ 1,410	N/A	Relief-from-royalty
Trade names	638	3-20	Relief-from-royalty
Customer relationships	2,510	13-18	Multi-period excess earnings
Technology	767	4-20	Relief-from-royalty; Multi-period excess earnings
Contract-based	44	9.5	Relief-from-royalty
	$ 5,369		

Note 5. Debt

A summary of long-term debt, including the current portion, follows:

	2014	2013
5.95% notes due 2014	$ -	$ 250
Floating rate notes due 2014	-	300
5.45% debentures due 2015	300	300
4.65% notes due 2015	100	100
0.95% senior notes due 2015	600	600
2.375% debentures due 2016	240	240
5.30% notes due 2017		
($150 converted to floating rate by interest rate swap)	250	250
6.10% debentures due 2017	289	289
1.50% senior notes due 2017		
($650 converted to floating rate by interest rate swap)	1,000	1,000
5.60% notes due 2018		
($415 converted to floating rate by interest rate swap)	450	450
4.215% Japanese Yen notes due 2018	84	95
6.95% notes due 2019		
($300 converted to floating rate by interest rate swap)	300	300
3.875% debentures due 2020		
($150 converted to floating rate by interest rate swap)	239	239
3.47% notes due 2021		
($200 converted to floating rate by interest rate swap)	300	300
8.10% debentures due 2022	100	100
2.75% senior notes due 2022		
($1,250 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
6.50% debentures due 2025	145	145
7.65% debentures due 2029		
($50 converted to floating rate by interest rate swap)	200	200
4.00% senior notes due 2032	700	700
5.45% debentures due 2034		
($25 converted to floating rate by interest rate swap)	136	136
5.80% notes due 2037	240	240
4.15% senior notes due 2042	1,000	1,000
5.25% to 12.5% notes (maturities ranging from 2014 to 2035, including $50 converted to floating rate by interest rate swap)	239	249
Other	220	153
Total long-term debt	9,032	9,536
Less current portion of long-term debt	(1,008)	(567)
Long-term debt less current portion	$ 8,024	$ 8,969

On October 3, 2014, Eaton refinanced a $500, five-year revolving credit facility and a $750, three-year revolving credit facility with a $500, four-year revolving credit facility that will expire October 3, 2018 and a $750, five-year revolving credit facility that will expire October 3, 2019, respectively. Eaton also maintains a $750, five-year revolving credit facility that will expire June 14, 2017. These refinancings maintain long-term revolving credit facilities at a total of $2,000. The revolving credit facilities are used to support commercial paper borrowings and are fully and unconditionally guaranteed by Eaton and certain of its direct and indirect subsidiaries on an unsubordinated, unsecured basis. There were no borrowings outstanding under Eaton's revolving credit facilities at December 31, 2014 or 2013.

On March 20, 2014 and June 16, 2014, the Company repaid the $250, 5.95% notes due 2014 and the $300, floating rate notes due 2014, respectively.

On November 20, 2012, Eaton issued senior notes totaling $4,900 to finance the cash portion of the acquisition of Cooper. On November 14, 2013, Eaton exchanged these senior notes for senior notes registered under the Securities Act of 1933 (the Senior Notes). The Senior Notes are comprised of five tranches which mature in 2015, 2017, 2022, 2032 and 2042, with interest payable semi-annually at a respective rate of 0.95%, 1.50%, 2.75%, 4.00% and 4.15%. Eaton received proceeds totaling $4,853 from the issuance, net of financing costs and nominal discounts. The Senior Notes are fully and unconditionally guaranteed on an unsubordinated, unsecured basis by Eaton and certain of its direct and indirect subsidiaries. The Senior Notes contain an optional redemption provision by which the Company may make an offer to purchase all or any part of the Senior Notes at a purchase price of the greater of (a) 100% of the principal amount of the respective Senior Notes being redeemed, or (b) the sum of the present values of the respective remaining scheduled payments of principal and interest, discounted to the redemption date on a semi-annual basis, plus basis points ranging from 10 to 25 based on the respective Senior Note tranche. The Senior Notes also contain a change of control provision which requires the Company to make an offer to purchase all or any part of the Senior Notes at a purchase price of 101% of the principal amount plus accrued and unpaid interest. Related capitalized deferred financing fees total $40. The capitalized deferred financing fees and nominal discounts are amortized in Interest expense - net over the respective terms of the Senior Notes. The Senior Notes are subject to customary non-financial covenants. See Note 15 for additional information about the Senior Notes.

On November 30, 2012, the closing date of the acquisition of Cooper, Eaton borrowed $1,669 on a $6.75 billion, 364-day bridge facility (the Facility) which was obtained on May 21, 2012. The Facility was obtained to finance a portion of the cash paid to acquire Cooper and was available in a single draw on the closing date of the acquisition. Related deferred financing fees totaled $69, of which $68 were amortized in Interest expense - net as of December 31, 2012. On February 1, 2013, Eaton repaid the outstanding balance on the Facility.

As is customary to support its U.S. operations, the Company had available lines of credit of $340 from various banks for the issuance of letters of credit, of which there was $155 outstanding at December 31, 2014. Operations outside the United States had available short-term lines of credit of $2,089 from various banks worldwide at December 31, 2014. 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. Eaton Corporation and Cooper each issued guarantees on November 30, 2012 and January 8, 2013, respectively, on all material outstanding debt of the other.

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

2015	$1,008
2016	242
2017	1,548
2018	570
2019	339

Interest paid on debt follows:

2014	$ 296
2013	294
2012	237

Note 6. Retirement Benefits Plans

Eaton has defined benefits pension plans and other postretirement benefits plans.

Obligations and Funded Status

	United States pension liabilities		Non-United States pension liabilities		Other postretirement liabilities	
	2014	2013	**2014**	2013	**2014**	2013
Funded status						
Fair value of plan assets	$ 3,086	$ 2,940	$ 1,535	$ 1,432	$ 116	$ 138
Benefit obligations	(4,047)	(3,625)	(2,337)	(2,127)	(676)	(867)
Funded status	$ (961)	$ (685)	$ (802)	$ (695)	$ (560)	$ (729)
Amounts recognized in the Consolidated Balance Sheets						
Non-current assets	$ 14	$ 44	$ 77	$ 86	$ -	$ -
Current liabilities	(16)	(15)	(26)	(30)	(47)	(61)
Non-current liabilities	(959)	(714)	(853)	(751)	(513)	(668)
Total	$ (961)	$ (685)	$ (802)	$ (695)	$ (560)	$ (729)
Amounts recognized in Accumulated other comprehensive loss (pretax)						
Net actuarial loss	$ 1,377	$ 1,051	$ 695	$ 515	$ 176	$ 190
Prior service cost (credit)	5	3	11	13	(86)	(6)
Total	$ 1,382	$ 1,054	$ 706	$ 528	$ 90	$ 184

Change in Benefit Obligations

	United States pension liabilities		Non-United States pension liabilities		Other postretirement liabilities	
	2014	2013	**2014**	2013	**2014**	2013
Balance at January 1	$ 3,625	$ 3,817	$ 2,127	$ 2,017	$ 867	$ 950
Service cost	117	128	66	62	13	20
Interest cost	162	147	85	80	32	35
Actuarial loss (gain)	470	(223)	355	21	(36)	(54)
Gross benefits paid	(329)	(246)	(106)	(90)	(91)	(103)
Currency translation	-	-	(190)	36	(4)	(2)
Plan amendments	2	2	-	4	(84)	-
Other	-	-	-	(3)	(21)	21
Balance at December 31	$ 4,047	$ 3,625	$ 2,337	$ 2,127	$ 676	$ 867
Accumulated benefit obligation	$ 3,894	$ 3,458	$ 2,181	$ 2,003		

Change in Plan Assets

	United States pension liabilities		Non-United States pension liabilities		Other postretirement liabilities	
	2014	2013	**2014**	2013	**2014**	2013
Balance at January 1	$ 2,940	$ 2,607	$ 1,432	$ 1,248	$ 138	$ 146
Actual return on plan assets	226	383	191	118	4	15
Employer contributions	248	196	114	145	40	59
Gross benefits paid	(329)	(246)	(106)	(90)	(91)	(103)
Currency translation	-	-	(96)	15	-	-
Other	1	-	-	(4)	25	21
Balance at December 31	$ 3,086	$ 2,940	$ 1,535	$ 1,432	$ 116	$ 138

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	
	2014	2013	**2014**	2013
Projected benefit obligation	$ 3,557	$ 3,166	$ 1,524	$ 1,411
Accumulated benefit obligation	3,403	2,999	1,446	1,349
Fair value of plan assets	2,581	2,437	673	635

Changes in pension and other postretirement benefit liabilities recognized in Accumulated other comprehensive loss follow:

	United States pension liabilities		Non-United States pension liabilities		Other postretirement liabilities	
	2014	2013	**2014**	2013	**2014**	2013
Balance at January 1	$ 1,054	$ 1,621	$ 528	$ 559	$ 184	$ 262
Prior service cost arising during the year	2	2	-	4	(84)	-
Net loss (gain) arising during the year	490	(381)	262	(12)	(34)	(63)
Currency translation	-	-	(55)	6	(1)	(1)
Less amounts included in expense during the year	(164)	(186)	(29)	(29)	25	(14)
Other	-	(2)	-	-	-	-
Net change for the year	328	(567)	178	(31)	(94)	(78)
Balance at December 31	$ 1,382	$ 1,054	$ 706	$ 528	$ 90	$ 184

Benefits Expense

	United States pension benefit expense		
	2014	2013	2012
Service cost	$ 117	$ 128	$ 115
Interest cost	162	147	134
Expected return on plan assets	(246)	(226)	(183)
Amortization	93	133	118
	126	182	184
Settlements, curtailments and other	71	53	20
Total expense	$ 197	$ 235	$ 204

	Non-United States pension benefit expense		
	2014	2013	2012
Service cost	$ 66	$ 62	$ 50
Interest cost	85	80	77
Expected return on plan assets	(98)	(85)	(77)
Amortization	27	27	15
	80	84	65
Settlements, curtailments and other	2	2	4
Total expense	$ 82	$ 86	$ 69

	Other postretirement benefits expense		
	2014	2013	2012
Service cost	$ 13	$ 20	$ 17
Interest cost	32	35	38
Expected return on plan assets	(6)	(6)	(6)
Amortization	6	14	13
	45	63	62
Settlements, curtailments and other	(31)	-	-
Total expense	$ 14	$ 63	$ 62

The estimated pretax net amounts that will be recognized from Accumulated other comprehensive loss into net periodic benefit cost in 2014 follow:

	United States pension liabilities	Non-United States pension liabilities	Other postretirement liabilities
Actuarial loss	$ 168	$ 39	$ 15
Prior service cost (credit)	1	1	(14)
Total	$ 169	$ 40	$ 1

Retirement Benefits Plans Assumptions

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

Pension Plans

	United States pension plans			Non-United States pension plans		
	2014	2013	2012	**2014**	2013	2012
Assumptions used to determine benefit obligation at year-end						
Discount rate	3.97%	4.67%	3.97%	3.33%	4.20%	4.17%
Rate of compensation increase	3.16%	3.16%	3.16%	3.13%	3.12%	3.09%
Assumptions used to determine expense						
Discount rate	4.67%	3.97%	4.70%	4.20%	4.17%	5.12%
Expected long-term return on plan assets	8.40%	8.45%	8.50%	7.00%	6.92%	7.10%
Rate of compensation increase	3.16%	3.16%	3.15%	3.12%	3.09%	3.62%

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 discount rate was 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		
	2014	2013	2012
Assumptions used to determine benefit obligation at year-end			
Discount rate	3.79%	4.48%	3.79%
Health care cost trend rate assumed for next year	6.31%	6.64%	6.96%
Ultimate health care cost trend rate	4.77%	4.77%	4.53%
Year ultimate health care cost trend rate is achieved	2024	2023	2022
Assumptions used to determine expense			
Discount rate	4.48%	3.79%	4.60%
Initial health care cost trend rate	6.64%	6.96%	7.60%
Ultimate health care cost trend rate	4.77%	4.53%	4.50%
Year ultimate health care cost trend rate is achieved	2023	2022	2020

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

	1% increase	1% decrease
Effect on total service and interest cost	$ 1	$ (1)
Effect on other postretirement liabilities	20	(18)

Employer Contributions to Retirement Benefits Plans

Contributions to pension plans that Eaton expects to make in 2015, and made in 2014, 2013 and 2012, follow:

	2015	**2014**	2013	2012
United States plans	$ 217	$ 248	$ 196	$ 311
Non-United States plans	109	114	145	102
Total contributions	$ 326	$ 362	$ 341	$ 413

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, which 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
2015	$ 268	$ 92	$ 75	$ (6)
2016	281	92	71	(6)
2017	285	94	67	(6)
2018	289	98	62	(5)
2019	297	99	56	(4)
2020-2024	1,544	542	226	(13)

Pension Plan Assets

Investment policies and strategies are developed on a country specific basis. The United States plans, representing 67% of worldwide pension assets, and the United Kingdom plans representing 27% of worldwide pension assets, are invested primarily for growth, as the majority of the assets are in plans with active participants and ongoing accruals. In general, the plans have their primary allocation to diversified, global equities, primarily through index funds in the form of common collective trusts. The United States plans' target allocation is 32% United States equities, 32% non-United States equities, 8% real estate (primarily equity of real estate investment trusts), 24% debt securities and 4% other, including hedge funds and cash equivalents. The United Kingdom plans' target asset allocations are 57% equities and the remainder in debt securities and real estate investments. The equity risk for the plans is managed through broad geographic diversification and diversification across industries and levels of market capitalization.

The majority of debt allocations for these plans are longer duration government and corporate debt. The United States, United Kingdom and Canada pension plans are authorized to use derivatives to achieve more economically desired market exposures and to use futures, swaps and options to gain or hedge exposures.

Other Postretirement Benefits Plan Assets

The Voluntary Employee Benefit Association trust which holds U.S. other postretirement benefits plan assets has investment guidelines that include allocations to global equities and fixed income investments. The trust's target investment allocation is 50% diversified global equities and 50% fixed income securities. The fixed income securities are primarily comprised of intermediate term, high quality, dollar denominated, fixed income instruments. The equity allocation is invested in a diversified global equity index fund in the form of a collective trust.

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.

Pension Plans

A summary of the fair value of pension plan assets at December 31, 2014 and 2013, follows:

	Total	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)
2014				
Common collective trusts				
Non-United States equity and global equities	$1,458	$ -	$1,458	$ -
United States equity	1,005	-	1,005	-
Fixed income	646	-	646	-
Exchange traded funds	138	-	138	-
Fixed income securities	398	-	398	-
United States treasuries	106	106	-	-
Bank loans	128	-	128	-
Real estate securities	263	257	-	6
Equity securities	92	92	-	-
Cash equivalents	218	8	210	-
Hedge funds	54	-	-	54
Exchange traded funds	50	50	-	-
Other	65	-	5	60
Total pension plan assets	$4,621	$ 513	$3,988	$ 120
2013				
Common collective trusts				
Non-United States equity and global equities	$1,453	$ -	$1,453	$ -
United States equity	1,153	-	1,153	-
Fixed income	672	-	672	-
Exchange traded funds	64	-	64	-
Fixed income securities	274	-	274	-
United States treasuries	63	63	-	-
Real estate securities	220	214	-	6
Equity securities	141	141	-	-
Cash equivalents	187	6	181	-
Exchange traded funds	47	47	-	-
Other	98	-	4	94
Total pension plan assets	$4,372	$ 471	$3,801	$ 100

Other Postretirement Benefits Plans

A summary of the fair value of other postretirement benefits plan assets at December 31, 2014 and 2013, follows:

	Total	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)
2014				
Common collective trusts				
Global equities	$ 54	$ -	$ 54	$ -
Fixed income securities	24	-	24	-
United States treasuries	37	37	-	-
Cash equivalents	1	1	-	-
Total other postretirement benefits plan assets	$ 116	$ 38	$ 78	$ -
2013				
Common collective trusts				
Global equities	$ 70	$ -	$ 70	$ -
Fixed income securities	29	-	29	-
United States treasuries	38	38	-	-
Cash equivalents	1	1	-	-
Total other postretirement benefits plan assets	$ 138	$ 39	$ 99	$ -

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, 2014 and 2013.

- *Common collective 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.
- *Fixed income securities* – These securities consist of publicly traded United States and non-United States fixed interest obligations (principally corporate and government bonds and debentures). The fair value of corporate and government debt securities is determined through third-party pricing models that consider various assumptions, including time value, yield curves, credit ratings, and current market prices. The Company verifies the results of trustees or custodians and evaluates the pricing classification of these securities by performing analyses using other third-party sources.
- *United States treasuries* – Valued at the closing price of each security.
- *Bank loans* – These securities consist of senior secured term loans of publicly traded and privately held United States and non-United States floating rate obligations (principally corporations of non-investment grade rating). The fair value is determined through third-party pricing models that primarily utilize dealer quoted current market prices. The Company verifies the results of trustees or custodians and evaluates the pricing classification of these securities by performing analyses using other third-party sources.
- *Real estate and equity securities* – These securities consist of direct investments in the stock of publicly traded companies. Such investments are valued based on the closing price reported in an active market on which the individual securities are traded. As such, the direct investments are classified as Level 1.
- *Cash equivalents* – Primarily certificates of deposit, commercial paper, money market funds and repurchase agreements.
- *Hedge funds* – Consists of direct investments in hedge funds through limited partnership interests. Values are based on the estimated fair value of the ownership interest in the investment as determined by the General Partner.
- *Exchange traded funds* – Valued at the closing price of the exchange traded fund's shares.
- *Other* – Primarily insurance contracts for international plans and also futures contracts and over-the-counter options. These investments are valued based on the closing prices of future contracts or indices as available on Bloomberg or similar service, and private equity investments.

For additional information regarding fair value measurements, see Note 11.

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:

2014	$ 141
2013	121
2012	74

Note 7. Commitments and Contingencies

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. Historically, significant insurance coverage has been available to cover costs associated with these claims. Although it is not possible to predict with certainty the outcome or cost of these matters, the Company believes they will not have a material adverse effect on the consolidated financial statements.

In December 2010, a Brazilian court held that a judgment obtained by a Brazilian company, Raysul, against another Brazilian company, Saturnia, which was sold by Eaton in 2006, could be enforced against Eaton Ltda. This judgment is based on an alleged violation of an agency agreement between Raysul and Saturnia. At December 31, 2014, the Company has a total accrual of 83 Brazilian Reais related to this matter ($31 based on current exchange rates), comprised of 60 Brazilian Reais recognized in the fourth quarter of 2010 ($23 based on current exchange rates) with an additional 23 Brazilian Reais recognized through December 31, 2014 ($8 based on current exchange rates). In 2010, Eaton filed motions for clarification with the Brazilian court of appeals which were denied on April 6, 2011. Eaton Holding and Eaton Ltda. filed appeals on various issues to the Superior Court of Justice in Brasilia. In April 2013, the Superior Court of Justice ruled in favor of Raysul. Additional motions for clarification were filed with the Superior Court of Justice in Brasilia and were again denied in 2014. A final appeal to the Superior Court will likely be filed in the first quarter of 2015. The Company expects that any sum it may be required to pay in connection with this matter will not exceed the amount of the recorded liability.

On October 5, 2006, ZF Meritor LLC and Meritor Transmission Corporation (collectively, Meritor) filed an action against Eaton in the United States District Court for Delaware. The action sought damages, which would be trebled under United States antitrust laws, as well as injunctive relief and costs. The suit alleged that Eaton engaged in anti-competitive conduct against Meritor in the sale of heavy-duty truck transmissions in North America. On June 23, 2014, Eaton announced it signed a settlement agreement with Meritor in the amount of $500 that resolved the lawsuit and removed the uncertainty of a trial and appeal process. On July 16, 2014, Eaton paid Meritor the $500.

Frisby Corporation, now known as Triumph Actuation Systems, LLC, and other claimants (collectively, Triumph) asserted claims alleging, among other things, unfair competition, defamation, malicious prosecution, deprivation of civil rights, and antitrust in the Hinds County Circuit Court of Mississippi in 2004 and in the Federal District Court of North Carolina in 2011. Eaton had asserted claims against Triumph regarding improper use of trade secrets and these claims were dismissed by the Hinds County Circuit Court. On June 18, 2014, Eaton announced it signed a settlement agreement with Triumph in the amount of $147.5 that resolved all claims and lawsuits and removed the uncertainty of a trial and appeal process. On July 8, 2014, Eaton paid Triumph the $147.5.

Environmental Contingencies

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

Eaton is involved in remedial response and voluntary environmental remediation at a number of sites, including certain of its currently-owned or formerly-owned plants. The Company has also been named a potentially responsible party under the United States federal Superfund law, or the state equivalents thereof, at a number of disposal sites. The Company became involved in these sites as a result of government action or in connection with business acquisitions. At the end of 2014, the Company was involved with a total of 150 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, 2014 and 2013, the Company had an accrual totaling $140 and $149, 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.

Warranty Accruals

A summary of the current and long-term warranty accruals follows:

	2014	2013	2012
Balance at January 1	$189	$185	$158
Provision	125	107	85
Settled	(120)	(99)	(84)
Other	19	(4)	26
Balance at December 31	$213	$189	$185

At December 31, 2012, amounts related to the acquisition of Cooper included in Other total $24. For additional information about acquisitions of businesses, see Note 2.

Lease Commitments

Eaton leases certain real properties and equipment. A summary of minimum rental commitments at December 31, 2014 under noncancelable operating leases, which expire at various dates and in most cases contain renewal options, for each of the next five years and thereafter in the aggregate, follow:

2015	$ 153
2016	115
2017	83
2018	59
2019	34
Thereafter	60
Total noncancelable lease commitments	$ 504

A summary of rental expense follows:

2014	$ 244
2013	241
2012	199

Note 8. Income Taxes

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

	Income (loss) before income taxes		
	2014	2013	2012
Ireland	$ (332)	$ 184	$ -
Foreign	2,093	1,700	1,251
Total income before income taxes	$1,761	$1,884	$ 1,251

	Income tax (benefit) expense		
	2014	2013	2012
Current			
Ireland	$ (13)	$ 17	$ -
United States			
Federal	87	89	1
State and local	41	7	5
Foreign - other	239	244	130
Total current income tax expense	354	357	136
Deferred			
Ireland	2	-	-
United States			
Federal	(224)	(295)	39
State and local	(49)	(23)	2
Foreign - other	(125)	(28)	(146)
Total deferred income tax benefit	(396)	(346)	(105)
Total income tax (benefit) expense	$ (42)	$ 11	$ 31

Reconciliations of income taxes from the Ireland national statutory rate of 25% in 2014 and 2013, and the United States federal statutory rate of 35% in 2012, to the consolidated effective income tax rate follow:

	2014	2013	2012
Income taxes at the applicable statutory rate	25.0%	25.0%	35.0%
Ireland operations			
Ireland tax on trading income	(0.1)%	(1.4)%	-%
Nondeductible interest expense	4.8%	-%	-%
United States operations			
United States (loss) income	(2.8)%	(2.8)%	-%
Nondeductible goodwill - Aerospace divestitures	1.4%	-%	-%
Credit for research activities	(1.0)%	(2.0)%	-%
Other - net	1.5%	1.3%	1.8%
Other foreign operations			
United States foreign tax credit	(1.1)%	(1.8)%	(12.4)%
Other foreign operations (earnings taxed at other than the applicable statutory tax rate)	(24.8)%	(17.6)%	(14.9)%
Other foreign operations - other items	(1.0)%	0.2%	-%
Worldwide operations			
Adjustments to tax liabilities	(1.7)%	(1.1)%	(5.7)%
Adjustments to valuation allowances	(2.6)%	0.8%	(1.3)%
Effective income tax (benefit) expense rate	(2.4)%	0.6%	2.5%

During 2014, an income tax benefit of $42 was recognized (an effective tax benefit rate of 2.4%) compared to income tax expense of $11 for 2013 (an effective tax expense rate of 0.6%) and $31 for 2012 (an effective tax expense rate of 2.5%). The lower tax rate in 2014 was primarily attributable to the net tax benefit of 7.6% for the Meritor and Triumph litigation settlements and related legal costs and the gain on the sale of the Aerospace businesses, all of which occurred in the second quarter of 2014. Excluding the previously mentioned litigation settlements and gain on the sale of businesses, the 2014 income tax rate increased from 2013 due to greater levels of income in higher tax jurisdictions and net increases in worldwide tax liabilities, partially offset by additional foreign tax credit recognition in the United States and recognition of deferred tax assets in foreign jurisdictions. The lower effective tax rate for 2013, compared to 2012, was primarily attributable to the effects associated with the acquisition of Cooper, along with greater levels of income in lower tax jurisdictions, additional foreign tax credit utilization, and the benefit of two years of the U.S. research and experimentation tax credit due to the extension of the credit in the American Taxpayer Relief Act of 2012 (the Act) as signed into law in January 2013. The Act extended certain tax benefits retroactively to January 1, 2012.

See Note 7 and Note 2 and for additional information about litigation settlements and sales of businesses, respectively.

No provision has been made for income taxes on undistributed earnings of foreign subsidiaries of approximately $12.5 billion at December 31, 2014, since it is the Company's intention to indefinitely reinvest undistributed earnings of its foreign subsidiaries. It is not practicable to estimate the additional income taxes and applicable withholding taxes that would be payable on the remittance of such undistributed earnings.

The Company expects to deploy capital to those markets which offer particularly attractive growth opportunities. Given expected population growth and economic growth rates, most of the particularly attractive markets are outside of the United States. The cash that is permanently reinvested is typically used to expand these operations either organically or through acquisitions. Beginning in 2013, the Company's public dividends are funded by the Ireland parent primarily from Non-U.S. operations. The Company's United States operations are expected to generate cash flow sufficient to satisfy United States operating requirements and service its debt.

Worldwide income tax payments follow:

2014	$ 258
2013	272
2012	254

Deferred Income Tax Assets and Liabilities

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

	2014		2013	
	Current assets and liabilities	Long-term assets and liabilities	Current assets and liabilities	Long-term assets and liabilities
Accruals and other adjustments				
Employee benefits	$ 148	$ 773	$ 116	$ 657
Depreciation and amortization	-	(2,010)	(2)	(2,294)
Other accruals and adjustments	476	282	497	368
United States federal income tax loss carryforwards	-	58	-	-
United States federal income tax credit carryforwards	-	150	-	161
United States state and local tax loss carryforwards and tax credit carryforwards	-	76	-	73
Other foreign tax loss carryforwards	-	2,112	-	1,708
Other foreign income tax credit carryforwards	-	49	-	63
Valuation allowance for income tax loss and income tax credit carryforwards	(24)	(2,134)	-	(1,738)
Other valuation allowances	(7)	(29)	(34)	(71)
Total deferred income taxes	$ 593	$ (673)	$ 577	$ (1,073)

In July 2013, the FASB issued Accounting Standards Update No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Loss, or a Tax Credit Carryforward Exists (ASU 2013-11). ASU 2013-11 requires the netting of unrecognized tax benefits against a deferred tax asset for a loss or other carryforward that would apply in settlement of the uncertain tax positions except where the deferred tax asset or other carryforward are not available for use. The adoption of this standard resulted in a reduction of the Company's consolidated long term deferred tax assets by $146 in 2014.

At the end of 2014, United States federal income tax loss carryforwards and income tax credit carryforwards are available to reduce future United States federal income tax liabilities. These carryforwards and their respective expiration dates are summarized below:

	2015 through 2019	2020 through 2024	2025 through 2029	2030 through 2034	2035 through 2039	Not subject to expiration	Valuation allowance
United States federal income tax loss carryforwards	$ -	$ -	$ 31	$ 4	$ 352	$ -	$ -
United States federal deferred income tax assets for income tax loss carryforwards	-	-	11	1	101	-	(12)
United States federal deferred income tax assets for income tax loss carryforwards after ASU 2013-11	-	-	11	1	46	-	(12)
United States federal income tax credit carryforwards	-	64	38	86	21	32	(69)
United States federal income tax credit carryforwards after ASU 2013-11	-	64	37	28	21	-	(69)

United States state and local tax loss carryforwards and tax credit carryforwards with a future tax benefit are also available at the end of 2014. The deferred tax assets for these carryforwards and their respective expiration dates are summarized below:

	2015 through 2019	2020 through 2024	2025 through 2029	2030 through 2034	2035 through 2039	Not subject to expiration	Valuation allowance
United States state and local deferred income tax assets for income tax loss carryforwards - net of federal tax effect	$ 6	$ 18	$ 12	$ 8	$ -	$ -	$ (18)
United States state and local income tax credit carryforwards - net of federal tax effect	10	9	6	2	5	-	(18)

At December 31, 2014, certain non-United States subsidiaries had tax loss carryforwards and income tax credit carryforwards that are available to offset future taxable income. These carryforwards and their respective expiration dates are summarized below:

	2015 through 2019	2020 through 2024	2025 through 2029	2030 through 2034	Not subject to expiration	Valuation allowance
Non-United States income tax loss carryforwards	$ 135	$ 165	$ 38	$ 18	$ 9,290	$ -
Non-United States deferred income tax assets for income tax loss carryforwards	35	41	9	5	2,022	(2,033)
Non-United States income tax credit carryforwards	3	14	24	-	7	(8)

Recoverability of Deferred Income Tax Assets

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

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

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

Unrecognized Income Tax Benefits

A summary of gross unrecognized income tax benefits follows:

	2014	2013	2012
Balance at January 1	$ 479	$ 444	$ 236
Increases and decreases as a result of positions taken during prior years			
Transfers from valuation allowances	(3)	13	-
Other increases	37	7	1
Other decreases, including currency translation	(3)	(7)	-
Balances related to acquired businesses	(3)	2	177
Increases as a result of positions taken during the current year	65	35	36
Decreases relating to settlements with tax authorities	(51)	(6)	-
Decreases as a result of a lapse of the applicable statute of limitations	(28)	(9)	(6)
Balance at December 31	$ 493	$ 479	$ 444

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

If all unrecognized tax benefits were recognized, the net impact on the provision for income tax expense would be $371.

As of December 31, 2014 and 2013, Eaton had accrued approximately $120 and $114, respectively, for the payment of worldwide interest and penalties, which are not included in the table of unrecognized income tax benefits above. Eaton recognizes interest and penalties related to unrecognized income tax benefits in the provision for income tax expense. The Company has accrued penalties in jurisdictions where they are automatically applied to any deficiency, regardless of the merit of the position.

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

Eaton or its subsidiaries file income tax returns in Ireland and many countries around the world. The IRS has completed its examination of Eaton Corporation and Includible Subsidiaries United States income tax returns for 2007 through 2010 and has issued a Statutory Notice of Deficiency (Notice) as discussed below. The statute of limitations on these tax years remains open to the extent of the tax assessment until the matter is resolved. Tax years 2011 through 2014 are still subject to examination by the IRS.

With respect to the pre-acquisition years of BZ Holdings Inc. and Subsidiaries (the former U.S. holding company for Cooper Industries), the IRS examination of the United States income tax returns for 2010, 2011, and the period ended December 21, 2012 was completed and settled without significant effect on the consolidated financial statements. The statute of limitations remains open for tax years 2010 and 2011 until September 15, 2015. The statute of limitations on the final return period ended December 21, 2012 remains open until September 15, 2016. On December 22, 2012, BZ Holdings Inc. and Subsidiaries joined the Eaton Corporation and Includible Subsidiaries consolidated United States income tax return for 2012.

Eaton is also under examination for the income tax filings in various states of the United States and in many other foreign jurisdictions. With only a few exceptions, Eaton Corporation and Includible Subsidiaries are no longer subject to income tax examinations from states and localities within the United States for years before 2010. Income tax returns of states and localities within the United States will be reopened to the extent of United States federal income tax adjustments, if any, going back to 2005 when those audit years are finalized. Some states and localities may not limit their assessment to the United States federal adjustments, and may require the opening of the entire tax year. In addition, with only a few exceptions, Cooper Industries and Includible Subsidiaries are no longer subject to United States state and local income tax examinations for years before 2010. With only a few exceptions, the other foreign subsidiaries of both Eaton and Cooper are no longer subject to examinations for years before 2009.

At the end of the fourth quarter of 2011, the IRS issued a Notice for Eaton Corporation and Includible Subsidiaries 2005 and 2006 tax years (the 2011 Notice). The Notice proposed assessments of $75 in additional taxes plus $52 in penalties related primarily to transfer pricing adjustments for products manufactured in the Company's facilities in Puerto Rico and the Dominican Republic and sold to affiliated companies located in the U.S., net of agreed credits and deductions. The Company has set its transfer prices for products sold between these affiliates at the same prices that the Company sells such products to third parties as required by two successive Advance Pricing Agreements (APAs) the Company entered into with the IRS. For the years 2001 through 2004, the IRS had previously accepted the transfer pricing methodology related to these APAs after a comprehensive review conducted in two separate audit cycles. On December 16, 2011, immediately prior to the 2011 Notice being issued, the IRS sent a letter stating that it was retrospectively canceling the APAs, even though their respective APA terms had already expired.

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

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

Also during the third quarter of 2014, the Company resolved an uncertain tax position with a European government. The resolution had minimal impact on the Company's Consolidated Statements of Income.

During 2010, the Company received a tax assessment of $64, plus interest and penalties, in Brazil for the tax years 2005 through 2008 that relates to the amortization of certain goodwill generated from the acquisition of third-party businesses and corporate reorganizations. The Company is contesting the assessment, which is under review at the second of three administrative appeals levels. During 2013, the Brazilian tax authorities began an audit of tax years 2009 through 2012. During the third quarter of 2014, the Company received a tax assessment of $50, plus interest and penalties, for the 2009 through 2012 tax years (primarily relating to the same issues concerning the 2005 through 2008 tax years), which the Company is also contesting and is under review in the administrative appeals process. Multiple outside advisors have stated that Brazilian tax authorities are raising the issue for most clients with similar facts and that the matter is expected to require at least 10 years to resolve. The Company continues to believe that final resolution of the assessments will not have a material impact on its consolidated financial statements.

Note 9. Eaton Shareholders' Equity

There are 750 million Eaton ordinary shares authorized ($0.01 par value per share), 467.9 million and 475.1 million of which were issued and outstanding at December 31, 2014 and 2013, 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, 2014 and 2013, and 10 million serial preferred shares ($0.01 par value per share), none of which is outstanding at December 31, 2014 and 2013. At December 31, 2014, there were 18,993 holders of record of Eaton ordinary shares. Additionally, 26,059 current and former employees were shareholders through participation in the Eaton Savings Plan, Eaton Personal Investment Plan, Eaton Puerto Rico Retirement Savings Plan, and the Cooper Retirement Savings and Stock Ownership Plan.

On September 28, 2011, Eaton Corporation's Board of Directors adopted a common share repurchase program (2011 Program) which authorized the purchase of up to 20 million common shares, not to exceed an aggregate purchase price of $1.25 billion. During 2012, no common shares were repurchased under the 2011 Program. On April 24, 2013, the Company's shareholders authorized the Board of Directors to adopt an ordinary share repurchase program (2013 Program) for up to 40 million ordinary shares at prices between 70% and 120% of the closing price of Eaton's ordinary shares on the day of purchase. On October 22, 2013, Eaton's Board of Directors adopted the 2013 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 2014, 9.6 million ordinary shares were repurchased under the 2013 Program in the open market at a total cost of $650. During 2013, no ordinary shares were repurchased under the 2013 Program.

Eaton has deferral plans that permit certain employees and directors to defer a portion of their compensation. A trust contains $19 and $24 of ordinary shares and marketable securities, as valued at December 31, 2014 and 2013, 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 25, 2015, Eaton's Board of Directors declared a quarterly dividend of $0.55 per ordinary share, payable on March 20, 2015, to shareholders of record at the close of business on March 9, 2015.

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):

	2014		2013		2012	
	Pre-tax	After-tax	Pre-tax	After-tax	Pre-tax	After-tax
Currency translation and related hedging instruments	$(1,014)	$(1,019)	$ (30)	$ (28)	$ 144	$ 135
Pensions and other postretirement benefits						
Prior service credit (cost) arising during the year	82	51	(6)	(4)	(1)	(1)
Net (loss) gain arising during the year	(718)	(519)	456	277	(386)	(262)
Currency translation	56	47	(5)	(4)	(15)	(12)
Other	-	(4)	2	16	(2)	15
Amortization of actuarial loss and prior service cost reclassified to earnings	168	110	229	144	170	108
	(412)	(315)	676	429	(234)	(152)
Cash flow hedges						
(Loss) gain on derivatives designated as cash flow hedges	(3)	(2)	6	3	10	10
Changes in cash flow hedges reclassified to earnings	(5)	(3)	-	-	7	7
Cash flow hedges, net of reclassification adjustments	(8)	(5)	6	3	17	17
Other comprehensive (loss) income attributable to Eaton ordinary shareholders	$(1,434)	$(1,339)	$ 652	$ 404	$ (73)	$ -

The changes in Accumulated other comprehensive loss follow:

	Currency translation and related hedging instruments	Pensions and other postretirement benefits	Cash flow hedges	Total
Balance at December 31, 2013	$ (395)	$(1,170)	$ 5	$(1,560)
Other comprehensive loss before reclassifications	(1,019)	(425)	(2)	(1,446)
Amounts reclassified from Accumulated other comprehensive loss	-	110	(3)	107
Net current-period Other comprehensive loss	(1,019)	(315)	(5)	(1,339)
Balance at December 31, 2014	$(1,414)	$(1,485)	$ -	$(2,899)

The reclassifications out of Accumulated other comprehensive loss follow:

	December 31, 2014	Consolidated Statements of Income classification
Amortization of defined benefit pension and other postretirement benefits items		
Actuarial loss and prior service cost	$ (168)	1
Tax benefit	58	
Total, net of tax	(110)	
Gains and losses on cash flow hedges		
Floating-to-fixed interest rate swaps	(1)	Interest expense - net
Currency exchange contracts	6	Cost of products sold
	5	
Tax expense	(2)	
Total, net of tax	3	
Total reclassifications for the period	$ (107)	

[1] These components of Accumulated other comprehensive loss are included in the computation of net periodic benefit cost. See Note 6 for additional information about defined benefit pension and other postretirement benefits items.

Net Income per Ordinary Share

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

	2014	2013	2012
(Shares in millions)			
Net income attributable to Eaton ordinary shareholders	$ 1,793	$ 1,861	$ 1,217
Weighted-average number of ordinary shares outstanding - diluted	476.8	476.7	350.9
Less dilutive effect of equity-based compensation	2.7	3.2	3.1
Weighted-average number of ordinary shares outstanding - basic	474.1	473.5	347.8
Net income per ordinary share			
Diluted	$ 3.76	$ 3.90	$ 3.46
Basic	3.78	3.93	3.54

In 2014, 2013, and 2012, 0.5 million, 0.2 million, and 2.2 million stock options, respectively, were excluded from the calculation of diluted net income per ordinary share 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 10. Equity-Based Compensation

Restricted Stock Units and Awards

Restricted stock units (RSUs) and restricted stock awards (RSAs) have been issued to certain employees and directors. Participants awarded RSUs do not receive dividends; therefore, the fair value is determined by reducing the closing market price of the Company's ordinary shares on the date of grant by the present value of the estimated dividends had they been paid. The RSUs entitle the holder to receive one ordinary share for each RSU upon vesting, generally over three or four years. The fair value of RSAs is determined based on the closing market price of the Company's ordinary shares at the date of grant. RSAs are issued and outstanding at the time of grant, but remain subject to forfeiture until vested, generally over three or four years. A summary of the RSU and RSA activity for 2014 follows:

	Number of restricted stock units and awards	Weighted-average fair value per unit and award
(Restricted stock units and awards in millions)		
Non-vested at January 1	3.4	$ 51.37
Granted	1.0	71.54
Vested	(1.4)	47.69
Forfeited	(0.2)	59.01
Non-vested at December 31	2.8	$ 60.11

Information related to RSUs and RSAs follows:

	2014	2013	2012
Pretax expense for RSUs and RSAs	$ 81	$ 69	$ 46
After-tax expense for RSUs and RSAs	53	45	30
Fair value of vested RSUs and RSAs	105	82	126

As of December 31, 2014, total compensation expense not yet recognized related to non-vested RSUs and RSAs was $93.9, and the weighted-average period in which the expense is expected to be recognized is 2.3 years. Excess tax benefit for equity-based compensation totaled $5, $10, and $18 for 2014, 2013 and 2012, 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:

	2014	2013	2012
Expected volatility	34%	36%	35%
Expected option life in years	5.5	5.5	5.5
Expected dividend yield	2.4%	2.0%	2.0%
Risk-free interest rate	1.7 to 1.5%	1.5 to 0.8%	1.0 to 0.9%
Weighted-average fair value of stock options granted	$ 19.46	$ 17.49	$ 14.08

A summary of stock option activity follows:

	Weighted-average exercise price per option	Options	Weighted-average remaining contractual life in years	Aggregate intrinsic value
(Options in millions)				
Outstanding at January 1, 2014	$ 43.43	7.9		
Granted	75.25	0.6		
Exercised	37.75	(1.5)		
Forfeited and canceled	59.33	-		
Outstanding at December 31, 2014	$ 47.30	7.0	4.3	$ 148.9
Exercisable at December 31, 2014	$ 42.74	5.7	3.3	$ 142.7
Reserved for future grants at December 31, 2014		14.3		

The aggregate intrinsic value in the table above represents the total excess of the $67.96 closing price of Eaton ordinary shares on the last trading day of 2014 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:

	2014	2013	2012
Pretax expense for stock options	$ 12	$ 11	$ 7
After-tax expense for stock options	8	7	5
Proceeds from stock options exercised	54	121	95
Income tax benefit related to stock options exercised			
Tax benefit classified in operating activities in the Consolidated Statements of Cash Flows	4	3	5
Excess tax benefit classified in financing activities in the Consolidated Statements of Cash Flows	15	22	13
Intrinsic value of stock options exercised	55	102	60
Total fair value of stock options vesting	$ 12	$ 11	$ 7
Stock options exercised, in millions of options	1.501	3.565	3.099

As of December 31, 2014, total compensation expense not yet recognized related to non-vested stock options was $14, and the weighted-average period in which the expense is expected to be recognized is 1.8 years.

Note 11. 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)
2014				
Cash	$ 781	$ 781	$ -	$ -
Short-term investments	245	245	-	-
Net derivative contracts	70	-	70	-
Long-term debt converted to floating interest rates by interest rate swaps - net	(74)	-	(74)	-
2013				
Cash	$ 915	$ 915	$ -	$ -
Short-term investments	794	794	-	-
Net derivative contracts	(35)	-	(35)	-
Long-term debt converted to floating interest rates by interest rate swaps - net	39	-	39	-

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 recognized using unobservable inputs.

Other Fair Value Measurements

Long-term debt and the current portion of long-term debt had a carrying value of $9,032 and fair value of $9,509 at December 31, 2014 compared to $9,536 and $9,665, respectively, at December 31, 2013. The fair value of Eaton's debt instruments was estimated using prevailing market interest rates on debt with similar creditworthiness, terms and maturities and is considered a Level 2 fair value measurement.

Short-Term Investments

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

	2014	2013
Time deposits, certificates of deposit and demand deposits with banks	$113	$279
Money market investments	131	512
Other	1	3
Total short-term investments	$245	$794

Note 12. Derivative Financial Instruments and Hedging Activities

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

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

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

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

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

Eaton uses certain of its debt denominated in foreign currency to hedge portions of its net investments in foreign operations against foreign currency exposure (net investment hedges). Foreign currency denominated debt designated on an after-tax basis as non-derivative net investment hedging instruments was $84 and $95 at December 31, 2014 and 2013, respectively. See Note 5 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 5.

A summary of interest rate swaps outstanding at December 31, 2014, follows:

Fixed-to-Floating Interest Rate Swaps

Notional amount	Fixed interest rate received	Floating interest rate paid	Basis for contracted floating interest rate paid
$ 150	5.30%	4.42%	1 month LIBOR + 4.26%
650	1.50%	0.59%	1 month LIBOR + 0.43%
415	5.60%	3.51%	6 month LIBOR + 3.18%
300	6.95%	5.30%	3 month LIBOR + 5.07%
25	8.875%	4.18%	6 month LIBOR + 3.84%
150	3.875%	2.28%	1 month LIBOR + 2.12%
200	3.47%	1.85%	1 month LIBOR + 1.69%
1,250	2.75%	0.67%	1 month LIBOR + 0.52%
200	3.68%	1.23%	1 month LIBOR + 1.07%
25	7.625%	2.81%	6 month LIBOR + 2.48%
50	7.65%	2.89%	6 month LIBOR + 2.57%
25	5.45%	0.60%	6 month LIBOR + 0.28%

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, 2014							
Derivatives designated as hedges							
Fixed-to-floating interest rate swaps	$ 3,440	$ -	$ 84	$ -	$ 10	Fair value	2 to 19 years
Currency exchange contracts	432	8	1	5	3	Cash flow	1 to 36 months
Commodity contracts	1	-	-	-	-	Cash flow	1 to 12 months
Total		$ 8	$ 85	$ 5	$ 13		
Derivatives not designated as hedges							
Currency exchange contracts	$ 4,447	$ 47		$ 52			1 to 12 months
Total		$ 47		$ 52			
December 31, 2013							
Derivatives designated as hedges							
Fixed-to-floating interest rate swaps	$ 3,090	$ 1	$ 36	$ -	$ 76	Fair value	3 months to 20 years
Floating-to-fixed interest rate swaps	300	-	-	1	-	Cash flow	6 months
Currency exchange contracts	393	12	-	3	-	Cash flow	12 to 36 months
Commodity contracts	1	-	-	-	-	Cash flow	1 to 12 months
Total		$ 13	$ 36	$ 4	$ 76		
Derivatives not designated as hedges							
Currency exchange contracts	$ 4,277	$ 22		$ 26			1 to 12 months
Total		$ 22		$ 26			

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

The impact of derivative instruments to the Consolidated Statements of Income and Comprehensive Income follow:

	Gain (loss) recognized in other comprehensive (loss) income		Location of gain (loss) reclassified from Accumulated other comprehensive loss	Gain (loss) reclassified from Accumulated other comprehensive loss	
	2014	2013		**2014**	2013
Derivatives designated as cash flow hedges					
Floating-to-fixed interest rate swaps	$ -	$ -	Interest expense - net	$ (1)	$ (1)
Currency exchange contracts	(3)	6	Cost of products sold	6	2
Commodity contracts	-	-	Cost of products sold	-	(1)
Total	$ (3)	$ 6		$ 5	$ -

Amounts recognized in net income follow:

	2014	2013
Derivatives designated as fair value hedges		
Fixed-to-floating interest rate swaps	$ 113	$ (126)
Related long-term debt converted to floating interest rates by interest rate swaps	(113)	126
	$ -	$ -

Gains and losses described above were recognized in Interest expense - net.

Note 13. Accounts Receivable and Inventory

Accounts Receivable

Eaton performs ongoing credit evaluation of its customers and maintains sufficient allowances for potential credit losses. The Company evaluates the collectability of its accounts receivable based on the length of time the receivable is past due and any anticipated future write-off based on historic experience. Accounts receivable balances are written off against an allowance for doubtful accounts after a final determination of uncollectability has been made. Accounts receivable are net of an allowance for doubtful accounts of $60 and $79 at December 31, 2014 and 2013, respectively.

Inventory

Inventory is carried at lower of cost or market. Inventory in the United States is generally accounted for using the last-in, first-out (LIFO) method. Remaining United States and non-United States inventory is accounted for using the first-in, first-out (FIFO) method. 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:

	2014	2013
Raw materials	$ 924	$ 955
Work-in-process	422	428
Finished goods	1,201	1,115
Inventory at FIFO	2,547	2,498
Excess of FIFO over LIFO cost	(119)	(116)
Total inventory	$ 2,428	$ 2,382

Inventory at FIFO accounted for using the LIFO method was 41% and 45% at the end of 2014 and 2013, respectively.

Note 14. Business Segment and Geographic Region Information

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

Electrical Products and Electrical Systems and Services

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

Hydraulics

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

Aerospace

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

Vehicle

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

Other Information

No single customer represented greater than 10% of net sales in 2014, 2013 or 2012, respectively.

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

For purposes of business segment performance measurement, the Company does not allocate items that are of a non-operating nature or are of a corporate or functional governance nature. Corporate expenses consist of transaction costs associated with the acquisition of certain businesses and corporate office expenses including compensation, benefits, occupancy, depreciation, and other administrative costs. Identifiable assets of the business segments exclude goodwill, other intangible assets, and general corporate assets, which principally consist of cash, short-term investments, deferred income taxes, certain accounts receivable, certain property, plant and equipment, and certain other assets. See Note 2 for additional information about business acquisitions.

Geographic Region Information

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

	2014	2013	2012
Net sales			
United States	$11,701	$11,092	$ 7,789
Canada	1,113	1,154	918
Latin America	1,988	2,113	1,588
Europe	5,074	5,112	3,997
Asia Pacific	2,676	2,575	2,019
Total	$22,552	$22,046	$16,311
Long-lived assets			
United States	$ 1,988	$ 1,966	$ 1,914
Canada	25	28	33
Latin America	306	331	346
Europe	799	856	845
Asia Pacific	632	652	648
Total	$ 3,750	$ 3,833	$ 3,786

Business Segment Information	2014	2013	2012
Net sales			
Electrical Products	$ 7,254	$ 7,026	$ 3,846
Electrical Systems and Services	6,457	6,430	3,872
Hydraulics	2,975	2,981	2,960
Aerospace	1,860	1,774	1,719
Vehicle	4,006	3,835	3,914
Total net sales	$ 22,552	$ 22,046	$ 16,311
Segment operating profit			
Electrical Products	$ 1,184	$ 1,090	$ 640
Electrical Systems and Services	843	889	424
Hydraulics	367	355	369
Aerospace	273	252	213
Vehicle	645	592	570
Total segment operating profit	3,312	3,178	2,216
Corporate			
Litigation settlements	(644)	-	-
Amortization of intangible assets	(431)	(437)	(195)
Interest expense - net	(227)	(271)	(208)
Pension and other postretirement benefits expense	(138)	(183)	(162)
Inventory step-up adjustment	-	(34)	(42)
Other corporate expense - net	(111)	(369)	(358)
Income before income taxes	1,761	1,884	1,251
Income tax (benefit) expense	(42)	11	31
Net income	1,803	1,873	1,220
Less net income for noncontrolling interests	(10)	(12)	(3)
Net income attributable to Eaton ordinary shareholders	$ 1,793	$ 1,861	$ 1,217

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

	2014	2013	2012
Electrical Products	$ 66	$ 44	$ 4
Electrical Systems and Services	51	37	13
Hydraulics	12	36	16
Total	$ 129	$ 117	$ 33

Corporate acquisition integration charges totaled $25, $37 and $11 in 2014, 2013 and 2012, respectively. Corporate acquisition integration charges related primarily to the acquisition of Cooper and are included above in Other corporate expense - net.

Acquisition-related transaction costs, such as investment banking, legal and other professional fees, and costs associated with change in control agreements, are included above in Interest expense - net and Other corporate expense - net. These charges totaled $9 and $178 in 2013 and 2012, respectively. There were no Corporate acquisition-related transition costs in 2014. See Note 3 for additional information about acquisition integration charges and transaction costs.

Business Segment Information	2014	2013	2012
Identifiable assets			
Electrical Products	$ 3,012	$ 3,204	$ 3,338
Electrical Systems and Services	2,512	2,683	2,408
Hydraulics	1,315	1,362	1,426
Aerospace	832	852	806
Vehicle	1,668	1,716	1,698
Total identifiable assets	9,339	9,817	9,676
Goodwill	13,893	14,495	14,443
Other intangible assets	6,556	7,186	7,580
Corporate	3,741	3,993	4,111
Total assets	$ 33,529	$ 35,491	$ 35,810
Capital expenditures for property, plant and equipment			
Electrical Products	$ 170	$ 152	$ 108
Electrical Systems and Services	147	113	47
Hydraulics	79	80	60
Aerospace	28	29	27
Vehicle	160	161	148
Total	584	535	390
Corporate	48	79	203
Total expenditures for property, plant and equipment	$ 632	$ 614	$ 593
Depreciation of property, plant and equipment			
Electrical Products	$ 148	$ 151	$ 78
Electrical Systems and Services	90	86	42
Hydraulics	67	65	61
Aerospace	28	27	26
Vehicle	130	133	136
Total	463	462	343
Corporate	51	54	38
Total depreciation of property, plant and equipment	$ 514	$ 516	$ 381

Note 15. Condensed Consolidating Financial Statements

On November 20, 2012, Eaton Corporation issued senior notes totaling $4,900 to finance part of the cash portion of the acquisition of Cooper. On November 14, 2013, the senior notes were exchanged for senior notes registered under the Securities Act of 1933 (the Senior Notes). Eaton and certain other of Eaton's 100% owned direct and indirect subsidiaries (the Guarantors) fully and unconditionally guaranteed (subject, in the case of the Guarantors, other than Eaton, to customary release provisions as described below), on a joint and several basis, the Senior Notes. The following condensed consolidating financial statements are included so that separate financial statements of Eaton, Eaton Corporation and each of the Guarantors are not required to be filed with the Securities and Exchange Commission. The consolidating adjustments primarily relate to eliminations of investments in subsidiaries and intercompany balances and transactions. The condensed consolidating financial statements present investments in subsidiaries using the equity method of accounting. See Note 5 for additional information related to the Senior Notes.

The guarantee of a Guarantor that is not a parent of the issuer will be automatically and unconditionally released and discharged in the event of any sale of the Guarantor or of all or substantially all of its assets, or in connection with the release or termination of the Guarantor as a guarantor under all other U.S. debt securities or U.S. syndicated credit facilities, subject to limitations set forth in the indenture. The guarantee of a Guarantor that is a direct or indirect parent of the issuer will only be automatically and unconditionally released and discharged in connection with the release or termination of such Guarantor as a guarantor under all other debt securities or syndicated credit facilities (in both cases, U.S. or otherwise), subject to limitations set forth in the indenture.

Eaton was incorporated under the laws of Ireland on May 10, 2012, and became the successor registrant to Eaton Corporation on November 30, 2012 in connection with the acquisition of Cooper. Therefore, for presentation purposes of entities under common control, Eaton is presented as the parent company in the 2012 condensed consolidating financial statements.

During the third quarter of 2014, the Company undertook certain steps to restructure ownership of various subsidiaries. The transactions were entirely among wholly-owned subsidiaries under the common control of Eaton. This restructuring has been reflected as of the beginning of the earliest period presented below.

Consolidating Statements of Comprehensive Income

	Eaton Corporation plc	Eaton Corporation	Guarantors	Other subsidiaries	Consolidating adjustments	Total
Year ended December 31, 2014						
Net sales	$ -	$ 6,990	$ 6,885	$ 13,521	$ (4,844)	$ 22,552
Cost of products sold	-	5,519	5,075	9,882	(4,830)	15,646
Selling and administrative expense	171	1,246	743	1,650	-	3,810
Litigation settlements	-	644	-	-	-	644
Research and development expense	-	240	202	205	-	647
Interest expense (income) - net	-	225	25	(29)	6	227
Other income - net	-	(17)	(81)	(85)	-	(183)
Equity in (earnings) loss of subsidiaries, net of tax	(2,191)	(674)	(2,655)	(302)	5,822	-
Intercompany expense (income) - net	227	(263)	855	(819)	-	-
Income before income taxes	1,793	70	2,721	3,019	(5,842)	1,761
Income tax (benefit) expense	-	(100)	76	(11)	(7)	(42)
Net income	1,793	170	2,645	3,030	(5,835)	1,803
Less net income for noncontrolling interests	-	-	-	(8)	(2)	(10)
Net income attributable to Eaton ordinary shareholders	$ 1,793	$ 170	$ 2,645	$ 3,022	$ (5,837)	$ 1,793
Other comprehensive loss	(1,339)	(195)	(1,367)	(1,644)	3,206	(1,339)
Total comprehensive income (loss) attributable to Eaton ordinary shareholders	$ 454	$ (25)	$ 1,278	$ 1,378	$ (2,631)	$ 454
Year ended December 31, 2013						
Net sales	$ -	$ 6,695	$ 6,421	$ 13,579	$ (4,649)	$ 22,046
Cost of products sold	-	5,227	4,784	10,010	(4,652)	15,369
Selling and administrative expense	32	1,400	749	1,705	-	3,886
Research and development expense	-	255	200	189	-	644
Interest expense (income) - net	-	271	28	(22)	(6)	271
Other expense (income) - net	-	8	4	(20)	-	(8)
Equity in (earnings) loss of subsidiaries, net of tax	(2,147)	(668)	(2,006)	(288)	5,109	-
Intercompany expense (income) - net	254	(155)	(433)	334	-	-
Income before income taxes	1,861	357	3,095	1,671	(5,100)	1,884
Income tax (benefit) expense	-	(108)	(90)	207	2	11
Net income	1,861	465	3,185	1,464	(5,102)	1,873
Less net income for noncontrolling interests	-	-	-	(9)	(3)	(12)
Net income attributable to Eaton ordinary shareholders	$ 1,861	$ 465	$ 3,185	$ 1,455	$ (5,105)	$ 1,861
Other comprehensive income	404	219	474	258	(951)	404
Total comprehensive income attributable to Eaton ordinary shareholders	$ 2,265	$ 684	$ 3,659	$ 1,713	$ (6,056)	$ 2,265
Year ended December 31, 2012						
Net sales	$ -	$ 6,680	$ 2,849	$ 10,346	$ (3,564)	$ 16,311
Cost of products sold	-	5,115	2,193	7,708	(3,568)	11,448
Selling and administrative expense	-	1,307	335	1,252	-	2,894
Research and development expense	-	230	108	101	-	439
Interest expense (income) - net	-	229	8	(29)	-	208
Other income - net	-	10	48	13	-	71
Equity in (earnings) loss of subsidiaries, net of tax	(1,219)	(236)	(1,292)	(123)	2,870	-
Intercompany expense (income) - net	2	(237)	42	193	-	-
Income before income taxes	1,217	262	1,407	1,231	(2,866)	1,251
Income tax expense	-	24	-	6	1	31
Net income	1,217	238	1,407	1,225	(2,867)	1,220
Less net income for noncontrolling interests	-	-	-	(3)	-	(3)
Net income attributable to Eaton ordinary shareholders	$ 1,217	$ 238	$ 1,407	$ 1,222	$ (2,867)	$ 1,217
Other comprehensive (loss) income	-	(27)	(17)	82	(38)	-
Total comprehensive income (loss) attributable to Eaton ordinary shareholders	$ 1,217	$ 211	$ 1,390	$ 1,304	$ (2,905)	$ 1,217

Condensed Consolidating Balance Sheets

	Eaton Corporation plc	Eaton Corporation	Guarantors	Other subsidiaries	Consolidating adjustments	Total
December 31, 2014						
Assets						
Current assets						
Cash	$ 1	$ 173	$ 13	$ 594	$ -	$ 781
Short-term investments	-	-	1	244	-	245
Accounts receivable - net	-	500	955	2,212	-	3,667
Intercompany accounts receivable	2	759	3,820	4,101	(8,682)	-
Inventory	-	397	637	1,445	(51)	2,428
Prepaid expenses and other current assets	-	464	171	340	4	979
Total current assets	3	2,293	5,597	8,936	(8,729)	8,100
Property, plant and equipment - net	-	972	756	2,022	-	3,750
Other noncurrent assets						
Goodwill	-	1,355	6,256	6,282	-	13,893
Other intangible assets	-	196	3,811	2,549	-	6,556
Deferred income taxes	-	889	10	137	(808)	228
Investment in subsidiaries	26,612	12,179	58,687	9,145	(106,623)	-
Intercompany loans receivable	-	7,542	2,249	40,635	(50,426)	-
Other assets	-	533	141	328	-	1,002
Total assets	$ 26,615	$ 25,959	$ 77,507	$ 70,034	$(166,586)	$ 33,529
Liabilities and shareholders' equity						
Current liabilities						
Short-term debt	$ -	$ -	$ -	$ 2	$ -	$ 2
Current portion of long-term debt	-	702	304	2	-	1,008
Accounts payable	-	475	340	1,125	-	1,940
Intercompany accounts payable	117	4,125	3,449	991	(8,682)	-
Accrued compensation	-	112	59	249	-	420
Other current liabilities	1	674	340	984	(14)	1,985
Total current liabilities	118	6,088	4,492	3,353	(8,696)	5,355
Noncurrent liabilities						
Long-term debt	-	7,079	932	13	-	8,024
Pension liabilities	-	726	183	903	-	1,812
Other postretirement benefits liabilities	-	283	136	94	-	513
Deferred income taxes	-	-	1,160	549	(808)	901
Intercompany loans payable	10,711	2,723	36,162	830	(50,426)	-
Other noncurrent liabilities	-	457	183	445	-	1,085
Total noncurrent liabilities	10,711	11,268	38,756	2,834	(51,234)	12,335
Shareholders' equity						
Eaton shareholders' equity	15,786	8,603	34,259	63,802	(106,664)	15,786
Noncontrolling interests	-	-	-	45	8	53
Total equity	15,786	8,603	34,259	63,847	(106,656)	15,839
Total liabilities and equity	$ 26,615	$ 25,959	$ 77,507	$ 70,034	$(166,586)	$ 33,529

Notes to Consolidated Financial Statements

Condensed Consolidating Balance Sheets	Eaton Corporation plc	Eaton Corporation	Guarantors	Other subsidiaries	Consolidating adjustments	Total
December 31, 2013						
Assets						
Current assets						
Cash	$ 3	$ 51	$ 10	$ 851	$ -	$ 915
Short-term investments	-	-	134	660	-	794
Accounts receivable - net	-	473	922	2,253	-	3,648
Intercompany accounts receivable	5	471	3,369	4,469	(8,314)	-
Inventory	-	344	609	1,466	(37)	2,382
Prepaid expenses and other current assets	-	458	175	350	9	992
Total current assets	8	1,797	5,219	10,049	(8,342)	8,731
Property, plant and equipment - net	-	982	761	2,090	-	3,833
Other noncurrent assets						
Goodwill	-	1,382	6,294	6,819	-	14,495
Other intangible assets	-	211	3,996	2,979	-	7,186
Deferred income taxes	-	839	3	145	(747)	240
Investment in subsidiaries	24,940	4,743	38,039	1,576	(69,298)	-
Intercompany loans receivable	-	8,019	2,312	18,822	(29,153)	-
Other assets	-	450	186	370	-	1,006
Total assets	$ 24,948	$ 18,423	$ 56,810	$ 42,850	$(107,540)	$ 35,491
Liabilities and shareholders' equity						
Current liabilities						
Short-term debt	$ -	$ -	$ -	$ 13	$ -	$ 13
Current portion of long-term debt	-	552	-	15	-	567
Accounts payable	-	440	380	1,140	-	1,960
Intercompany accounts payable	4	3,734	3,266	1,310	(8,314)	-
Accrued compensation	-	140	37	284	-	461
Other current liabilities	5	547	400	965	(4)	1,913
Total current liabilities	9	5,413	4,083	3,727	(8,318)	4,914
Noncurrent liabilities						
Long-term debt	-	7,693	1,266	16	(6)	8,969
Pension liabilities	-	546	131	788	-	1,465
Other postretirement benefits liabilities	-	402	171	95	-	668
Deferred income taxes	-	-	1,303	757	(747)	1,313
Intercompany loans payable	8,148	2,113	18,253	639	(29,153)	-
Other noncurrent liabilities	-	652	161	486	-	1,299
Total noncurrent liabilities	8,148	11,406	21,285	2,781	(29,906)	13,714
Shareholders' equity						
Eaton shareholders' equity	16,791	1,604	31,442	36,276	(69,322)	16,791
Noncontrolling interests	-	-	-	66	6	72
Total equity	16,791	1,604	31,442	36,342	(69,316)	16,863
Total liabilities and equity	$ 24,948	$ 18,423	$ 56,810	$ 42,850	$(107,540)	$ 35,491

Condensed Consolidating Statements of Cash Flows	Eaton Corporation plc	Eaton Corporation	Guarantors	Other subsidiaries	Consolidating adjustments	Total
December 31, 2014						
Net cash (used in) provided by operating activities	$ (93)	$ (411)	$ (218)	$ 2,568	$ 32	$ 1,878
Investing activities						
Capital expenditures for property, plant and equipment	-	(127)	(168)	(337)	-	(632)
Cash received from acquisitions of businesses, net of cash paid	-	-	-	2	-	2
Sales of short-term investments - net	-	-	133	389	-	522
Investments in affiliates	(753)	-	-	(753)	1,506	-
Loans to affiliates	-	(354)	(162)	(10,546)	11,062	-
Repayments of loans from affiliates	-	978	212	8,451	(9,641)	-
Proceeds from the sales of businesses	-	93	175	14	-	282
Other - net	-	(47)	44	(28)	-	(31)
Net cash (used in) provided by investing activities	(753)	543	234	(2,808)	2,927	143
Financing activities						
Payments on borrowings	-	(553)	(1)	(28)	-	(582)
Proceeds from borrowings from affiliates	2,628	7,599	808	27	(11,062)	-
Payments on borrowings from affiliates	(476)	(6,907)	(1,875)	(383)	9,641	-
Capital contribution from affiliates	-	-	753	753	(1,506)	-
Other intercompany financing activities	217	(169)	302	(350)	-	-
Cash dividends paid	(929)	-	-	-	-	(929)
Cash dividends recieved from affiliates	-	-	-	32	(32)	-
Exercise of employee stock options	54	-	-	-	-	54
(Repurchase) of shares	(650)	-	-	-	-	(650)
Excess tax benefit from equity-based compensation	-	20	-	-	-	20
Other - net	-	-	-	(43)	-	(43)
Net cash provided by (used in) financing activities	844	(10)	(13)	8	(2,959)	(2,130)
Effect of currency on cash	-	-	-	(25)	-	(25)
Total (decrease) increase in cash	(2)	122	3	(257)	-	(134)
Cash at the beginning of the period	3	51	10	851	-	915
Cash at the end of the period	$ 1	$ 173	$ 13	$ 594	$ -	$ 781

Condensed Consolidating Statements of Cash Flows	Eaton Corporation plc	Eaton Corporation	Guarantors	Other subsidiaries	Consolidating adjustments	Total
December 31, 2013						
Net cash (used in) provided by operating activities	$ (17)	$ 860	$ 428	$ 1,067	$ (53)	$ 2,285
Investing activities						
Capital expenditures for property, plant and equipment	-	(171)	(119)	(324)	-	(614)
Cash paid for acquisitions of businesses, net of cash acquired	-	-	-	(9)	-	(9)
Sales (purchases) of short-term investments - net	-	25	(95)	(218)	-	(288)
Loans to affiliates	-	(535)	(545)	(6,215)	7,295	-
Repayments of loans from affiliates	-	36	626	5,795	(6,457)	-
Proceeds from the sales of businesses	-	-	-	777	-	777
Other - net	-	(41)	(12)	(15)	-	(68)
Net cash (used in) provided by investing activities	-	(686)	(145)	(209)	838	(202)
Financing activities						
Proceeds from borrowings	-	-	-	9	-	9
Payments on borrowings	-	(1,048)	(43)	(5)	-	(1,096)
Proceeds from borrowings from affiliates	-	2,395	4,260	640	(7,295)	-
Payments on borrowings from affiliates	-	(2,921)	(2,874)	(662)	6,457	-
Other intercompany financing activities	688	1,365	(1,630)	(423)	-	-
Cash dividends paid	(796)	-	-	-	-	(796)
Cash dividends paid to affiliates	-	-	-	(53)	53	-
Exercise of employee stock options	121	-	-	-	-	121
Excess tax benefit from equity-based compensation	-	32	-	-	-	32
Other - net	-	-	-	(6)	-	(6)
Net cash provided by (used in) financing activities	13	(177)	(287)	(500)	(785)	(1,736)
Effect of currency on cash	-	-	-	(9)	-	(9)
Total (decrease) increase in cash	(4)	(3)	(4)	349	-	338
Cash at the beginning of the period	7	54	14	502	-	577
Cash at the end of the period	$ 3	$ 51	$ 10	$ 851	$ -	$ 915

Condensed Consolidating Statements of Cash Flows	Eaton Corporation plc	Eaton Corporation	Guarantors	Other subsidiaries	Consolidating adjustments	Total
December 31, 2012						
Net cash (used in) provided by operating activities	$ (60)	$ 1,037	$ 217	$ 487	$ (17)	$ 1,664
Investing activities						
Capital expenditures for property, plant and equipment	-	(291)	(73)	(229)	-	(593)
Cash (paid for) received from acquisitions of businesses, net of cash acquired	(6,542)	-	11	(405)	-	(6,936)
Sales of short-term investments - net	-	175	210	218	-	603
Loans to affiliates	-	(6,693)	-	(8,054)	14,747	-
Repayments of loans from affiliates	-	268	-	8,175	(8,443)	-
Proceeds from the sales of businesses	-	2	-	1	-	3
Other - net	-	(28)	2	(23)	-	(49)
Net cash (used in) provided by investing activities	(6,542)	(6,567)	150	(317)	6,304	(6,972)
Financing activities						
Proceeds from borrowings	-	7,156	-	-	-	7,156
Payments on borrowings	-	(1,306)	(16)	(2)	-	(1,324)
Payments of financing costs	-	(117)	-	-	-	(117)
Proceeds from borrowings from affiliates	5	8,054	6,425	263	(14,747)	-
Payments on borrowings from affiliates	(5)	(8,175)	-	(263)	8,443	-
Other intercompany financing activities	-	273	(340)	67	-	-
Cash dividends paid	-	(512)	-	-	-	(512)
Cash dividends paid to affiliates	-	-	-	(17)	17	-
Exercise of employee stock options	25	70	-	-	-	95
Issuance (repurchase) of shares	6,584	-	(6,425)	-	-	159
Excess tax benefit from equity-based compensation	-	21	-	-	-	21
Other - net	-	-	-	2	-	2
Net cash provided by (used in) financing activities	6,609	5,464	(356)	50	(6,287)	5,480
Effect of currency on cash	-	-	-	20	-	20
Total increase (decrease) in cash	7	(66)	11	240	-	192
Cash at the beginning of the period	-	120	3	262	-	385
Cash at the end of the period	$ 7	$ 54	$ 14	$ 502	$ -	$ 577

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

Company Overview

Eaton Corporation plc (Eaton or the Company) is a power management company with 2014 net sales of $22.6 billion. The Company provides energy-efficient solutions that help its customers effectively manage electrical, hydraulic and mechanical power more efficiently, safely and sustainably. Eaton has approximately 102,000 employees in over 60 countries and sells products to customers in more than 175 countries.

On November 30, 2012, Eaton Corporation acquired Cooper Industries plc (Cooper) for a purchase price of $13,192. The total purchase price was comprised of cash totaling $6,543 and Eaton share consideration valued at $6,649. Cooper was a diversified global manufacturer of electrical products and systems, with brands including Bussmann electrical and electronic fuses; Crouse-Hinds and CEAG explosion-proof electrical equipment; Halo and Metalux lighting fixtures; and Kyle and McGraw-Edison power systems products. Cooper had annual sales of $5,409 for 2011. Cooper's results of operations have been included in Eaton's Consolidated Financial Statements since November 30, 2012. Net sales and segment operating profit attributable to Cooper during this period and included in Eaton's Consolidated Financial Statements for the year ended December 31, 2012 total $470 and $66, respectively.

In addition to Cooper, Eaton acquired certain other businesses during 2012. The Consolidated Statements of Income include the results of these other businesses from the dates of the transactions. For additional information related to acquisitions, and a complete list of business acquisitions, see Note 2 to the Consolidated Financial Statements.

Summary of Results of Operations

During 2013, the Company's results of operations were most significantly impacted by the acquisition of Cooper, as noted above, partially offset by the continued impact of global uncertainty about future growth. This resulted in soft end markets and subdued economic growth for the majority of 2013. The growth experienced in 2012 was impacted by economic and political uncertainties in Europe, China, and the United States. Due to the continued uncertainty about future growth, among other factors, the Company undertook certain restructuring activities in the fourth quarter of 2012 which resulted in charges totaling $50.

During 2014, the Company's results of operations were impacted by modest growth in the Company's end markets, particularly in North America. This was partially offset by the impact of settlement of two litigation matters with ZF Meritor LLC and Meritor Transmission Corporation (collectively, Meritor) and Triumph Actuation Systems, LLC and other claimants (collectively, Triumph) for $500 and $147.5, respectively, and the sale of the Aerospace Power Distribution Management Solutions and Integrated Cockpit Solutions businesses to Safran for $270, which resulted in a pretax gain of $154. Also, during the second half of 2014 the Company's results of operations were negatively impacted by shifts in currency exchange rates. Despite the modest growth and negative currency exchange rates, the Company generated net income per ordinary share in 2014 that was broadly in line with the Company's guidance at the start of the year after excluding the litigation settlements and the gain on the sale of the Aerospace businesses.

Additional information related to business acquisitions and sales, restructuring activities and the litigation settlements is presented in Note 2, Note 3 and Note 7, respectively, of the Notes to the Consolidated Financial Statements.

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

	2014	2013	2012
Net sales	$22,552	$22,046	$16,311
Net income attributable to Eaton ordinary shareholders	1,793	1,861	1,217
Net income per ordinary share - diluted	$ 3.76	$ 3.90	$ 3.46

Results of Operations

The following discussion of Consolidated Financial Results and Business Segment Results of Operations includes certain non-GAAP financial measures. These financial measures include operating earnings, operating earnings per ordinary share, and operating profit before acquisition integration charges for each business segment, each of which excludes amounts that differ from the most directly comparable measure calculated in accordance with U.S. generally accepted accounting principles (GAAP). A reconciliation of each of these financial measures to the most directly comparable GAAP measure is included in the table below and in the discussion of the operating results of each business segment. Management believes that these financial measures are useful to investors because they exclude transactions of an unusual nature, allowing investors to more easily compare Eaton's financial performance period to period. Management uses this information in monitoring and evaluating the on-going performance of Eaton and each business segment. For additional information regarding acquisition integration charges and transaction costs, see Note 3 to the Consolidated Financial Statements.

Consolidated Financial Results

	2014	Change from 2013	2013	Change from 2012	2012
Net sales	$22,552	2%	$22,046	35%	$16,311
Gross profit	6,906	3%	6,677	37%	4,863
Percent of net sales	30.6%		30.3%		29.8%
Income before income taxes	1,761	(7)%	1,884	51%	1,251
Net income	1,803	(4)%	1,873	54%	1,220
Less net income for noncontrolling interests	(10)		(12)		(3)
Net income attributable to Eaton ordinary shareholders	1,793	(4)%	1,861	53%	1,217
Excluding acquisition integration charges and transaction costs (after-tax)	102		110		167
Operating earnings	$ 1,895	(4)%	$ 1,971	42%	$ 1,384
Net income per ordinary share - diluted	$ 3.76	(4)%	$ 3.90	13%	$ 3.46
Excluding per share impact of acquisition integration charges and transaction costs (after-tax)	0.21		0.23		0.48
Operating earnings per ordinary share	$ 3.97	(4)%	$ 4.13	5%	$ 3.94

Net Sales

Net sales in 2014 increased by 2% compared to 2013 due to an increase in organic sales of 4%, partially offset by a decrease of 1% from the impact of currency translation and a decrease of 1% from the divestiture of Eaton's Aerospace Power Distribution Management Solutions and Integrated Cockpit Solutions businesses. The increase in organic sales in 2014 is primarily due to growth in the Company's end markets, particularly in North America. Net sales in 2013 increased by 35% compared to 2012 due to an increase of 36% from acquisitions of businesses, partially offset by a decrease of 1% from the impact of currency translation. Organic sales growth was flat in 2013 when compared to 2012, due to flat market growth primarily related to economic and political uncertainties in Europe, China, and the United States.

Gross Profit

Gross profit margin increased from 30.3% in 2013 to 30.6% in 2014. The increase in gross profit margin in 2014 was primarily due to higher sales volumes, offset by certain restructuring activities Eaton undertook in 2014 in an effort to gain efficiencies in the Vehicle, Hydraulics and Aerospace business segments. Gross profit increased from 29.8% in 2012 to 30.3% in 2013. The gross profit margin in 2013 was positively impacted by the absence of restructuring charges in 2013 that were incurred in 2012.

Income Taxes

During 2014, an income tax benefit of $42 was recognized (an effective tax benefit rate of 2.4%) compared to income tax expense of $11 for 2013 (an effective tax expense rate of 0.6%) and $31 for 2012 (an effective tax expense rate of 2.5%). The lower tax rate in 2014 was primarily attributable to the net tax benefit of 7.6% for the Meritor and Triumph litigation settlements and related legal costs and the gain on the sale of the Aerospace businesses, all of which occurred in the second quarter of 2014. Excluding the previously mentioned litigation settlements and gain on the sale of businesses, the 2014 income tax rate increased from 2013 due to greater levels of income in higher tax jurisdictions and net increases in worldwide tax liabilities, partially offset by additional foreign tax credit recognition in the United States and recognition of deferred tax assets in foreign jurisdictions. The lower effective tax rate for 2013, compared to 2012, was primarily attributable to the effects associated with the acquisition of Cooper, along with greater levels of income in lower tax jurisdictions, additional foreign tax credit utilization, and the benefit of two years of the U.S. research and experimentation tax credit due to the extension of the credit in the American Taxpayer Relief Act of 2012 (the Act) as signed into law in January 2013. The Act extended certain tax benefits retroactively to January 1, 2012.

Net Income

Net income attributable to Eaton ordinary shareholders of $1,793 in 2014 decreased 4% compared to Net income attributable to Eaton ordinary shareholders of $1,861 in 2013, and Net income per ordinary share of $3.76 in 2014 decreased 4% from Net income per ordinary share of $3.90 in 2013. The decrease was primarily due to settlement of the Meritor and Triumph litigation matters for $500 and $147.5, respectively, partially offset by the impact of the sale of the Aerospace Power Distribution Management Solutions and Integrated Cockpit Solutions businesses, higher sales volumes as noted above and a lower effective income tax rate. Net income per ordinary share of $3.76 in 2014 was reduced by $0.21 per share from acquisition integration charges and transaction costs and by $0.70 per share from the litigation settlements partially offset by the gain from the Aerospace divestitures. Net income attributable to Eaton ordinary shareholders of $1,861 in 2013 increased 53% compared to Net income attributable to Eaton ordinary shareholders of $1,217 in 2012, and Net income per ordinary share of $3.90 in 2013 increased 13% from Net income per ordinary share of $3.46 in 2012. The increase was primarily due to higher sales volumes resulting from the acquisition of businesses, the most substantial of which was Cooper, and a lower effective income tax rate.

Business Segment Results of Operations

The following is a discussion of Net sales, operating profit and operating profit margin by business segment, which includes a discussion of operating profit and operating profit margin before acquisition integration charges. For additional information related to acquired businesses and integration charges, see Note 2 and Note 3, respectively, to the Consolidated Financial Statements.

Electrical Products

	2014	Change from 2013	2013	Change from 2012	2012
Net sales	$ 7,254	3%	$ 7,026	83%	$ 3,846
Operating profit	1,184	9%	1,090	70%	640
Operating margin	16.3%		15.5%		16.6%
Acquisition integration charges	$ 66		$ 44		$ 4
Before acquisition integration charges					
Operating profit	$ 1,250	10%	$ 1,134	76%	$ 644
Operating margin	17.2%		16.1%		16.7%

Net sales increased 3% in 2014 compared to 2013 due to an increase of 4% in organic sales, partially offset by a decrease of 1% from the impact of currency translation. Organic sales in 2014 were positively impacted by strength in North American markets. Net sales increased 83% in 2013 compared to 2012 due to an increase of 82% from the acquisition of Cooper and an increase of 1% from the impact of currency translation. Organic sales in 2013 were positively impacted by strength in the Americas, which was offset by weakness in Europe and Asia Pacific.

Operating margin before acquisition integration charges increased from 16.1% in 2013 to 17.2% in 2014. The increase in operating margin in 2014 was due to higher sales volumes, as noted above, and incremental synergies related to the acquisition of Cooper. Operating margin before acquisition integration charges decreased from 16.7% in 2012 to 16.1% in 2013. The decrease in operating margin in 2013 was primarily due to the changed mix of products in the segment as a result principally of the acquisition of Cooper.

Electrical Systems and Services

	2014	Change from 2013	2013	Change from 2012	2012
Net sales	$ 6,457	-%	$ 6,430	66%	$ 3,872
Operating profit	843	(5)%	889	110%	424
Operating margin	13.1%		13.8%		11.0%
Acquisition integration charges	$ 51		$ 37		$ 13
Before acquisition integration charges					
Operating profit	$ 894	(3)%	$ 926	112%	$ 437
Operating margin	13.8%		14.4%		11.3%

Net sales were flat in 2014 compared to 2013 due to an increase in organic sales of 2%, offset by a decrease of 2% from the impact of currency translation. The increase in organic sales in 2014 was primarily due to strength in the North American markets. Net sales increased 66% in 2013 compared to 2012 due to an increase of 66% from the acquisition of businesses and an increase in organic sales of 1%, partially offset by a decrease of 1% from the impact of currency translation. The increase in organic sales in 2013 reflects strength in the Americas and Asia Pacific.

Operating margin before acquisition integration charges decreased from 14.4% in 2013 to 13.8% in 2014. The decrease in operating margin in 2014 was primarily due to higher logistics costs, unfavorable mix, and pricing pressures. Operating margin before acquisition integration charges increased from 11.3% in 2012 to 14.4% in 2013. The increase in operating margin in 2013 was primarily due to the changed mix of products in the segment as a result of the acquisition of businesses.

Hydraulics

	2014	Change from 2013	2013	Change from 2012	2012
Net sales	$ 2,975	-%	$ 2,981	1%	$ 2,960
Operating profit	367	3%	355	(4)%	369
Operating margin	12.3%		11.9%		12.5%
Acquisition integration charges	$ 12		$ 36		$ 16
Before acquisition integration charges					
Operating profit	$ 379	(3)%	$ 391	2%	$ 385
Operating margin	12.7%		13.1%		13.0%

Net sales in 2014 were flat compared to 2013 due to an increase in organic sales of 2% offset by a decrease of 2% from the impact of currency translation. The increase in organic sales in 2014 was primarily driven by demand for industrial products in North America and growth in distributor sales, partially offset by weakness in the global agricultural equipment market and the China construction equipment market. Net sales in 2013 increased 1% compared to 2012 due to an increase of 6% from the acquisition of businesses, partially offset by a decrease in organic sales of 4% and a decrease of 1% from the impact of currency translation. The decrease in organic sales in 2013 primarily reflects lower market demand, particularly in the U.S. and Asia Pacific.

Operating margin before acquisition integration charges decreased from 13.1% in 2013 to 12.7% in 2014. The decrease in operating margin in 2014 was primarily due to costs related to new initiatives and certain restructuring activities Eaton undertook in 2014 in an effort to gain efficiencies in the segment. Operating margin before acquisition integration charges was broadly similar at 13.0% in 2012 compared to 13.1% in 2013.

Aerospace

	2014	Change from 2013	2013	Change from 2012	2012
Net sales	$ 1,860	5%	$ 1,774	3%	$ 1,719
Operating profit	273	8%	252	18%	213
Operating margin	14.7%		14.2%		12.4%

Net sales in 2014 increased 5% compared to 2013 due to an increase in organic sales of 8% and an increase of 1% from the impact of currency translation, partially offset by a decrease of 4% due to the divestitures of Eaton's Aerospace Power Distribution Management Solutions and Integrated Cockpit Solutions businesses. The increase in organic sales in 2014 was primarily due to continued strength in commercial OEM markets as well as growth in the commercial and military aftermarkets. Net sales in 2013 increased 3% compared to 2012 due to an increase in organic sales. The increase in organic sales in 2013 reflected strength in the commercial markets, partially offset by decreased demand in the military markets.

Operating margin increased from 14.2% in 2013 to 14.7% in 2014. The increase in operating margin in 2014 was due to higher sales volumes, as noted above, partially offset by certain restructuring activities Eaton undertook in 2014 in an effort to gain efficiencies in the segment. Operating margin increased from 12.4% in 2012 to 14.2% in 2013. The increase in operating margin in 2013 was primarily due to higher sales volumes.

Vehicle

	2014	Change from 2013	2013	Change from 2012	2012
Net sales	$ 4,006	4%	$ 3,835	(2)%	$3,914
Operating profit	645	9%	592	4%	570
Operating margin	16.1%		15.4%		14.6%

Net sales increased 4% in 2014 compared to 2013 due to an increase in organic sales of 6%, partially offset by a decrease of 2% from the impact of currency translation. The increase in organic sales in 2014 was primarily due to strong demand in North American and selected Asian Pacific markets, partially offset by weakness in South American markets. Net sales decreased 2% in 2013 compared to 2012 due to the impact of currency translation. Flat organic sales in 2013 were primarily due to lower sales volumes in the NAFTA Class 8 truck market, offset by strength in the Latin American vehicle markets and the global light vehicle markets.

Operating margin increased from 15.4% in 2013 to 16.1% in 2014. The increase in operating margin in 2014 was primarily due to higher sales volumes, as noted above, partially offset by certain restructuring activities Eaton undertook in 2014 to generate ongoing efficiencies in the segment. Operating margin increased from 14.6% in 2012 to 15.4% in 2013. The increase in operating margin in 2013 was primarily due to a change in mix of products and the impact of cost-savings initiatives taken in 2012.

Corporate Expense

	2014	Change from 2013	2013	Change from 2012	2012
Litigation settlements	$ 644	NM	$ -	NM	$ -
Amortization of intangible assets	431	(1)%	437	124%	195
Interest expense - net	227	(16)%	271	30%	208
Pension and other postretirement benefits expense	138	(25)%	183	13%	162
Inventory step-up adjustment	-	NM	34	(19)%	42
Gain on divestiture of Aerospace businesses	(154)	NM	-	NM	-
Other corporate expense - net	265	(28)%	369	3%	358
Total corporate expense	$ 1,551	20%	$ 1,294	34%	$ 965

Total Corporate expense increased 20% in 2014 to $1,551 from $1,294 in 2013 primarily due to litigation settlements of $644 during the second quarter of 2014, partially offset by a gain of $154 on the divestiture of Eaton's Aerospace Power Distribution Management Solutions and Integrated Cockpit Solutions businesses during the second quarter of 2014 and lower costs associated with the acquisition of Cooper. Total Corporate expense increased 34% in 2013 to $1,294 from $965 in 2012 due to the acquisition of Cooper. The acquisition of Cooper resulted in an increase of 124% in Amortization of intangible assets and an increase of 30% in Interest expense - net, primarily related to financing activities in conjunction with the acquisition.

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 $2.0 billion commercial paper program. To support the commercial paper program, in October 2014 the Company refinanced a $500, five-year revolving credit facility and a $750, three-year revolving credit facility with a $500, four-year revolving credit facility that will expire October 2018 and a $750, five-year revolving credit facility that will expire October 2019, respectively. The Company also maintains a $750, five-year revolving credit facility that will expire June 2017. These refinancings maintain long-term revolving credit facilities at a total of $2,000. The revolving credit facilities are used to support commercial paper borrowings and are fully and unconditionally guaranteed by Eaton and certain of its direct and indirect subsidiaries on an unsubordinated, unsecured basis. There were no borrowings outstanding under Eaton's revolving credit facilities at December 31, 2014 or 2013. Eaton's non-United States operations also had available short-term lines of credit of approximately $2,089 at December 31, 2014. As is customary to support its U.S. operations, the Company had available lines of credit of $340 from various banks for the issuance of letters of credit, of which there was $155 outstanding at December 31, 2014. Over the course of a year, cash, short-term investments and short-term debt may fluctuate in order to manage global liquidity. Eaton believes it has the operating flexibility, cash flow, cash and short-term investment balances, and access to capital markets in excess of the liquidity necessary to meet future operating needs of the business as well as scheduled payments of long-term debt.

During June 2012, the Company received proceeds totaling $600 from the private issuance of notes and during November 2012 Eaton received proceeds totaling $6,522 to finance the cash portion of the acquisition of Cooper. Financing activities related to acquiring Cooper were comprised of the issuance of senior notes totaling $4,900 and borrowing $1,669 on a $6.75 billion capacity bridge facility. At December 31, 2012, $669 remained outstanding on the bridge facility borrowing and on February 1, 2013, Eaton repaid the outstanding balance. On November 30, 2012 and January 8, 2013, Eaton Corporation and Cooper, respectively, each issued guarantees on all material outstanding debt of the other.

For additional information on financing transactions and debt, see Note 5 to the Consolidated Financial Statements.

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

Sources and Uses of Cash Flow

Operating Cash Flow

Net cash provided by operating activities was $1,878 in 2014, a decrease of $407 compared to $2,285 in 2013. The decrease in operating cash flows in 2014 compared to 2013 was primarily due to settlement of the Meritor, Triumph and related litigation, which reduced operating cash flow by $654.

Net cash provided by operating activities was $2,285 in 2013, an increase of $621 compared to $1,664 in 2012. Operating cash flows in 2013 were primarily impacted by higher net income and lower contributions to benefit plans, partially offset by higher working capital requirements compared to 2012.

For additional information on litigation settlements, see Note 7 to the Consolidated Financial Statements.

Investing Cash Flow

Net cash provided by investing activities was $143 in 2014, an increase of $345 compared to a use of cash of $202 in 2013. The increase in 2014 was principally due to sales of short-term investments of $522 in 2014 compared to purchases of short-term investments of $288 in 2013. This source of cash in 2014 was partially offset by a decrease in proceeds from the sales of businesses, from $777 in 2013 to $282 in 2014. Capital expenditures were $632 in 2014 compared to $614 in 2013. Eaton expects approximately $675 in capital expenditures in 2015.

Net cash used in investing activities was $202 in 2013, a decrease of $6,770 as compared to $6,972 in 2012. The decrease in 2013 was principally due to a decrease of $6,927 related to cash paid for acquisitions of businesses, the largest of which was Cooper in 2012, and proceeds of $777 from the sales of businesses compared to $3 in 2012, primarily related to the sale of Apex Tool Group, LLC. These sources of cash were offset by an increase in purchases of short-term investments to $288 in 2013 compared to sales of short-term investments of $603 in 2012. Capital expenditures were $614 in 2013 compared to $593 in 2012.

For additional information on business acquisitions and sales, see Note 2 to the Consolidated Financial Statements.

Financing Cash Flow

Net cash used in financing activities was $2,130 in 2014, an increase in the use of cash of $394 compared to $1,736 in 2013. The increase in the use of cash was primarily due to $650 in share repurchases and an increase in cash dividends paid. Partially offsetting these uses of cash was a decrease in payments on borrowings, from $1,096 in 2013 to $582 in 2014. On February 1, 2013, Eaton repaid the $669 outstanding balance on a $1,669 borrowing on the bridge facility related to financing the acquisition of Cooper.

Net cash used in financing activities was $1,736 in 2013, a decrease of $7,216 compared to a source of cash of $5,480 in 2012. Substantially all of the increase in 2013 was due to the absence of proceeds totaling $7,156 in 2012 from the issuance of $4,900 senior notes, a $1,669 borrowing on the $6.75 billion capacity bridge facility, and the private issuance of $600 notes, which are more fully described above and primarily relate to the acquisition of Cooper.

For additional information on financing the acquisition of Cooper, see Note 5 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+/F2	Stable outlook

Defined Benefits Plans

Pension Plans

During 2014, the fair value of plan assets in the Company's employee pension plans increased $249 to $4,621 at December 31, 2014. The increase in plan assets was primarily due to employer contributions and better than expected return on assets. At December 31, 2014, the net unfunded position of $1,763 in pension liabilities consisted of $754 in the U.S. qualified pension plans, $965 in plans that have no minimum funding requirements, and $121 in all other plans that require minimum funding, partially offset by $77 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 2014, $362 was contributed to the pension plans. The Company contributed $200 to the U.S. Qualified Pension Plan in early 2015 and anticipates making an additional $126 of contributions to certain pension plans during 2015. The funded status of the Company's pension plans at the end of 2015, and future contributions, will depend primarily on the actual return on assets during the year and the discount rate used to calculate certain benefits at the end of the year. Depending on these factors, and the resulting funded status of the pension plans, the level of future contributions could be materially higher or lower than in 2014.

Off-Balance Sheet Arrangements

Eaton does not have off-balance sheet arrangements or financings with unconsolidated entities or other persons. In the ordinary course of business, the Company leases certain real properties and equipment, as described in Note 7 to the Consolidated Financial Statements.

Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) in the United States requires management to make certain estimates and assumptions that may involve the exercise of significant judgment. For any estimate or assumption used, there may be other reasonable estimates or assumptions that could have been used. However, based on facts and circumstances inherent in developing estimates and assumptions, management believes it is unlikely that applying other such estimates and assumptions would have caused materially different amounts to have been reported. Actual results may differ from these estimates.

Revenue Recognition

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

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

Impairment of Goodwill and Other Long-Lived Assets

Goodwill

Goodwill is evaluated annually for impairment as of July 1 using either a quantitative or qualitative analysis. Goodwill is tested for impairment at the reporting unit level, which is equivalent to Eaton's operating segments and based on the net assets for each segment, including goodwill and intangible assets. Goodwill is assigned to each operating segment, as this represents the lowest level that constitutes a business and is the level at which management regularly reviews the operating results. The Company performs a quantitative analysis using a discounted cash flow model and other valuation techniques, but may elect to perform a qualitative analysis.

Additionally, goodwill is evaluated for impairment whenever an event occurs or circumstances change that would indicate that it is more likely than not that the fair value of an operating segment is less than its carrying amount. Events or circumstances that may result in an impairment review include changes in macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, other relevant entity-specific events, specific events affecting the reporting unit or sustained decrease in share price.

Goodwill impairment testing for 2014 was performed using a qualitative analysis, which is performed by assessing certain trends and factors that require significant judgment, including projected market outlook and growth rates, forecasted and actual sales and operating profit margins, discount rates, industry data, and other relevant qualitative factors. These trends and factors are compared to, and based on, the assumptions used in the most recent quantitative assessment. The results of the qualitative analysis did not indicate a need to perform a quantitative analysis.

Goodwill impairment testing for 2013 was performed using a quantitative analysis under which the fair value for each reporting unit was estimated using a discounted cash flow model, which considered forecasted cash flows discounted at an estimated weighted-average cost of capital. The forecasted cash flows were based on the Company's long-term operating plan and a terminal value was used to estimate the operating segment's cash flows beyond the period covered by the operating plan. The weighted-average cost of capital is an estimate of the overall after-tax rate of return required by equity and debt market holders of a business enterprise. These analyses require the exercise of significant judgments, including judgments about appropriate discount rates, perpetual growth rates and the timing of expected future cash flows of the respective reporting unit. Sensitivity analyses were performed in order to assess the reasonableness of the assumptions and the resulting estimated fair values.

For 2014 and 2013, based on a qualitative and quantitative analysis, respectively, the fair values of Eaton's reporting units continue to substantially exceed the respective carrying amounts.

Indefinite Life Intangible Assets

Indefinite life intangible assets consist of 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 2014 and 2013 was performed using a quantitative analysis. Determining the fair value of these assets requires significant judgment and the Company uses 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. Events or circumstances that may result in an impairment review include changes in industry and market considerations, cost factors, financial performance, and other relevant entity-specific events that could affect inputs used to determine the respective fair values of the indefinite-lived intangible assets.

For 2014 and 2013, the fair value of indefinite lived intangible assets substantially exceeded the respective carrying value.

Other Long-Lived Assets

Other long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Events or circumstances that may result in an impairment review include operations reporting losses, a significant adverse change in the use of an asset, the planned disposal or sale of the asset, a significant adverse change in the business climate or legal factors related to the asset, or a significant decrease in the estimated market value of an asset. 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. In instances where the carrying amount of the asset group exceeded the undiscounted cash flows, the fair value of the asset group would be determined and an impairment loss would be recognized based on the amount by which the carrying value of the asset group exceeds its fair value. Determining asset groups and underlying cash flows requires the use of significant judgment.

For additional information about goodwill and other intangible assets, see Note 4 to the Consolidated Financial Statements.

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 the 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 jurisdiction in which it operates. If the Company experiences cumulative pretax income in a particular jurisdiction in a three-year period including the current and prior two years, management normally concludes that the deferred income tax assets will more likely than not be realizable and no valuation allowance is recognized, unless known or planned operating developments would lead management to conclude otherwise. However, if the Company experiences cumulative pretax losses in a particular jurisdiction in a 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 a particular country, prudent and feasible tax planning strategies, and estimates of future earnings and taxable income using the same assumptions as 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. For additional information about income taxes, see Note 8 to the Consolidated Financial Statements.

Pension and Other Postretirement Benefits Plans

The measurement of liabilities related to pension plans and other postretirement benefits plans is based on assumptions related to future events including interest rates, return on plan assets, rate of compensation increases, and health care cost trend rates. Actual plan asset performance will either reduce or increase losses included in accumulated other comprehensive loss, which ultimately affects net income.

The discount rate for United States plans was determined by discounting the expected future benefit payments using a theoretical zero-coupon spot yield curve derived from a universe of high-quality bonds as of the measurement date and solving for the single rate that generated the same benefit obligation. Only corporate bonds with a rating of Aa or higher by either Moody's or Standard & Poor's were included. Callable bonds and certain other non-comparable bonds were eliminated. Finally, a subset of bonds was selected by grouping the universe of bonds by duration and retaining 50% of the bonds that had the highest yields. The discount rates for non-United States plans were determined by region and are based on high quality long-term corporate and government bonds. Consideration has been given to the duration of the liabilities in each plan when selecting the bonds to be used in determining the discount rate.

Key assumptions used to calculate pension and other postretirement benefits expense are adjusted at each year-end. A 1-percentage point change in the assumed rate of return on pension plan assets is estimated to have approximately a $43 effect on pension expense. Likewise, a 1-percentage point change in the discount rate is estimated to have approximately a $75 effect on pension expense. A 1-percentage point change in the assumed rate of return on other postretirement benefits assets is estimated to have approximately a $1 effect on other postretirement benefits expense. A 1-percentage point change in the discount rate is estimated to have approximately a $4 effect on expense for other postretirement benefits plans. Additional information related to changes in key assumptions used to recognize expense for other postretirement benefits plans is found in Note 6 to the Consolidated Financial Statements.

Environmental Contingencies

As a result of past operations, 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.

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. At December 31, 2014 and 2013, $140 and $149, respectively, was accrued 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.

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 12 to the Consolidated Financial Statements for additional information about hedges and derivative financial instruments.

Eaton's ability to access the commercial paper market, and the related cost of these borrowings, is based on the strength of its credit rating and overall market conditions. The Company has not experienced any material limitations in its ability to access these sources of liquidity. At December 31, 2014, Eaton had $2,000 of long-term revolving credit facilities with banks in support of its commercial paper program. It has no direct borrowings outstanding under these credit facilities. Eaton's non-United States operations also had available short-term lines of credit of approximately $2,089 at December 31, 2014.

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 2014, a 100 basis-point increase in short-term interest rates would have increased the Company's net, pretax interest expense by $32.

Eaton also measures interest rate risk by estimating the net amount by which the fair value of the Company's financial liabilities would change as a result of movements in interest rates. Based on Eaton's best estimate for a hypothetical, 100 basis point decrease in interest rates at December 31, 2014, the market value of the Company's debt and interest rate swap portfolio, in aggregate, would increase by $494.

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, 2014 follows:

	2015	2016 to 2017	2018 to 2019	After 2020	Total
Long-term debt, including current portion [1]	$ 1,008	$ 1,790	$ 909	$ 5,130	$ 8,837
Interest expense related to long-term debt	326	602	468	2,149	3,545
Reduction of interest expense from interest rate swap agreements related to long-term debt	(68)	(64)	(22)	(56)	(210)
Operating leases	153	198	93	60	504
Purchase obligations	813	87	38	26	964
Other obligations	333	17	14	47	411
Total	$2,565	$ 2,630	$ 1,500	$ 7,356	$14,051

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

Interest expense related to long-term debt is based on the fixed interest rate, or other applicable interest rate, related to the debt instrument. The reduction of interest expense due to interest rate swap agreements related to long-term debt is based on the difference in the fixed interest rate the Company receives from the swap, compared to the floating interest rate the Company pays on the swap. Purchase obligations are entered into with various vendors in the normal course of business. These amounts include commitments for purchases of raw materials, outstanding non-cancelable purchase orders, releases under blanket purchase orders, and commitments under ongoing service arrangements. Other long-term obligations principally include anticipated contributions of $326 to pension plans in 2015 and $80 of deferred compensation earned under various plans for which the participants have elected to receive disbursement at a later date.

The table above does not include future expected pension benefit payments or expected other postretirement benefits payments. Information related to the amounts of these future payments is described in Note 6 to the Consolidated Financial Statements. The table above also excludes the liability for unrecognized income tax benefits, since the Company cannot predict with reasonable certainty the timing of cash settlements with the respective taxing authorities. At December 31, 2014, the gross liability for unrecognized income tax benefits totaled $493 and interest and penalties were $120.

Forward-Looking Statements

This Annual Report to Shareholders contains forward-looking statements concerning the realization of acquisition synergies, litigation developments, capital expenditures and restructuring charges, among other matters. These statements may discuss goals, intentions and expectations as to future trends, plans, events, results of operations or financial condition, or state other information relating to Eaton, based on current beliefs of management as well as assumptions made by, and information currently available to, management. Forward-looking statements generally will be accompanied by words such as "anticipate," "believe," "could," "estimate," "expect," "forecast," "guidance," "intend," "may," "possible," "potential," "predict," "project" or other similar words, phrases or expressions. These statements should be used with caution and are subject to various risks and uncertainties, many of which are outside Eaton's control. The following factors could cause actual results to differ materially from those in the forward-looking statements: unanticipated changes in the markets for the Company's business segments; unanticipated downturns in business relationships with customers or their purchases from us; the availability of credit to customers and suppliers; competitive pressures on sales and pricing; unanticipated changes in the cost of material and other production costs, or unexpected costs that cannot be recouped in product pricing; the introduction of competing technologies; unexpected technical or marketing difficulties; unexpected claims, charges, litigation or dispute resolutions; strikes or other labor unrest; the impact of acquisitions and divestitures; unanticipated difficulties integrating acquisitions; new laws and governmental regulations; interest rate changes; tax rate changes or exposure to additional income tax liability; stock market and currency fluctuations; war, civil or political unrest or terrorism; and unanticipated deterioration of economic and financial conditions in the United States and around the world. Eaton does not assume any obligation to update these forward-looking statements.

Quarterly Data (unaudited)

	Quarter ended in 2014				Quarter ended in 2013			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
(In millions except for per share data)								
Net sales	$ 5,565	$ 5,728	$ 5,767	$ 5,492	$ 5,527	$ 5,607	$ 5,602	$ 5,310
Gross profit	1,718	1,812	1,742	1,634	1,646	1,724	1,732	1,575
Percent of net sales	30.9%	31.6%	30.2%	29.8%	29.8%	30.7%	30.9%	29.7%
Income before income taxes	609	642	57	453	429	521	534	400
Net income	585	605	172	441	482	514	497	380
Less net income for noncontrolling interests	(4)	(3)	(1)	(2)	(3)	(4)	(3)	(2)
Net income attributable to Eaton ordinary shareholders	$ 581	$ 602	$ 171	$ 439	$ 479	$ 510	$ 494	$ 378
Net income per ordinary share								
Diluted	$ 1.23	$ 1.26	$ 0.36	$ 0.92	$ 1.00	$ 1.07	$ 1.04	$ 0.79
Basic	1.24	1.27	0.36	0.92	1.01	1.08	1.04	0.80
Cash dividends declared per ordinary share	$ 0.49	$ 0.49	$ 0.49	$ 0.49	$ 0.42	$ 0.42	$ 0.42	$ 0.42
Market price per ordinary share								
High	$ 70.51	$ 79.98	$ 79.65	$ 78.19	$ 77.00	$ 71.36	$ 69.92	$ 63.81
Low	57.11	62.84	70.26	66.89	65.20	62.89	55.41	55.00

Earnings per share for the four quarters in a year may not equal full year earnings per share.

Significant non-recurring adjustments included in Income before income taxes are as follows:

	Quarter ended in 2014				Quarter ended in 2013			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Acquisition integration charges	$ 32	$ 19	$ 37	$ 66	$ 55	$ 36	$ 37	$ 26
Transaction costs	-	-	-	-	-	2	2	5

Ten-Year Consolidated Financial Summary (unaudited)

(In millions except for per share data)	**2014**	2013	2012	2011	2010	2009	2008	2007	2006	2005
Continuing operations										
Net sales	$ 22,552	$ 22,046	$ 16,311	$ 16,049	$ 13,715	$ 11,873	$ 15,376	$ 13,033	$ 12,232	$ 10,874
Income before income taxes	1,761	1,884	1,251	1,553	1,036	303	1,140	1,055	979	969
Income after income taxes	1,803	1,873	1,220	1,352	937	385	1,067	973	907	788
Income from discontinued operations	-	-	-	-	-	-	3	35	53	22
Net income	1,803	1,873	1,220	1,352	937	385	1,070	1,008	960	810
Less net income for noncontrolling interests	(10)	(12)	(3)	(2)	(8)	(2)	(12)	(14)	(10)	(5)
Net income attributable to Eaton ordinary shareholders	$ 1,793	$ 1,861	$ 1,217	$ 1,350	$ 929	$ 383	$ 1,058	$ 994	$ 950	$ 805
Net income per ordinary share - diluted										
Continuing operations	$ 3.76	$ 3.90	$ 3.46	$ 3.93	$ 2.73	$ 1.14	$ 3.25	$ 3.19	$ 2.94	$ 2.54
Discontinued operations	-	-	-	-	-	-	0.01	0.12	0.17	0.08
Total	$ 3.76	$ 3.90	$ 3.46	$ 3.93	$ 2.73	$ 1.14	$ 3.26	$ 3.31	$ 3.11	$ 2.62
Net income per ordinary share - basic										
Continuing operations	$ 3.78	$ 3.93	$ 3.54	$ 3.98	$ 2.76	$ 1.16	$ 3.29	$ 3.26	$ 2.99	$ 2.61
Discontinued operations	-	-	-	-	-	-	0.01	0.12	0.17	0.07
Total	$ 3.78	$ 3.93	$ 3.54	$ 3.98	$ 2.76	$ 1.16	$ 3.30	$ 3.38	$ 3.16	$ 2.68
Weighted-average number of ordinary shares outstanding										
Diluted	476.8	476.7	350.9	342.8	339.5	335.8	324.6	300.6	305.8	308.0
Basic	474.1	473.5	347.8	338.3	335.5	332.7	320.4	294.6	300.4	300.4
Cash dividends declared per ordinary share	$ 1.96	$ 1.68	$ 1.52	$ 1.36	$ 1.08	$ 1.00	$ 1.00	$ 0.86	$ 0.74	$ 0.62
Total assets	$ 33,529	$ 35,491	$ 35,810	$ 17,873	$ 17,252	$ 16,282	$ 16,655	$ 13,430	$ 11,417	$ 10,218
Long-term debt	8,024	8,969	9,765	3,366	3,382	3,349	3,190	2,432	1,774	1,830
Total debt	9,034	9,549	10,836	3,773	3,458	3,467	4,271	3,417	2,586	2,464
Eaton shareholders' equity	15,786	16,791	15,113	7,469	7,362	6,777	6,317	5,172	4,106	3,778
Eaton shareholders' equity per ordinary share	$ 33.74	$ 35.34	$ 32.11	$ 22.34	$ 21.66	$ 20.39	$ 19.14	$ 17.71	$ 14.04	$ 12.72
Ordinary shares outstanding	467.9	475.1	470.7	334.4	339.9	332.3	330.0	292.0	292.6	297.0

Directors and Leadership Team

As of March 1, 2015

Directors, Eaton Corporation plc

George S. Barrett 1, 3

Chairman and Chief Executive Officer, Cardinal Health, Columbus, Ohio, a health care services company

Todd M. Bluedorn 1, 3

Chief Executive Officer, Lennox International Inc., Richardson, Texas, a global provider of climate control solutions for heating, air conditioning and refrigeration markets

Christopher M. Connor 2*, 3

Chairman and Chief Executive Officer, The Sherwin-Williams Company, Cleveland, Ohio, a global manufacturer of paint, architectural coatings, industrial finishes and associated supplies

Michael J. Critelli 1, 4

Chief Executive Officer and President, Dossia Services Corporation, San Francisco, California, a personal health management systems company

Alexander M. Cutler 5*

Chairman, Eaton Corporation plc, Dublin, Ireland, a power management company

Charles E. Golden 2, 3*

Retired. Former Executive Vice President and Chief Financial Officer and Director, Eli Lilly and Company, Indianapolis, Indiana, a pharmaceutical company

Linda A. Hill 2, 4

Professor of Business Administration, Harvard Business School, Cambridge, Massachusetts

Arthur E. Johnson 2, 4*

Retired. Former Senior Vice President, Corporate Strategic Development, Lockheed Martin Corporation, Bethesda, Maryland, a manufacturer of advanced technology systems, products and services

Ned C. Lautenbach 2, 4

Retired. Former Partner, Clayton, Dubilier & Rice Inc., New York, N.Y., a private equity investment firm specializing in management buyouts

Deborah L. McCoy 1, 4

Independent consultant. Former Senior Vice President, Flight Operations, Continental Airlines Inc., Houston, Texas, a commercial airline

Gregory R. Page 1*, 4

Executive Chairman, Cargill Incorporated, Minneapolis, Minnesota, an international marketer, processor and distributor of agricultural, food, financial and industrial products and services

Sandra Pianalto 2, 3

Retired. Former President and Chief Executive Officer of the Federal Reserve Bank of Cleveland

Gerald B. Smith 1, 3

Chairman and Chief Executive Officer, Smith Graham & Company, Houston, Texas, an investment advisory firm

Board Committees

Each of the non-employee directors serves a four-month term on the Executive Committee. Alexander M. Cutler serves a 12-month term as Committee Chair.

January 1, 2014 through April 23, 2014
C. E. Golden
D. L. McCoy
G. R. Page
G. B. Smith

April 24, 2014 through August 31, 2014
G. S. Barrett
T. M. Bluedorn
M. J. Critelli

September 1, 2014 through December 31, 2014
C. M. Connor
L. A. Hill
A. E. Johnson
N. C. Lautenbach

January 1, 2015 through April 22, 2015
C. E. Golden
D. L. McCoy
G. R. Page
G. B. Smith

1 Audit Committee
2 Compensation and Organization Committee
3 Finance Committee
4 Governance Committee
5 Executive Committee
* Denotes Committee Chair

Eaton Global Leadership Team

Alexander M. Cutler
Chief Executive Officer and President

Craig Arnold
Vice Chairman and Chief Operating Officer, Industrial Sector

Richard H. Fearon
Vice Chairman and Chief Financial and Planning Officer

Thomas S. Gross
Vice Chairman and Chief Operating Officer, Electrical Sector

Revathi Advaithi
President – Americas Region, Electrical

Frank C. Campbell
President – Europe, Middle East and Africa Region, Electrical

Kenneth F. Davis
President – Vehicle Group

Ivo Jurek
President – Asia Pacific Region, Electrical

William R. VanArsdale
President – Hydraulics Group

Uday Yadav
President – Aerospace Group

William W. Blausey Jr.
Senior Vice President and Chief Information Officer

Cynthia K. Brabander
Executive Vice President and Chief Human Resources Officer

Rogerio Branco
Senior Vice President – Supply Chain Management

Donald H. Bullock
Senior Vice President – Investor Relations

William B. Doggett
Senior Vice President – Public and Community Affairs

James M. Henley
Senior Vice President – Corporate Quality

Curtis J. Hutchins
President – Asia Pacific Region, Eaton

Harold V. Jones
Senior Vice President – Environment, Health and Safety

Nanda Kumar
Executive Vice President – Eaton Business System

John J. Matejka
Senior Vice President – Internal Audit

Donald J. McGrath Jr.
Senior Vice President – Communications

Mark M. McGuire
Executive Vice President and General Counsel

Kurt B. McMaken
President – Europe, Middle East and Africa Region, Eaton

Trent M. Meyerhoefer
Senior Vice President – Treasury

John S. Mitchell
Senior Vice President – Taxes

Thomas E. Moran*
Senior Vice President and Secretary

Molly A. Murphy
Senior Vice President – Sales and Marketing

Ramanath Ramakrishnan
Executive Vice President and Chief Technology Officer

Harpreet Saluja
Senior Vice President – Corporate Development and Planning

Ken D. Semelsberger
Senior Vice President and Controller

Deborah R. Severs
Senior Vice President – Global Ethics and Compliance

*Officer of Eaton Corporation plc. Other leaders are officers of various Eaton affiliates.

Shareholder Information

Eaton Shareholder Contact Information	Investor Relations, Eaton, 1000 Eaton Boulevard, Cleveland, OH 44122 USA +1 888.328.6647 +1 440.523.5000 www.eaton.com
Annual General Meeting of Shareholders	The company's 2015 Annual General Meeting of Shareholders will be held at 8:00 a.m., Dublin time, on Wednesday, April 22, 2015, at Eaton House, 30 Pembroke Road, Dublin 4, Ireland. Formal notice of the meeting will be sent on or about March 13, 2015, to each shareholder of record as of February 23, 2015. Eaton shareholders can register for electronic delivery of the proxy statement and Annual Report to Shareholders, as well as online proxy voting, at http://enroll.icsdelivery.com/etn.
Annual Report on Form 10-K and Other Financial Reports	Any shareholder may obtain at no charge a copy of Eaton's Annual Report on Form 10-K for 2014, as filed with the Securities and Exchange Commission, upon written request to the address shown above. The Annual Report on Form 10-K and other public financial reports also are available on Eaton's website at www.eaton.com.
Annual Certifications	The most recent certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 were filed as Exhibits 31.1 and 31.2 to Eaton's Annual Report on Form 10-K for 2014. Additionally, Eaton submitted to the New York Stock Exchange its 2014 Chief Executive Officer Certification regarding Eaton's compliance with the corporate governance listing standards of the Exchange.
Quarterly Financial Releases	Eaton's financial results are available approximately three weeks after the end of each quarter. Releases are available on Eaton's website at www.eaton.com. Copies may also be obtained by calling +1 440.523.4254.
Common Shares	Listed for trading: New York Stock Exchange (Ticker Symbol: ETN)
Annual Report to Shareholders	Eaton's 2014 Annual Report to Shareholders is available online at www.eaton.com/annualreport.
Transfer Agent, Registrar, Dividend Disbursement Agent and Dividend Reinvestment Agent	Computershare Inc. First Class/Registered Mail: P.O. Box 30170, College Station, TX 77842-3170 Courier Packages: 211 Quality Circle, Suite 210, College Station, TX 77845 Toll-free: +1 888.597.8625 +1 312.588.4141 (outside the U.S.) TDD: +1 800.952.9245 (hearing impaired inside the U.S.) TDD: +1 781.575.4592 (hearing impaired outside the U.S.) Computershare may also be contacted via its website at www.computershare.com/investor.
Dividend Reinvestment and Direct Stock Purchase Plan	A dividend reinvestment plan is available at no charge to shareholders of record of Eaton Ordinary Shares. Through the plan, shareholders of record may buy additional shares by reinvesting their cash dividends or investing additional cash up to $60,000 per year. Also, new investors may buy Eaton shares under this plan. Interested shareholders of record or new investors should contact Computershare, as shown above.
Direct Deposit of Dividends	Shareholders of record may have their dividends directly deposited to their bank accounts. Interested shareholders of record should contact Computershare, as shown above.

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Design and Photo Illustrations: Nesnadny + Schwartz Principal Copywriting: Gay Eyerman Chairman's Portrait: DPI Digital Content

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