Eaton Corp plc
Form 10-K
February 26, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the year ended December 31, 2013
Commission file number 000-54863
EATON CORPORATION plc
(Exact name of registrant as specified in its charter)

Ireland	98-1059235
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)
Fitzwilliam Hall, Fitzwilliam Place, Dublin 2, Ireland	-
(Address of principal executive offices)	(Zip code)

+1 (440) 523-5000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Ordinary Shares ($0.01 par value)	The New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o
	(Do not check if a smaller reporting company)		

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No þ
The aggregate market value of Ordinary Shares held by non-affiliates of the registrant as of June 30, 2013 was $31.2 billion.
As of January 31, 2014, there were 475.3 million Ordinary Shares outstanding.

Documents Incorporated By Reference
Portions of the Proxy Statement for the 2014 annual shareholders meeting are incorporated by reference into Part III.

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Part I

Item 1. Business.

Eaton Corporation plc (Eaton or the Company) is a power management company providing energy-efficient solutions that help its customers effectively manage electrical, hydraulic and mechanical power. The Company is a global technology leader in electrical products, systems and services for power quality, distribution and control, power transmission, lighting and wiring products; hydraulics components, systems and services for industrial and mobile equipment; aerospace fuel, hydraulics and pneumatic systems for commercial and military use; and truck and automotive drivetrain and powertrain systems for performance, fuel economy and safety. Eaton has approximately 102,000 employees in over 60 countries and sells products to customers in more than 175 countries.

Eaton electronically files or furnishes reports pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (Exchange Act) to the United States Securities and Exchange Commission (SEC), including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and proxy and information statements, as well as any amendments to those reports. As soon as reasonably practicable, these reports are available free of charge through the Company's Internet website at http://www.eaton.com. These filings are also accessible on the SEC's Internet website at http://www.sec.gov.

Acquisitions and Sales of Businesses

Cooper Industries plc

On November 30, 2012, Eaton Corporation acquired Cooper Industries plc (Cooper) for a purchase price totaling $13,192 million, which consisted of cash totaling $6,543 million and Eaton share consideration valued at $6,649 million.

Cooper is 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 million for 2011. Eaton's Consolidated Financial Statements include Cooper's results of operations from November 30, 2012. For segment reporting purposes, Cooper has been included within the Electrical Products and the Electrical Systems and Services business segments at December 31, 2013 and 2012. Additional information related to the acquisition of Cooper and business segments is presented in Note 2 and Note 14, respectively, of the Notes to the Consolidated Financial Statements.

Eaton's management believes the acquisition of Cooper will provide substantial synergies including, but not limited to, enhanced operational cost efficiencies, incremental revenue opportunities, the acceleration of Eaton’s long-term growth potential through greater exposure to faster growing end markets, increased earnings and cash flow and better access to capital markets as a result of enhanced size and an expanded business line.

Acquisitions of Other Businesses

Eaton's other acquired businesses for 2012 and 2011 are presented in Note 2 of the Notes to the Consolidated Financial Statements.

Sale of Aerospace Power Distribution Management Solutions and Integrated Cockpit Solutions

On January 20, 2014, Eaton announced it entered into an agreement to sell the Aerospace Power Distribution Management Solutions and Integrated Cockpit Solutions businesses to Safran for $270 million. The sale, which was approved by Eaton's Board of Directors, is subject to regulatory approvals and other customary closing conditions. The transaction is expected to close early in the second quarter of 2014.

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 October 10, 2012, Cooper and Danaher announced they had entered into a definitive agreement to sell Apex to Bain Capital for approximately $1.6 billion subject to post-closing adjustments. On February 1, 2013, the sale of Apex was completed.

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Business Segment Information

Information by business segment and geographic region regarding principal products, principal markets, methods of distribution, net sales, operating profit and assets is presented in Note 14 of the Notes to the Consolidated Financial Statements. Additional information regarding Eaton's segments and business is presented below.

Electrical Products and Electrical Systems and Services

Principal methods of competition in these segments are performance of products and systems, technology, customer service and support, and price. Eaton has a strong competitive position in these segments and, with respect to many products, is considered among the market leaders. In normal economic cycles, sales of these segments are historically lower in the first quarter and higher in the third and fourth quarters of a year. In 2013, 17% of these segment's sales were made to four large distributors of electrical products and electrical systems and services.

Hydraulics

Principal methods of competition in this segment are product performance, geographic coverage, service, and price. Eaton has a strong competitive position in this segment and, with respect to many products, is considered among the market leaders. Sales of this segment are historically higher in the first and second quarters and lower in the third and fourth quarters of the year. In 2013, 15% of this segment's sales were made to four large original equipment manufacturers or distributors of agricultural, construction, and industrial equipment and parts.

Aerospace

Principal methods of competition in this segment are total cost of ownership, product and system performance, quality, design engineering capabilities, and timely delivery. Eaton has a strong competitive position in this segment and, with respect to many products and platforms, is considered among the market leaders. In 2013, 29% of this segment's sales were made to three large original equipment manufacturers of aircraft.

Vehicle

Principal methods of competition in this segment are product performance, technology, global service, and price. Eaton has a strong competitive position in this segment and, with respect to many products, is considered among the market leaders. In 2013, 64% of this segment's sales were made to seven large original equipment manufacturers of vehicles and related components.

Information Concerning Eaton's Business in General

Raw Materials

Eaton's major requirements for raw materials include iron, steel, copper, nickel, aluminum, brass, tin, silver, lead, molybdenum, titanium, vanadium, rubber, plastic, electronic components, insulating materials and fluids. Materials are purchased in various forms, such as extrusions, castings, powder metal, metal sheets and strips, forging billets, bar stock, and plastic pellets. Raw materials, as well as parts and other components, are purchased from many suppliers, although there are limited sources of supply for electrical core steel and insulating fluids. Under normal circumstances, the Company has no difficulty obtaining its raw materials. In 2013, Eaton maintained appropriate levels of inventory to prevent shortages and did not experience any availability constraints.

Patents and Trademarks

Eaton considers its intellectual property, including patents, trade names and trademarks, to be of significant value to its business as a whole. The Company's products are manufactured, marketed and sold under a portfolio of patents, trademarks, licenses, and other forms of intellectual property, some of which expire at various dates in the future. Eaton develops and acquires new intellectual property on an ongoing basis and considers all of its intellectual property to be valuable. Based on the broad scope of the Company's product lines, management believes that the loss or expiration of any single intellectual property right would not have a material effect on Eaton's consolidated financial statements or its business segments. The Company's policy is to file applications and obtain patents for the great majority of its novel and innovative new products including product modifications and improvements.

Order Backlog

A significant portion of open orders placed with Eaton are by original equipment manufacturers of trucks, off-highway vehicles, and passenger cars. These open orders are not considered firm as they have been historically subject to month-to-month releases by customers during each model year. In measuring backlog orders, only the amount of orders to which customers are firmly committed are included. Using this criterion, total backlog at

December 31, 2013 and 2012 was approximately $4.6 billion and $4.5 billion, respectively. Backlog should not be relied upon as being indicative of results of operations for future periods.

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Research and Development
Research and development expenses for new products and improvement of existing products in 2013, 2012 and 2011 were $644 million, $439 million, and $417 million, respectively. Over the past five years, the Company has invested approximately $2.3 billion in research and development.
Environmental Contingencies
Operations of the Company involve the use and disposal of certain substances regulated under environmental protection laws. Eaton continues to modify processes on an ongoing, regular basis in order to reduce the impact on the environment, including the reduction or elimination of certain chemicals used in, and wastes generated from, operations. Compliance with laws that have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, are not expected to have a material adverse effect upon earnings or the competitive position of the Company. Eaton's estimated capital expenditures for environmental control facilities are not expected to be material for 2014 and 2015. Information regarding the Company's liabilities related to environmental matters is presented in Note 7 of the Notes to the Consolidated Financial Statements.

Item 1A. Risk Factors.
Among the risks that could materially adversely affect Eaton's businesses, financial condition or results of operations are the following:
Eaton may not realize all of the anticipated benefits from the acquisition of Cooper or those benefits may take longer to realize than expected.
Eaton's ability to realize the anticipated benefits of the Cooper transaction will depend, to a large extent, on the Company's ability to integrate the two businesses. The integration process may disrupt the businesses and, if implemented ineffectively, would preclude realization of the full benefits expected. The difficulties of combining the operations of the companies include, among others:

- the diversion of management's attention to integration matters;
- difficulties in achieving anticipated cost savings, synergies, business opportunities, and growth prospects from combining the business of Cooper with that of Eaton;
- difficulties in the integration of operations and systems;
- difficulties in the assimilation of employees;
- difficulties in managing the expanded operations of a significantly larger and more complex company;
- challenges in keeping existing customers and obtaining new customers; and
- challenges in attracting and retaining key personnel.

Many of these factors will be outside of Eaton's control and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could materially impact the business, financial condition, and results of operations of Eaton.
Volatility of end markets that Eaton serves.
Eaton's segment revenues, operating results, and profitability have varied in the past and may vary from quarter to quarter in the future. Profitability can be negatively impacted by volatility in the end markets that Eaton serves. The Company has undertaken measures to reduce the impact of this volatility through diversification of markets it serves and expansion of geographic regions in which it operates. Future downturns in any of the markets could adversely affect revenues, operating results, and profitability.
Eaton's operating results depend in part on continued successful research, development, and marketing of new and/or improved products and services, and there can be no assurance that Eaton will continue to successfully introduce new products and services.
The success of new and improved products and services depends on their initial and continued acceptance by Eaton's customers. The Company's businesses are affected, to varying degrees, by technological change and corresponding shifts in customer demand, which could result in unpredictable product transitions or shortened life cycles. Eaton may experience difficulties or delays in the research, development, production, or marketing of new products and services which may prevent Eaton from recouping or realizing a return on the investments required to bring new products and

services to market.

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

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

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

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

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

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

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

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

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

Eaton is subject to income taxes in many jurisdictions around the world. Income tax liabilities are subject to the allocation of income among various tax jurisdictions. The Company's effective tax rate could be affected by changes in the mix among earnings in countries with differing statutory tax rates, changes in the valuation allowance of deferred tax assets, or changes in tax laws. The amount of income taxes paid is subject to ongoing audits by tax authorities in the countries in which Eaton operates. If these audits result in assessments different from amounts reserved, future financial results may include unfavorable adjustments to the Company's tax liabilities.

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

Eaton's major requirements for raw materials are described above in Item 1 “Raw Materials”. Significant shortages could affect the prices Eaton's businesses are charged and the competitive position of their products and services, all of which could adversely affect operating results.

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

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

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

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

At any given time, Eaton may be subject to litigation, the disposition of which may have a material adverse effect on the Company's businesses, financial condition or results of operations. Information regarding current legal proceedings is presented in Note 7 of the Notes to the Consolidated Financial Statements.

Legislative and regulatory action could materially adversely affect Eaton.

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

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Eaton's principal executive offices are located at Fitzwilliam Hall, Fitzwilliam Place, Dublin 2, Ireland. The Company maintains manufacturing facilities at 351 locations in 44 countries. The Company is a lessee under a number of operating leases for certain real properties and equipment, none of which is material to its operations. Management believes that the existing manufacturing facilities are adequate for its operations and that the facilities are maintained in good condition.

Item 3. Legal Proceedings.

Information regarding the Company's current legal proceedings is presented in Note 7 and Note 8 of the Notes to the Consolidated Financial Statements.

Item 4. Mine Safety Disclosures.

Not applicable.

Executive Officers of the Registrant

Information regarding executive officers of the Company is presented in Item 10 of this Form 10-K Report.

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Part II

Item 5. Market for the Registrant's Ordinary Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The Company's ordinary shares are listed for trading on the New York Stock Exchange. At December 31, 2013, there were 19,538 holders of record of the Company's ordinary shares. Additionally, 28,128 current and former employees were shareholders through participation in the Eaton Savings Plan (ESP), Eaton Personal Investment Plan (EPIP), Eaton Puerto Rico Retirement Savings Plan, and the Cooper Retirement Savings and Stock Ownership Plan.

Information regarding cash dividends paid, and the high and low market price per ordinary share, for each quarter in 2013 and 2012 is presented in “Quarterly Data” of this Form 10-K. Information regarding equity-based compensation plans required by Regulation S-K Item 201(d) is provided in Item 12 of this Form 10-K Report.

Irish Taxes Applicable to Dividends

In certain circumstances, Eaton will be required to deduct Irish dividend withholding tax (currently at the rate of 20%) from dividends paid to its shareholders. In the majority of cases, however, shareholders resident in the U.S. will not be subject to Irish withholding tax, and shareholders resident in a number of other countries will not be subject to Irish withholding tax provided that they complete certain Irish tax forms.

Irish income tax may also arise with respect to dividends paid on Eaton shares. Dividends paid in respect of Eaton shares will generally not be subject to Irish income tax where the beneficial owner of these shares is exempt from dividend withholding tax, unless the beneficial owner of the dividend has some connection with Ireland other than his or her shareholding in Eaton.

Eaton shareholders who receive their dividends subject to Irish dividend withholding tax will generally have no further liability to Irish income tax on the dividends unless the beneficial owner of the dividend has some connection with Ireland other than his or her shareholding in Eaton.

Item 6. Selected Financial Data.

Information regarding selected financial data is presented in the “Ten-Year Consolidated Financial Summary” of this Form 10-K.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Information required by this Item is presented in “Management's Discussion and Analysis of Financial Condition and Results of Operations” of this Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Information regarding market risk is presented in “Market Risk Disclosure” of this Form 10-K.

Item 8. Financial Statements and Supplementary Data.

The report of the independent registered public accounting firm, consolidated financial statements, and notes to consolidated financial statements are presented on pages 15 through 66 of this Form 10-K.

Information regarding selected quarterly financial information for 2013 and 2012 is presented in “Quarterly Data” of this Form 10-K.

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Item 9. Change in and Disagreements with Accountants on Accounting and Financial Disclosure.
None.

Item 9A. Controls and Procedures.
Evaluation of Disclosure Controls and Procedures - Pursuant to SEC Rule 13a-15, an evaluation was performed under the supervision and with the participation of Eaton's management, including Alexander M. Cutler - Principal Executive Officer; and Richard H. Fearon - Principal Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, Eaton's management concluded that the Company's disclosure controls and procedures were effective as of December 31, 2013.
Disclosure controls and procedures are designed to ensure that information required to be disclosed in Company reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in Company reports filed under the Exchange Act is accumulated and communicated to management, including the Company's Principal Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosure.
Pursuant to Section 404 of the Sarbanes Oxley Act of 2002 and the rules and regulations adopted pursuant thereto, Eaton has included a report of management's assessment of the effectiveness of internal control over financial reporting, which is presented on page 18.
“Report of Independent Registered Public Accounting Firm” relating to internal control over financial reporting as of December 31, 2013 is presented on page 17.
During the fourth quarter of 2013, there was no change in Eaton's internal control over financial reporting that materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

Item 9B. Other Information.
None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance.
Information required with respect to the directors of the Company is set forth under the caption “Election of Directors” in the Company's definitive Proxy Statement to be filed on or about March 14, 2014, and is incorporated by reference.
A listing of executive officers, their ages, positions and offices held over the past five years, as of February 1, 2014, follows:

Name	Age	Position (Date elected to position)
Alexander M. Cutler	62	Director of Eaton Corporation plc (November 30, 2012 - present)
		Chief Executive Officer and President of Eaton Corporation (August 1, 2000 - present)
		Director of Eaton Corporation (September 22, 1993 - November 30, 2012)
Richard H. Fearon	57	Vice Chairman and Chief Financial and Planning Officer of Eaton Corporation (April 24, 2002 - present)
Craig Arnold	53	Vice Chairman and Chief Operating Officer - Industrial Sector of Eaton Corporation (February 1, 2009 - present)

Chief Executive Officer - Fluid Power Group of Eaton Corporation
(October 25, 2000 - January 31, 2009)

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Name	Age	Position (Date elected to position)
Thomas S. Gross	59	Vice Chairman and Chief Operating Officer - Electrical Sector of Eaton Corporation (February 1, 2009 - present) President - Power Quality and Control Business of Eaton Corporation (April 1, 2008 - January 31, 2009)
Cynthia K. Brabander	52	Executive Vice President and Chief Human Resources Officer of Eaton Corporation (February 13, 2012 - present) Senior Vice President, Human Resources of Gates Corporation (April 11, 2009 - January 10, 2012) Senior Vice President, Human Resources - Industrial Sector of Eaton Corporation (April 1, 2005 - April 10, 2009)
Mark M. McGuire	56	Executive Vice President and General Counsel of Eaton Corporation (December 1, 2005 - present)
Thomas E. Moran	49	Senior Vice President and Secretary of Eaton Corporation plc (November 27, 2012 - present) Senior Vice President and Secretary of Eaton Corporation (October 1, 2008 - January 1, 2013)
Ken D. Semelsberger	52	Senior Vice President and Controller of Eaton Corporation (November 1, 2013 - present) Senior Vice President, Finance and Planning - Industrial Sector of Eaton Corporation (February 1, 2009 - October 31, 2013) Senior Vice President, Corporate Development and Treasurer of Eaton Corporation (February 22, 2006 - January 31, 2009)

There are no family relationships among the officers listed, and there are no arrangements or understandings pursuant to which any of them were elected as officers. All officers hold office for one year and until their successors are elected and qualified, unless otherwise specified by the Board of Directors; provided, however, that any officer is subject to removal with or without cause, at any time, by a vote of a majority of the Board of Directors.

Information required with respect to compliance with Section 16(a) of the Exchange Act is set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive Proxy Statement to be filed on or about March 14, 2014, and is incorporated by reference.

The Company has adopted a Code of Ethics, which applies to the directors, officers and employees worldwide. This document is available on the Company's website at http://www.eaton.com.

There were no changes during the fourth quarter 2013 to the procedures by which security holders may recommend nominees to the Company's Board of Directors.

Information related to the Audit Committee, and members of the Committee that are financial experts, is set forth under the caption “Board Committees - Audit Committee” in the definitive Proxy Statement to be filed on or about March 14, 2014, and is incorporated by reference.

Item 11. Executive Compensation.

Information required with respect to executive compensation is set forth under the caption “Executive Compensation” in the Company's definitive Proxy Statement to be filed on or about March 14, 2014, and is incorporated by reference.

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Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.
Information required with respect to securities authorized for issuance under equity-based compensation plans is set forth under the caption “Equity Compensation Plans” in the Company's definitive Proxy Statement to be filed on or about March 14, 2014, and is incorporated by reference.
Information required with respect to security ownership of certain beneficial owners, is set forth under the caption “Share Ownership Tables” in the Company's definitive Proxy Statement to be filed on or about March 14, 2014, and is incorporated by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.
Information required with respect to certain relationships and related transactions is set forth under the caption “Review of Related Person Transactions” in the Company's definitive Proxy Statement to be filed on or about March 14, 2014, and is incorporated by reference.
Information required with respect to director independence is set forth under the caption “Director Independence” in the Company's definitive Proxy Statement to be filed on or about March 14, 2014, and is incorporated by reference.

Item 14. Principal Accounting Fees and Services.
Information required with respect to principal accountant fees and services is set forth under the caption “Audit Committee Report” in the Company's definitive Proxy Statement to be filed on or about March 14, 2014, and is incorporated by reference.

Part IV

Item 15. Exhibits, Financial Statement Schedules.
(a) (1) The report of the independent registered public accounting firm, consolidated financial statements and notes to consolidated financial statements are included in Item 8 above:
Report of Independent Registered Public Accounting Firm - Page 17
Consolidated Statements of Income - Years ended December 31, 2013, 2012 and 2011 - Page 19
Consolidated Statements of Comprehensive Income - Years ended December 31, 2013, 2012 and 2011 - Page 20
Consolidated Balance Sheets - December 31, 2013 and 2012 - Page 21
Consolidated Statements of Cash Flows - Years ended December 31, 2013, 2012 and 2011 - Page 22
Consolidated Statements of Shareholders' Equity - Years ended December 31, 2013, 2012 and 2011 - Page 23
Notes to Consolidated Financial Statements - Pages 24 through 66
All other schedules for which provision is made in Regulation S-X of the SEC are not required under the related instructions or are inapplicable and, therefore, have been omitted.
(3) Exhibits
3 (i) Certificate of Incorporation - Incorporated by reference to the Form S-8 filed November 30, 2012
3 (ii) Amended and restated Memorandum and Articles of Incorporation - Incorporated by reference to the Form 10-Q Report for the three months ended September 30, 2012
4 (a) Pursuant to Regulation S-K Item 601(b) (4), the Company agrees to furnish to the SEC, upon request, a copy of the instruments defining the rights of holders of its other long-term debt
10 Material contracts
(a) Senior Executive Incentive Compensation Plan (effective February 27, 2013) - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2012
(b) Deferred Incentive Compensation Plan II - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2007

(c) First Amendment to Deferred Incentive Compensation Plan II - Incorporated by reference to the Form S-8 filed November 30, 2012
(d) Excess Benefits Plan II (2008 restatement) - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2007
(e) First Amendment to Excess Benefits Plan II (2008 restatement) - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2012
(f) Incentive Compensation Deferral Plan II - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2007
(g) First Amendment to Incentive Compensation Deferral Plan II - Incorporated by reference to the Form S-8 filed November 30, 2012
(h) Limited Eaton Service Supplemental Retirement Income Plan II - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2007
(i) First Amended to Limited Eaton Service Supplemental Retirement Income Plan II - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2012
(j) Supplemental Benefits Plan II (2008 restatement) - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2007
(k) First Amendment to Supplemental Benefits Plan II (2008 restatement) - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2012
(l) Form of Restricted Share Unit Agreement - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2012
(m) Form of Restricted Share Agreement - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2012
(n) Form of Restricted Share Agreement (Non-Employee Directors) - Incorporated by reference to the Form 8-K Report filed February 1, 2010
(o) Form of Directors' Restricted Share Unit Agreement - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2012
(p) Form of Stock Option Agreement for Executives - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2012
(q) Form of Stock Option Agreement for Non-Employee Directors (2008) - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2007
(r) Amended and Restated 2002 Stock Plan - Incorporated by reference to the Form S-8 filed November 30, 2012
(s) Amended and Restated 2004 Stock Plan - Incorporated by reference to the Form S-8 filed November 30, 2012
(t) Amended and Restated 2008 Stock Plan - Incorporated by reference to the Form S-8 filed November 30, 2012
(u) Second Amended and Restated 2009 Stock Plan - Incorporated by reference to the Form S-8 filed November 30, 2012
(v) Amended and Restated 2012 Stock Plan - Incorporated by reference to the Form S-8 filed November 30, 2012
(w) Amendment to Amended and Restated 2012 Stock Plan - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2012
(x) First Amendment to 2005 Non-Employee Director Fee Deferral Plan - Incorporated by reference to the Form S-8 filed November 30, 2012
(y) 2013 Non-Employee Director Fee Deferral Plan - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2012
(z) Form of Change of Control Agreement entered into with officers of Eaton Corporation - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2008
(aa) Form of Indemnification Agreement entered into with officers of Eaton Corporation - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2002

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(bb) Form of Indemnification Agreement entered into with directors - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2012
(cc) Form of Indemnification Agreement II entered into with directors - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2012
(dd) Amended and Restated Executive Strategic Incentive Plan (amended and restated February 27, 2013) - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2012
(ee) Executive Strategic Incentive Plan II (effective January 1, 2001) - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2002
(ff) Amended and Restated Supplemental Executive Strategic Incentive Plan (amended and restated February 27, 2013) - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2012
(gg) Deferred Incentive Compensation Plan (amended and restated effective November 1, 2007) - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2009
(hh) Amended and Restated 1998 Stock Plan - Incorporated by reference to the Form S-8 filed November 30, 2012
(ii) Trust Agreement - Officers and Employees (dated December 6, 1996) - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2002
(jj) Trust Agreement - Non-employee Directors (dated December 6, 1996) - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2002
(kk) Group Replacement Insurance Plan (GRIP) (effective June 1, 1992) - Incorporated by reference to the Form 10-K Report for the year ended December 31, 1992
(ll) Excess Benefits Plan (amended and restated effective January 1, 1989) - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2002
(mm) Amendment to Excess Benefits Plan - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2012
(nn) Supplemental Benefits Plan (amended and restated January 1, 1989) - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2002
(oo) Amendment to Supplemental Benefits Plan - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2012
(pp) Eaton Corporation Board of Directors Policy on Incentive Compensation, Stock Options and Other Equity Grants upon the Restatement of Financial Results - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2007
(qq) Amended and Restated Grantor Trust Agreement for Non-Employee Directors' Deferred Fees Plans - effective January 1, 2010 - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2010
(rr) Amended and Restated Grantor Trust Agreement for Employees' Deferred Compensation Plans - effective January 1, 2010 - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2010
(ss) Eaton Savings Plan 2014 Restatement - Filed in conjunction with this Form 10-K Report*
(tt) Eaton Personal Investment Plan 2014 Restatement - Filed in conjunction with this Form 10-K Report*
12 Ratio of Earnings to Fixed Charges - Filed in conjunction with this Form 10-K Report *
14 Code of Ethics - Incorporated by reference to the definitive Proxy Statement filed on March 14, 2008
21 Subsidiaries of Eaton Corporation plc - Filed in conjunction with this Form 10-K Report *
23 Consent of Independent Registered Public Accounting Firm - Filed in conjunction with this Form 10-K Report *
24 Power of Attorney - Filed in conjunction with this Form 10-K Report *
31.1 Certification of Principal Executive Officer (Pursuant to the Sarbanes-Oxley Act of 2002, Section 302) - Filed in conjunction with this Form 10-K Report *
31.2 Certification of Principal Financial Officer (Pursuant to the Sarbanes-Oxley Act of 2002, Section 302) - Filed in conjunction with this Form 10-K Report *

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32.1	Certification of Principal Executive Officer (Pursuant to the Sarbanes-Oxley Act of 2002, Section 906) - Filed in conjunction with this Form 10-K Report *
32.2	Certification of Principal Financial Officer (Pursuant to the Sarbanes-Oxley Act of 2002, Section 906) - Filed in conjunction with this Form 10-K Report *
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema Document *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document *
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document *
101.LAB	XBRL Taxonomy Extension Label Linkbase Document *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document *

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* Submitted electronically herewith.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statements of Income for the years ended December 31, 2013, 2012 and 2011, (ii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, 2012 and 2011 (iii) Consolidated Balance Sheets at December 31, 2013 and 2012, (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011, (v) Notes to Consolidated Financial Statements for the year ended December 31, 2013.

In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Annual Report on Form 10-K shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

(b) Exhibits

Certain exhibits required by this portion of Item 15 are filed as a separate section of this Form 10-K Report.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EATON CORPORATION plc
Registrant

Date: February 26, 2014

By: /s/ Richard H. Fearon
Richard H. Fearon
(On behalf of the registrant and as Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.
Date: February 26, 2014

Signature	Title		
*			
Alexander M. Cutler	Principal Executive Officer; Director		
*			
Ken D. Semelsberger	Principal Accounting Officer		
*		*	
George S. Barrett	Director	Todd M. Bluedorn	Director
*		*	
Christopher M. Connor	Director	Michael J. Critelli	Director
*		*	
Charles E. Golden	Director	Linda A. Hill	Director
*		*	
Arthur E. Johnson	Director	Ned C. Lautenbach	Director
*		*	
Deborah L. McCoy	Director	Gregory R. Page	Director
*			
Gerald B. Smith	Director		

*By /s/ Richard H. Fearon
Richard H. Fearon, Attorney-in-Fact for the officers and directors signing in the capacities indicated

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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, 2013 and 2012, 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, 2013. 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, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, 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, 2013, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) and our report dated February 26, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Cleveland, Ohio
February 26, 2014

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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, 2013. 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.

/s/ Alexander M. Cutler	/s/ Richard H. Fearon	/s/ Ken D. Semelsberger
Principal Executive Officer	Principal Financial Officer	Principal Accounting Officer

February 26, 2014

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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, 2013, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 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, 2013, 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, 2013 and 2012, 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, 2013 and our report dated February 26, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Cleveland, Ohio
February 26, 2014

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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, 2013. 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 (1992 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, 2013.

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, 2013. This report is included herein.

/s/ Alexander M. Cutler	/s/ Richard H. Fearon	/s/ Ken D. Semelsberger
Principal Executive Officer	Principal Financial Officer	Principal Accounting Officer

February 26, 2014

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EATON CORPORATION plc
CONSOLIDATED STATEMENTS OF INCOME

	Year ended December 31		
(In millions except for per share data)	2013	2012	2011
Net sales	$22,046	$16,311	$16,049
Cost of products sold	15,369	11,448	11,261
Selling and administrative expense	3,886	2,894	2,738
Research and development expense	644	439	417
Interest expense - net	271	208	118
Other (income) expense - net	(8)	71	(38)
Income before income taxes	1,884	1,251	1,553
Income tax expense	11	31	201
Net income	1,873	1,220	1,352
Less net income for noncontrolling interests	(12)	(3)	(2)
Net income attributable to Eaton ordinary shareholders	$1,861	$1,217	$1,350
Net income per ordinary share			
Diluted	$3.90	$3.46	$3.93
Basic	3.93	3.54	3.98
Weighted-average number of ordinary shares outstanding			
Diluted	476.7	350.9	342.8
Basic	473.5	347.8	338.3
Cash dividends declared per ordinary share	$1.68	$1.52	$1.36

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

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EATON CORPORATION plc
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31		
(In millions)	2013	2012	2011
Net income	$1,873	$1,220	$1,352
Less net income for noncontrolling interests	(12)	(3)	(2)
Net income attributable to Eaton ordinary shareholders	1,861	1,217	1,350
Other comprehensive income (loss), net of tax			
Currency translation and related hedging instruments	(28)	135	(241)
Pensions and other postretirement benefits	429	(152)	(353)
Cash flow hedges	3	17	(22)
Other comprehensive income (loss) attributable to Eaton ordinary shareholders	404	—	(616)
Total comprehensive income attributable to Eaton ordinary shareholders	$2,265	$1,217	$734

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

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EATON CORPORATION plc
CONSOLIDATED BALANCE SHEETS

	December 31	
(In millions)	2013	2012
Assets		
Current assets		
Cash	$915	$577
Short-term investments	794	527
Accounts receivable - net	3,648	3,474
Inventory	2,382	2,336
Deferred income taxes	577	565
Prepaid expenses and other current assets	415	421
Total current assets	8,731	7,900
Property, plant and equipment		
Land and buildings	2,461	2,095
Machinery and equipment	5,504	5,522
Gross property, plant and equipment	7,965	7,617
Accumulated depreciation	(4,132)	(3,831)
Net property, plant and equipment	3,833	3,786
Other noncurrent assets		
Goodwill	14,495	14,443
Other intangible assets	7,186	7,580
Deferred income taxes	240	353
Other assets	1,006	1,748
Total assets	$35,491	$35,810
Liabilities and shareholders' equity		
Current liabilities		
Short-term debt	$13	$757
Current portion of long-term debt	567	314
Accounts payable	1,960	1,879
Accrued compensation	461	462
Other current liabilities	1,913	2,103
Total current liabilities	4,914	5,515
Noncurrent liabilities		
Long-term debt	8,969	9,765
Pension liabilities	1,465	2,003
Other postretirement benefits liabilities	668	742
Deferred income taxes	1,313	1,548
Other noncurrent liabilities	1,299	1,059
Total noncurrent liabilities	13,714	15,117
Shareholders' equity		
Ordinary shares (475.1 million outstanding in 2013 and 470.7 million in 2012)	5	5
Capital in excess of par value	11,483	11,271
Retained earnings	6,866	5,805

Accumulated other comprehensive loss	(1,560)	(1,964)
Shares held in trust	(3)	(4)
Total Eaton shareholders’ equity	16,791	15,113
Noncontrolling interests	72	65
Total equity	16,863	15,178
Total liabilities and equity	$35,491	$35,810

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

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EATON CORPORATION plc
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31		
(In millions)	2013	2012	2011
Operating activities			
Net income	$1,873	$1,220	$1,352
Adjustments to reconcile to net cash provided by operating activities			
Depreciation and amortization	997	598	556
Deferred income taxes	(311)	(155)	(113)
Pension and other postretirement benefits expense	384	335	295
Contributions to pension plans	(341)	(413)	(372)
Contributions to other postretirement benefits plans	(59)	(43)	(223)
Excess tax benefit from equity-based compensation	(32)	(21)	(57)
Changes in working capital			
Accounts receivable - net	(231)	108	(219)
Inventory	(92)	166	(113)
Accounts payable	86	(220)	92
Accrued compensation	—	(52)	(38)
Accrued income and other taxes	1	(86)	123
Other current assets	(42)	117	11
Other current liabilities	(46)	30	(30)
Other - net	98	80	(16)
Net cash provided by operating activities	2,285	1,664	1,248
Investing activities			
Capital expenditures for property, plant and equipment	(614)	(593)	(568)
Cash paid for acquisitions of businesses, net of cash acquired	(9)	(6,936)	(325)
(Purchases) sales of short-term investments - net	(288)	603	103
Proceeds from the sales of businesses	777	3	15
Other - net	(68)	(49)	(25)
Net cash used in investing activities	(202)	(6,972)	(800)
Financing activities			
Proceeds from borrowings	9	7,156	381
Payments on borrowings	(1,096)	(1,324)	(78)
Payments of financing costs	—	(117)	(3)
Cash dividends paid	(796)	(512)	(462)
Exercise of employee stock options	121	95	71
Issuance (repurchase) of shares	—	159	(343)
Excess tax benefit from equity-based compensation	32	21	57
Other - net	(6)	2	(4)
Net cash (used in) provided by financing activities	(1,736)	5,480	(381)
Effect of currency on cash	(9)	20	(15)
Total increase in cash	338	192	52
Cash at the beginning of the period	577	385	333
Cash at the end of the period	$915	$577	$385

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

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EATON CORPORATION plc
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In millions)	Ordinary shares Shares	Ordinary shares Dollars	Capital in excess of par value	Retained earnings	Accumulated other comprehensive loss	Shares held in trust	Total Eaton shareholders' equity	Noncontrolling interests	Total equity
Balance at January 1, 2011	339.9	$ 170	$ 4,093	$ 4,455	$ (1,348)	$ (8)	$ 7,362	$ 41	$ 7,403
Net income	—	—	—	1,350	—	—	1,350	2	1,352
Other comprehensive loss, net of tax					(616)		(616)	—	(616)
Cash dividends paid	—	—	—	(462)	—	—	(462)	(4)	(466)
Issuance of shares under equity-based compensation plans - net (net of income tax benefit of $72)	2.8	1	177	(2)	—	2	178	—	178
Business divestiture	—	—	—	—	—	—	—	(16)	(16)
Repurchase of shares	(8.3)	(4)	(101)	(238)	—	—	(343)	—	(343)
Balance at December 31, 2011	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
					404		404	—	404

Other comprehensive income, net of tax									
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

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

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EATON CORPORATION plc
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Amounts are in millions unless indicated otherwise (per share data assume dilution).

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information and Basis of Presentation

Eaton Corporation plc (Eaton or the Company) is a power management company providing energy-efficient solutions that help its customers effectively manage electrical, hydraulic and mechanical power. With 2013 net sales of $22.0 billion, the Company is a global technology leader in electrical products, systems and services for power quality, distribution and control, power transmission, lighting, and wiring; hydraulics components, systems and services for industrial and mobile equipment; aerospace fuel, hydraulics and pneumatic systems for commercial and military use; and truck and automotive drivetrain and powertrain systems for performance, fuel economy, and safety. 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 controlled entities. Intercompany transactions and balances have been eliminated. The equity method of accounting is used for investments in associate companies where the Company has 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 are recognized only when the delivered elements have standalone value, fair values of undelivered elements are known, there are no uncertainties regarding customer acceptance, and there are no customer-negotiated refund or return rights affecting the sales recognized for delivered elements. 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.

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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, 2013, 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, and 16 years for customer relationships. Software is amortized up to a maximum life of 10 years.

Long-lived assets, except goodwill and indefinite life intangible 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.

Goodwill and Indefinite Life Intangible Assets

Goodwill and indefinite life intangible assets are 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.

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 operating segment. Sensitivity analyses were performed around these assumptions in order to assess the reasonableness of the assumptions and the resulting estimated fair values. For 2013, based on a quantitative analysis, the fair values of Eaton's reporting units continue to substantially exceed the respective carrying amounts.

A qualitative analysis is performed by assessing certain trends and factors, including projected market outlook and growth rates, forecasted and actual sales and operating profit margins, discount rates, industry data, and other relevant qualitative factors. These trends and factors are compared to, and based on, the assumptions used in the most recent quantitative assessment. 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.

Indefinite life intangible assets primarily consist of trademarks. The fair value of these assets are determined 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 2013 and 2012, 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.

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.

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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. Restricted stock units (RSUs) and restricted stock awards (RSAs) are issued at fair market value at the date of grant. The RSUs entitle the holder to receive one ordinary share for each RSU upon vesting, generally over three or four years. 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.

Note 2. ACQUISITIONS AND SALES OF BUSINESSES

In 2012 and 2011, Eaton acquired businesses and entered into a joint venture in separate transactions for combined purchase prices totaling $13,796 and $325, respectively. 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 is 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.

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Eaton's management believes the acquisition of Cooper will provide substantial synergies including, but not limited to, enhanced operational cost efficiencies, incremental revenue opportunities, the acceleration of Eaton's long-term growth potential through greater exposure to faster growing end markets, increased earnings and cash flow and better access to capital markets as a result of enhanced size and an expanded business line.

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 and updated by Exhibit 99.1 of Eaton's current report on Form 8-K filed on September 6, 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 has been adjusted to reflect the final purchase price allocation. The Company did not revise the Consolidated Statement of Income for the year ended December 31, 2012, 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 assets	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.

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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 and 2011, Eaton acquired other businesses and entered into a joint venture in separate transactions. The Consolidated Statements of Income include the results of these businesses from the dates of the transactions or formation. These transactions and the related annual sales prior to acquisition are summarized below:

Acquired businesses and joint venture	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 Kaucuk Sanayi ve Pazarlama A.S. A Turkish manufacturer of hydraulic and industrial hose for construction, mining, agriculture, oil and gas, manufacturing, food and	June 1, 2012	Hydraulics	$335 for 2011

beverage, and chemicals markets. This business sells its products under the SEL brand name.

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Acquired businesses and joint venture	Date of transaction	Business segment	Annual sales
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
E.A. Pedersen Company A United States manufacturer of medium voltage switchgear, metal-clad switchgear, power control buildings and relay control panels primarily for the electrical utilities industry.	December 29, 2011	Electrical Systems and Services	$37 for 2011
IE Power, Inc. A Canadian provider of high power inverters for a variety of mission-critical applications including solar, wind and battery energy storage.	August 31, 2011	Electrical Systems and Services	$5 for 2010
E. Begerow GmbH & Co. KG A German system provider of advanced liquid filtration solutions. This business develops and produces technologically innovative filter media and filtration systems for food and beverage, chemical, pharmaceutical and industrial applications.	August 15, 2011	Hydraulics	$84 for 2010
ACTOM Low Voltage A South African manufacturer and supplier of motor control components, engineered electrical distribution systems and uninterruptible power supply (UPS) systems.	June 30, 2011	Electrical Systems and Services	$65 for the year ended May 31, 2011
C.I. ESI de Colombia S.A. A Colombian distributor of industrial electrical equipment and engineering services in the Colombian market, focused on oil and gas, mining, and industrial and commercial construction.	June 2, 2011	Electrical Products	$8 for 2010
Internormen Technology Group A Germany-based manufacturer of hydraulic filtration and instrumentation with sales and distribution subsidiaries in China, the United States, India and Brazil.	May 12, 2011	Hydraulics	$55 for 2010
Eaton-SAMC (Shanghai) Aircraft Conveyance System Manufacturing Co., Ltd. A 49%-owned joint venture in China focusing on the design, development, manufacturing and support of fuel and hydraulic conveyance systems for the global civil aviation market.	March 8, 2011	Aerospace	Joint venture
Tuthill Coupling Group A United States based manufacturer of pneumatic and hydraulic quick coupling solutions and leak-free connectors used in industrial, construction, mining, defense, energy and power applications.	January 1, 2011	Hydraulics	$35 for the year ended November 30, 2010

Sale of Aerospace Power Distribution Management Solutions and Integrated Cockpit Solutions

On January 20, 2014, Eaton announced it entered into an agreement to sell the Aerospace Power Distribution Management Solutions and Integrated Cockpit Solutions businesses to Safran for $270. The sale, which was approved by Eaton's Board of Directors, is subject to regulatory approvals and other customary closing conditions. The transaction is expected to close early in the second quarter of 2014.

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 October 10, 2012, Cooper and Danaher announced they had entered into a definitive agreement to sell Apex to Bain Capital for approximately $1.6 billion subject to post-closing adjustments. On February 1, 2013, the sale of Apex was completed.

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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:

	2013	2012	2011
Acquisition integration charges			
Electrical Products	$44	$4	$1
Electrical Systems and Services	37	13	9
Hydraulics	36	16	4
Total business segments	117	33	14
Corporate	37	11	—
Total acquisition integration charges	$154	$44	$14
Transaction costs			
Corporate	$8	$106	$—
Financing fees	1	72	—
Total transaction costs	$9	$178	$—
Total acquisition integration charges and transaction costs before income taxes	$163	$222	$14
Total after income taxes	$110	$167	$10
Per ordinary share - diluted	$0.23	$0.48	$0.03

Business segment integration charges in 2013 were related primarily to the integrations of Cooper and Polimer Kaucuk Sanayi ve Pazarlama (SEL). Business segment integration charges in 2012 were related primarily to the integrations of SEL, Jeil Hydraulics, Cooper, and Internormen Technology Group. Business segment integration charges in 2011 were related primarily to the integrations of CopperLogic, Tuthill Coupling Group, Wright Line Holding, EMC Engineers, and Internormen Technology Group. These charges were included in Cost of products sold or Selling and administrative expense, as appropriate.

Corporate integration charges in 2013 and 2012 were 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 were related to the acquisition of Cooper. 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.

During 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 totaling $36, comprised primarily of severance costs, and are included in the table above in acquisition integration charges. These restructuring initiatives are expected to continue through 2015.

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, 2013 and 2012, the liabilities related to these restructuring actions totaled $32 and $34, respectively.

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Note 4. GOODWILL AND OTHER INTANGIBLE ASSETS

A summary of goodwill follows:

	2013	2012
Electrical Products	$7,189	$7,117
Electrical Systems and Services	4,517	4,520
Hydraulics	1,385	1,404
Aerospace	1,048	1,045
Vehicle	356	357
Total goodwill	$14,495	$14,443

The increase in goodwill in 2013 was primarily due to currency translation.

A summary of other intangible assets follows:

	2013 Historical cost	2013 Accumulated amortization	2012 Historical cost	2012 Accumulated amortization
Intangible assets not subject to amortization (primarily trademarks)	$1,868		$1,865	
Intangible assets subject to amortization				
Customer relationships	$3,859	$669	$3,838	$428
Patents and technology	1,588	389	1,626	325
Other	1,155	226	1,160	156
Total other intangible assets	$6,602	$1,284	$6,624	$909

Amortization expense related to intangible assets subject to amortization in 2013, and estimated amortization expense for each of the next five years, follows:

2013	$432
2014	428
2015	422
2016	410
2017	399
2018	379

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 estimated fair value 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		

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Note 5. DEBT

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

	2013	2012
4.90% notes due 2013	$—	$300
5.95% notes due 2014 ($100 converted to floating rate by interest rate swap)	250	250
Floating rate notes due 2014 ($300 converted to fixed rate by interest rate swap)	300	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	250
5.30% notes due 2017 ($150 converted to floating rate by interest rate swap)	250	250
6.10% debentures due 2017	289	300
1.50% senior notes due 2017 ($450 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	95	116
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	250
3.47% notes due 2021 ($150 converted to floating rate by interest rate swap)	300	300
8.10% debentures due 2022	100	100
2.75% senior notes due 2022 ($1,100 converted to floating rate by interest rate swap)	1,600	1,600
3.68% notes due 2023 ($150 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	140
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 2013 to 2035, including $50 converted to floating rate by interest rate swap)	249	255
Other	153	333
Total long-term debt	9,536	10,079
Less current portion of long-term debt	(567)	(314)
Long-term debt less current portion	$8,969	$9,765

At December 31, 2013, short-term debt of $13 was comprised entirely of short-term debt outside the United States. Short-term debt of $757 at December 31, 2012 included an outstanding borrowing of $669 on a $6.75 billion, 364-day bridge facility, as described below, $75 of short-term commercial paper in the United States which had a weighted-average interest rate of 0.50%, $9 of other short-term debt in the United States, and $4 of short-term debt outside the United States. Borrowings outside the United States are generally denominated in local currencies. Operations outside the United States had available short-term lines of credit of $2,069 from various banks worldwide at December 31, 2013.

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.

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On November 20, 2012, Eaton issued senior notes (the Senior Notes) totaling $4,900 to finance the cash portion of the acquisition of Cooper. 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. At December 31, 2012, capitalized deferred financing fees totaled $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. On November 14, 2013, the Senior Notes were exchanged for Senior Notes registered under the Securities Act of 1933. See Note 15 for additional information about the Senior Notes.

On June 28, 2012, Eaton received proceeds totaling $600 from the private issuance of $300, 3.47% notes due June 28, 2021 and $300, 3.68% notes due June 28, 2023 (collectively, the Notes). Interest is payable semi-annually. The Notes contain a change of control provision which requires the Company to make an offer to purchase all or any part of the Notes at a purchase price of 100% of the principal amount plus accrued and unpaid interest. The Notes are subject to certain customary covenants and are fully and unconditionally guaranteed on an unsubordinated, unsecured basis by Eaton and certain of its direct and indirect subsidiaries.

On June 14, 2012, Eaton refinanced a $500, three-year revolving credit facility and a $500, five-year revolving credit facility with a $750 three-year revolving credit facility that will expire June 14, 2015 and a $750, five-year revolving credit facility that will expire June 14, 2017, respectively. Eaton also maintains a $500, five-year revolving credit facility that expires in 2016. The 2012 refinancings increased long-term revolving credit facilities from $1,500 to $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, including Cooper on an unsubordinated, unsecured basis. There were no borrowings outstanding under Eaton's revolving credit facilities at December 31, 2013 or 2012.

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:

2014	$567
2015	1,005
2016	250
2017	1,540
2018	582

Interest paid on debt follows:

2013	$294
2012	237
2011	174

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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	
	2013	2012	2013	2012	2013	2012
Funded status						
Fair value of plan assets	$2,940	$2,607	$1,432	$1,248	$138	$146
Benefit obligations	(3,625)	(3,817)	(2,127)	(2,017)	(867)	(950)
Funded status	$(685)	$(1,210)	$(695)	$(769)	$(729)	$(804)
Amounts recognized in the Consolidated Balance Sheets						
Non-current assets	$44	$—	$86	$72	$—	$—
Current liabilities	(15)	(15)	(30)	(33)	(61)	(62)
Non-current liabilities	(714)	(1,195)	(751)	(808)	(668)	(742)
Total	$(685)	$(1,210)	$(695)	$(769)	$(729)	$(804)
Amounts recognized in Accumulated other comprehensive loss (pretax)						
Net actuarial loss	$1,051	$1,618	$515	$550	$190	$269
Prior service cost (credit)	3	1	13	9	(6)	(7)
Other	—	2	—	—	—	—
Total	$1,054	$1,621	$528	$559	$184	$262

Change in Benefit Obligations

	United States pension liabilities		Non-United States pension liabilities		Other postretirement liabilities	
	2013	2012	2013	2012	2013	2012
Balance at January 1	$3,817	$2,899	$2,017	$1,505	$950	$853
Service cost	128	115	62	50	20	17
Interest cost	147	134	80	77	35	38
Actuarial (gain) loss	(223)	264	21	196	(54)	34
Gross benefits paid	(246)	(132)	(90)	(78)	(103)	(94)
Currency translation	—	—	36	54	(2)	—
Acquisitions	—	536	—	212	—	74
Other	2	1	1	1	21	28
Balance at December 31	$3,625	$3,817	$2,127	$2,017	$867	$950
Accumulated benefit obligation	$3,458	$3,639	$2,003	$1,885		

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Change in Plan Assets

	United States pension liabilities		Non-United States pension liabilities		Other postretirement liabilities	
	2013	2012	2013	2012	2013	2012
Balance at January 1	$2,607	$1,664	$1,248	$989	$146	$156
Actual return on plan assets	383	293	118	86	15	13
Employer contributions	196	311	145	102	59	43
Gross benefits paid	(246)	(132)	(90)	(78)	(103)	(94)
Currency translation	—	—	15	39	—	—
Acquisitions	—	471	—	128	—	—
Other	—	—	(4)	(18)	21	28
Balance at December 31	$2,940	$2,607	$1,432	$1,248	$138	$146

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	
	2013	2012	2013	2012
Projected benefit obligation	$3,166	$3,817	$1,411	$1,412
Accumulated benefit obligation	2,999	3,639	1,349	1,307
Fair value of plan assets	2,437	2,607	635	657

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	
	2013	2012	2013	2012	2013	2012
Balance at January 1	$1,621	$1,602	$559	$358	$262	$248
Prior service cost arising during the year	2	1	4	—	—	—
Net (gain) loss arising during the year	(381)	154	(12)	205	(63)	27
Currency translation	—	—	6	15	(1)	—
Less amounts included in expense during the year	(186)	(138)	(29)	(19)	(14)	(13)
Other	(2)	2	—	—	—	—
Net change for the year	(567)	19	(31)	201	(78)	14
Balance at December 31	$1,054	$1,621	$528	$559	$184	$262

Benefits Expense

	United States pension benefit expense			Non-United States pension benefit expense			Other postretirement benefits expense		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Service cost	$128	$115	$93	$62	$50	$48	$20	$17	$15
Interest cost	147	134	132	80	77	78	35	38	41
Expected return on plan assets	(226)	(183)	(164)	(85)	(77)	(70)	(6)	(6)	—
Amortization	133	118	75	27	15	13	14	13	12
	182	184	136	84	65	69	63	62	68
Curtailment loss	—	—	—	1	1	1	—	—	—
Settlement loss	53	20	17	1	3	4	—	—	—
Total expense	$235	$204	$153	$86	$69	$74	$63	$62	$68

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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	$155	$26	$9
Prior service cost (credit)	—	1	(2)
Total	$155	$27	$7

Retirement Benefits Plans Assumptions

Pension Plans

	United States pension plans			Non-United States pension plans		
	2013	2012	2011	2013	2012	2011
Assumptions used to determine benefit obligation at year-end						
Discount rate	4.67 %	3.97 %	4.70 %	4.20 %	4.17 %	5.12 %
Rate of compensation increase	3.16 %	3.16 %	3.15 %	3.12 %	3.09 %	3.62 %
Assumptions used to determine expense						
Discount rate	3.97 %	4.70 %	5.50 %	4.17 %	5.12 %	5.40 %
Expected long-term return on plan assets	8.45 %	8.50 %	8.50 %	6.92 %	7.10 %	7.17 %
Rate of compensation increase	3.16 %	3.15 %	3.61 %	3.09 %	3.62 %	3.63 %

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		
	2013	2012	2011
Assumptions used to determine benefit obligation at year-end			
Discount rate	4.48 %	3.79 %	4.60 %
Health care cost trend rate assumed for next year	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
Assumptions used to determine expense			
Discount rate	3.79 %	4.60 %	5.20 %
Initial health care cost trend rate	6.96 %	7.60 %	8.10 %
Ultimate health care cost trend rate	4.53 %	4.50 %	4.50 %
Year ultimate health care cost trend rate is achieved	2022	2020	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	21	(19)

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Employer Contributions to Retirement Benefits Plans

Contributions to pension plans that Eaton expects to make in 2014, and made in 2013, 2012 and 2011, follow:

	2014	2013	2012	2011
United States plans	$254	$196	$311	$264
Non-United States plans	108	145	102	108
Total contributions	$362	$341	$413	$372

During 2011, Eaton contributed $154 into a Voluntary Employee Benefit Association (VEBA) trust for the pre-funding of postretirement Medicare Part D prescription drug benefits for the Company's eligible United States employees and retirees.

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 relate to the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which would reduce the gross payments listed below.

	Estimated United States pension payments	Estimated non-United States pension payments	Estimated other postretirement benefit payments	
			Gross	Medicare prescription drug subsidy
2014	$314	$91	$93	$(6)
2015	256	92	86	(6)
2016	273	94	82	(6)
2017	277	99	78	(5)
2018	283	101	74	(4)
2019 - 2023	1,499	545	316	(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 26% 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 36% United States equities, 32% non-United States equities, 7% real estate (primarily equity of real estate investment trusts) and 25% debt securities and other, including 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 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 VEBA 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.

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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, 2013 and 2012, follows:

	Total	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)
2013				
Common collective trusts				
Non-United States equity and global equities	$1,453	$—	$	