

Eaton Corp plc  
Form 10-K  
February 22, 2017  
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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, 2016

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)

Eaton House, 30 Pembroke Road, Dublin 4, Ireland

D04 Y0C2

(Address of principal executive offices)

(Zip code)

+353 1637

2900

(Registrant's

telephone

number,

including

area code)

Securities

registered

pursuant to

Section 12(b) of

the Act:

Title of each class of securities 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  No

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  No

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  No

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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  No

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.

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  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(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  No

The aggregate market value of Ordinary Shares held by non-affiliates of the registrant as of June 30, 2016 was \$27.2 billion.

As of January 31, 2017, there were 449.7 million Ordinary Shares outstanding.

Documents Incorporated By Reference

Portions of the Proxy Statement for the 2017 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 with 2016 net sales of \$19.7 billion. The Company provides energy-efficient solutions that help its customers effectively manage electrical, hydraulic and mechanical power more efficiently, safely and sustainably. Eaton has approximately 95,000 employees in over 60 countries and sells products to customers in more than 175 countries.

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>.

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 15 of the Notes to the Consolidated Financial Statements. Additional information regarding Eaton's segments and business is presented below.

Electrical Products and Electrical Systems and Services

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

Hydraulics

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

Aerospace

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

Vehicle

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

Information Concerning Eaton's Business in General

Raw Materials

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



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### Patents and Trademarks

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

### Order Backlog

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

### Research and Development

Research and development expenses for new products and improvement of existing products in 2016, 2015 and 2014 were \$589 million, \$625 million, and \$647 million, respectively. Over the past five years, the Company has invested approximately \$2.9 billion in research and development.

### Environmental Contingencies

Operations of the Company involve the use and disposal of certain substances regulated under environmental protection laws. Eaton continues to modify processes on an ongoing, regular basis in order to reduce the impact on the environment, including the reduction or elimination of certain chemicals used in, and wastes generated from, operations. Compliance with laws that have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, are not expected to have a material adverse effect upon earnings or the competitive position of the Company. Eaton's estimated capital expenditures for environmental control facilities are not expected to be material for 2017 and 2018. Information regarding the Company's liabilities related to environmental matters is presented in Note 8 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:

#### Volatility of end markets that Eaton serves.

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

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

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



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

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

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

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

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

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

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

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

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

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

Eaton's major requirements for raw materials are described above in 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. 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 8 and Note 9 of the Notes to the Consolidated Financial Statements.

Legislative and regulatory action could materially adversely affect Eaton.

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

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

### Item 1B. Unresolved Staff Comments.

None.

### Item 2. Properties.

Eaton's principal executive offices are located at Eaton House, 30 Pembroke Road, Dublin 4, Ireland D04 Y0C2. The Company maintains manufacturing facilities at 330 locations in 42 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 8 and Note 9 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, 2016, there were 17,627 holders of record of the Company's ordinary shares. Additionally, 21,235 current and former employees were shareholders through participation in the Eaton Savings Plan (ESP), Eaton Personal Investment Plan (EPIP), and the Eaton Puerto Rico Retirement Savings Plan.

Information regarding cash dividends paid, and the high and low market price per ordinary share, for each quarter in 2016 and 2015 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. Effective January 1, 2018, shareholders that reside in the US who hold their shares outside of a Depository Trust Company will be subject to Irish withholding tax on dividends unless 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.

## Issuer's Purchases of Equity Securities

During the fourth quarter of 2016, 2.6 million ordinary shares were repurchased in the open market at a total cost of \$163 million. These shares were repurchased under the program approved by the Board on February 24, 2016. A summary of the shares repurchased in the fourth quarter of 2016 follows:

Month	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs (in millions)
October	—	\$ —	—	\$ 2,015
November	2,635,546	\$ 61.63	2,635,546	\$ 1,853
December	—	\$ —	—	\$ 1,853
Total	2,635,546	\$ —	2,635,546	

## Item 6. Selected Financial Data.

Information regarding selected financial data is presented in the "Five-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 reports of the independent registered public accounting firm, consolidated financial statements, and notes to consolidated financial statements are presented in Item 15 of this Form 10-K.

Information regarding selected quarterly financial information for 2016 and 2015 is presented in “Quarterly Data” of this Form 10-K.

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 Craig Arnold - 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, 2016.

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 included in Item 15 of this Form 10-K.

“Report of Independent Registered Public Accounting Firm” relating to internal control over financial reporting as of December 31, 2016 is included in Item 15 of this Form 10-K.

During the fourth quarter of 2016, 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.

Disclosure Pursuant to Section 13(r) of the Exchange Act

Set forth below is a description of all matters reported by us pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 and Section 13(r) of the Exchange Act. Concurrently with the filing of this Annual Report, we are filing a notice pursuant to Section 13(r) of the Exchange Act that such matters have been disclosed in this Annual Report.

During the fourth quarter, we engaged in one transaction requiring disclosure under Section 13(r). On October 23, 2016, our wholly-owned non-U.S. subsidiary sold a plastic panel board to Pars Petrochemical Company, which is owned by the government of Iran. We received total net revenue of approximately 1,311 Euros and realized net profits of approximately 392 Euros from the sale (approximately \$1,426 and \$426, respectively, at the exchange rates for U.S. dollars at the date of the sale transactions). One or more of our non-U.S. subsidiaries intend to continue doing business in Iran under General License H in compliance with U.S. economic sanctions and export control laws, though the Company has no assets or employees in Iran.



## 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 17, 2017, 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, 2017, follows:

Name	Age	Position (Date elected to position)
Craig Arnold	56	Chairman of Eaton Corporation plc (June 1, 2016 - present) Chief Executive Officer of Eaton Corporation (June 1, 2016 - present) Director of Eaton Corporation plc (September 1, 2015 - present) President and Chief Operating Officer of Eaton Corporation (September 1, 2015 - May 31, 2016) Vice Chairman and Chief Operating Officer - Industrial Sector of Eaton Corporation (February 1, 2009 - August 31, 2015)
Richard H. Fearon	60	Director of Eaton Corporation plc (September 1, 2015 - present) Vice Chairman and Chief Financial and Planning Officer of Eaton Corporation (April 24, 2002 - present)
Revathi Advaiti	49	Chief Operating Officer - Electrical Sector of Eaton Corporation (September 1, 2015 - present) President of Electrical Sector, Americas of Eaton Corporation (April 1, 2012 - August 31, 2015) President, Electrical Sector, Asia Pacific of Eaton Corporation (July 1, 2009 - March 31, 2012)
Uday Yadav	53	Chief Operating Officer - Industrial Sector of Eaton Corporation (September 1, 2015 - present) President of Aerospace Group of Eaton Corporation (August 1, 2012 - August 31, 2015) Executive Vice President, Eaton Business System (January 1, 2010 - July 31, 2012)
Cynthia K. Brabander	55	Executive Vice President and Chief Human Resources Officer of Eaton Corporation (March 1, 2012 - present)
Mark M. McGuire	59	Executive Vice President and General Counsel of Eaton Corporation (December 1, 2005 - present)
Thomas E. Moran	52	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 55 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)

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" in the Company's definitive Proxy Statement to be filed on or about March 17, 2017, and is incorporated by reference.

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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 2016 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 who 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 17, 2017, and is incorporated by reference.

Item 11. Executive Compensation.

Information required with respect to executive compensation is set forth under the caption "Compensation Discussion and Analysis" in the Company's definitive Proxy Statement to be filed on or about March 17, 2017, and is incorporated by reference.

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 17, 2017, 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 17, 2017, 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 17, 2017, 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 17, 2017, 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 17, 2017, and is incorporated by reference.

Part IV

Item 15. Exhibits, Financial Statement Schedules.

(a) (1) The reports of the independent registered public accounting firm, consolidated financial statements and notes to consolidated financial statements are included in Item 8 above:

Reports of Independent Registered Public Accounting Firm

Consolidated Statements of Income - Years ended December 31, 2016, 2015 and 2014

Consolidated Statements of Comprehensive Income - Years ended December 31, 2016, 2015 and 2014

Consolidated Balance Sheets - December 31, 2016 and 2015

Consolidated Statements of Cash Flows - Years ended December 31, 2016, 2015 and 2014

Consolidated Statements of Shareholders' Equity - Years ended December 31, 2016, 2015 and 2014

Notes to Consolidated Financial Statements

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(2) 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 incorporated by reference to or filed in conjunction with this form 10-K are listed in the Exhibit Index.

(b) Exhibits

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

Item 16. Form 10-K Summary.

Not applicable.

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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 22, 2017 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 22, 2017

Signature	Title		
*		/s/ Richard H. Fearon	
Craig Arnold	Chairman, Principal Executive Officer; Director	Richard H. Fearon	Principal Financial Officer, Director
/s/ Ken D. Semelsberger		*	
Ken D. Semelsberger	Principal Accounting Officer	Todd M. Bluedorn	Director
*		*	
Christopher M. Connor	Director	Michael J. Critelli	Director
*		*	
Charles E. Golden	Director	Linda A. Hill	Director
*		*	
Arthur E. Johnson	Director	Deborah L. McCoy	Director
/s/ Gregory R. Page		*	
Gregory R. Page	Director	Sandra Pianalto	Director
*		*	
Gerald B. Smith	Director	Dorothy C. Thompson	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, 2016 and 2015, 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, 2016. 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, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, 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, 2016, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) and our report dated February 22, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP  
Cleveland, Ohio  
February 22, 2017

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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, 2016. 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 five 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/ Craig Arnold                      /s/ Richard H. Fearon                      /s/ Ken D. Semelsberger  
Principal Executive Officer    Principal Financial Officer    Principal Accounting Officer

February 22, 2017

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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, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016 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, 2016 and 2015, 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, 2016 and our report dated February 22, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Cleveland, Ohio  
February 22, 2017





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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, 2016. In conducting this evaluation, we used the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework (2013 Framework). Based on this evaluation under the framework referred to above, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2016.

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, 2016. This report is included herein.

/s/ Craig Arnold                      /s/ Richard H. Fearon                      /s/ Ken D. Semelsberger  
Principal Executive Officer    Principal Financial Officer    Principal Accounting Officer

February 22, 2017

Table of ContentsEATON CORPORATION plc  
CONSOLIDATED STATEMENTS OF INCOME

(In millions except for per share data)	Year ended December 31		
	2016	2015	2014
Net sales	\$19,747	\$20,855	\$22,552
Cost of products sold	13,400	14,292	15,646
Selling and administrative expense	3,505	3,596	3,810
Litigation settlements	—	—	644
Research and development expense	589	625	647
Interest expense - net	233	232	227
Other income - net	(107 )	(35 )	(183 )
Income before income taxes	2,127	2,145	1,761
Income tax expense (benefit)	202	164	(42 )
Net income	1,925	1,981	1,803
Less net income for noncontrolling interests	(3 )	(2 )	(10 )
Net income attributable to Eaton ordinary shareholders	\$1,922	\$1,979	\$1,793
Net income per share attributable to Eaton ordinary shareholders			
Diluted	\$4.21	\$4.23	\$3.76
Basic	4.22	4.25	3.78
Weighted-average number of ordinary shares outstanding			
Diluted	456.5	467.1	476.8
Basic	455.0	465.5	474.1
Cash dividends declared per ordinary share	\$2.28	\$2.20	\$1.96

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

Table of ContentsEATON CORPORATION plc  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31		
(In millions)	2016	2015	2014
Net income	\$ 1,925	\$ 1,981	\$ 1,803
Less net income for noncontrolling interests	(3 )	(2 )	(10 )
Net income attributable to Eaton ordinary shareholders	1,922	1,979	1,793
Other comprehensive loss, net of tax			
Currency translation and related hedging instruments	(570 )	(1,078 )	(1,019 )
Pensions and other postretirement benefits	(6 )	111	(315 )
Cash flow hedges	(9 )	3	(5 )
Other comprehensive loss attributable to Eaton ordinary shareholders	(585 )	(964 )	(1,339 )
Total comprehensive income attributable to Eaton ordinary shareholders	\$ 1,337	\$ 1,015	\$ 454

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

Table of ContentsEATON CORPORATION plc  
CONSOLIDATED BALANCE SHEETS

	December 31	
(In millions)	2016	2015
Assets		
Current assets		
Cash	\$543	\$268
Short-term investments	203	177
Accounts receivable - net	3,560	3,479
Inventory	2,254	2,323
Prepaid expenses and other current assets	381	369
Total current assets	6,941	6,616
Property, plant and equipment		
Land and buildings	2,369	2,383
Machinery and equipment	5,670	5,501
Gross property, plant and equipment	8,039	7,884
Accumulated depreciation	(4,596 )	(4,319 )
Net property, plant and equipment	3,443	3,565
Other noncurrent assets		
Goodwill	13,201	13,479
Other intangible assets	5,514	6,014
Deferred income taxes	360	362
Other assets	960	960
Total assets	\$30,419	\$30,996
Liabilities and shareholders' equity		
Current liabilities		
Short-term debt	\$14	\$426
Current portion of long-term debt	1,552	242
Accounts payable	1,718	1,758
Accrued compensation	379	366
Other current liabilities	1,822	1,833
Total current liabilities	5,485	4,625
Noncurrent liabilities		
Long-term debt	6,711	7,746
Pension liabilities	1,659	1,586
Other postretirement benefits liabilities	368	440
Deferred income taxes	321	390
Other noncurrent liabilities	934	978
Total noncurrent liabilities	9,993	11,140
Shareholders' equity		
Ordinary shares (449.4 million outstanding in 2016 and 458.8 million in 2015)	5	5
Capital in excess of par value	11,845	11,701
Retained earnings	7,498	7,346
Accumulated other comprehensive loss	(4,448 )	(3,863 )

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Shares held in trust	(3	) (3	)
Total Eaton shareholders' equity	14,897	15,186	
Noncontrolling interests	44	45	
Total equity	14,941	15,231	
Total liabilities and equity	\$30,419	\$30,996	

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)	2016	2015	2014
Operating activities			
Net income	\$ 1,925	\$ 1,981	\$ 1,803
Adjustments to reconcile to net cash provided by operating activities			
Depreciation and amortization	929	925	983
Deferred income taxes	(80 )	(100 )	(382 )
Pension and other postretirement benefits expense	235	323	293
Contributions to pension plans	(262 )	(330 )	(362 )
Contributions to other postretirement benefits plans	(30 )	(31 )	(40 )
Excess tax benefit from equity-based compensation	(1 )	(1 )	(20 )
Gain on sale of businesses	—	—	(68 )
Changes in working capital			
Accounts receivable - net	(170 )	5	(205 )
Inventory	25	(20 )	(152 )
Accounts payable	—	(120 )	49
Accrued compensation	20	(28 )	(32 )
Accrued income and other taxes	30	(9 )	(73 )
Other current assets	(21 )	7	73
Other current liabilities	(62 )	(76 )	8
Other - net	14	(155 )	3
Net cash provided by operating activities	2,552	2,371	1,878
Investing activities			
Capital expenditures for property, plant and equipment	(497 )	(506 )	(632 )

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Cash received from (paid for) acquisitions of businesses, net of cash acquired	1	(72	)	2		
Sales (purchases) of short-term investments - net	(40	)	37	522		
Proceeds from sales of businesses	—		1	282		
Other - net	7	(35	)	(31	)	
Net cash (used in) provided by investing activities	(529	)	(575	)	143	
Financing activities						
Proceeds from borrowings	631		425	—		
Payments on borrowings	(653	)	(1,027	)	(582	)
Cash dividends paid	(1,037	)	(1,026	)	(929	)
Exercise of employee stock options	74		52	54		
Repurchase of shares	(730	)	(682	)	(650	)
Excess tax benefit from equity-based compensation	1		1	20		
Other - net	(6	)	(10	)	(43	)
Net cash used in financing activities	(1,720	)	(2,267	)	(2,130	)
Effect of currency on cash	(28	)	(42	)	(25	)
Total increase (decrease) in cash	275		(513	)	(134	)
Cash at the beginning of the period	268		781	915		
Cash at the end of the period	\$ 543		\$ 268	\$ 781		

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



Table of ContentsEATON CORPORATION plc  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In millions)	Ordinary shares		Capital in excess of par value	Retained earnings	Accumulated other comprehensive loss	Shares held via trust	Total Eaton shareholders' equity	Noncontrolling interests	Total equity
	Shares	Dollars							
Balance at January 1, 2014	475.1	\$ 5	\$11,483	\$6,866	\$ (1,560 )	\$ (3 )	\$ 16,791	\$ 72	\$16,863
Net income	—	—	—	1,793	—	—	1,793	10	1,803
Other comprehensive loss, net of tax	—	—	—	—	(1,339 )	—	(1,339 )	—	(1,339 )
Cash dividends paid	—	—	—	(929 )	—	—	(929 )	(5 )	(934 )
Issuance of shares under equity-based compensation plans - net (net of income tax benefit of \$20)	2.4	—	136	(2 )	—	—	134	—	134
Purchase of additional noncontrolling interest of consolidated subsidiaries	—	—	(14 )	—	—	—	(14 )	(24 )	(38 )
Repurchase of shares	(9.6 )	—	—	(650 )	—	—	(650 )	—	(650 )
Balance at December 31, 2014	467.9	5	11,605	7,078	(2,899 )	(3 )	15,786	53	15,839
Net income	—	—	—	1,979	—	—	1,979	2	1,981
Other comprehensive loss, net of tax	—	—	—	—	(964 )	—	(964 )	—	(964 )
Cash dividends paid	—	—	—	(1,026 )	—	—	(1,026 )	(9 )	(1,035 )
Issuance of shares under equity-based compensation plans - net (net of income tax benefit of \$1)	2.2	—	99	(3 )	—	—	96	—	96
Changes in noncontrolling interest of consolidated subsidiaries - net	—	—	(3 )	—	—	—	(3 )	(1 )	(4 )
Repurchase of shares	(11.3 )	—	—	(682 )	—	—	(682 )	—	(682 )
Balance at December 31, 2015	458.8	5	11,701	7,346	(3,863 )	(3 )	15,186	45	15,231
Net income	—	—	—	1,922	—	—	1,922	3	1,925
Other comprehensive loss, net of tax	—	—	—	—	(585 )	—	(585 )	—	(585 )
Cash dividends paid	—	—	—	(1,037 )	—	—	(1,037 )	(2 )	(1,039 )
Issuance of shares under equity-based compensation plans - net (net of income tax benefit of \$1)	2.4	—	144	(3 )	—	—	141	—	141
Changes in noncontrolling interest of consolidated subsidiaries - net	—	—	—	—	—	—	—	—	—