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Eaton Corp plc  
Form 10-K  
February 24, 2016  
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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, 2015

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

-

(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

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  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

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, 2015 was \$31.6 billion.

As of January 31, 2016, there were 458.9 million Ordinary Shares outstanding.

Documents Incorporated By Reference

Portions of the Proxy Statement for the 2016 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 2015 net sales of \$20.9 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 97,000 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 2015, 15% of these segments' 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 2015, 12% 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 2015, 31% 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 2015, 69% of this segment's sales were made to eight 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 2015, 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 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 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 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 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, 2015 and 2014 was approximately \$4.1 billion and \$4.4 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 2015, 2014 and 2013 were \$625 million, \$647 million, and \$644 million, respectively. Over the past five years, the Company has invested approximately \$2.8 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 2016 and 2017. 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. During 2015, the Organization for Economic Cooperation and Development, in conjunction with the G20, finalized substantial, broad-based international tax policy guidelines that involve transfer pricing and other international tax subjects. These policy guidelines could be interactive with other tax law changes which may result in a risk of double taxation. 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.

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. The Company maintains manufacturing facilities at 345 locations in 43 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, 2015, there were 18,538 holders of record of the Company's ordinary shares. Additionally, 23,559 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 2015 and 2014 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.

## Issuer's Purchases of Equity Securities

During the fourth quarter of 2015, 4.1 million ordinary shares were repurchased in the open market at a total cost of \$228 million. These shares were repurchased under the program approved by the Board of Directors on October 22, 2013 (the 2013 Program). A summary of the shares repurchased in the fourth quarter of 2015 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	—	\$—	—	\$896
November	3,443,941	\$56.38	3,443,941	\$702
December	651,652	\$52.03	651,652	\$668
Total	4,095,593	\$55.69	4,095,593	

On February 24, 2016, the Board of Directors approved a new program authorizing share repurchases up to \$2.5 billion. This program will supersede the 2013 Program.

## 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.



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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 2015 and 2014 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 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, 2015.

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, 2015 is included in Item 15 of this Form 10-K.

During the fourth quarter of 2015, 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 18, 2016, 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, 2016, follows:

Name	Age	Position (Date elected to position)
Alexander M. Cutler	64	Chairman of Eaton Corporation plc (November 30, 2012 - present) Chief Executive Officer of Eaton Corporation (August 1, 2000 - present) Director of Eaton Corporation (September 22, 1993 - November 30, 2012)
Craig Arnold	55	Director of Eaton Corporation plc (September 1, 2015 - present) President and Chief Operating Officer of Eaton Corporation (September 1, 2015 - present) Vice Chairman and Chief Operating Officer - Industrial Sector of Eaton Corporation (February 1, 2009 - August 31, 2015)
Richard H. Fearon	59	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	48	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	52	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	54	Executive Vice President and Chief Human Resources Officer of Eaton Corporation (March 1, 2012 - present) Senior Vice President, Human Resources of Gates Corporation (April 11, 2009 - January 10, 2012)
Mark M. McGuire	58	Executive Vice President and General Counsel of Eaton Corporation (December 1, 2005 - present)

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Thomas E. Moran	51	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	54	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.

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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 18, 2016, 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 2015 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 18, 2016, 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 18, 2016, 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 18, 2016, 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 18, 2016, 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 18, 2016, 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 18, 2016, 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 18, 2016, 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, 2015, 2014 and 2013

Consolidated Statements of Comprehensive Income - Years ended December 31, 2015, 2014 and 2013

Consolidated Balance Sheets - December 31, 2015 and 2014

Consolidated Statements of Cash Flows - Years ended December 31, 2015, 2014 and 2013



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Consolidated Statements of Shareholders' Equity - Years ended December 31, 2015, 2014 and 2013

Notes to Consolidated Financial Statements

(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.

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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 24, 2016

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 24, 2016

Signature	Title		
*			
Alexander M. Cutler	Principal Executive Officer; Director		
*		*	
Ken D. Semelsberger	Principal Accounting Officer	Sandra Pianalto	Director
*		*	
Craig Arnold	Director	Todd M. Bluedorn	Director
*		*	
Christopher M. Connor	Director	Michael J. Critelli	Director
*		*	
Charles E. Golden	Director	Linda A. Hill	Director
/s/ Richard H. Fearon		*	
Richard H. Fearon	Director	Ned C. Lautenbach	Director
*		/s/ Gregory R. Page	
Arthur E. Johnson	Director	Gregory R. Page	Director
*		*	
Deborah L. McCoy	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, 2015 and 2014, 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, 2015. 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, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, 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, 2015, 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 24, 2016 expressed an unqualified opinion thereon. As discussed in Note 1 to the consolidated financial statements, the Company changed its presentation of deferred income taxes effective December 31, 2015.

/s/ Ernst & Young LLP  
Cleveland, Ohio  
February 24, 2016

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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, 2015. 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/ Alexander M. Cutler  
Principal Executive Officer

/s/ Richard H. Fearon  
Principal Financial Officer

/s/ Ken D. Semelsberger  
Principal Accounting Officer

February 24, 2016

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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, 2015, 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, 2015 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, 2015 and 2014, 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, 2015 and our report dated February 24, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Cleveland, Ohio  
February 24, 2016



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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, 2015. 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, 2015.

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, 2015. This report is included herein.

/s/ Alexander M. Cutler  
Principal Executive Officer

/s/ Richard H. Fearon  
Principal Financial Officer

/s/ Ken D. Semelsberger  
Principal Accounting Officer

February 24, 2016

Table of ContentsEATON CORPORATION plc  
CONSOLIDATED STATEMENTS OF INCOME

(In millions except for per share data)	Year ended December 31			
	2015	2014	2013	
Net sales	\$20,855	\$22,552	\$22,046	
Cost of products sold	14,292	15,646	15,369	
Selling and administrative expense	3,596	3,810	3,886	
Litigation settlements	—	644	—	
Research and development expense	625	647	644	
Interest expense - net	232	227	271	
Other income - net	(35	) (183	) (8	)
Income before income taxes	2,145	1,761	1,884	
Income tax expense (benefit)	164	(42	) 11	)
Net income	1,981	1,803	1,873	
Less net income for noncontrolling interests	(2	) (10	) (12	)
Net income attributable to Eaton ordinary shareholders	\$1,979	\$1,793	\$1,861	
Net income per share attributable to Eaton ordinary shareholders				
Diluted	\$4.23	\$3.76	\$3.90	
Basic	4.25	3.78	3.93	
Weighted-average number of ordinary shares outstanding				
Diluted	467.1	476.8	476.7	
Basic	465.5	474.1	473.5	
Cash dividends declared per ordinary share	\$2.20	\$1.96	\$1.68	

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



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## EATON CORPORATION plc

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)	Year ended December 31		
	2015	2014	2013
Net income	\$1,981	\$1,803	\$1,873
Less net income for noncontrolling interests	(2	) (10	) (12
Net income attributable to Eaton ordinary shareholders	1,979	1,793	1,861
Other comprehensive (loss) income, net of tax			
Currency translation and related hedging instruments	(1,078	) (1,019	) (28
Pensions and other postretirement benefits	111	(315	) 429
Cash flow hedges	3	(5	) 3
Other comprehensive (loss) income attributable to Eaton ordinary shareholders	(964	) (1,339	) 404
Total comprehensive income attributable to Eaton ordinary shareholders	\$1,015	\$454	\$2,265

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

Table of ContentsEATON CORPORATION plc  
CONSOLIDATED BALANCE SHEETS

	December 31	
(In millions)	2015	2014
Assets		
Current assets		
Cash	\$268	\$781
Short-term investments	177	245
Accounts receivable - net	3,479	3,667
Inventory	2,323	2,428
Deferred income taxes	—	593
Prepaid expenses and other current assets	369	386
Total current assets	6,616	8,100
Property, plant and equipment		
Land and buildings	2,383	2,343
Machinery and equipment	5,501	5,621
Gross property, plant and equipment	7,884	7,964
Accumulated depreciation	(4,319)	(4,214)
Net property, plant and equipment	3,565	3,750
Other noncurrent assets		
Goodwill	13,479	13,893
Other intangible assets	6,014	6,556
Deferred income taxes	362	228
Other assets	995	1,002
Total assets	\$31,031	\$33,529
Liabilities and shareholders' equity		
Current liabilities		
Short-term debt	\$426	\$2
Current portion of long-term debt	242	1,008
Accounts payable	1,758	1,940
Accrued compensation	366	420
Other current liabilities	1,833	1,985
Total current liabilities	4,625	5,355
Noncurrent liabilities		
Long-term debt	7,781	8,024
Pension liabilities	1,586	1,812
Other postretirement benefits liabilities	440	513
Deferred income taxes	390	901
Other noncurrent liabilities	978	1,085
Total noncurrent liabilities	11,175	12,335
Shareholders' equity		
Ordinary shares (458.8 million outstanding in 2015 and 467.9 million in 2014)	5	5
Capital in excess of par value	11,701	11,605
Retained earnings	7,346	7,078

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Accumulated other comprehensive loss	(3,863	)	(2,899	)
Shares held in trust	(3	)	(3	)
Total Eaton shareholders' equity	15,186		15,786	
Noncontrolling interests	45		53	
Total equity	15,231		15,839	
Total liabilities and equity	\$31,031		\$33,529	

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

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Table of ContentsEATON CORPORATION plc  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	Year ended December 31		
	2015	2014	2013
Operating activities			
Net income	\$1,981	\$1,803	\$1,873
Adjustments to reconcile to net cash provided by operating activities			
Depreciation and amortization	925	983	997
Deferred income taxes	(100)	(382)	(311)
Pension and other postretirement benefits expense	323	293	384
Contributions to pension plans	(330)	(362)	(341)
Contributions to other postretirement benefits plans	(31)	(40)	(59)
Excess tax benefit from equity-based compensation	(1)	(20)	(32)
Gain on sale of businesses	—	(68)	(2)
Changes in working capital			
Accounts receivable - net	5	(205)	(231)
Inventory	(20)	(152)	(92)
Accounts payable	(120)	49	86
Accrued compensation	(28)	(32)	—
Accrued income and other taxes	(9)	(73)	1
Other current assets	7	73	(42)
Other current liabilities	(76)	8	(46)
Other - net	(155)	3	100
Net cash provided by operating activities	2,371	1,878	2,285
Investing activities			
Capital expenditures for property, plant and equipment	(506)	(632)	(614)
Cash (paid for) received from acquisitions of businesses, net of cash acquired	(72)	2	(9)
Sales (purchases) of short-term investments - net	37	522	(288)
Proceeds from sales of businesses	1	282	777
Other - net	(35)	(31)	(68)
Net cash (used in) provided by investing activities	(575)	143	(202)
Financing activities			
Proceeds from borrowings	425	—	9
Payments on borrowings	(1,027)	(582)	(1,096)
Cash dividends paid	(1,026)	(929)	(796)
Exercise of employee stock options	52	54	121
Repurchase of shares	(682)	(650)	—
Excess tax benefit from equity-based compensation	1	20	32
Other - net	(10)	(43)	(6)
Net cash used in financing activities	(2,267)	(2,130)	(1,736)
Effect of currency on cash	(42)	(25)	(9)
Total (decrease) increase in cash	(513)	(134)	338
Cash at the beginning of the period	781	915	577
Cash at the end of the period	\$268	\$781	\$915

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 in trust	Total Eaton shareholders' equity	Noncontrolling interests	Total equity
	Shares	Dollars							
Balance at January 1, 2013	470.7	\$5	\$11,271	\$5,805	\$(1,964)	(4)	\$15,113	\$65	\$15,178
Net income	—	—	—	1,861	—	—	1,861	12	1,873
Other comprehensive income, net of tax	—	—	—	—	404	—	404	—	404
Cash dividends paid	—	—	—	(796)	—	—	(796)	(5)	(801)
Issuance of shares under equity-based compensation plans - net (net of income tax benefit of \$32)	4.4	—	212	(4)	—	1	209	—	209
Balance at December 31, 2013	475.1	5	11,483	6,866	(1,560)	(3)	16,791	72	16,863
Net income	—	—	—	1,793	—	—	1,793	10	1,803
Other comprehensive loss, net of tax	—	—	—	—	(1,339)	—	(1,339)	—	(1,339)
Cash dividends paid	—	—	—	(929)	—	—	(929)	(5)	(934)
Issuance of shares under equity-based compensation plans - net (net of income tax benefit of \$20)	2.4	—	136	(2)	—	—	134	—	134
Purchase of additional noncontrolling interest of consolidated subsidiaries	—	—	(14)	—	—	—	(14)	(24)	(38)
Repurchase of shares	(9.6)	—	—	(650)	—	—	(650)	—	(650)
Balance at December 31, 2014	467.9	5	11,605	7,078	(2,899)	(3)	15,786	53	15,839
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)

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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

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 with 2015 net sales of \$20.9 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 97,000 employees in over 60 countries and sells products to customers in more than 175 countries.

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States. Preparation of the consolidated financial statements requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and notes. Actual results could differ from these estimates. Management has evaluated subsequent events through the date the consolidated financial statements were filed with the Securities Exchange Commission.

The consolidated financial statements include the accounts of Eaton and all subsidiaries and other entities it controls. Intercompany transactions and balances have been eliminated. The equity method of accounting is used for investments in associate companies where the Company has significant influence and generally a 20% to 50% ownership interest. Equity investments are evaluated for impairment whenever events or circumstances indicate the book value of the investment exceeds fair value. An impairment would exist if there is an other-than-temporary decline in value. These associate companies are not material either individually, or in the aggregate, to Eaton's consolidated financial statements. Eaton does not have off-balance sheet arrangements or financings with unconsolidated entities. In the ordinary course of business, the Company leases certain real properties and equipment, as described in Note 8.

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.

During the fourth quarter of 2015, the Company early adopted Accounting Standards Update 2015-17, Balance Sheet Classification of Deferred Taxes (ASU 2015-17). ASU 2015-17 requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the Company's consolidated balance sheet starting in 2017. The Company elected to apply this standard prospectively for 2015 financial statements. As a result, prior periods were not retrospectively adjusted.

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

Revenue Recognition

Sales of products are recognized when a sales agreement is in place, products have been shipped to unaffiliated customers and title has transferred in accordance with shipping terms, the selling price is fixed and determinable and collectability is reasonably assured, all significant related acts of performance have been completed, and no other significant uncertainties exist. Shipping and handling costs billed to customers are included in Net sales and the related costs in Cost of products sold. Although the majority of the sales agreements contain standard terms and conditions, there are agreements that contain multiple elements or non-standard terms and conditions. As a result, judgment is required to determine the appropriate accounting, including whether the deliverables specified in these agreements should be treated as separate units of accounting for recognition purposes, and, if so, how the sales price should be allocated among the elements and when to recognize sales for each element. For delivered elements, sales generally are recognized only when the delivered elements have standalone value and there are no uncertainties regarding customer acceptance. Sales for service contracts generally are recognized as the services are provided. Eaton records reductions to revenue for customer and distributor incentives, primarily comprised of rebates, at the time of the initial sale. Rebates are estimated based on sales terms, historical experience, trend analysis, and projected market conditions in the various markets served. The rebate programs offered vary across businesses due to the



numerous markets Eaton serves, but the most common incentives relate to amounts paid or credited to customers for achieving defined volume levels.

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### Goodwill and Indefinite Life Intangible Assets

Goodwill is evaluated annually for impairment as of July 1 using either a quantitative or qualitative analysis. Goodwill is tested for impairment at the reporting unit level, which is equivalent to Eaton's operating segments and based on the net assets for each segment, including goodwill and intangible assets. Goodwill is assigned to each operating segment, as this represents the lowest level that constitutes a business and is the level at which management regularly reviews the operating results. The Company performs a quantitative analysis using a discounted cash flow model and other valuation techniques, but may elect to perform a qualitative analysis. The discounted cash flow model considers forecasted cash flows discounted at an estimated weighted-average cost of capital. The forecasted cash flows are based on the Company's long-term operating plan and a terminal value is used to estimate the operating segment's cash flows beyond the period covered by the operating plan. The weighted-average cost of capital is an estimate of the overall after-tax rate of return required by equity and debt market holders of a business enterprise. These analyses require the exercise of significant judgments, including judgments about appropriate discount rates, perpetual growth rates and the timing of expected future cash flows of the respective reporting unit. Sensitivity analyses are performed in order to assess the reasonableness of the assumptions and the resulting estimated fair values. Additionally, goodwill is evaluated for impairment whenever an event occurs or circumstances change that would indicate that it is more likely than not that the fair value of an operating segment is less than its carrying amount.

Goodwill impairment testing for 2015 and 2014 was performed using a qualitative analysis, which is performed by assessing certain trends and factors, including projected market outlook and growth rates, forecasted and actual sales and operating profit margins, discount rates, industry data, and other relevant qualitative factors. These trends and factors are compared to, and based on, the assumptions used in the most recent quantitative assessment, performed in 2013. The results of these qualitative analyses did not indicate a need to perform a quantitative analysis.

Based on qualitative analyses performed in 2015 and 2014 and a quantitative analysis performed in 2013, the fair values of Eaton's reporting units continue to substantially exceed the respective carrying amounts.

Indefinite life intangible assets consist of trademarks. They are evaluated annually for impairment as of July 1 using either a quantitative or qualitative analysis to determine whether their fair values exceed their respective carrying amounts. Indefinite life intangible asset impairment testing for 2015 and 2014 was performed using a quantitative analysis. The Company determines the fair value of these assets using a royalty relief methodology similar to that employed when the associated assets were acquired, but using updated estimates of future sales, cash flows and profitability. Additionally, indefinite life intangible assets are evaluated for impairment whenever an event occurs or circumstances change that would indicate that it is more likely than not that the asset is impaired. For 2015 and 2014, 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 5.

### Other Long-Lived Assets

Depreciation and amortization for property, plant and equipment, and intangible assets subject to amortization, are generally computed by the straight-line method and included in Cost of products sold, Selling and administrative expense, and Research and development expense, as appropriate. Cost of buildings are depreciated generally over 40 years and machinery and equipment over 3 to 10 years. At December 31, 2015, the weighted-average amortization period for intangible assets subject to amortization was 17 years for patents and technology, primarily as a result of the long life of aircraft platforms; 17 years for customer relationships; and 16 years for trademarks. Software is generally amortized up to a life of 10 years.

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

### Retirement Benefits Plans

For the principal pension plans in the United States, Canada, Puerto Rico and the United Kingdom, the Company uses a market-related value of plan assets to calculate the expected return on assets used to determine net periodic benefit

costs. The market-related value of plan assets is a calculated value that recognizes changes in the fair value of plan assets over a five year period. All other plans use fair value of plan assets.

Net actuarial gains or losses are amortized to expense on a plan-by-plan basis when they exceed the accounting corridor. The Company's corridors are set at either 8% or 10%, depending on the plan, of the greater of the plan assets or benefit obligations. Gains or losses outside of the corridor are subject to amortization over an average employee future service period that differs by plan, but is approximately 11 years on a weighted average basis. If most or all of the plan's participants are no longer actively accruing benefits, the average life expectancy is used.

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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 8 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 9.

### Equity-Based Compensation

Eaton recognizes equity-based compensation expense based on the grant date fair value of the award. Awards with service conditions are expensed over the period during which an employee is required to provide service in exchange for the award. Awards with both service and performance conditions are expensed over the period an employee is required to provide service based on the number of units for which achievement of the performance objective is probable. Participants awarded restricted stock units (RSUs) do not receive dividends; therefore, their fair value is determined by reducing the closing market price of the Company's ordinary shares on the date of grant by the present value of the estimated dividends had they been paid. The RSUs entitle the holder to receive one ordinary share for each RSU upon vesting, generally over three or four years. The fair value of restricted stock awards (RSAs) and performance share units (PSUs) are determined based on the closing market price of the Company's ordinary shares at the date of grant. RSAs are issued and outstanding at the time of grant, but remain subject to forfeiture until vested, generally over three or four years. PSUs are entitled to receive one ordinary share for each PSU that vests based on satisfaction of a three-year service period and the achievement of certain performance metrics. 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 11 for additional information about equity-based compensation.

### Derivative Financial Instruments and Hedging Activities

Eaton uses derivative financial instruments to manage the exposure to the volatility in raw material costs, currency, and interest rates on certain debt. These instruments are marked to fair value in the accompanying Consolidated Balance Sheets. Changes in the fair value of derivative assets or liabilities (i.e., gains or losses) are recognized depending upon the type of hedging relationship and whether an instrument has been designated as a hedge. For those instruments that qualify for hedge accounting, Eaton designates the hedging instrument, based upon the exposure being hedged, as a cash flow hedge, a fair value hedge, or a hedge of a net investment in a foreign operation. Changes

in fair value of these instruments that do not qualify for hedge accounting are recognized immediately in net income. See Note 13 for additional information about hedges and derivative financial instruments.

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## Recently Issued Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (ASU 2014-09). This accounting standard supersedes all existing US GAAP revenue recognition guidance. Under ASU 2014-09, a company will recognize revenue when it transfers the control of promised goods or services to customers in an amount that reflects the consideration which the company expects to collect in exchange for those goods or services. ASU 2014-09 will require additional disclosures in the notes to the consolidated financial statements and is effective for annual and interim reporting periods beginning after December 15, 2016. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date (ASU 2015-14). This accounting standard defers the effective date of ASU 2014-09 for one year and permits early adoption as of the original effective date. Eaton is evaluating the impact of ASU 2014-09 and an estimate of the impact to the consolidated financial statements cannot be made at this time.

## Note 2. ACQUISITIONS AND SALES OF BUSINESSES

## Acquisition of Ephesus Lighting, Inc.

On October 28, 2015, Eaton acquired Ephesus Lighting, Inc. (Ephesus). Ephesus is a leader in LED lighting for stadiums and other high lumen outdoor and industrial applications. Its sales over the last twelve months were \$23. Ephesus is reported within the Electrical Products business segment.

## Acquisition of UK Safety Technology Manufacturer Oxalis Group Ltd.

On January 12, 2015, Eaton acquired Oxalis Group Ltd. (Oxalis). Oxalis is a manufacturer of closed-circuit television camera stations, public address and general alarm systems and other electrical products for the hazardous area, marine and industrial communications markets. Its sales over the last twelve months were \$9. Oxalis is reported within the Electrical Systems and Services business segment.

## Sale of Aerospace Power Distribution Management Solutions and Integrated Cockpit Solutions

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

## Sale of Apex Tool Group, LLC

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

## Note 3. ACQUISITION INTEGRATION CHARGES

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

	2015	2014	2013
Acquisition integration charges			
Electrical Products	\$25	\$66	\$44
Electrical Systems and Services	15	51	37
Hydraulics	2	12	36
Total business segments	42	129	117
Corporate	5	25	37
Total acquisition integration charges	47	154	154
Transaction costs			
Corporate	—	—	8
Financing fees	—	—	1
Total transaction costs	—	—	9
Total acquisition integration charges and transaction costs before income taxes	\$47	\$154	\$163

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Total after income taxes	\$31	\$102	\$110
Per ordinary share - diluted	\$0.07	\$0.21	\$0.23

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Business segment integration charges in 2015 and 2014 related primarily to the integration of Cooper Industries plc, which was acquired in 2012. Business segment integration charges in 2013 related primarily to the integrations of Cooper and Polimer Kaucuk Sanayi ve Pazarlama A.S., which was acquired in 2012. These charges were included in Cost of products sold or Selling and administrative expense, as appropriate. In Business Segment Information, the charges reduced Operating profit of the related business segment.

The integration of Cooper included costs related to restructuring activities Eaton undertook in an effort to gain efficiencies in selling, marketing, traditional back-office functions and manufacturing and distribution. These actions resulted in charges of \$20 during 2015, comprised of severance costs and other expense totaling \$1 and \$19, respectively, of which \$14 were incurred in the Electrical Products segment, and \$6 were incurred in the Electrical Systems and Services segment. In 2014, we incurred \$95 of charges related to Cooper restructuring activities, comprised of severance costs totaling \$69 and other expenses totaling \$26, of which \$53 and \$42 were recognized in the Electrical Products and Electrical Systems and Services business segments, respectively. During 2013, these actions, comprised primarily of severance costs, resulted in charges of \$36, of which \$19 and \$17 were recognized in the Electrical Products and Electrical Systems and Services business segments, respectively.

Corporate integration charges 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 related to the acquisition of Cooper and were included in Corporate above. These charges were included in Selling and administrative expense, Interest expense - net and Other (income) expense - net. In Business Segment Information, the charges were included in Interest expense - net and Other corporate expense - net.

See Note 15 for additional information about business segments.

**Note 4. RESTRUCTURING CHARGES**

During 2015, Eaton announced its commitment to undertake actions to reduce its cost structure in all business segments and at corporate. The restructuring charges incurred under this plan were \$129 in 2015. These restructuring activities are anticipated to be \$140 in 2016 and \$130 in 2017.

A summary of restructuring charges by segment follows:

	2015
Electrical Products	\$12
Electrical Systems & Services	29
Hydraulics	31
Aerospace	5
Vehicle	34
Corporate	18
Total	\$129

A summary of liabilities related to workforce reductions, plant closings and other associated costs announced in 2015 follows:

	Workforce reductions	Plant closing and other	Total
Balance at December 31, 2014	\$—	\$—	\$—
Liability recognized	112	17	129
Payments	(59	) (3	) (62
Other adjustments	1	(14	) (13
Balance at December 31, 2015	\$54	\$—	\$54

During 2014, Eaton undertook additional restructuring activities in an effort to gain efficiencies in operations. These actions resulted in charges of \$54 during 2014, comprised of severance costs totaling \$48 and other expenses totaling



\$6, of which \$32, \$16, \$2 and \$4 were recognized in the Vehicle, Hydraulics and Aerospace business segments, and Corporate, respectively.

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These charges were included in Cost of products sold, Selling and administrative expenses or Other income-net, as appropriate. In Business Segment Information, the charges reduced Operating profit of the related business segment. See Note 15 for additional information about business segments.

## Note 5. GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying amount of goodwill by segment follow:

	Electrical Products	Electrical Systems and Services	Hydraulics	Aerospace	Vehicle	Total	
December 31, 2013	\$7,189	\$4,517	\$1,385	\$1,048	\$356	\$14,495	
Goodwill written off from sale of businesses	—	—	—	(78	) —	(78	)
Translation	(249	) (203	) (58	) (8	) (6	) (524	)
December 31, 2014	6,940	4,314	1,327	962	350	13,893	
Additions	31	20	—	—	—		