

Edgar Filing: Eaton Corp plc - Form 10-K

Eaton Corp plc  
Form 10-K  
February 28, 2013  
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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, 2012

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)

70 Sir John Rogerson's Quay, Dublin 2, Ireland

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(Address of principal executive offices)

(Zip code)

+1 (440) 523-5000

(Registrant's telephone number, including area code)

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

Title of each class

Name of each exchange on which registered

Ordinary Shares (\$0.01 par value)

The New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  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 Common Stock held by non-affiliates of the registrant as of June 30, 2012 was \$13.4 billion.

As of January 31, 2013, there were 471.1 million Ordinary Shares outstanding.

Documents Incorporated By Reference

Portions of the Proxy Statement for the 2013 annual shareholders meeting are incorporated by reference into Part III.

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## Part I

## Item 1. Business.

Eaton Corporation plc (Eaton or Company) was incorporated under the laws of Ireland on May 10, 2012, and became the successor registrant to Eaton Corporation on November 30, 2012, in connection with the consummation of the acquisition of Cooper Industries plc (Cooper), which is further described below. Eaton is a diversified power management company providing energy-efficient solutions that help its customers effectively manage electrical, hydraulic and mechanical power. The Company is a global technology leader in electrical products, systems and services for power quality, distribution and control, power transmission, lighting and wiring products; hydraulics components, systems and services for industrial and mobile equipment; aerospace fuel, hydraulics and pneumatic systems for commercial and military use; and truck and automotive drivetrain and powertrain systems for performance, fuel economy and safety. Eaton has approximately 103,000 employees in over 50 countries and sells products to customers in 175 countries.

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

## Acquisitions and Sale of Businesses

## Cooper Industries plc

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

Cooper is a diversified global manufacturer of electrical products and systems, with brands including Bussmann electrical and electronic fuses; Crouse-Hinds and CEAG explosion-proof electrical equipment; Halo and Metalux lighting fixtures; and Kyle and McGraw-Edison power systems products. Cooper had annual sales of \$5,409 million for 2011. Eaton's Consolidated Financial Statements include Cooper's results of operations from November 30, 2012 through December 31, 2012. For segment reporting purposes, Cooper has been identified as a segment at December 31, 2012. Additional information related to the acquisition of Cooper and business segments is presented in Note 2 and Note 14, respectively, of the Notes to the Consolidated Financial Statements.

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

## Acquisitions of Other Businesses

In 2012, Eaton acquired other businesses in separate transactions for combined net cash purchase prices totaling \$604 million. The Consolidated Statements of Income include the results of these businesses from the dates of the transactions. These acquisitions of other businesses and the related annual sales prior to acquisition are summarized below:

Acquired businesses	Date of transaction	Business segment	Annual sales (in millions)
Rolec Comercial e Industrial S.A. A Chilean manufacturer of integrated power assemblies and low- and medium-voltage switchgear, and a provider of engineering services serving mining and other heavy industrial applications in Chile and Peru.	September 28, 2012	Electrical Americas	\$85 for the 12 months ended September 30, 2012
Jeil Hydraulics Co., Ltd.	July 6, 2012	Hydraulics	\$189 for 2011

A Korean manufacturer of track drive motors, swing drive motors, main control valves and remote control valves for the construction equipment market.

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Acquired businesses	Date of transaction	Business segment	Annual sales (in millions)
Polimer Kaucuk Sanayi ve Pazarlama A.S. A Turkish manufacturer of hydraulic and industrial hose for construction, mining, agriculture, oil and gas, manufacturing, food and beverage, and chemicals markets. This business sells its products under the SEL brand name.	June 1, 2012	Hydraulics	\$335 for 2011

Gycom Electrical Low-Voltage Power Distribution, Control and Automation A Swedish electrical low-voltage power distribution, control and automation components business.	June 1, 2012	Electrical Rest of World	\$24 for 2011
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Eaton's acquired businesses and joint venture entered into for 2011 and 2010 are presented in Note 2 of the Notes to the Consolidated Financial Statements.

Sale of Apex Tool Group, LLC

In July 2010, Cooper formed a joint venture, named Apex Tool Group, LLC (Apex), with Danaher Corporation (Danaher). Apex was formed by combining Cooper's tools business with certain tools businesses from Danaher's Tools and Components segment. Cooper and Danaher each owned a 50% interest in the joint venture, had equal representation on its board of directors and had a 50% voting interest in the joint venture.

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

Business Segment Information

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

Electrical Americas and Electrical Rest of World

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 2012, one large distributor of electrical products represented 12% of the sales of the Electrical Americas segment.

Cooper

As a result of the acquisition of Cooper, Eaton now has a strong competitive position in this segment's markets and, with respect to many products, is considered among the market leaders. Principal methods of competition in this segment are product performance, customer and end-user service, quality, brand name, and availability. In normal economic cycles, sales of this segment follow general economic conditions and are generally sensitive to activity in the commercial and residential construction markets, industrial production levels, electronic component production and spending by utilities for replacements, expansions and efficiency improvements.

Hydraulics

Principal methods of competition in this segment are product performance, geographic coverage, service, and cost competitiveness. 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 2012, 10% of this segment's sales were made to two large 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 2012, 19% of this

segment's sales were made to two large manufacturers of aircraft.

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### Truck

Principal methods of competition in this segment are product performance, global service, and cost competitiveness. Eaton has a strong competitive position in this segment and, with respect to many products, is considered among the market leaders. In 2012, 72% of this segment's sales were made to five large manufacturers of heavy-, medium-, and light-duty trucks and off-highway vehicles.

### Automotive

Principal methods of competition in this segment are product performance, global service, and cost competitiveness. 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 historically are slightly lower in the third quarter of the year as a result of the normal seasonal pattern of automotive industry production. In 2012, 61% of this segment's sales were made to six large 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, aluminum ingots, brass, tin, silver, lead, molybdenum, titanium, vanadium, rubber, plastic, electronic components, and insulating materials and fluids. Materials are purchased in various forms, such as extrusions, castings, powder metal, metal sheets and strips, forging billets, bar stock and plastic pellets. Raw materials, as well as parts and other components, are purchased from many suppliers, although there are limited sources of supply for electrical core steel and insulating fluids. Under normal circumstances, the Company has no difficulty obtaining its raw materials. In 2012, Eaton maintained appropriate levels of inventory to prevent shortages and did not experience any availability constraints.

#### Patents and Trademarks

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

#### Order Backlog

Since a significant portion of open orders placed with Eaton by original equipment manufacturers of trucks, off-highway vehicles and passenger cars are historically subject to month-to-month releases by customers during each model year, these orders are not considered firm. 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, 2012 and 2011 was approximately \$4.5 billion and \$3.8 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 2012, 2011 and 2010 were \$439 million, \$417 million and \$425 million, respectively. Over the past five years, the Company has invested approximately \$2.1 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 2013 and 2014. Information regarding the Company's liabilities related to environmental matters is presented in Note 7 of the Notes to the Consolidated

Financial Statements.

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### Item 1A. Risk Factors.

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

Eaton may not realize all of the anticipated benefits from the acquisition of Cooper or those benefits may take longer to realize than expected.

Eaton's ability to realize the anticipated benefits of the Cooper transaction will depend, to a large extent, on the Company's ability to integrate the two businesses. The integration process may disrupt the businesses and, if implemented ineffectively, would preclude realization of the full benefits expected. The difficulties of combining the operations of the companies include, among others:

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

Many of these factors will be outside of Eaton's control and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could materially impact the business, financial condition, and results of operations of Eaton.

Volatility of end markets that Eaton serves.

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

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

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

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

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

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

Eaton manages businesses with manufacturing facilities worldwide. The Company's manufacturing facilities and operations could be disrupted by a natural disaster, labor strike, war, political unrest, terrorist activity, economic upheaval or public health concerns. Some of these conditions are more likely in certain geographic regions in which Eaton operates. Any such disruption could cause delays in shipments of products and the loss of sales and customers,

and insurance proceeds may not adequately compensate for losses.

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

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

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

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

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

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

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



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Legislative and regulatory action could materially adversely affect Eaton.

Legislative and regulatory action may be taken in the U.S. which, if ultimately enacted, could override tax treaties upon which Eaton relies or broaden the circumstances under which the Company would be considered a U.S. resident, each of which could materially and adversely affect its effective tax rate and/or require the Company to take further action, at potentially significant expense, to seek to preserve its effective tax rate. Eaton cannot predict the outcome of any specific legislative or regulatory proposals. However, if proposals were enacted that had the effect of disregarding the reincorporation to 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 70 Sir John Rogerson's Quay, Dublin 2, Ireland. The Company maintains manufacturing facilities at 339 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 7 and Note 8 of the Notes to the Consolidated Financial Statements.

Item 4. Mine Safety Disclosures.

Not applicable.

Executive Officers of the Registrant

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

Part II

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

As a result of Eaton's incorporation in Ireland, shares of Eaton began trading on the New York Stock Exchange on December 3, 2012 under the symbol "ETN", the same symbol under which Eaton Corporation shares were previously traded. Eaton remains subject to the U.S. Securities and Exchange Commission reporting requirements, the mandates of the Sarbanes-Oxley Act and applicable corporate governance rules of the New York Stock Exchange. At December 31, 2012, there were 20,570 holders of record of the Company's ordinary shares. Additionally, 27,852 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.

Additional information on Eaton shares and the exchange of Eaton Corporation shares is presented in Note 9 of the Notes to the Consolidated Financial Statements.

Information regarding cash dividends paid, and the high and low market price per ordinary share, for each quarter in 2012 and 2011 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.

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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.

Issuance of Shares Under Employee Benefit Plans

Following the acquisition of Cooper, the Cooper Retirement Savings and Stock Ownership Plan Trust, which had been a Cooper shareholder, purchased 3.2 million newly issued ordinary shares of Eaton for an aggregate purchase price of \$166 million on December 5, 2012, using the cash portion of the acquisition proceeds it received for its Cooper shares. The purchase price was \$51.26 per share, which was the approximate closing per share price of Eaton shares on the New York Stock Exchange on December 4, 2012. There were no underwriting discounts or commissions in connection with the purchase. The transaction was completed pursuant to an exemption found under Section 4(2) of The Securities Act of 1933, as amended.

Item 6. Selected Financial Data.

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

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

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

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

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

Item 8. Financial Statements and Supplementary Data.

The report of the independent registered public accounting firm, consolidated financial statements, and notes to consolidated financial statements are presented on pages 16 through 62 of this Form 10-K.

Information regarding selected quarterly financial information for 2012 and 2011 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, 2012.





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Disclosure controls and procedures are designed to ensure that information required to be disclosed in Company reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in Company reports filed under the Exchange Act is accumulated and communicated to management, including the Company's Principal Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosure.

Pursuant to Section 404 of the Sarbanes Oxley Act of 2002 and the rules and regulations adopted pursuant thereto, Eaton has included a report of management's assessment of the effectiveness of internal control over financial reporting, which is presented on page 19.

“Report of Independent Registered Public Accounting Firm” relating to internal control over financial reporting as of December 31, 2012 is presented on page 18.

During the fourth quarter of 2012, excluding Cooper, 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. Management is currently evaluating the impact of Cooper on Eaton's 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 15, 2013, 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, 2013, follows:

Name	Age	Position (Date elected to position)
Alexander M. Cutler	61	Director of Eaton Corporation plc (November 30, 2012 - present)
		Chief Executive Officer and President of Eaton Corporation (August 1, 2000 - present)
		Director of Eaton Corporation (September 22, 1993 - November 30, 2012)
Richard H. Fearon	56	Vice Chairman and Chief Financial and Planning Officer of Eaton Corporation (April 24, 2002 - present)
Craig Arnold	52	Vice Chairman and Chief Operating Officer - Industrial Sector of Eaton Corporation (February 1, 2009 - present)
		Chief Executive Officer - Fluid Power Group of Eaton Corporation (October 25, 2000 - January 31, 2009)

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Name	Age	Position (Date elected to position)
Thomas S. Gross	58	<p>Vice Chairman and Chief Operating Officer - Electrical Sector of Eaton Corporation (February 1, 2009 - present)</p> <p>President - Power Quality and Control Business of Eaton Corporation (April 1, 2008 - January 31, 2009)</p> <p>Vice President and President - Power Quality Solutions Operations of Eaton Corporation (May 16, 2005 – March 31, 2008)</p>
Cynthia K. Brabander	51	<p>Executive Vice President and Chief Human Resources Officer of Eaton Corporation (February 13, 2012 - present)</p> <p>Senior Vice President, Human Resources of Gates Corporation (April 11, 2009 - January 10, 2012)</p> <p>Senior Vice President, Human Resources - Industrial Sector of Eaton Corporation (April 1, 2005 - April 10, 2009)</p>
Mark M. McGuire	55	<p>Executive Vice President and General Counsel of Eaton Corporation (December 1, 2005 - present)</p>
Thomas E. Moran	48	<p>Senior Vice President and Secretary of Eaton Corporation plc (November 27, 2012 - present)</p> <p>Senior Vice President and Secretary of Eaton Corporation (October 1, 2008 - January 1, 2013)</p> <p>Assistant Secretary and Managing Counsel, The Dow Chemical Company (2002 - 2008)</p>

Billie K. Rawot 61 Senior Vice President and Controller of Eaton Corporation (March 1, 1991 - present)

There are no family relationships among the officers listed, and there are no arrangements or understandings pursuant to which any of them were elected as officers. All officers hold office for one year and until their successors are elected and qualified, unless otherwise specified by the Board of Directors; provided, however, that any officer is subject to removal with or without cause, at any time, by a vote of a majority of the Board of Directors. Information required with respect to compliance with Section 16(a) of the Exchange Act is set forth under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” in the Company’s definitive Proxy Statement to be filed on or about March 15, 2013, 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 2012 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 15, 2013, and is incorporated by reference.

Item 11. Executive Compensation.

Information required with respect to executive compensation is set forth under the caption “Executive Compensation” in the Company's definitive Proxy Statement to be filed on or about March 15, 2013, and is incorporated by reference.

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Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters. Information required with respect to securities authorized for issuance under equity-based compensation plans is set forth under the caption “Equity Compensation Plans” in the Company’s definitive Proxy Statement to be filed on or about March 15, 2013, 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 15, 2013, 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 15, 2013, 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 15, 2013, 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 15, 2013, and is incorporated by reference.

Part IV

Item 15. Exhibits, Financial Statement Schedules.

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

Report of Independent Registered Public Accounting Firm - Page 16

Consolidated Statements of Income - Years ended December 31, 2012, 2011 and 2010 - Page 20

Consolidated Statements of Comprehensive Income - Years ended December 31, 2012, 2011 and 2010 - Page 21

Consolidated Balance Sheets - December 31, 2012 and 2011 - Page 22

Consolidated Statements of Cash Flows - Years ended December 31, 2012, 2011 and 2010 - Page 23

Consolidated Statements of Shareholders' Equity - Years ended December 31, 2012, 2011 and 2010 - Page 24

Notes to Consolidated Financial Statements - Pages 25 through 62

All other schedules for which provision is made in Regulation S-X of the SEC are not required under the related instructions or are inapplicable and, therefore, have been omitted.

(3) Exhibits

3 (i) Certificate of Incorporation - Incorporated by reference to the Form S-8 filed November 30, 2012

3 Amended and restated Memorandum and Articles of Incorporation - Incorporated by reference to the Form 10-Q

(ii) Report for the three months ended September 30, 2012

4 Pursuant to Regulation S-K Item 601(b) (4), the Company agrees to furnish to the SEC, upon request, a copy of

(a) the instruments defining the rights of holders of its other long-term debt

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10 Material contracts

- (a) Senior Executive Incentive Compensation Plan (effective February 27, 2013) \*
- (b) Deferred Incentive Compensation Plan II - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2007
- (c) First Amendment to Deferred Incentive Compensation Plan II - Incorporated by reference to the Form S-8 filed November 30, 2012
- (d) Excess Benefits Plan II (2008 restatement) - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2007
- (e) First Amendment to Excess Benefits Plan II (2008 restatement) \*
- (f) Incentive Compensation Deferral Plan II - Incorporated by reference to the Form 10-K Report for the year ended December 31, 2007