Eaton Corporation

Consolidated *Balance Sheets*

December 31 (Millions)	1997	1996
Assets		
Current assets		
Cash	$ 53	$ 22
Short-term investments	37	38
Accounts receivable	958	985
Inventories	734	729
Deferred income taxes	163	165
Other current assets	110	78
	2,055	2,017
Property, plant and equipment		
Land and buildings	622	700
Machinery and equipment	2,738	2,796
	3,360	3,496
Accumulated depreciation	(1,601)	(1,704)
	1,759	1,792
Excess of cost over net assets of businesses acquired	966	968
Other assets	685	530
	$5,465	$5,307
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term debt	$ 81	$ 10
Current portion of long-term debt	23	20
Accounts payable	519	512
Accrued compensation	180	181
Accrued income and other taxes	76	97
Other current liabilities	478	410
	1,357	1,230
Long-term debt	1,272	1,062
Postretirement benefits other than pensions	553	585
Other liabilities	212	270
Shareholders' equity		
Common Shares (74.7 in 1997 and 77.1 in 1996)	37	39
Capital in excess of par value	844	830
Retained earnings	1,376	1,402
Foreign currency translation adjustments	(139)	(68)
Shares in trust		
Employee Stock Ownership Plan	(20)	(36)
Deferred compensation plans	(27)	(7)
	2,071	2,160
	$5,465	$5,307

The Financial Review on pages 24 to 32 is an integral part of the consolidated financial statements.