Eaton Corporation *Financial Highlights*

| | Excluding one-time items | | As reported | |
|---|---|---|---|---|
| For the year | 1997 | 1996 | 1997 | 1996 |
| (Millions except for per share data) | | | | |
| Net sales | $ 7,563 | $ 6,961 | $ 7,563 | $ 6,961 |
| Income before income taxes and extraordinary item | 686 | 535 | 668 | 485 |
| Income before extraordinary item | 495 | 381 | $ 464 | $ 349 |
| Extraordinary item | | | (54) | |
| Net income | | | $ 410 | $ 349 |
| Per Common Share | | | | |
| Income before extraordinary item | $ 6.45 | $ 4.91 | $ 6.05 | $ 4.50 |
| Extraordinary item | | | (.71) | |
| Net income | | | $ 5.34 | $ 4.50 |
| Average number of Common Shares outstanding | | | 76.8 | 77.4 |
| Per Common Share-assuming dilution | | | | |
| Income before extraordinary item | $ 6.33 | $ 4.87 | $ 5.93 | $ 4.46 |
| Extraordinary item | | | (.69) | |
| Net income | | | $ 5.24 | $ 4.46 |
| Average number of Common Shares outstanding | | | 78.2 | 78.2 |
| arket price per Common Share | | | | |
| High | | | $ 103⅜ | $ 70⅞ |
| Low | | | 67¼ | 50⅜ |
| Cash dividends paid per Common Share | | | $ 1.72 | $ 1.60 |
| At the year-end | | | | |
| Total assets | | | $ 5,465 | $ 5,307 |
| Working capital | | | 698 | 787 |
| Long-term debt | | | 1,272 | 1,062 |
| Shareholders' equity | | | 2,071 | 2,160 |
| Shareholders' equity per Common Share | | | $ 27.72 | $ 28.00 |

One-time items included in results of operations for 1997 and 1996 are as follows:

Income in 1997 was increased by pretax gains of $91 million related to the sales of AIL Systems Inc. and the Appliance Controls business ($69 million aftertax, or $.90 per Common Share).

Income in 1997 and 1996 was reduced by pretax restructuring charges of $24 million ($15 million aftertax, or $.19 per Common Share) and $50 million ($32 million aftertax, or $.41 per Common Share), respectively.

Net income in 1997 was reduced by an $85 million write-off of purchased in-process research and development related to the acquisition of Fusion Systems Corporation, with no income tax benefit, or $1.11 per Common Share.

Net income in 1997 was reduced by a $54 million aftertax extraordinary loss for the redemption of debentures, or $.71 per Common Share.