Eaton Corporation

Statements of Consolidated **Cash Flows**

Year ended December 31 (Millions)	1997	1996	1995
Net cash provided by operating activities			
Income before extraordinary item	$ 464	$ 349	$ 399
Adjustments to reconcile to net cash provided by operating activities			
Depreciation	285	270	238
Amortization	57	50	43
Deferred income taxes, long-term liabilities, and other non-cash items in income	17	(9)	42
Write-off of purchased in-process research and development	85		
Gain on sales of businesses	(91)		
Changes in operating assets and liabilities, excluding acquisitions and sales of businesses			
Accounts receivable	(106)	(32)	(20)
Inventories	(53)	36	(30)
Accounts payable and other accruals	140	42	(10)
Other—net	(35)		(15)
	763	706	647
Net cash used in investing activities			
Acquisitions of businesses, less cash acquired	(387)	(151)	(143)
Sales of businesses	329		11
Expenditures for property, plant and equipment	(438)	(347)	(399)
Other—net	(35)	(7)	24
	(531)	(505)	(507)
Net cash used in financing activities			
Borrowings with original maturities of more than three months			
Proceeds	425	169	368
Payments	(570)	(148)	(251)
Borrowings with original maturities of less than three months—net	356	(87)	(73)
Proceeds from exercise of stock options	36	18	11
Cash dividends paid	(133)	(124)	(117)
Purchase of Common Shares	(315)	(63)	(40)
	(201)	(235)	(102)
Total increase (decrease) in cash	31	(34)	38
Cash at beginning of year	22	56	18
Cash at end of year	$ 53	$ 22	$ 56

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