Eaton Corporation

Statements of Consolidated Shareholders' Equity

(Millions)	Common Shares		Capital in excess of par value	Retained earnings	Foreign currency translation adjustments	Shares in trust		Total shareholders' equity
	Shares	Amount				ESOP	Deferred compensation plans	
Balance at January 1, 1995	78.0	$39	$806	$ 988	$ (71)	$(82)		$ 1,680
Net income				399				399
Cash dividends paid, net of Employee Stock Ownership Plan (ESOP) tax benefit				(116)				(116)
Issuance of shares under employee benefit plans, including tax benefit	.4		14	(1)				13
Net unrealized loss on available-for-sale securities				(6)				(6)
Purchase of shares	(.8)		(8)	(32)				(40)
Shares allocated to employees						29		29
Net translation adjustments					16			16
Balance at December 31, 1995	77.6	39	812	1,232	(55)	(53)		1,975
Net income				349				349
Cash dividends paid, net of ESOP tax benefit				(123)				(123)
Issuance of shares under employee benefit plans, including tax benefit	.5		23	(1)				22
Net unrealized loss on available-for-sale securities				(4)				(4)
Purchase of shares	(1.1)		(12)	(51)				(63)
Shares allocated to employees						17		17
Issuance of shares to trust	.1		7				$ (7)	
Net translation adjustments					(13)			(13)
Balance at December 31, 1996	77.1	39	830	1,402	(68)	(36)	(7)	2,160
Net income				410				410
Cash dividends paid, net of ESOP tax benefit				(132)				(132)
Issuance of shares under employee benefit plans, including tax benefit	.9		47	(2)				45
Put option obligation, net			(18)					(18)
Net unrealized loss on available-for-sale securities				(10)				(10)
Purchase of shares	(3.7)	(2)	(40)	(292)				(334)
Shares allocated to employees						16		16
Issuance of shares to trust	.2		20				(20)	
Net translation adjustments					(71)			(71)
Other	.2		5					5
Balance at December 31, 1997	74.7	$37	$844	$1,376	$(139)	$(20)	$(27)	$2,071

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