Eaton Corporation

Statements of Consolidated **Income**

Year ended December 31	1997	1996	1995
(Millions except for per share data)			
Net sales	$7,563	$6,961	$6,822
Costs and expenses			
Cost of products sold	5,456	5,171	5,028
Selling and administrative	1,088	995	927
Research and development	319	267	227
Purchased in-process research and development	85		
	6,948	6,433	6,182
Income from operations	815	528	640
Other income (expense)			
Interest expense	(86)	(85)	(86)
Interest income	7	6	6
Gain on sales of businesses	91		
Other income—net	41	36	32
	53	(43)	(48)
Income before income taxes and extraordinary item	668	485	592
Income taxes	204	136	193
ncome before extraordinary item	464	349	399
Extraordinary item	(54)		
Net income	$ 410	$ 349	$ 399
Per Common Share			
Income before extraordinary item	$ 6.05	$ 4.50	$ 5.13
Extraordinary item	(.71)		
Net income	$ 5.34	$ 4.50	$ 5.13
Per Common Share-assuming dilution			
Income before extraordinary item	$ 5.93	$ 4.46	$ 5.08
Extraordinary item	(.69)		
Net income	$ 5.24	$ 4.46	$ 5.08
Cash dividends paid per Common Share	$ 1.72	$ 1.60	$ 1.50

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