

**EATON CORPORATION plc**  
**CONSOLIDATED STATEMENTS OF INCOME**

Three months ended  
March 31

(In millions except for per share data)

	2018	2017
<b>Net sales</b>	\$ 5,251	\$ 4,848
Cost of products sold	3,573	3,307
Selling and administrative expense	889	876
Research and development expense	156	143
Interest expense - net	70	61
Other income - net	(2)	(6)
<b>Income before income taxes</b>	565	467
Income tax expense	78	33
<b>Net income</b>	487	434
Less net loss for noncontrolling interests	1	—
<b>Net income attributable to Eaton ordinary shareholders</b>	<u>\$ 488</u>	<u>\$ 434</u>
<b>Net income per share attributable to Eaton ordinary shareholders</b>		
Diluted	\$ 1.10	\$ 0.96
Basic	1.11	0.97
<b>Weighted-average number of ordinary shares outstanding</b>		
Diluted	441.7	451.0
Basic	438.8	448.8
<b>Cash dividends declared per ordinary share</b>	\$ 0.66	\$ 0.60
<b>Reconciliation of net income attributable to Eaton ordinary shareholders to adjusted earnings</b>		
Net income attributable to Eaton ordinary shareholders	\$ 488	\$ 434
Excluding acquisition integration charges (after-tax)	—	1
<b>Adjusted earnings</b>	<u>\$ 488</u>	<u>\$ 435</u>
Net income per share attributable to Eaton ordinary shareholders - diluted	\$ 1.10	\$ 0.96
Excluding per share impact of acquisition integration charges (after-tax)	—	—
<b>Adjusted earnings per ordinary share</b>	<u>\$ 1.10</u>	<u>\$ 0.96</u>

See accompanying notes.

**EATON CORPORATION plc**  
**BUSINESS SEGMENT INFORMATION**

Three months ended  
March 31

(In millions)

**Net sales**

	2018	2017
Electrical Products	\$ 1,732	\$ 1,651
Electrical Systems and Services	1,381	1,333
Hydraulics	710	587
Aerospace	458	428
Vehicle	893	786
eMobility	77	63
<b>Total net sales</b>	<b>\$ 5,251</b>	<b>\$ 4,848</b>

**Segment operating profit**

Electrical Products	\$ 307	\$ 286
Electrical Systems and Services	167	155
Hydraulics	90	60
Aerospace	89	79
Vehicle	132	108
eMobility	11	11
<b>Total segment operating profit</b>	<b>796</b>	<b>699</b>

**Corporate**

Amortization of intangible assets	(98)	(94)
Interest expense - net	(70)	(61)
Pension and other postretirement benefits expense	(2)	(11)
Other corporate expense - net	(61)	(66)
<b>Income before income taxes</b>	<b>565</b>	<b>467</b>
Income tax expense	78	33
<b>Net income</b>	<b>487</b>	<b>434</b>
Less net loss for noncontrolling interests	1	—
<b>Net income attributable to Eaton ordinary shareholders</b>	<b>\$ 488</b>	<b>\$ 434</b>

See accompanying notes.

**EATON CORPORATION plc**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In millions)	March 31, 2018	December 31, 2017
<b>Assets</b>		
Current assets		
Cash	\$ 317	\$ 561
Short-term investments	510	534
Accounts receivable - net	4,005	3,943
Inventory	2,745	2,620
Prepaid expenses and other current assets	552	679
Total current assets	8,129	8,337
Property, plant and equipment - net	3,543	3,502
Other noncurrent assets		
Goodwill	13,698	13,568
Other intangible assets	5,206	5,265
Deferred income taxes	356	253
Other assets	1,736	1,698
Total assets	\$ 32,668	\$ 32,623
<b>Liabilities and shareholders' equity</b>		
Current liabilities		
Short-term debt	\$ 185	\$ 6
Current portion of long-term debt	847	578
Accounts payable	2,203	2,166
Accrued compensation	300	453
Other current liabilities	1,861	1,872
Total current liabilities	5,396	5,075
Noncurrent liabilities		
Long-term debt	6,845	7,167
Pension liabilities	1,225	1,226
Other postretirement benefits liabilities	359	362
Deferred income taxes	557	538
Other noncurrent liabilities	985	965
Total noncurrent liabilities	9,971	10,258
Shareholders' equity		
Eaton shareholders' equity	17,263	17,253
Noncontrolling interests	38	37
Total equity	17,301	17,290
Total liabilities and equity	\$ 32,668	\$ 32,623

See accompanying notes.

**EATON CORPORATION plc**  
**NOTES TO THE FIRST QUARTER 2018 EARNINGS RELEASE**

Amounts are in millions of dollars unless indicated otherwise (per share data assume dilution).

**Note 1. NON-GAAP FINANCIAL INFORMATION**

This earnings release includes certain non-GAAP financial measures. These financial measures include adjusted earnings, adjusted earnings per ordinary share, and operating profit before acquisition integration charges for each business segment as well as corporate, each of which differs from the most directly comparable measure calculated in accordance with generally accepted accounting principles (GAAP). A reconciliation of each of these financial measures to the most directly comparable GAAP measure is included in this earnings release. Management believes that these financial measures are useful to investors because they exclude certain transactions, allowing investors to more easily compare Eaton Corporation plc's (Eaton or the Company) financial performance period to period. Management uses this information in monitoring and evaluating the on-going performance of Eaton and each business segment.

**Note 2. BUSINESS SEGMENT INFORMATION**

During the first quarter of 2018, Eaton re-segmented certain reportable operating segments due to a reorganization of the Company's businesses. The new reportable business segment is eMobility (which includes certain legacy Electrical Products and Vehicle product lines). For the reportable segments that were re-segmented, previously reported segment financial information has been updated for 2017.

The eMobility segment designs, manufactures, markets, and supplies electrical and electronic components and systems that improve the power management and performance of both on-road and off-road vehicles. Products include high voltage inverters, converters, fuses, onboard chargers, circuit protection units, vehicle controls, power distribution, fuel tank isolation valves, and commercial vehicle hybrid systems. The principal markets for the eMobility segment are original equipment manufacturers and aftermarket customers of passenger cars, commercial vehicles, and construction, agriculture, and mining equipment.

**Note 3. CHANGES IN ACCOUNTING POLICIES**

Eaton adopted Accounting Standard Update 2014-09, Revenue from Contracts with Customers, at the start of the first quarter of 2018 using the modified retrospective approach and recorded a cumulative effect adjustment to retained earnings based on the current terms and conditions for open contracts as of January 1, 2018. The adoption of the standard did not have a material impact on the Company's Consolidated financial statements. The comparative information has not been restated and continues to be reported under the accounting standards in effect for 2017.

Eaton adopted Accounting Standards Update 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (ASU 2017-07), at the start of the first quarter of 2018. The new standard requires companies to present service costs consistent with other employee compensation costs on the income statement and separate from all other elements of pension costs. The retrospective adoption of this standard resulted in a reduction in selling and administrative expense with a corresponding decrease in Other income - net of \$1 and \$9 for the three months ended March 31, 2018 and 2017, respectively.

#### Note 4. ACQUISITION INTEGRATION CHARGES

Eaton incurs integration charges related to acquired businesses. A summary of these charges follows:

	Acquisition integration charges		Operating profit as reported		Operating profit excluding acquisition integration charges*	
	Three months ended March 31					
	2018	2017	2018	2017	2018	2017
<b>Business segment</b>						
Electrical Products	\$ —	\$ 1	\$ 307	\$ 286	\$ 307	\$ 287
Electrical Systems and Services	—	—	167	155	167	155
Hydraulics	—	—	90	60	90	60
Aerospace	—	—	89	79	89	79
Vehicle	—	—	132	108	132	108
eMobility	—	—	11	11	11	11
Total business segments	—	1	<u>\$ 796</u>	<u>\$ 699</u>	<u>\$ 796</u>	<u>\$ 700</u>
Corporate	—	—				
Total acquisition integration charges before income taxes	—	1				
Income taxes	—	—				
Total after income taxes	<u>\$ —</u>	<u>\$ 1</u>				
Per ordinary share - diluted	\$ —	\$ —				

\*Operating profit excluding acquisition integration charges is used to calculate operating margin where that term is used in this release.

Business segment acquisition integration charges in 2017 related to the integration of Ephesus Lighting, Inc. (Ephesus), which was acquired in 2015. The charges associated with Ephesus were included in Selling and administrative expense. In Business Segment Information, the charges reduced Operating profit of the related business segment.

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