

EATON CORPORATION plc
CONSOLIDATED STATEMENTS OF INCOME

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
(In millions except for per share data)				
Net sales	\$ 5,487	\$ 5,132	\$ 10,738	\$ 9,980
Cost of products sold	3,671	3,448	7,244	6,755
Selling and administrative expense	901	891	1,790	1,767
Research and development expense	145	150	301	293
Interest expense - net	68	60	138	121
Other expense - net	8	11	6	5
Income before income taxes	694	572	1,259	1,039
Income tax expense	83	55	161	88
Net income	611	517	1,098	951
Less net income for noncontrolling interests	(1)	(1)	—	(1)
Net income attributable to Eaton ordinary shareholders	<u>\$ 610</u>	<u>\$ 516</u>	<u>\$ 1,098</u>	<u>\$ 950</u>
Net income per share attributable to Eaton ordinary shareholders				
Diluted	\$ 1.39	\$ 1.15	\$ 2.50	\$ 2.11
Basic	1.40	1.16	2.51	2.12
Weighted-average number of ordinary shares outstanding				
Diluted	437.3	448.6	439.5	449.8
Basic	435.2	446.3	437.0	447.5
Cash dividends declared per ordinary share	\$ 0.66	\$ 0.60	\$ 1.32	\$ 1.20
Reconciliation of net income attributable to Eaton ordinary shareholders to adjusted earnings				
Net income attributable to Eaton ordinary shareholders	\$ 610	\$ 516	\$ 1,098	\$ 950
Excluding acquisition integration charges (after-tax)	—	—	—	1
Adjusted earnings	<u>\$ 610</u>	<u>\$ 516</u>	<u>\$ 1,098</u>	<u>\$ 951</u>
Net income per share attributable to Eaton ordinary shareholders - diluted	\$ 1.39	\$ 1.15	\$ 2.50	\$ 2.11
Excluding per share impact of acquisition integration charges (after-tax)	—	—	—	—
Adjusted earnings per ordinary share	<u>\$ 1.39</u>	<u>\$ 1.15</u>	<u>\$ 2.50</u>	<u>\$ 2.11</u>

See accompanying notes.

EATON CORPORATION plc
BUSINESS SEGMENT INFORMATION

(In millions)	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Net sales				
Electrical Products	\$ 1,806	\$ 1,731	\$ 3,538	\$ 3,382
Electrical Systems and Services	1,513	1,414	2,894	2,747
Hydraulics	723	633	1,433	1,220
Aerospace	463	437	921	865
Vehicle	899	845	1,792	1,631
eMobility	83	72	160	135
Total net sales	\$ 5,487	\$ 5,132	\$ 10,738	\$ 9,980
Segment operating profit				
Electrical Products	\$ 334	\$ 299	\$ 641	\$ 585
Electrical Systems and Services	227	194	394	349
Hydraulics	101	74	191	134
Aerospace	90	81	179	160
Vehicle	166	141	298	249
eMobility	14	13	25	24
Total segment operating profit	932	802	1,728	1,501
Corporate				
Amortization of intangible assets	(96)	(96)	(194)	(190)
Interest expense - net	(68)	(60)	(138)	(121)
Pension and other postretirement benefits expense	1	(11)	(1)	(22)
Other corporate expense - net	(75)	(63)	(136)	(129)
Income before income taxes	694	572	1,259	1,039
Income tax expense	83	55	161	88
Net income	611	517	1,098	951
Less net income for noncontrolling interests	(1)	(1)	—	(1)
Net income attributable to Eaton ordinary shareholders	\$ 610	\$ 516	\$ 1,098	\$ 950

See accompanying notes.

EATON CORPORATION plc
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)	June 30, 2018	December 31, 2017
Assets		
Current assets		
Cash	\$ 256	\$ 561
Short-term investments	236	534
Accounts receivable - net	4,092	3,943
Inventory	2,753	2,620
Prepaid expenses and other current assets	576	679
Total current assets	7,913	8,337
Property, plant and equipment - net	3,462	3,502
Other noncurrent assets		
Goodwill	13,427	13,568
Other intangible assets	5,050	5,265
Deferred income taxes	296	253
Other assets	1,717	1,698
Total assets	\$ 31,865	\$ 32,623
Liabilities and shareholders' equity		
Current liabilities		
Short-term debt	\$ 504	\$ 6
Current portion of long-term debt	428	578
Accounts payable	2,192	2,166
Accrued compensation	353	453
Other current liabilities	1,910	1,872
Total current liabilities	5,387	5,075
Noncurrent liabilities		
Long-term debt	6,753	7,167
Pension liabilities	1,174	1,226
Other postretirement benefits liabilities	354	362
Deferred income taxes	486	538
Other noncurrent liabilities	986	965
Total noncurrent liabilities	9,753	10,258
Shareholders' equity		
Eaton shareholders' equity	16,690	17,253
Noncontrolling interests	35	37
Total equity	16,725	17,290
Total liabilities and equity	\$ 31,865	\$ 32,623

See accompanying notes.

EATON CORPORATION plc
NOTES TO THE SECOND 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. 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 June 30					
	2018	2017	2018	2017	2018	2017
Business segment						
Electrical Products	\$ —	\$ 1	\$ 334	\$ 299	\$ 334	\$ 300
Electrical Systems and Services	—	—	227	194	227	194
Hydraulics	—	—	101	74	101	74
Aerospace	—	—	90	81	90	81
Vehicle	—	—	166	141	166	141
eMobility	—	—	14	13	14	13
Total business segments	—	1	\$ 932	\$ 802	\$ 932	\$ 803
Corporate	—	—				
Total acquisition integration charges before income taxes	—	1				
Income taxes	—	1				
Total after income taxes	\$ —	\$ —				
Per ordinary share - diluted	\$ —	\$ —				

	Acquisition integration charges		Operating profit as reported		Operating profit excluding acquisition integration charges	
	Six months ended June 30					
	2018	2017	2018	2017	2018	2017
Business segment						
Electrical Products	\$ —	\$ 2	\$ 641	\$ 585	\$ 641	\$ 587
Electrical Systems and Services	—	—	394	349	394	349
Hydraulics	—	—	191	134	191	134
Aerospace	—	—	179	160	179	160
Vehicle	—	—	298	249	298	249
eMobility	—	—	25	24	25	24
Total business segments	—	2	<u>\$ 1,728</u>	<u>\$ 1,501</u>	<u>\$ 1,728</u>	<u>\$ 1,503</u>
Corporate	—	—				
Total acquisition integration charges before income taxes	—	2				
Income taxes	—	1				
Total after income taxes	<u>\$ —</u>	<u>\$ 1</u>				
Per ordinary share - diluted	\$ —	\$ —				

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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