Second Quarter 2018 Earnings Release
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Powering Business Worldwide

Forward-looking Statements and Non-GAAP Financial Information

This presentation or the comments we make on our call today contain forward-looking statements concerning, among other matters, performance of our worldwide end markets, the expected impact of tariffs, third quarter 2018 earnings per share, expected organic revenue, tax rate and segment operating profit; full year 2018 earnings per share, segment margins, capital expenditures, cash flow, tax rate, corporate expenses, projected revenue growth, foreign currency exchange impact, and three year earnings per share growth. These statements should be used with caution and are subject to various risks and uncertainties, many of which are outside the company's control. The following factors could cause actual results to differ materially from those in the forward-looking statements: unanticipated changes in the markets for the company's business segments; unanticipated downturns in business relationships with customers or their purchases from us; competitive pressures on sales and pricing; unanticipated changes in the cost of material and other production costs, or unexpected costs that cannot be recouped in product pricing; the introduction of competing technologies; unexpected technical or marketing difficulties; unexpected claims, charges, litigation or dispute resolutions; strikes or other labor unrest; the performance of recent acquisitions; unanticipated difficulties integrating acquisitions; new laws and governmental regulations; interest rate changes; stock market and currency fluctuations; war, civil or political unrest or terrorism; and unanticipated deterioration of economic and financial conditions in the United States and around the world. We do not assume any obligation to update these forward-looking statements.

This presentation includes certain non-GAAP measures as defined by SEC rules. A reconciliation of those measures to the most directly comparable GAAP equivalent is provided in the investor relations section of our website at www.eaton.com.

Our corporate strategy remains solidly focused on three areas

Strategic Growth Initiatives – Develop technology leadership *(safe, reliable, efficient, connected, and intelligent),* convert on our channel and service strength, deliver superior value

Expand Margins – Accelerate our operational excellence, implement multi-year productivity plans, focus on outliers *(fix the tail, grow the head)*

Disciplined Capital Allocation – Invest to win, consistently return cash to shareholders *(dividends, share buybacks*), criteria-based product and business evaluation

Strategic Accomplishments in Q2

- Record first half orders booked for data centers, reflecting strong upsurge of data center construction worldwide
- Signed joint venture agreement with Shaanxi Fast Gear to establish light-duty transmission joint venture in China
- Made progress moving our digitization efforts forward
  - Launched IoT enabled Halo brand home lighting
  - Deployed IoT enabled hydraulics equipment into the field
  - Formed an industrial cybersecurity partnership with Rochester Institute of Technology
- Won first high-voltage converter application in our new eMobility segment
- Significantly expanded capacity at our Turkish hydraulics hose plant, sharply reducing lead times on new orders, and expanding our position in value segment of the market

Financial Highlights of Q2

- Earnings per share of $1.39, up 21% over Q2 2017
  - Above high end of $1.25 - $1.35 guidance range
- Sales of $5.5B
  - Organic revenues up 7%
  - Currency contributed 1%, offset by (1)% from divestitures
  - Accelerating bookings growth across most segments with particular strength in long cycle businesses including ES&S and Aerospace
- All-time record quarterly segment margins of 17%
- Q2 operating cash flow of $499M
- Repurchased $300M of shares in the quarter and $600M of shares YTD, representing 1.7% of shares outstanding at beginning of 2018

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Financial Summary

	2Q '18	2Q '17	V '17
Sales (M)	$5,487	$5,132	↑ 7%
Segment Operating Profit (M) (as Reported)	932	802	↑ 16%
Segment Operating Margin	17.0%	15.6%	↑ 140 bps
Net Income (M)	610	516	↑ 18%
Earnings Per Share	$1.39	$1.15	↑ 21%

Sales Growth:	Organic	7 %
	Forex	1 %
	Divestitures	(1)%
	Total	7 %

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Electrical Products Segment

(M)	2Q '18	2Q '17	V '17
Sales	$1,806	$1,731	↑ 4%
Operating Profit as Reported	334	299	↑ 12%
Acquisition Integration Charges	---	(1)	
Segment Operating Profit	334	300	↑ 11%
Operating Margin	18.5%	17.3%	↑ 120 bps

Sales Growth:		
	Organic	3%
	Forex	1%
	Total	4%

- Orders up 4%
  - Particular strength in industrial and residential markets
- Orders, excluding lighting, up 7%

Electrical Systems & Services Segment

(M)	2Q '18	2Q '17	V '17
Sales	$1,513	$1,414	↑ 7%
Segment Operating Profit	227	194	↑ 17%
Operating Margin	15.0%	13.7%	↑ 130 bps

Sales Growth:		
	Organic	7 %
	Forex	1 %
	Divestiture	(1)%
	Total	7 %

- Orders up 15%
  - Strong growth in Americas and Asia Pacific
  - Particular strength in large industrial projects and data centers
- Backlog, up 14% in Q2, positioning business for continued growth in 2H18 and 2019

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Hydraulics Segment

(M)	2Q '18	2Q '17	V '17
Sales	$723	$633	↑ 14%
Segment Operating Profit	101	74	↑ 36%
Operating Margin	14.0%	11.7%	↑ 230 bps

Sales Growth:	Organic	13%
	Forex	1%
	Total	14%

- Orders down (1)% with strength in APAC and Americas offset by weakness in EMEA
  - APAC +15%
  - Americas +4%
  - EMEA (21)%
- Lower EMEA orders in the quarter as a result of shorter lead times for delivery, reducing the need for long-dated orders
- Backlog up 26% YTD

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Aerospace Segment

(M)	2Q ’18	2Q ’17	V ’17
Sales	$463	$437	↑ 6%
Segment Operating Profit	90	81	↑ 11%
Operating Margin	19.4%	18.5%	↑ 90 bps

Sales Growth:		
	Organic	6%
	Forex	0%
	Total	6%

- Orders up 18%, with particular strength in military and commercial aftermarket, business jets, military fighters, and military rotorcraft
- Backlog up 13% over Q2 of 2017

Vehicle Segment

(M)	2Q '18	2Q '17	V '17
Sales	$899	$845	↑ 6%
Segment Operating Profit	166	141	↑ 18%
Operating Margin	18.5%	16.7%	↑ 180 bps

Sales Growth:	Organic	11%
	Forex	0 %
	Divestiture	(5)%
	Total	6 %

- 2018 NAFTA Class 8 production forecast remains 295K units
- Automotive markets in EMEA and China stronger than expected at start of year
- Eaton Cummins joint venture revenues grew to $141M

eMobility Segment

(M)	2Q '18	2Q '17	V '17
Sales	$83	$72	↑ 15%
Segment Operating Profit	14	13	↑ 8%
Operating Margin	16.9%	18.1%	↓ 120 bps

Sales Growth:	Organic	14%
	Forex	1%
	Total	15%

- Won first high voltage converter application in Q2
- Pipeline of opportunities increased by 2X since Q1

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For 2018, We Now Expect Organic Revenue Growth of ~6%

Segment	Prior Guidance	Current 2018 Organic Growth	Change From Prior Guidance
Electrical Products	~3%	~3%	-
Electrical S & S	~4%	~6%	+2%
Hydraulics	~13%	~13%	-
Aerospace	~3%	~6%	+3%
Vehicle	~4%	~6%	+2%
eMobility	~12%	~12%	-
Total	~5%	~6%	+1%

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A majority of our businesses are in the early to mid portion of this economic cycle

Early Growth Stage	Mid Growth Stage	Late Growth Stage
• U.S. Industrial Construction • Global Defense Aerospace • Global Agricultural Equipment • Global Mining Equipment • Global Data Centers • Global Industrial/Factory Machinery • Global Oil and Gas Capital Spending	• U.S. Utility Capital Spending • U.S. Non-Residential Construction • Global Construction Equipment • U.S. Residential Construction • Commercial Aerospace • European Construction	• NAFTA Class 8 Truck • China Non-Residential Building Construction • Global Automotive

We expect to see solid market growth for several years

Raw material cost/tariff update

- Offsetting material / logistics cost inflation with pricing actions and cost out
  - No negative EPS impact in 2018 from additional inflation
  - Responded quickly in 1H with pricing actions across our businesses
- Tariff impact for 2018 is modest and manageable
  - Our strategy to “manufacture in zone of sale” reduces impact of tariffs on Eaton
  - Tariffs to add $65M of cost to materials
- We are confident in our ability to offset tariff impacts
  - Actions to mitigate cost increases have been implemented or are underway
- We have strong management processes in place to ensure timely execution.

Segment Operating Margin Expectations

	Current 2018 Guidance	Update to 2018 Guidance
Electrical Products	18.7% - 19.3%	---
Electrical Systems and Services	13.8% - 14.4%	14.0% - 14.6%
Hydraulics	14.2% - 14.8%	13.7% - 14.3%
Aerospace	19.0% - 19.6%	19.3% - 19.9%
Vehicle	16.5% - 17.1%	17.0% - 17.6%
eMobility	12.0% - 13.0%	---
Eaton Consolidated	16.4% - 17.0%	---

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2018 Guidance

3rd Quarter Outlook	
$1.35 - $1.45 Earnings Per Share	
Organic Revenue Growth	~7%
Segment Operating Margins	16.9% - 17.3%
Tax Rate	13% - 14%

2018 Full Year Outlook	
$5.20 - $5.40 Earnings Per Share	
Organic Revenue Growth	~6%
Forex	~$50M
Divestitures	$(150)M
Segment Operating Margins	16.4% - 17.0%
Corporate Expenses (interest, pension, other corporate)	Increased $10M above 2017 levels
Tax Rate	12.5% - 14.5%
Operating Cash Flow	$2.9B - $3.1B
Free Cash Flow	$2.3B - $2.5B
Capex	$575M
Share Repurchases	$800M
Restructuring Costs	$90M

Why we think Eaton is an attractive investment opportunity

- Eaton's major end markets have accelerated with a positive outlook
- We have attractive growth initiatives that will allow us to grow faster than our markets
- Margins have significantly improved over time and will continue to get better.
  - 2018 expected to be a record at guidance margins of 16.4% - 17.0%
- We continue to restructure and improve our businesses, to boost future margins
- Our balance sheet is in good shape with net debt to capital at 30%
  - U.S. qualified pension fund now 96% funded
- Cash flow outlook continues to be very strong
  - FCF/net income for 2018 expected above 100%
  - Expect to generate over $8B in free cash flow over next three years
- We will deploy cash in shareholder friendly way
  - Will continue to grow dividends with earnings growth, dividend yield now ~3.3%
  - Targeting acquisitions with returns > 11-12%
- We are on track to deliver 11%-12% EPS growth over the next three years*

* Excludes 2017 gain on Eaton Cummins joint venture and the income related to the new U.S. tax bill.

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