

Date November 1, 2022

Eaton Reports Record Third Quarter 2022 Results

- **Third Quarter Earnings Per Share of \$1.52 and Record Quarterly Adjusted Earnings Per Share of \$2.02, up 15% Over 2021**
- **Record Quarterly Segment Margins of 21.2%, Above the High End of Guidance and 130 Basis Points Above the Third Quarter of 2021**
- **Accelerating Organic Sales Growth of 15%, at the High End of Guidance**
- **Accelerating Order Growth on a Rolling 12-Month Basis, up 27% in Electrical and up 22% in Aerospace**
- **Reaffirms Adjusted Earnings Per Share Guidance Midpoint**

DUBLIN – Intelligent power management company Eaton Corporation plc (NYSE:ETN) today announced that earnings per share were \$1.52 for the third quarter of 2022. Excluding charges of \$0.25 per share related to intangible amortization, \$0.21 per share related to acquisitions and divestitures, and \$0.04 per share related to a multi-year restructuring program, adjusted earnings per share of \$2.02 were a quarterly record and up 15% over the third quarter of 2021.

Sales in the third quarter of 2022 were \$5.3 billion, up 8% from the third quarter of 2021. Organic sales were up 15% and acquisitions added 1%, which was partially offset by 4% from the divestiture of the Hydraulics business and 4% from negative currency translation.

Third quarter segment margins were 21.2%, a quarterly record and above the high end of guidance. This represents a 130-basis point improvement over the third quarter of 2021.

Operating cash flow in the third quarter of 2022 was \$965 million, up 29% over adjusted operating cash flow for the third quarter of 2021, and free cash flow was \$830 million, up 36% over adjusted free cash flow in the third quarter of 2021.

Craig Arnold, Eaton chairman and chief executive officer, said, "I'm proud of how we continue to deliver record results across our businesses, driven by strong demand and accelerating organic growth. I want to thank our teams for their efforts in successfully navigating both the challenges and the tailwinds of the current environment. I'm confident in our ability to continue executing our strategy and delivering for our stakeholders."

The company reaffirms its full year adjusted earnings per share guidance midpoint of \$7.56. For the fourth quarter of 2022, the company anticipates organic growth of 13-15% and adjusted earnings per share of between \$2.00 and \$2.10.

Business Segment Results

Sales for the Electrical Americas segment were \$2.2 billion, up 18% from the third quarter of 2021, driven entirely by organic sales growth. Operating profits were \$511 million, up 27% over the third quarter of 2021. Operating margins in the quarter were 23.5%, up 180 basis points over the third quarter of 2021.

The twelve-month rolling average of orders accelerated in the third quarter and was up 36% organically, with particular strength in data center, utility and industrial end markets. Backlog at the end of September continued to grow to new record levels, up 97% organically over September 2021.

Sales for the Electrical Global segment were \$1.5 billion, up 5% over the third quarter of 2021. Organic sales were up 13%, partially offset by negative currency translation of 8%. Operating profits were \$305 million, up 7% over the third quarter of 2021. Operating margins in the quarter were 20.6%, up 50 basis points over the third quarter of 2021.

The twelve-month rolling average of orders also remained strong in the third quarter and was up 14% organically, driven by particular strength in commercial/institutional and industrial end markets. At the end of September, backlog was also strong, up 22% organically over September 2021.

Aerospace segment sales were \$768 million, up 3% from the third quarter of 2021. Organic sales were up 8%, partially offset by 5% negative currency translation. Operating profits were a record \$185 million, up 13% from the third quarter of 2021. Operating margins in the quarter were 24.0%, up 200 basis points over the third quarter of 2021.

The twelve-month rolling average of orders also accelerated in the third quarter and was up 22% organically, driven by strength in both commercial and military markets. Backlog at the end of September was up 17% organically over September 2021.

The Vehicle segment posted sales of \$744 million, up 16% from the third quarter of 2021. Organic sales were up 19%, partially offset by 3% from negative currency translation. Operating profits were \$125 million, and operating margins in the quarter were 16.8%.

eMobility segment sales were \$137 million, up 63% over the third quarter of 2021. Organic sales were up 17%, and the acquisition of Royal Power Solutions added 49%, which was partially offset by 3% negative currency translation. The segment recorded an operating loss of \$2 million, reflecting continued investment in research and development and start-up costs associated with new program wins. Operating margins improved 800 basis points, driven by higher organic volumes and the impact of the Royal Power Solutions acquisition.

Eaton is an intelligent power management company dedicated to improving the quality of life and protecting the environment for people everywhere. We are guided by our commitment to do business right, to operate sustainably and to help our customers manage power — today and well into the future. By capitalizing on the global growth trends of electrification and digitalization, we're accelerating the planet's transition to renewable energy, helping to solve the world's most urgent power management challenges, and doing what's best for our stakeholders and all of society.

Founded in 1911, Eaton has been listed on the NYSE for nearly a century. We reported revenues of \$19.6 billion in 2021 and serve customers in more than 170 countries. For more information, visit www.eaton.com. Follow us on [Twitter](#) and [LinkedIn](#).

Notice of conference call: Eaton's conference call to discuss its third quarter results is available to all interested parties today as a live audio webcast at 11 a.m. United States

Eastern time via a link on Eaton's home page. This news release can be accessed under its headline on the home page. Also available on the website before the call will be a presentation on third quarter results, which will be covered during the call.

This news release contains forward-looking statements concerning the fourth quarter and full year 2022 adjusted earnings per share, organic sales growth, and anticipated restructuring program charges and savings. 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: the course of the COVID-19 pandemic globally and government actions related thereto; 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; supply chain disruptions, unanticipated changes in the cost of material, labor, 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; natural disasters; the performance of recent acquisitions; unanticipated difficulties completing or integrating acquisitions; new laws and governmental regulations; interest rate changes; changes in tax laws or tax regulations; stock market and currency fluctuations; 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.

Financial Results

The company's comparative financial results for the three months ended September 30, 2022, are available on the company's website, www.eaton.com.

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EATON CORPORATION plc
CONSOLIDATED STATEMENTS OF INCOME

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
(In millions except for per share data)				
Net sales	\$ 5,313	\$ 4,923	\$ 15,368	\$ 14,830
Cost of products sold	3,545	3,338	10,319	10,067
Selling and administrative expense	813	834	2,431	2,505
Research and development expense	165	152	498	454
Interest expense - net	37	37	100	112
Gain on sale of business	—	617	24	617
Other expense (income) - net	34	66	(16)	38
Income before income taxes	<u>720</u>	<u>1,113</u>	<u>2,060</u>	<u>2,271</u>
Income tax expense	112	483	316	676
Net income	<u>608</u>	<u>630</u>	<u>1,743</u>	<u>1,595</u>
Less net income for noncontrolling interests	(1)	(1)	(2)	(2)
Net income attributable to Eaton ordinary shareholders	<u>\$ 607</u>	<u>\$ 629</u>	<u>\$ 1,741</u>	<u>\$ 1,593</u>
Net income per share attributable to Eaton ordinary shareholders				
Diluted	\$ 1.52	\$ 1.57	\$ 4.34	\$ 3.97
Basic	1.52	1.58	4.36	4.00
Weighted-average number of ordinary shares outstanding				
Diluted	400.3	401.9	400.9	401.4
Basic	398.4	398.9	398.9	398.7
Cash dividends declared per ordinary share	\$ 0.81	\$ 0.76	\$ 2.43	\$ 2.28
Reconciliation of net income attributable to Eaton ordinary shareholders to adjusted earnings				
Net income attributable to Eaton ordinary shareholders	\$ 607	\$ 629	\$ 1,741	\$ 1,593
Excluding acquisition and divestiture charges (income), after-tax	86	(52)	133	57
Excluding restructuring program charges, after-tax	18	25	39	48
Excluding intangible asset amortization expense, after-tax	97	99	295	270
Adjusted earnings	<u>\$ 807</u>	<u>\$ 701</u>	<u>\$ 2,207</u>	<u>\$ 1,968</u>
Net income per share attributable to Eaton ordinary shareholders - diluted	\$ 1.52	\$ 1.57	\$ 4.34	\$ 3.97
Excluding per share impact of acquisition and divestiture charges (income), after-tax	0.21	(0.13)	0.33	0.14
Excluding per share impact of restructuring program charges, after-tax	0.04	0.06	0.10	0.12
Excluding per share impact of intangible asset amortization expense, after-tax	0.25	0.25	0.74	0.68
Adjusted earnings per ordinary share	<u>\$ 2.02</u>	<u>\$ 1.75</u>	<u>\$ 5.51</u>	<u>\$ 4.91</u>

See accompanying notes.

EATON CORPORATION plc
BUSINESS SEGMENT INFORMATION

(In millions)	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Net sales				
Electrical Americas	\$ 2,179	\$ 1,854	\$ 6,201	\$ 5,325
Electrical Global	1,486	1,421	4,418	4,092
Hydraulics	—	179	—	1,300
Aerospace	768	745	2,227	1,889
Vehicle	744	640	2,123	1,969
eMobility	137	84	399	255
Total net sales	\$ 5,313	\$ 4,923	\$ 15,368	\$ 14,830
Segment operating profit (loss)				
Electrical Americas	\$ 511	\$ 402	\$ 1,368	\$ 1,127
Electrical Global	305	285	866	757
Hydraulics	—	20	—	177
Aerospace	185	164	506	391
Vehicle	125	115	346	349
eMobility	(2)	(8)	(7)	(21)
Total segment operating profit	1,124	978	3,079	2,780
Corporate				
Intangible asset amortization expense	(124)	(126)	(375)	(326)
Interest expense - net	(37)	(37)	(100)	(112)
Pension and other postretirement benefits income	7	14	35	44
Restructuring program charges	(22)	(34)	(49)	(63)
Other income (expense) - net	(227)	318	(529)	(52)
Income before income taxes	720	1,113	2,060	2,271
Income tax expense	112	483	316	676
Net income	608	630	1,743	1,595
Less net income for noncontrolling interests	(1)	(1)	(2)	(2)
Net income attributable to Eaton ordinary shareholders	\$ 607	\$ 629	\$ 1,741	\$ 1,593

See accompanying notes.

EATON CORPORATION plc
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)	September 30, 2022	December 31, 2021
Assets		
Current assets		
Cash	\$ 231	\$ 297
Short-term investments	287	271
Accounts receivable - net	3,816	3,297
Inventory	3,428	2,969
Prepaid expenses and other current assets	778	677
Total current assets	8,540	7,511
Property, plant and equipment - net	2,967	3,064
Other noncurrent assets		
Goodwill	14,479	14,751
Other intangible assets	5,492	5,855
Operating lease assets	555	442
Deferred income taxes	386	392
Other assets	1,946	2,012
Total assets	\$ 34,364	\$ 34,027
Liabilities and shareholders' equity		
Current liabilities		
Short-term debt	\$ 903	\$ 13
Current portion of long-term debt	23	1,735
Accounts payable	2,937	2,797
Accrued compensation	432	501
Other current liabilities	2,358	2,166
Total current liabilities	6,653	7,212
Noncurrent liabilities		
Long-term debt	8,082	6,831
Pension liabilities	817	872
Other postretirement benefits liabilities	246	263
Operating lease liabilities	447	337
Deferred income taxes	527	559
Other noncurrent liabilities	1,489	1,502
Total noncurrent liabilities	11,608	10,364
Shareholders' equity		
Eaton shareholders' equity	16,068	16,413
Noncontrolling interests	35	38
Total equity	16,103	16,451
Total liabilities and equity	\$ 34,364	\$ 34,027

See accompanying notes.

EATON CORPORATION plc
NOTES TO THE THIRD QUARTER 2022 EARNINGS RELEASE

Amounts are in millions of dollars unless indicated otherwise (per share data assume dilution). Columns and rows may not add and the sum of components may not equal total amounts reported due to rounding.

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, adjusted operating cash flow, free cash flow, and adjusted free cash flow, 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 provide additional meaningful financial information that should be considered when assessing our business performance and trends, and they allow 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.

The Company's fourth quarter and full year adjusted earnings guidance for 2022 is as follows:

	Three months ended December 31, 2022	Year ended December 31, 2022
Net income per share attributable to Eaton ordinary shareholders - diluted	\$1.66 - \$1.76	\$6.00 - \$6.10
Excluding per share impact of acquisition and divestiture charges (after-tax)	0.07	0.40
Excluding per share impact of restructuring program charges (after-tax)	0.03	0.13
Excluding per share impact of intangible asset amortization expense (after-tax)	0.24	0.98
Adjusted earnings per ordinary share	<u>\$2.00 - \$2.10</u>	<u>\$7.51 - \$7.61</u>

A reconciliation of operating cash flow to free cash flow is as follows:

(In millions)	Three months ended September 30, 2022
Operating cash flow	\$ 965
Capital expenditures for property, plant and equipment	(135)
Free cash flow	<u>\$ 830</u>

A reconciliation of operating cash flow to adjusted operating cash flow and adjusted free cash flow is as follows:

(In millions)	Three months ended September 30, 2021
Operating cash flow	\$ 471
Taxes paid on the Hydraulics sale	279
Adjusted operating cash flow	750
Capital expenditures for property, plant and equipment	(140)
Adjusted free cash flow	<u>\$ 610</u>

Note 2. ACQUISITIONS AND DIVESTITURE OF BUSINESSES

Acquisition of a 50% stake in Jiangsu Huineng Electric Co., Ltd's circuit breaker business

On July 1, 2022, Eaton acquired a 50 percent stake in Jiangsu Huineng Electric Co., Ltd's circuit breaker business, which manufactures and markets low-voltage circuit breakers in China. Eaton accounts for this investment on the equity method of accounting and is reported within the Electrical Global business segment.

Russia

During the second quarter of 2022, in light of the ongoing war with Ukraine, the Company decided to exit its business operations in Russia and recorded charges of \$29 million. The charges consisted primarily of write-downs of accounts receivable, inventory and other assets, and accruals for severance.

Acquisition of Royal Power Solutions

On January 5, 2022, Eaton acquired Royal Power Solutions for \$612 million, net of cash received. Royal Power Solutions is a U.S. based manufacturer of high-precision electrical connectivity components used in electric vehicle, energy management, industrial and mobility markets. Royal Power Solutions is reported within the eMobility business segment.

Sale of Hydraulics business

On August 2, 2021, Eaton completed the sale of the Hydraulics business to Danfoss A/S. As a result of the sale, the Company received \$3.1 billion, net of cash sold, and recognized a pre-tax gain of \$617 million in 2021. According to the terms of the sales agreement, the Company finalized negotiations of post-closing adjustments with Danfoss A/S during the first quarter of 2022. As a result of these negotiations, the Company recognized an additional pre-tax gain of \$24 million. In the second quarter of 2022, Eaton received cash of \$22 million from Danfoss A/S to fully settle all post-closing adjustments. The business had sales of \$1.3 billion in 2021 through the date of the sale.

Acquisition of Mission Systems

On June 1, 2021, Eaton acquired Mission Systems for \$2.80 billion, net of cash received. Mission Systems is a leading manufacturer of air-to-air refueling systems, environmental systems, and actuation primarily for defense markets. Mission Systems is reported within the Aerospace business segment.

Acquisition of Tripp Lite

On March 17, 2021, Eaton acquired Tripp Lite for \$1.65 billion, net of cash received. Tripp Lite is a leading supplier of power quality products and connectivity solutions including single-phase uninterruptible power supply systems, rack power distribution units, surge protectors, and enclosures for data centers, industrial, medical, and communications markets in the Americas. Tripp Lite is reported within the Electrical Americas business segment.

Note 3. ACQUISITION AND DIVESTITURE CHARGES AND INCOME

Eaton incurs integration charges and transaction costs to acquire and integrate businesses, and transaction, separation and other costs to divest and exit businesses. Eaton also recognizes gains and losses on the sale of businesses. A summary of these Corporate items is as follows:

(In millions except for per share data)	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Acquisition integration, divestiture charges and transaction costs	\$ 103	\$ 179	\$ 182	\$ 312
Gain on the sale of the Hydraulics business	—	(617)	(24)	(617)
Total charges (income) before income taxes	103	(438)	158	(305)
Income tax expense (benefit)	(17)	386	(25)	362
Total charges (income) after income taxes	\$ 86	\$ (52)	\$ 133	\$ 57
Charges (income) per ordinary share - diluted	\$ 0.21	\$ (0.13)	\$ 0.33	\$ 0.14

Acquisition integration, divestiture charges and transaction costs in 2022 are primarily related to the acquisitions of Royal Power Solutions, Souriau-Sunbank Connection Technologies, Green Motion, Tripp Lite, and Mission Systems, and other charges to acquire and exit businesses including certain indemnity claims associated with the sale of 50% interest in the commercial vehicle automated transmission business in 2017. These costs also included charges of \$29 million related to the decision in the second quarter to exit the Company's business operations in Russia. These charges consisted primarily of write-downs of accounts receivable, inventory and other assets, and accruals for severance. Charges in 2021 are primarily related to the divestiture of the Hydraulics business, the acquisitions of Tripp Lite, Mission Systems, Souriau-Sunbank Connection Technologies, and Ulusoy Elektrik Imalat Taahhut ve Ticaret A.S., and other charges to acquire and exit businesses including certain indemnity claims associated with the sale of 50% interest in the commercial vehicle automated transmission business in 2017. These charges were included in Cost of products sold, Selling and administrative expense, Research and development expense, or Other expense (income) - net. In Business Segment Information, the charges were included in Other income (expense) - net.

Note 4. RESTRUCTURING CHARGES

In the second quarter of 2020, Eaton decided to undertake a multi-year restructuring program to reduce its cost structure and gain efficiencies in its business segments and at corporate in order to respond to declining market conditions brought on by the COVID-19 pandemic. Since the inception of the program, the Company has incurred charges of \$341 million. These restructuring activities are expected to incur additional expenses of approximately \$9 million in 2022 primarily comprised of plant closing and other costs, resulting in total estimated charges of \$350 million for the entire program.

A summary of restructuring program charges is as follows:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
(In millions except for per share data)				
Workforce reductions	\$ 5	\$ 19	\$ 11	\$ 19
Plant closing and other	17	15	38	44
Total before income taxes	22	34	49	63
Income tax benefit	4	9	10	15
Total after income taxes	\$ 18	\$ 25	\$ 39	\$ 48
Per ordinary share - diluted	\$ 0.04	\$ 0.06	\$ 0.10	\$ 0.12

Restructuring program charges related to the following segments:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
(In millions)				
Electrical Americas	\$ 4	\$ 5	\$ 14	\$ 13
Electrical Global	8	11	14	13
Aerospace	2	1	6	4
Vehicle	2	5	8	16
eMobility	—	—	—	1
Corporate	5	12	7	16
Total	\$ 22	\$ 34	\$ 49	\$ 63

These restructuring program charges were included in Cost of products sold, Selling and administrative expense, Research and development expense, or Other expense (income) - net, as appropriate. In Business Segment Information, these restructuring program charges are treated as Corporate items. The projected mature year savings from these restructuring actions are expected to be \$250 million when fully implemented in 2023.

Note 5. INTANGIBLE ASSET AMORTIZATION EXPENSE

Intangible asset amortization expense is as follows:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
(In millions except for per share data)				
Intangible asset amortization expense	\$ 124	\$ 126	\$ 375	\$ 326
Income tax benefit	27	27	80	56
Total after income taxes	\$ 97	\$ 99	\$ 295	\$ 270
Per ordinary share - diluted	\$ 0.25	\$ 0.25	\$ 0.74	\$ 0.68

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