

Eaton Corporation plc

Reconciliation of Non-GAAP Financial Information

All numbers \$M except per share numbers, unless otherwise noted

Reconciliation of net income attributable to Eaton ordinary shareholders to adjusted earnings

	2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018	2018 YTD	1Q 2019	2Q 2019	3Q 2019	Q4 2019 Guidance		2019 Guidance	
										Low	High	Low	High
Net Income attributable to Eaton ordinary shareholders	2,985	488	610	416	631	2,145	522	636	601				
Acquisition integration and divestiture charges (after-tax)	2	-	-	-	-	-	11	14	35				
Adjusted earnings	<u>\$ 2,987</u>	<u>\$ 488</u>	<u>\$ 610</u>	<u>\$ 416</u>	<u>\$ 631</u>	<u>\$ 2,145</u>	<u>\$ 533</u>	<u>\$ 650</u>	<u>\$ 636</u>				
Net income attributable to Eaton ordinary shareholders per share - diluted	\$ 6.68	\$ 1.10	\$ 1.39	\$ 0.95	\$ 1.46	\$ 4.91	\$ 1.23	\$ 1.50	\$ 1.44	\$ 1.03	\$ 1.13	\$ 5.20	\$ 5.30
Per share impact of acquisition integration and divestiture charges (after-tax)	-	-	-	-	-	-	0.03	0.03	0.08	0.33	0.33	0.47	0.47
Adjusted earnings per ordinary share	<u>\$ 6.68</u>	<u>\$ 1.10</u>	<u>\$ 1.39</u>	<u>\$ 0.95</u>	<u>\$ 1.46</u>	<u>\$ 4.91</u>	<u>\$ 1.26</u>	<u>\$ 1.53</u>	<u>\$ 1.52</u>	<u>\$ 1.36</u>	<u>\$ 1.46</u>	<u>\$ 5.67</u>	<u>\$ 5.77</u>

Reconciliation of net income attributable to Eaton ordinary shareholders and adjusted earnings per ordinary share excluding certain items

	2017	3Q 2018	2018 YTD
Net Income attributable to Eaton ordinary shareholders and Adjusted earnings per ordinary share - diluted	\$ 6.68	\$ 0.95	\$ 4.91
Per share impact of certain items (3Q 2017-gain on sale of business; 4Q 2017-U.S. tax bill; 3Q 2018-arbitration decision) (after-tax)	(2.03)	0.48	0.48
Net Income attributable to Eaton ordinary shareholders and Adjusted earnings per ordinary share excluding certain items	<u>\$ 4.65</u>	<u>\$ 1.43</u>	<u>\$ 5.39</u>

Reconciliation of net income attributable to Eaton ordinary shareholders to net income attributable to Eaton ordinary shareholders excluding certain items

	2017	3Q 2018
Net Income attributable to Eaton ordinary shareholders	\$ 2,985	\$ 416
Net income impact of certain items (3Q 2017-gain on sale of business; 4Q 2017-U.S. tax bill; 3Q 2018-arbitration decision) (after-tax)	(905)	206
Net income attributable to Eaton ordinary shareholders excluding certain items	<u>\$ 2,080</u>	<u>\$ 622</u>

Reconciliation of segment operating profit as reported to segment operating profit excluding acquisition integration and divestiture charges and certain restructuring charges

	2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018	2018 YTD	1Q 2019	2Q 2019	3Q 2019
Segment operating profit as reported	\$ 3,214	\$ 796	\$ 932	\$ 952	\$ 950	\$ 3,630	\$ 846	\$ 986	\$ 986
Acquisition integration and divestiture charges (pre-tax)	4	-	-	-	-	-	1	2	7
Segment operating profit (excluding AIDC)	<u>\$ 3,218</u>	<u>\$ 796</u>	<u>\$ 932</u>	<u>\$ 952</u>	<u>\$ 950</u>	<u>\$ 3,630</u>	<u>\$ 847</u>	<u>\$ 988</u>	<u>\$ 993</u>
Restructuring Program 2015 - 2017 - Costs	\$ 91								

Reconciliation of segment operating margin as reported to segment operating margin excluding acquisition integration and divestiture charges and certain restructuring charges

	2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018	2018 YTD	1Q 2019	2Q 2019	3Q 2019
Segment operating margin, as reported	15.8%	15.2%	17.0%	17.6%	17.4%	16.8%	15.9%	17.8%	18.6%
Acquisition integration and divestiture charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%
Segment operating margin (excluding AIDC)	<u>15.8%</u>	<u>15.2%</u>	<u>17.0%</u>	<u>17.6%</u>	<u>17.4%</u>	<u>16.8%</u>	<u>16.0%</u>	<u>17.9%</u>	<u>18.7%</u>
Restructuring Program 2015 - 2017 - Costs	0.4%								
Segment operating margin (excluding AIDC) excluding certain restructuring charges	<u>16.2%</u>								

Reconciliation of operating cash flow to free cash flow and adjusted free cash flow

	2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018	2018 YTD	1Q 2019	2Q 2019	3Q 2019	2019 Guidance (\$ Billions)	
										Low	High
Operating cash flow	\$ 2,666	\$ 339	\$ 499	\$ 1,000	\$ 820	\$ 2,658	\$ 551	\$ 880	\$ 1,083	\$ 3.40	\$ 3.60
Capital expenditures	520	131	149	131	154	565	149	149	143	0.55	0.55
Free cash flow	<u>\$ 2,146</u>	<u>\$ 208</u>	<u>\$ 350</u>	<u>\$ 869</u>	<u>\$ 666</u>	<u>\$ 2,093</u>	<u>\$ 402</u>	<u>\$ 731</u>	<u>\$ 940</u>	<u>\$ 2.85</u>	<u>\$ 3.05</u>
Impact of certain items (2017-U.S. pension contributions)	350										
Adjusted free cash flow excluding certain items	<u>\$ 2,496</u>										

Reconciliation of operating cash flow to adjusted operating cash flow

	4Q 2018	2018 YTD
Operating cash flow	\$ 820	\$ 2,658
Impact of certain items (4Q 2018-arbitration payment)	297	297
Adjusted operating cash flow excluding certain items	<u>\$ 1,117</u>	<u>\$ 2,955</u>

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Reconciliation of Eaton Electrical Products operating profit as reported to operating profit excluding acquisition integration and divestiture charges, and certain restructuring charges

	2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018	2018 YTD	1Q 2019	2Q 2019	3Q 2019
Electrical Products operating profit as reported (including AIDC)	\$ 1,233	\$ 307	\$ 334	\$ 343	\$ 327	\$ 1,311	\$ 331	\$ 361	\$ 358
Acquisition integration and divestiture charges (pre-tax)	4	-	-	-	-	-	1	1	4
Electrical Products operating profit (excluding AIDC)	\$ 1,237	\$ 307	\$ 334	\$ 343	\$ 327	\$ 1,311	\$ 332	\$ 362	\$ 362
Restructuring Program 2015 - 2017 - Costs	\$ 29								

Reconciliation of Eaton Electrical Systems & Services operating profit as reported to operating profit excluding acquisition integration and divestiture charges, and certain restructuring charges

	2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018	2018 YTD	1Q 2019	2Q 2019	3Q 2019
Electrical Systems & Services operating profit as reported (including AIDC)	\$ 770	\$ 167	\$ 227	\$ 234	\$ 268	\$ 896	\$ 192	\$ 275	\$ 284
Acquisition integration and divestiture charges (pre-tax)	-	-	-	-	-	-	-	1	3
Electrical Systems & Services operating profit (excluding AIDC)	\$ 770	\$ 167	\$ 227	\$ 234	\$ 268	\$ 896	\$ 192	\$ 276	\$ 287
Restructuring Program 2015 - 2017 - Costs	\$ 16								

Reconciliation of Eaton Hydraulics operating profit as reported to operating profit excluding acquisition integration and divestiture charges, and certain restructuring charges

	2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018	2018 YTD	1Q 2019	2Q 2019	3Q 2019
Hydraulics operating profit as reported (including AIDC)	\$ 288	\$ 90	\$ 101	\$ 94	\$ 85	\$ 370	\$ 80	\$ 80	\$ 72
Acquisition integration and divestiture charges (pre-tax)	-	-	-	-	-	-	-	-	-
Hydraulics operating profit (excluding AIDC)	\$ 288	\$ 90	\$ 101	\$ 94	\$ 85	\$ 370	\$ 80	\$ 80	\$ 72
Restructuring Program 2015 - 2017 - Costs	\$ 32								

Reconciliation of Eaton Aerospace operating profit as reported to operating profit excluding acquisition integration and divestiture charges, and certain restructuring charges

	2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018	2018 YTD	1Q 2019	2Q 2019	3Q 2019
Aerospace operating profit as reported (including AIDC)	\$ 332	\$ 89	\$ 90	\$ 105	\$ 114	\$ 398	\$ 116	\$ 127	\$ 129
Acquisition integration and divestiture charges (pre-tax)	-	-	-	-	-	-	-	-	-
Aerospace operating profit (excluding AIDC)	\$ 332	\$ 89	\$ 90	\$ 105	\$ 114	\$ 398	\$ 116	\$ 127	\$ 129
Restructuring Program 2015 - 2017 - Costs	\$ 2								

Reconciliation of Eaton Vehicle operating profit as reported to operating profit excluding acquisition integration and divestiture charges, and certain restructuring charges

	2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018	2018 YTD	1Q 2019	2Q 2019	3Q 2019
Vehicle operating profit as reported (including AIDC)	\$ 541	\$ 132	\$ 166	\$ 166	\$ 147	\$ 611	\$ 122	\$ 136	\$ 139
Acquisition integration and divestiture charges (pre-tax)	-	-	-	-	-	-	-	-	-
Vehicle operating profit (excluding AIDC)	\$ 541	\$ 132	\$ 166	\$ 166	\$ 147	\$ 611	\$ 122	\$ 136	\$ 139
Restructuring Program 2015 - 2017 - Costs	\$ 12								

Reconciliation of Eaton eMobility operating profit as reported to operating profit excluding acquisition integration and divestiture charges, and certain restructuring charges

	2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018	2018 YTD	1Q 2019	2Q 2019	3Q 2019
eMobility operating profit as reported (including AIDC)	\$ 50	\$ 11	\$ 14	\$ 10	\$ 9	\$ 44	\$ 5	\$ 7	\$ 4
Acquisition integration and divestiture charges (pre-tax)	-	-	-	-	-	-	-	-	-
eMobility operating profit (excluding AIDC)	\$ 50	\$ 11	\$ 14	\$ 10	\$ 9	\$ 44	\$ 5	\$ 7	\$ 4
Restructuring Program 2015 - 2017 - Costs	\$ -								

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Methodology for calculations used in the presentations

Return on equity = trailing 4 quarters net income / average trailing 5 quarters shareholders' equity

Return on sales = net income / sales

Total return = stock price appreciation + dividend yield

Net debt to total capital = (total debt - cash - short-term investments) / (total debt - cash - short-term investments + equity)

Cash flow coverage ratio = (pre-tax income + depreciation + amortization + interest expense) / interest expense

Segment net working capital (including acquisitions) = accounts receivable + inventory - accounts payable. All amounts average over the year.

DSO = average of quarterly DSO; quarterly DSO = quarter end accounts receivable / quarter sales * 90 days

DOH = average of quarterly DOH; quarterly DOH = quarter end inventory / quarter COGS * 90 days

DPO = average of quarterly DPO; quarterly DPO = quarter end accounts payable / quarter COGS * 90 days

Cash conversion cycle = DSO + DOH - DPO

Cash adjusted earnings per share = adjusted earnings per ordinary share excluding certain items - corporate amortization expense (after tax) per share - inventory step up (after tax) per share

Free cash flow = cash flow from operations - capital expenditures