

Eaton Corp plc
Form 10-Q
April 30, 2019
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2019

Commission file number 000-54863

EATON CORPORATION plc

(Exact name of registrant as specified in its charter)

Ireland

98-1059235

(State or other jurisdiction of incorporation or organization) (IRS Employer Identification Number)

Eaton House, 30 Pembroke Road, Dublin 4, Ireland

D04 Y0C2

(Address of principal executive offices)

(Zip Code)

+353 1637

2900

(Registrant's
telephone
number,
including
area code)

Not
applicable
(Former
name,
former
address and
former
fiscal year if
changed
since last
report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Edgar Filing: Eaton Corp plc - Form 10-Q

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Smaller reporting company Emerging growth company (Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

There were 423.1 million Ordinary Shares outstanding as of March 31, 2019.

Table of Contents

TABLE OF CONTENTS

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS 2

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS 28

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK 33

ITEM 4. CONTROLS AND PROCEDURES 34

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS 35

ITEM 1A. RISK FACTORS 35

ITEM 2. UNRESTRICTED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS 35

ITEM 6. EXHIBITS 36

SIGNATURES 37

Table of Contents

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

EATON CORPORATION plc
CONSOLIDATED STATEMENTS OF INCOME

(In millions except for per share data)	Three months ended	
	March 31	
	2019	2018
Net sales	\$5,305	\$5,251
Cost of products sold	3,573	3,573
Selling and administrative expense	917	889
Research and development expense	156	156
Interest expense - net	66	70
Other income - net	(10	) (2
Income before income taxes	603	565
Income tax expense	81	78
Net income	522	487
Less net loss for noncontrolling interests	—	1
Net income attributable to Eaton ordinary shareholders	\$522	\$488
Net income per share attributable to Eaton ordinary shareholders		
Diluted	\$1.23	\$1.10
Basic	1.23	1.11
Weighted-average number of ordinary shares outstanding		
Diluted	425.9	441.7
Basic	424.0	438.8
Cash dividends declared per ordinary share	\$0.71	\$0.66

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of ContentsEATON CORPORATION plc
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)	Three months ended March 31	
	2019	2018
Net income	\$522	\$487
Less net loss for noncontrolling interests	—	1
Net income attributable to Eaton ordinary shareholders	522	488
Other comprehensive (loss) income, net of tax		
Currency translation and related hedging instruments	53	257
Pensions and other postretirement benefits	21	26
Cash flow hedges	(7	) 13
Other comprehensive (loss) income attributable to Eaton ordinary shareholders	67	296
Total comprehensive income attributable to Eaton ordinary shareholders	\$589	\$784

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of ContentsEATON CORPORATION plc
CONSOLIDATED BALANCE SHEETS

(In millions)	March 31, 2019	December 31, 2018
Assets		
Current assets		
Cash	\$ 303	\$ 283
Short-term investments	143	157
Accounts receivable - net	3,865	3,858
Inventory	2,897	2,785
Prepaid expenses and other current assets	536	507
Total current assets	7,744	7,590
Property, plant and equipment		
Land and buildings	2,457	2,466
Machinery and equipment	6,145	6,106
Gross property, plant and equipment	8,602	8,572
Accumulated depreciation	(5,129)	(5,105)
Net property, plant and equipment	3,473	3,467
Other noncurrent assets		
Goodwill	13,318	13,328
Other intangible assets	4,754	4,846
Operating lease assets	420	—
Deferred income taxes	309	293
Other assets	1,631	1,568
Total assets	\$ 31,649	\$ 31,092
Liabilities and shareholders' equity		
Current liabilities		
Short-term debt	\$ 741	\$ 414
Current portion of long-term debt	42	339
Accounts payable	2,274	2,130
Accrued compensation	302	457
Other current liabilities	1,927	1,814
Total current liabilities	5,286	5,154
Noncurrent liabilities		
Long-term debt	6,782	6,768
Pension liabilities	1,265	1,304
Other postretirement benefits liabilities	320	321
Operating lease liabilities	308	—
Deferred income taxes	360	349
Other noncurrent liabilities	1,061	1,054
Total noncurrent liabilities	10,096	9,796
Shareholders' equity		
Ordinary shares (423.1 million outstanding in 2019 and 423.6 million in 2018)	4	4

Edgar Filing: Eaton Corp plc - Form 10-Q

Capital in excess of par value	12,085	12,090	
Retained earnings	8,225	8,161	
Accumulated other comprehensive loss	(4,078	) (4,145)
Shares held in trust	(3	) (3)
Total Eaton shareholders' equity	16,233	16,107	
Noncontrolling interests	34	35	
Total equity	16,267	16,142	
Total liabilities and equity	\$31,649	\$ 31,092	

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of ContentsEATON CORPORATION plc
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31	
(In millions)	2019	2018
Operating activities		
Net income	\$522	\$487
Adjustments to reconcile to net cash provided by operating activities		
Depreciation and amortization	221	230
Deferred income taxes	(3)	(12)
Pension and other postretirement benefits expense	36	43
Contributions to pension plans	(39)	(40)
Contributions to other postretirement benefits plans	(5)	(5)
Changes in working capital	(306)	(459)
Other - net	125	95
Net cash provided by operating activities	551	339
Investing activities		
Capital expenditures for property, plant and equipment	(149)	(131)
Sales of short-term investments - net	16	31
Proceeds for settlement of currency exchange contracts not designated as hedges - net	51	—
Other - net	14	(37)
Net cash used in investing activities	(68)	(137)
Financing activities		
Proceeds from borrowings	342	179
Payments on borrowings	(315)	(33)
Cash dividends paid	(302)	(284)
Exercise of employee stock options	20	19
Repurchase of shares	(180)	(300)
Employee taxes paid from shares withheld	(35)	(23)
Other - net	(1)	(1)
Net cash used in financing activities	(471)	(443)
Effect of currency on cash	8	(3)
Total increase (decrease) in cash	20	(244)
Cash at the beginning of the period	283	561
Cash at the end of the period	\$303	\$317

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

EATON CORPORATION plc

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Note 1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Eaton Corporation plc (Eaton or the Company) have been prepared in accordance with generally accepted accounting principles for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles (US GAAP) for complete financial statements. However, in the opinion of management, all adjustments (consisting of normal recurring accruals) have been made that are necessary for a fair presentation of the condensed consolidated financial statements for the interim periods.

This Form 10-Q should be read in conjunction with the consolidated financial statements and related notes included in Eaton's 2018 Form 10-K. The interim period results are not necessarily indicative of the results to be expected for the full year. Management has evaluated subsequent events through the date this Form 10-Q was filed with the Securities and Exchange Commission.

Certain prior year amounts have been reclassified to conform to the current year presentation.

Leases

The Company determines if an arrangement is a lease at inception. Operating lease assets and liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term. Lease assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. As most leases do not provide an implicit interest rate, Eaton uses its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments. The length of a lease term includes options to extend or terminate the lease when it is reasonably certain that the Company will exercise those options. The Company made an accounting policy election to not recognize lease assets or liabilities for leases with a term of 12 months or less. Additionally, when accounting for leases, the Company combines payments for leased assets, related services and other components of a lease.

Adoption of New Accounting Standards

Eaton adopted Accounting Standard Update 2016-02, Leases (Topic 842), and related amendments, in the first quarter of 2019 using the optional transition method and has not restated prior periods. The Company elected to use the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the carry forward of historical lease classification of existing leases. The Company recorded a cumulative-effect adjustment of less than \$1 to retained earnings as of January 1, 2019. Additionally, the adoption of the new standard resulted in the recording of lease assets and lease liabilities for operating leases of \$435 and \$446, respectively, as of January 1, 2019. The adoption of the standard did not have a material impact to the Consolidated Statements of Income or Cash Flows.

Eaton adopted Accounting Standard Update 2017-12, Derivatives and Hedging (Topic 815) - Targeted Improvements to Accounting for Hedging Activities, in the first quarter 2019 using the modified retrospective approach for hedge instruments that existed at the date of adoption. ASU 2017-12 is intended to better align the Company's risk management activities with financial reporting for hedging relationships. The standard eliminates the requirement to separately measure and report hedge ineffectiveness, expands the ability to hedge specific risk components, and generally requires the change in value of the hedge instrument and hedged item to be presented in the same income statement line. The new disclosure requirements were applied on a prospective basis and comparative information has not been restated. The adoption of the standard did not have a material impact on the consolidated financial statements.

Table of Contents

Note 2. ACQUISITION AND DIVESTITURES OF BUSINESSES

Acquired controlling interest of Ulusoy Elektrik Imalat Taahhut ve Ticaret A.S.

On April 15, 2019, Eaton completed the acquisition of an 82.275% controlling interest in Ulusoy Elektrik Imalat Taahhut ve Ticaret A.S., a leading manufacturer of electrical switchgear based in Ankara, Turkey, with a primary focus on medium voltage solutions for industrial and utility customers. Its sales for the 12 months ended September 30, 2018 were \$126. The purchase price for the shares is approximately \$214 on a cash and debt free basis. As required by the Turkish capital markets legislation, Eaton filed an application to execute a mandatory tender offer for the remaining shares shortly after the transaction closed.

Spin-off of Lighting business

On March 1, 2019, Eaton announced it plans to pursue a tax-free spin-off of its Lighting business. The spin-off will create an independent, publicly traded company and is expected to be completed by the end of 2019.

Plan to divest Automotive Fluid Conveyance business

On March 1, 2019, Eaton announced it plans to sell its Automotive Fluid Conveyance business.

Note 3. ACQUISITION INTEGRATION AND DIVESTITURE CHARGES

Eaton incurs integration charges related to acquired businesses, and transaction and other charges to divest businesses.

A summary of these charges follows:

	Three months ended March 31	
	2019	2018
Electrical Products	\$1	\$ —
Corporate	11	—
Total acquisition integration and divestiture charges before income tax	12	—
Income taxes	1	—
Total after income taxes	\$11	\$ —
Per ordinary share - diluted	\$0.03	\$ —

Business segment charges in 2019 related to the planned spin-off of the Lighting business and were included in Selling and administrative expense. In Business Segment Information, the charges reduced Operating profit of the related business segment.

Corporate charges in 2019 related primarily to the planned spin-off of the Lighting business and were included in Selling and administrative expense. In Business Segment Information, the charges were included in Other corporate expense - net.

See Note 14 for additional information about business segments.

Table of Contents

Note 4. REVENUE RECOGNITION

Sales are recognized when obligations under the terms of the contract are satisfied and control of promised goods or services have transferred to our customers. Sales are measured at the amount of consideration the Company expects to be paid in exchange for these products or services.

The Company's six operating segments and the following tables disaggregate sales by lines of businesses, geographic destination, market channel or end market.

	Three months ended March 31, 2019		
Net sales	United States	Rest of World	Total
Electrical Products	\$1,047	\$ 713	\$ 1,760
Electrical Systems and Services	976	488	1,464
Hydraulics	290	396	686

	Original Equipment Manufacturers	Aftermarket, Distribution and End User	
Aerospace	\$287	\$ 215	502
	Passenger Commercial Light Duty		
Vehicle	\$431	\$ 379	810
eMobility			83
Total			\$5,305

	Three months ended March 31, 2018		
Net sales	United States	Rest of World	Total
Electrical Products	\$960	\$ 772	\$ 1,732
Electrical Systems and Services	894	487	1,381
Hydraulics	297	413	710

	Original Equipment Manufacturers	Aftermarket, Distribution and End User	
Aerospace	\$264	\$ 194	458
	Passenger Commercial Light Duty		
Vehicle	\$430	\$ 463	893
eMobility			77

Total

\$5,251

8

Table of Contents

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (revenue recognized exceeds amount billed to the customer), and deferred revenue (advance payments and billings in excess of revenue recognized). Accounts receivables from customers were \$3,469 and \$3,402 at March 31, 2019 and December 31, 2018, respectively. Amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. These assets and liabilities are reported on the Consolidated Balance Sheets on a contract-by-contract basis at the end of each reporting period. Unbilled receivables were \$104 and \$94 at March 31, 2019 and December 31, 2018, respectively, and are recorded in Prepaid expenses and other current assets. The increase in unbilled receivables was primarily due to revenue recognized and not yet billed, partially offset by billings to customers during the quarter.

Changes in the deferred revenue liabilities are as follows:

	Deferred Revenue
Balance at December 31, 2018	\$ 248
Customer deposits and billings	208
Revenue recognized in the period	(205)
Translation	6
Balance at March 31, 2019	\$ 257

	Deferred Revenue
Balance at January 1, 2018	\$ 227
Customer deposits and billings	232
Revenue recognized in the period	(209)
Translation	1
Balance at March 31, 2018	\$ 251

A significant portion of open orders placed with Eaton are by original equipment manufacturers or distributors. These open orders are not considered firm as they have been historically subject to releases by customers. In measuring backlog of unsatisfied or partially satisfied obligations, only the amount of orders to which customers are firmly committed are included. Using this criterion, total backlog at March 31, 2019 and December 31, 2018 was approximately \$5.5 billion and \$5.3 billion, respectively. At both March 31, 2019 and December 31, 2018, Eaton expects to recognize approximately 87% of this backlog in the next twelve months and the rest thereafter.

Note 5. GOODWILL

Change in the carrying amount of goodwill by segment follows:

	December 31, 2018	Translation	March 31, 2019
Electrical Products	\$ 6,562	\$ (11)	\$ 6,551
Electrical Systems and Services	4,241	8	4,249
Hydraulics	1,212	(9)	1,203
Aerospace	941	3	944
Vehicle	292	(1)	291
eMobility	80	—	80
Total	\$ 13,328	\$ (10)	\$ 13,318

Table of Contents

Note 6. LEASES

Eaton leases certain manufacturing facilities, warehouses, distribution centers, office space, vehicles and equipment. Most real estate leases contain renewal options. The exercise of lease renewal options is at the Company's sole discretion. The Company's lease agreements typically do not contain any significant residual value guarantees or restrictive covenants, and payments within certain lease agreements are adjusted periodically for changes in an index or rate.

The components of lease expense follows:

	Three months ended March 31, 2019
Operating lease cost	\$ 42
Finance lease cost - amortization of lease assets	1
Short-term lease cost	13
Variable lease cost	4
Sublease income	(1)
Total lease cost	\$ 59

The net gain recorded on sale leaseback transactions for the three months ended March 31, 2019 was \$18.

Supplemental cash flow information related to leases follows:

	Three months ended March 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash outflows - payments on operating leases	\$ (38)
Financing cash outflows - payments on finance lease obligations	(1)
Lease assets obtained in exchange for new lease obligations:	
Operating leases	\$ 21
Finance leases	8

Table of Contents

Supplemental balance sheet information related to leases follows:

	March 31, 2019	
Operating Leases		
Operating lease assets	\$	420
Other current liabilities		124
Operating lease liabilities		308
Total operating lease liabilities	\$	432
Finance Leases		
Land and buildings	\$	18
Machinery and equipment		8
Accumulated depreciation	(11)
Net property, plant and equipment	\$	15
Current portion of long-term debt	\$	4
Long-term debt		12
Total finance lease liabilities	\$	16
Weighted-average remaining lease term		
Operating leases	5.1	
	years	
Finance leases	4.7	
	years	
Weighted-average discount rate		
Operating leases	3.6	%
Finance leases	6.9	%
Maturities of lease liabilities at March 31, 2019 follows:		
	Operating	Finance
	Leases	Leases
2019	\$ 108	\$ 3
2020	115	5
2021	85	4
2022	54	3
2023	35	3
Thereafter	84	1
Total lease payments	\$ 481	\$ 19
Less imputed interest	49	3
Total present value of lease liabilities	\$ 432	\$ 16

Table of Contents

A summary of minimum rental commitments at December 31, 2018 under noncancelable operating leases, which expire at various dates and in most cases contain renewal options, for each of the next five years and thereafter in the aggregate, follow:

	Operating Leases
2019	\$ 165
2020	133
2021	106
2022	75
2023	53
Thereafter	110
Total lease commitments	\$ 642

Note 7. RETIREMENT BENEFITS PLANS

The components of retirement benefits expense follow:

	United States pension benefit expense	Non-United States pension benefit expense	Other postretirement benefits expense
	Three months ended March 31		
	2019	2018	2019
	2019	2018	2018
Service cost	\$23	\$25	\$14
Interest cost	34	30	15
Expected return on plan assets	(58)	(63)	(27)
Amortization	15	24	10
Settlements	10	14	—
Total expense	\$24	\$30	\$12

The components of retirement benefits expense other than service costs are included in Other income - net.

Table of Contents

Note 8. LEGAL CONTINGENCIES

Eaton is subject to a broad range of claims, administrative and legal proceedings such as lawsuits that relate to contractual allegations, tax audits, patent infringement, personal injuries, antitrust matters, and employment-related matters. Eaton is also subject to asbestos claims from historic products which may have contained asbestos. Insurance may cover some of the costs associated with these claims and proceedings. Although it is not possible to predict with certainty the outcome or cost of these matters, the Company believes they will not have a material adverse effect on the consolidated financial statements.

In December 2011, Pepsi-Cola Metropolitan Bottling Company, Inc. ("Pepsi") filed an action against (a) Cooper Industries, LLC, Cooper Industries, Ltd., Cooper Holdings, Ltd., Cooper US, Inc., and Cooper Industries plc (collectively, "Cooper"), (b) M&F Worldwide Corp., Mafco Worldwide Corp., Mafco Consolidated Group LLC, and PCT International Holdings, Inc. (collectively, "Mafco"), and (c) the Pneumo Abex Asbestos Claims Settlement Trust (the "Trust") in Texas state court. Pepsi alleged that it was harmed by a 2011 settlement agreement ("2011 Settlement") among Cooper, Mafco, and Pneumo Abex, LLC ("Pneumo," which prior to the 2011 Settlement was a Mafco subsidiary), which settlement resolved litigation that Pneumo had previously brought against Cooper involving, among other things, a guaranty related to Pneumo's friction products business. In November 2015, after a Texas court ruled that Pepsi's claims should be heard in arbitration, Pepsi filed a demand for arbitration against Cooper, Mafco, the Trust, and Pneumo. Pepsi subsequently dropped claims against all parties except Cooper. An arbitration under the auspices of the American Arbitration Association commenced in October 2017. Pepsi's experts opined, among other things, that the value contributed to the Trust for a release of the guaranty was below reasonably equivalent value, and that an inability of Pneumo to satisfy future liabilities could result in plaintiffs suing Pepsi under various theories. Cooper submitted various expert reports and, among other things, Cooper's experts opined that Pepsi had no basis to seek any damages and that Cooper paid reasonably equivalent value for the release of its indemnity obligations under the guaranty. The arbitration proceedings closed in December 2017. On July 11, 2018, the arbitration panel made certain findings and concluded that the value contributed to the Trust did not constitute reasonably equivalent value, but ordered the parties to recalculate the amount that should have been contributed to the Trust as of the date of the 2011 transaction. Based on the findings made by the panel and the recalculation ordered by the panel, Cooper believed that no additional amount should be contributed. Pepsi argued that an additional \$347 should be contributed. Cooper and its expert disagreed with Pepsi's argument and believed that Pepsi's recalculation was flawed and failed to comply with the instructions of the panel. On August 23, 2018, the panel issued its final award and ordered Cooper to pay \$293 to Pneumo Abex. On August 30, 2018, Pepsi sought to confirm the award in Texas state court, which Cooper opposed on October 9, 2018. Cooper further requested that the court vacate the award on various grounds, including that Cooper was prejudiced by the conduct of the proceedings, the panel exceeded its powers, and because the panel denied Cooper a full and fair opportunity to present certain evidence. The court confirmed the award at the confirmation hearing, which was held on October 12, 2018. On November 2, 2018, the Company appealed. On November 28, 2018, the Company paid \$297, the full judgment plus accrued post-judgment interest, to Pneumo Abex and preserved its rights, including to appeal. On April 25, 2019, the appeal that Cooper filed was dismissed.

Note 9. INCOME TAXES

The effective income tax rate for the first quarter of 2019 was expense of 13.5% compared to expense of 13.8% for the first quarter of 2018.

As the Company has previously disclosed, Eaton's United States subsidiaries ("Eaton US") received a Notice in 2014 from the Internal Revenue Service ("IRS") for tax years 2007 through 2010 which included proposed assessments involving two issues: the recognition of income for several of Eaton US's controlled foreign corporations, and transfer pricing adjustments for products manufactured in the Company's facilities in Puerto Rico and the Dominican Republic and sold to affiliated companies located in the United States. The Company believed the proposed assessments were

without merit and contested both matters in the United States Tax Court ("Tax Court"). Eaton US and the IRS both moved for partial summary judgment on the controlled foreign corporation income recognition issue. The Tax Court heard oral arguments on the motions in January 2018, following which the Court ordered further briefing, which was completed in March 2018. On February 25, 2019, the Tax Court granted the IRS's motion for partial summary judgment and denied Eaton's. The Company intends to appeal the Tax Court's partial summary judgment decision to the United States Sixth Circuit Court of Appeals. The Company believes that it will be successful on appeal and has not recorded any additional impact of the Tax Court's decision in its consolidated financial statements. As previously disclosed, the transfer pricing issue included in the Notice remains unresolved at this point. The total potential impact of the Tax Court's partial summary judgment decision on the controlled foreign corporation income recognition issue is not estimable until all matters in the open tax years have been resolved.

Table of Contents

Note 10. EQUITY

On February 24, 2016, the Board of Directors adopted a share repurchase program for share repurchases up to \$2,500 of ordinary shares (2016 Program). During the first quarter of 2018, 3.7 million ordinary shares were repurchased under the 2016 Program in the open market at a total cost of \$300. On February 27, 2019, the Board of Directors adopted a new share repurchase program for share repurchases up to \$5,000 of ordinary shares (2019 Program). Under the 2019 Program, the ordinary shares are expected to be repurchased over time, depending on market conditions, the market price of ordinary shares, capital levels, and other considerations. During the first quarter of 2019, 1.9 million ordinary shares were repurchased under the 2019 Program in the open market at a total cost of \$150.

The changes in Shareholders' equity follow:

(In millions)	Ordinary shares	Dollars	Capital in excess of par value	Retained earnings	Accumulated other comprehensive loss	Shares held via trust	Total Eaton shareholders' equity	Noncontrolling interests	Total equity
Balance at December 31, 2018	423.6	\$ 4	\$ 12,090	\$ 8,161	\$ (4,145)	\$ (3)	\$ 16,107	\$ 35	\$ 16,142
Net income	—	—	—	522	—	—	522	—	522
Other comprehensive income, net of tax	—	—	—	—	67	—	67	—	67
Cash dividends paid and accrued	—	—	—	(309)	—	—	(309)	(1)	(310)
Issuance of shares under equity-based compensation plans	1.4	—	(5)	1	—	—	(4)	—	(4)
Repurchase of shares	(1.9)	—	—	(150)	—	—	(150)	—	(150)
Balance at March 31, 2019	423.1	\$ 4	\$ 12,085	\$ 8,225	\$ (4,078)	\$ (3)	\$ 16,233	\$ 34	\$ 16,267

(In millions)	Ordinary shares	Dollars	Capital in excess of par value	Retained earnings	Accumulated other comprehensive loss	Shares held via trust	Total Eaton shareholders' equity	Noncontrolling interests	Total equity
Balance at December 31, 2017	439.9	\$ 4	\$ 11,987	\$ 8,669	\$ (3,404)	\$ (3)	\$ 17,253	\$ 37	\$ 17,290
Cumulative-effect adjustment upon adoption of ASU 2014-09	—	—	—	(2)	—	—	(2)	—	(2)
Cumulative-effect adjustment upon adoption of ASU 2016-16	—	—	—	(199)	—	—	(199)	—	(199)
Net income	—	—	—	488	—	—	488	(1)	487
Other comprehensive income, net of tax	—	—	—	—	296	—	296	—	296
Cash dividends paid and accrued	—	—	—	(290)	—	—	(290)	—	(290)
Issuance of shares under equity-based compensation plans	1.1	—	18	(1)	—	—	17	—	17
Changes in noncontrolling interest of consolidated subsidiaries - net	—	—	—	—	—	—	—	2	2
Repurchase of shares	(3.7)	—	—	(300)	—	—	(300)	—	(300)
Balance at March 31, 2018	437.3	\$ 4	\$ 12,005	\$ 8,365	\$ (3,108)	\$ (3)	\$ 17,263	\$ 38	\$ 17,301

The changes in Accumulated other comprehensive loss follow:

Total

Edgar Filing: Eaton Corp plc - Form 10-Q

	Currency translation and related hedging instruments	Pensions and other postretirement benefits	Cash flow hedges	
Balance at December 31, 2018	\$ (2,864)	\$ (1,278)	\$ (3)	\$(4,145)
Other comprehensive (loss) income before reclassifications	53	(7)	(5)	41
Amounts reclassified from Accumulated other comprehensive loss	—	28	(2)	26
Net current-period Other comprehensive (loss) income	53	21	(7)	67
Balance at March 31, 2019	\$ (2,811)	\$ (1,257)	\$ (10)	\$(4,078)

14

Table of Contents

The reclassifications out of Accumulated other comprehensive loss follow:

	Three months ended March 31, 2019	Consolidated statements of income classification
Amortization of defined benefit pensions and other postretirement benefits items		
Actuarial loss and prior service cost	\$ (32) ¹	
Tax benefit	4	
Total, net of tax	(28)	
Gains and (losses) on cash flow hedges		
Currency exchange contracts	2	Cost of products sold
Tax expense	—	
Total, net of tax	2	
Total reclassifications for the period	\$ (26)	

¹ These components of Accumulated other comprehensive loss are included in the computation of net periodic benefit cost. See Note 7 for additional information about pension and other postretirement benefits items.

Net Income Per Share Attributable to Eaton Ordinary Shareholders

A summary of the calculation of net income per share attributable to Eaton ordinary shareholders follows:

	Three months ended March 31	
(Shares in millions)	2019	2018
Net income attributable to Eaton ordinary shareholders	\$522	\$488
Weighted-average number of ordinary shares outstanding - diluted	425.9	441.7
Less dilutive effect of equity-based compensation	1.9	2.9
Weighted-average number of ordinary shares outstanding - basic	424.0	438.8
Net income per share attributable to Eaton ordinary shareholders		
Diluted	\$1.23	\$1.10
Basic	1.23	1.11

For the first quarter of 2019 and 2018, 1.6 million and 0.1 million stock options, respectively, were excluded from the calculation of diluted net income per share attributable to Eaton ordinary shareholders because the exercise price of the options exceeded the average market price of the ordinary shares during the period and their effect, accordingly, would have been antidilutive.

Table of Contents

Note 11. FAIR VALUE MEASUREMENTS

Fair value is measured based on an exit price, representing the amount that would be received to sell an asset or paid to satisfy a liability in an orderly transaction between market participants. Fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, a fair value hierarchy is established, which categorizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

A summary of financial instruments recognized at fair value, and the fair value measurements used, follows:

	Total	Level 1	Level 2	Level 3
March 31, 2019				
Cash	\$ 303	\$ 303	\$ —	—
Short-term investments	143	143	—	—
Net derivative contracts	17	—	17	—
December 31, 2018				
Cash	\$ 283	\$ 283	\$ —	—
Short-term investments	157	157	—	—
Net derivative contracts	14	—	14	—

Eaton values its financial instruments using an industry standard market approach, in which prices and other relevant information is generated by market transactions involving identical or comparable assets or liabilities. No financial instruments were measured using unobservable inputs.

Other Fair Value Measurements

Long-term debt and the current portion of long-term debt had a carrying value of \$6,824 and fair value of \$7,024 at March 31, 2019 compared to \$7,107 and \$7,061, respectively, at December 31, 2018. The fair value of Eaton's debt instruments were estimated using prevailing market interest rates on debt with similar creditworthiness, terms and maturities, and are considered a Level 2 fair value measurement.

Table of Contents

Note 12. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

In the normal course of business, Eaton is exposed to certain risks related to fluctuations in interest rates, currency exchange rates and commodity prices. The Company uses various derivative and non-derivative financial instruments, primarily interest rate swaps, currency forward exchange contracts, currency swaps and, commodity contracts to manage risks from these market fluctuations. The instruments used by Eaton are straightforward, non-leveraged instruments. The counterparties to these instruments are financial institutions with strong credit ratings. Eaton maintains control over the size of positions entered into with any one counterparty and regularly monitors the credit rating of these institutions. Such instruments are not purchased and sold for trading purposes.

Derivative financial instruments are accounted for at fair value and recognized as assets or liabilities in the Consolidated Balance Sheets. Accounting for the gain or loss resulting from the change in the fair value of the derivative financial instrument depends on whether it has been designated, and is effective, as part of a hedging relationship and, if so, as to the nature of the hedging activity. Eaton formally documents all relationships between derivative financial instruments accounted for as designated hedges and the hedged item, as well as its risk-management objective and strategy for undertaking the hedge transaction. This process includes linking derivative financial instruments to a recognized asset or liability, specific firm commitment, forecasted transaction, or net investment in a foreign operation. These financial instruments can be designated as:

- Hedges of the change in the fair value of a recognized fixed-rate asset or liability, or the firm commitment to acquire such an asset or liability (a fair value hedge); for these hedges, the gain or loss from the derivative financial instrument, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized in income during the period of change in fair value.

Hedges of the variable cash flows of a recognized variable-rate asset or liability, or the forecasted acquisition of such an asset or liability (a cash flow hedge); for these hedges, the gain or loss from the derivative financial instrument is recognized in Accumulated other comprehensive income and reclassified to income in the same period when the gain or loss on the hedged item is included in income.

Hedges of the currency exposure related to a net investment in a foreign operation (a net investment hedge); for these hedges, the gain or loss from the derivative financial instrument is recognized in Accumulated other comprehensive income and reclassified to income in the same period when the gain or loss related to the net investment in the foreign operation is included in income.

The gain or loss from a derivative financial instrument designated as a hedge is classified in the same line of the Consolidated Statements of Income as the offsetting loss or gain on the hedged item. The cash flows resulting from these financial instruments are classified in operating activities on the Condensed Consolidated Statements of Cash Flows.

For derivatives that are not designated as a hedge, any gain or loss is immediately recognized in income. The majority of derivatives used in this manner relate to risks resulting from assets or liabilities denominated in a foreign currency and certain commodity contracts that arise in the normal course of business.

Eaton uses certain of its debt denominated in foreign currency to hedge portions of its net investments in foreign operations against foreign currency exposure (net investment hedges). Foreign currency denominated debt designated as a non-derivative net investment hedging instrument had a carrying value on a pre-tax basis of \$612 at March 31, 2019 and \$623 at December 31, 2018.

Table of Contents

Derivative Financial Statement Impacts

The fair value of derivative financial instruments recognized in the Consolidated Balance Sheets follows:

	Notional amount	Other current assets	Other noncurrent assets	Other current liabilities	Other noncurrent liabilities	Type of hedge	Term
March 31, 2019							
Derivatives designated as hedges							
Fixed-to-floating interest rate swaps	\$ 2,250	\$ —	\$ 32	\$ —	\$ 14	Fair value	3 months to 16 years
Forward starting floating-to-fixed interest rate swaps	300	—	—	—	12	Cash flow	34 years
Currency exchange contracts	1,000	14	1	9	6	Cash flow	1 to 36 months
Commodity contracts	16	2	—	—	—	Cash flow	1 to 9 months
Total		\$ 16	\$ 33	\$ 9	\$ 32		
Derivatives not designated as hedges							
Currency exchange contracts	\$ 4,165	\$ 18		\$ 9			1 to 12 months
Commodity contracts	9	—		—			1 month
Total		\$ 18		\$ 9			
December 31, 2018							
Derivatives designated as hedges							
Fixed-to-floating interest rate swaps	\$ 2,550	\$ —	\$ 22	\$ 1	\$ 26	Fair value	3 months to 16 years
Forward starting floating-to-fixed interest rate swaps	100	—	—	—	3	Cash flow	34 years
Currency exchange contracts	951	19	2	11	8	Cash flow	1 to 36 months
Total		\$ 19	\$ 24	\$ 12	\$ 37		
Derivatives not designated as hedges							
Currency exchange contracts	\$ 3,886	\$ 40		\$ 20			1 to 12 months
Total		\$ 40		\$ 20			

The currency exchange contracts shown in the table above as derivatives not designated as hedges are primarily contracts entered into to manage currency volatility or exposure on intercompany receivables, payables and loans. While Eaton does not elect hedge accounting treatment for these derivatives, Eaton targets managing 100% of the intercompany balance sheet exposure to minimize the effect of currency volatility related to the movement of goods and services in the normal course of its operations. This activity represents the great majority of these currency exchange contracts. For the three months ended March 31, 2019, \$51 of cash inflow resulting from the settlement of these derivatives has been classified in investing activities on the Condensed Consolidated Statement of Cash Flows. The net cash flow from the settlement of these derivatives has been presented in operating activities in prior periods and have not been restated as such amounts are not material.

Table of Contents

As of March 31, 2019, the volume of outstanding commodity contracts that were entered into to hedge forecasted transactions:

March 31,
2019
(millions
Commodity of Term
pounds)

Copper 6 1 to 9 months

The following amounts were recorded on the consolidated balance sheet related to fixed-to-floating interest rate swaps:

Location on Consolidated Balance Sheet	Carrying amount of the hedged assets (liabilities)	Cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged asset (liabilities) ^(a)
	March 31, 2019	March 31, 2019
Long-term debt	\$ (2,863)	\$ (60)

^(a) At March 31, 2019, these amounts include the cumulative liability amount of fair value hedging adjustments remaining for which the hedge accounting has been discontinued of \$42.

The impact of hedging activities to the Consolidated Statement of Income are as follow:

Amounts from Consolidated Statement of Income	Three months ended March 31, 2019		
	Net Sales	Cost of products sold	Interest expense - net
Gain (loss) on derivatives designated as cash flow hedges			
Currency exchange contracts			
Hedged item	\$3	\$(5)	\$ —
Derivative designated as hedging instrument	(3)	5	—
Commodity contracts			
Hedged item	\$—	\$—	\$ —
Derivative designated as hedging instrument	—	—	—
Gain (loss) on derivatives designated as fair value hedges			
Fixed-to-floating interest rate swaps			
Hedged item	\$—	\$—	\$(23)
Derivative designated as hedging instrument	—	—	23

Table of Contents

The impact of derivatives not designated as hedges to the Consolidated Statement of Income are as follow:

	Gain (loss) recognized in Consolidated Statement of Income Three months ended March 31 2019	Consolidated Statement of Income classification
Gain (loss) on derivatives not designated as hedges		
Currency exchange contracts	\$ 40	Other income - net
Commodity Contracts	1	Cost of products sold
Total	\$ 41	

The impact of derivative and non-derivative instruments designated as hedges to the Consolidated Statement of Income and Comprehensive Income follow:

	Gain (loss) recognized in other comprehensive (loss) income	Location of gain (loss) reclassified from Accumulated other comprehensive loss	Gain (loss) reclassified from Accumulated other comprehensive loss
	Three months ended March 31 2019	Three months ended March 31 2018	Three months ended March 31 2019
Derivatives designated as cash flow hedges			
Forward starting floating-to-fixed interest rate swaps	\$ (9) \$ —	Interest expense - net	\$ — \$ —
Currency exchange contracts	— 13	Cost of products sold	2 (4)
Commodity contracts	2 —	Cost of products sold	— —
Non-derivative designated as net investment hedges			
Foreign currency denominated debt	12 (24)	Other income - net	— —
Total	\$ 5 \$ (11)		\$ 2 \$ (4)

At March 31, 2019 and March 31, 2018, a gain of \$7 and a loss of \$6, respectively, of estimated unrealized net gains or losses associated with our cash flow hedges were expected to be reclassified to income from Accumulated other comprehensive loss within the next twelve months.

Note 13. INVENTORY

Inventory is carried at lower of cost or net realizable value. The components of inventory follow:

March 31, 2019	December 31, 2018
-------------------	----------------------

Raw materials	\$ 1,120	\$ 1,077
Work-in-process	549	500
Finished goods	1,228	1,208
Total inventory	\$ 2,897	\$ 2,785

Table of Contents

Note 14. BUSINESS SEGMENT INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated on a regular basis by the chief operating decision maker, or decision making group, in deciding how to allocate resources to an individual segment and in assessing performance. Eaton's operating segments are Electrical Products, Electrical Systems and Services, Hydraulics, Aerospace, Vehicle, and eMobility. Operating profit includes the operating profit from intersegment sales. For additional information regarding Eaton's business segments, see Note 16 to the Consolidated Financial Statements contained in the 2018 Form 10-K.

	Three months ended March 31	
	2019	2018
Net sales		
Electrical Products	\$1,760	\$1,732
Electrical Systems and Services	1,464	1,381
Hydraulics	686	710
Aerospace	502	458
Vehicle	810	893
eMobility	83	77
Total net sales	\$5,305	\$5,251
Segment operating profit		
Electrical Products	\$331	\$307
Electrical Systems and Services	192	167
Hydraulics	80	90
Aerospace	116	89
Vehicle	122	132
eMobility	5	11
Total segment operating profit	846	796
Corporate		
Amortization of intangible assets	(93)	(98)
Interest expense - net	(66)	(70)
Pension and other postretirement benefits expense	—	(2)
Other corporate expense - net	(84)	(61)
Income before income taxes	603	565
Income tax expense	81	78
Net income	522	487
Less net loss for noncontrolling interests	—	1
Net income attributable to Eaton ordinary shareholders	\$522	\$488

Note 15. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

The Registered Senior Notes issued by Eaton Corporation are registered under the Securities Act of 1933. Eaton and certain of Eaton's 100% owned direct and indirect subsidiaries (the Guarantors) fully and unconditionally guaranteed (subject, in the case of the Guarantors, other than Eaton, to customary release provisions as described below), on a joint and several basis, the Registered Senior Notes. The following condensed consolidating financial statements are included so that separate financial statements of Eaton, Eaton Corporation and each of the Guarantors are not required to be filed with the Securities and Exchange Commission. The consolidating adjustments primarily relate to eliminations of investments in subsidiaries and intercompany balances and transactions. The condensed consolidating financial statements present investments in subsidiaries using the equity method of accounting. See Note 7 of Eaton's 2018 Form 10-K for additional information related to the Registered Senior Notes.

The guarantee of a Guarantor that is not a parent of the issuer will be automatically and unconditionally released and discharged in the event of any sale of the Guarantor or of all or substantially all of its assets, or in connection with the release or termination of the Guarantor as a guarantor under all other U.S. debt securities or U.S. syndicated credit facilities, subject to limitations set forth in the indenture. The guarantee of a Guarantor that is a direct or indirect parent of the issuer will only be automatically and unconditionally released and discharged in connection with the release or termination of such Guarantor as a guarantor under all other debt securities or syndicated credit facilities (in both cases, U.S. or otherwise), subject to limitations set forth in the indenture.

During 2018, the Company undertook certain steps to restructure ownership of various subsidiaries. The transactions were entirely among wholly-owned subsidiaries under the common control of Eaton. These restructurings have been reflected as of the beginning of the earliest period presented below.

CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2019

	Eaton Corporation plc	Eaton Corporation	Guarantors	Other subsidiaries	Consolidating adjustments	Total
Net sales	\$ —	\$ 1,758	\$ 1,820	\$ 3,038	\$ (1,311)	\$ 5,305
Cost of products sold	—	1,390	1,289	2,195	(1,301)	3,573
Selling and administrative expense	4	361	205	347	—	917
Research and development expense	—	41	38	77	—	156
Interest expense (income) - net	—	70	4	(7)	(1)	66
Other expense (income) - net	(12)	(8)	(8)	18	—	(10)
Equity in loss (earnings) of subsidiaries, net of tax	(527)	(306)	(831)	(735)	2,399	—
Intercompany expense (income) - net	13	(36)	447	(424)	—	—
Income (loss) before income taxes	522	246	676	1,567	(2,408)	603
Income tax expense (benefit)	—	9	(12)	86	(2)	81
Net income (loss)	522	237	688	1,481	(2,406)	522
Less net loss (income) for noncontrolling interests	—	—	—	—	—	—
Net income (loss) attributable to Eaton ordinary shareholders	\$ 522	\$ 237	\$ 688	\$ 1,481	\$ (2,406)	\$ 522
Other comprehensive income (loss)	\$ 67	\$ (6)	\$ 72	\$ 91	\$ (157)	\$ 67
Total comprehensive income (loss) attributable to Eaton ordinary shareholders	\$ 589	\$ 231	\$ 760	\$ 1,572	\$ (2,563)	\$ 589

CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2018

	Eaton Corporation plc	Eaton Corporation	Guarantors	Other subsidiaries	Consolidating adjustments	Total
Net sales	\$ —	\$ 1,689	\$ 1,700	\$ 3,191	\$ (1,329)	\$ 5,251
Cost of products sold	—	1,352	1,236	2,310	(1,325)	3,573
Selling and administrative expense	3	341	178	367	—	889
Research and development expense	—	39	41	76	—	156
Interest expense (income) - net	—	68	4	(1)	(1)	70
Other expense (income) - net	18	5	(9)	(16)	—	(2)
Equity in loss (earnings) of subsidiaries, net of tax	(514)	(248)	(797)	(641)	2,200	—
Intercompany expense (income) - net	5	(22)	487	(470)	—	—
Income (loss) before income taxes	488	154	560	1,566	(2,203)	565
Income tax expense (benefit)	—	(6)	(14)	99	(1)	78
Net income (loss)	488	160	574	1,467	(2,202)	487
Less net loss (income) for noncontrolling interests	—	—	—	1	—	1
Net income (loss) attributable to	\$ 488	\$ 160	\$ 574	\$ 1,468	\$ (2,202)	\$ 488

Eaton ordinary shareholders

Other comprehensive income (loss)	\$ 296	\$ 10	\$ 284	\$ 609	\$ (903	) \$296
Total comprehensive income						
(loss) attributable to Eaton ordinary shareholders	\$ 784	\$ 170	\$ 858	\$ 2,077	\$ (3,105	) \$784

CONDENSED CONSOLIDATING BALANCE SHEETS
MARCH 31, 2019

	Eaton Corporation plc	Eaton Corporation	Guarantors	Other subsidiaries	Consolidating adjustments	Total
Assets						
Current assets						
Cash	\$ 2	\$ 18	\$ 11	\$ 272	\$ —	\$ 303
Short-term investments	—	—	—	143	—	143
Accounts receivable - net	—	492	1,381	1,992	—	3,865
Intercompany accounts receivable	16	1,452	1,809	2,141	(5,418)	—
Inventory	—	559	850	1,574	(86)	2,897
Prepaid expenses and other current assets	—	116	26	377	17	536
Total current assets	18	2,637	4,077	6,499	(5,487)	7,744
Property, plant and equipment - net	—	850	673	1,950	—	3,473
Other noncurrent assets						
Goodwill	—	1,330	6,705	5,283	—	13,318
Other intangible assets	—	126	3,016	1,612	—	4,754
Operating lease assets	—	139	49	232	—	420
Deferred income taxes	—	318	—	302	(311)	309
Investment in subsidiaries	17,045	8,012	72,214	26,299	(123,570)	—
Intercompany loans receivable	1,009	6,417	7,241	59,957	(74,624)	—
Other assets	—	755	155	721	—	1,631
Total assets	\$ 18,072	\$ 20,584	\$ 94,130	\$ 102,855	\$ (203,992)	\$ 31,649
Liabilities and shareholders' equity						
Current liabilities						
Short-term debt	\$ —	\$ 730	\$ —	\$ 11	\$ —	\$ 741
Current portion of long-term debt	—	41	—	1	—	42
Accounts payable	—	514	460	1,300	—	2,274
Intercompany accounts payable	25	1,216	2,460	1,717	(5,418)	—
Accrued compensation	—	48	32	222	—	302
Other current liabilities	8	597	258	1,065	(1)	1,927
Total current liabilities	33	3,146	3,210	4,316	(5,419)	5,286
Noncurrent liabilities						
Long-term debt	—	5,842	933	6	1	6,782
Pension liabilities	—	381	129	755	—	1,265
Other postretirement benefits liabilities	—	165	82	73	—	320
Operating lease liabilities	—	100	37	171	—	308
Deferred income taxes	—	—	506	165	(311)	360
Intercompany loans payable	1,806	5,791	66,260	767	(74,624)	—

Edgar Filing: Eaton Corp plc - Form 10-Q

Other noncurrent liabilities	—	395	289	377	—	1,061
Total noncurrent liabilities	1,806	12,674	68,236	2,314	(74,934	) 10,096
Shareholders' equity						
Eaton shareholders' equity	16,233	4,764	22,684	96,191	(123,639	) 16,233
Noncontrolling interests	—	—	—	34	—	34
Total equity	16,233	4,764	22,684	96,225	(123,639	) 16,267
Total liabilities and equity	\$ 18,072	\$ 20,584	\$ 94,130	\$ 102,855	\$ (203,992	) \$31,649

24

CONDENSED CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 2018

	Eaton Corporation plc	Eaton Corporation	Guarantors	Other subsidiaries	Consolidating adjustments	Total
Assets						
Current assets						
Cash	\$ 1	\$ 21	\$ —	\$ 261	\$ —	\$283
Short-term investments	—	—	—	157	—	157
Accounts receivable - net	—	483	1,400	1,975	—	3,858
Intercompany accounts receivable	—	1,575	1,851	2,968	(6,394)	—
Inventory	—	540	766	1,555	(76)	2,785
Prepaid expenses and other current assets	—	107	32	354	14	507
Total current assets	1	2,726	4,049	7,270	(6,456)	7,590
Property, plant and equipment - net	—	843	678	1,946	—	3,467
Other noncurrent assets						
Goodwill	—	1,330	6,705	5,293	—	13,328
Other intangible assets	—	128	3,054	1,664	—	4,846
Deferred income taxes	—	340	—	288	(335)	293
Investment in subsidiaries	16,476	7,658	71,334	25,551	(121,019)	—
Intercompany loans receivable	1,508	5,843	8,406	59,147	(74,904)	—
Other assets	—	746	117	705	—	1,568
Total assets	\$ 17,985	\$ 19,614	\$ 94,343	\$ 101,864	\$(202,714)	\$31,092
Liabilities and shareholders' equity						
Current liabilities						
Short-term debt	\$ —	\$ 388	\$ —	\$ 26	\$ —	\$414
Current portion of long-term debt	—	338	—	1	—	339
Accounts payable	—	496	416	1,218	—	2,130
Intercompany accounts payable	32	1,127	3,206	2,029	(6,394)	—
Accrued compensation	—	135	71	251	—	457
Other current liabilities	30	525	259	1,002	(2)	1,814
Total current liabilities	62	3,009	3,952	4,527	(6,396)	5,154
Noncurrent liabilities						
Long-term debt	—	5,814	945	7	2	6,768
Pension liabilities	—	383	130	791	—	1,304
Other postretirement benefits liabilities	—	166	83	72	—	321
Deferred income taxes	—	1	508	175	(335)	349
Intercompany loans payable	1,816	5,182	66,507	1,399	(74,904)	—
Other noncurrent liabilities	—	389	291	374	—	1,054
Total noncurrent liabilities	1,816	11,935	68,464	2,818	(75,237)	9,796

Shareholders' equity						
Eaton shareholders' equity	16,107	4,670	21,927	94,484	(121,081	) 16,107
Noncontrolling interests	—	—	—	35	—	35
Total equity	16,107	4,670	21,927	94,519	(121,081	) 16,142
Total liabilities and equity	\$ 17,985	\$ 19,614	\$ 94,343	\$ 101,864	\$ (202,714	) \$31,092

25

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2019

	Eaton Corporation plc	Eaton Corporation	Guarantors	Other subsidiaries	Consolidating adjustments	Total
Net cash provided by (used in) operating activities	\$ (36)	\$ (19)	\$ 202	\$ 404	\$ —	\$ 551
Investing activities						
Capital expenditures for property, plant and equipment	—	(27)	(28)	(94)	—	(149)
Sales (purchases) of short-term investments - net	—	—	—	16	—	16
Loans to affiliates	—	(185)	—	(1,665)	1,850	—
Repayments of loans from affiliates	—	272	—	1,416	(1,688)	—
Proceeds (payments) for settlement of currency exchange contracts not designated as hedges - net	—	(2)	—	53	—	51
Other - net	—	(5)	24	(5)	—	14
Net cash provided by (used in) investing activities	—	53	(4)	(279)	162	(68)
Financing activities						
Proceeds from borrowings	—	342	—	—	—	342
Payments on borrowings	—	(301)	—	(14)	—	(315)
Proceeds from borrowings from affiliates	499	1,133	33	185	(1,850)	—
Payments on borrowings from affiliates	—	(1,386)	(30)	(272)	1,688	—
Other intercompany financing activities	—	204	(184)	(20)	—	—
Cash dividends paid	(302)	—	—	—	—	(302)
Exercise of employee stock options	20	—	—	—	—	20
Repurchase of shares	(180)	—	—	—	—	(180)
Employee taxes paid from shares withheld	—	(29)	(6)	—	—	(35)
Other - net	—	—	—	(1)	—	(1)
Net cash provided by (used in) financing activities	37	(37)	(187)	(122)	(162)	(471)
Effect of currency on cash	—	—	—	8	—	8
Total increase (decrease) in cash	1	(3)	11	11	—	20
Cash at the beginning of the period	1	21	—	261	—	283
Cash at the end of the period	\$ 2	\$ 18	\$ 11	\$ 272	\$ —	\$ 303

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2018

	Eaton Corporation plc	Eaton Corporation	Guarantors	Other subsidiaries	Consolidating adjustments	Total
Net cash provided by (used in) operating activities	\$ 2	\$ (49)	\$ 82	\$ 304	\$ —	\$339
Investing activities						
Capital expenditures for property, plant and equipment	—	(23)	(24)	(84)	—	(131)
Sales (purchases) of short-term investments - net	—	—	—	31	—	31
Investments in affiliates	—	(36)	—	—	36	—
Loans to affiliates	—	—	(486)	(1,177)	1,663	—
Repayments of loans from affiliates	—	16	886	1,299	(2,201)	—
Other - net	—	(15)	(4)	(18)	—	(37)
Net cash provided by (used in) investing activities	—	(58)	372	51	(502)	(137)
Financing activities						
Proceeds from borrowings	—	90	—	89	—	179
Payments on borrowings	—	—	(33)	—	—	(33)
Proceeds from borrowings from affiliates	585	1,050	28	—	(1,663)	—
Payments on borrowings from affiliates	(22)	(1,409)	(16)	(754)	2,201	—
Capital contributions from affiliates	—	—	—	36	(36)	—
Other intercompany financing activities	—	220	(441)	221	—	—
Cash dividends paid	(284)	—	—	—	—	(284)
Exercise of employee stock options	19	—	—	—	—	19
Repurchase of shares	(300)	—	—	—	—	(300)
Employee taxes paid from shares withheld	—	(16)	(4)	(3)	—	(23)
Other - net	—	(1)	—	—	—	(1)
Net cash provided by (used in) financing activities	(2)	(66)	(466)	(411)	502	(443)
Effect of currency on cash	—	—	—	(3)	—	(3)
Total increase (decrease) in cash	—	(173)	(12)	(59)	—	(244)
Cash at the beginning of the period	—	183	18	360	—	561
Cash at the end of the period	\$ —	\$ 10	\$ 6	\$ 301	\$ —	\$317

Table of ContentsITEM MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF
2. OPERATIONS.

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

COMPANY OVERVIEW

Eaton Corporation plc (Eaton or the Company) is a power management company with 2018 net sales of \$21.6 billion. The Company provides energy-efficient solutions that help its customers effectively manage electrical, hydraulic, and mechanical power more reliably, safely, and sustainably. Eaton has approximately 99,000 employees in over 59 countries and sells products to customers in more than 175 countries.

Summary of Results of Operations

A summary of Eaton's Net sales, Net income attributable to Eaton ordinary shareholders, and Net income per share attributable to Eaton ordinary shareholders - diluted follows:

	Three months ended March 31	
	2019	2018
Net sales	\$5,305	\$5,251
Net income attributable to Eaton ordinary shareholders	522	488
Net income per share attributable to Eaton ordinary shareholders - diluted	\$1.23	\$1.10

On April 15, 2019, Eaton completed the acquisition of an 82.275% controlling interest in Ulusoy Elektrik Imalat Taahhut ve Ticaret A.S., a leading manufacturer of electrical switchgear based in Ankara, Turkey, with a primary focus on medium voltage solutions for industrial and utility customers. Its sales for the 12 months ended September 30, 2018 were \$126. The purchase price for the shares is approximately \$214 on a cash and debt free basis. As required by the Turkish capital markets legislation, Eaton filed an application to execute a mandatory tender offer for the remaining shares shortly after the transaction closed.

On March 1, 2019, the Company announced it plans to pursue a tax-free spin-off of its Lighting business. The spin-off will create an independent, publicly traded company and is expected to be completed by the end of 2019.

Table of Contents

RESULTS OF OPERATIONS

Non-GAAP Financial Measures

The following discussion of Consolidated Financial Results and Business Segment Results of Operations includes certain non-GAAP financial measures. These financial measures include adjusted earnings, adjusted earnings per ordinary share, and operating profit before acquisition integration and divestiture 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 adjusted earnings and adjusted earnings per ordinary share to the most directly comparable GAAP measure is included in the table below. Operating profit before acquisition integration and divestiture charges is reconciled in the discussion of the operating results of each business segment, and excludes acquisition integration and divestiture expense related primarily to the planned spin-off of the Lighting business. Management believes that these financial measures are useful to investors because they exclude certain transactions, allowing investors to more easily compare Eaton's financial performance period to period. Management uses this information in monitoring and evaluating the on-going performance of Eaton and each business segment. For additional information on acquisition integration and divestiture charges, see Note 3 to the Condensed Consolidated Financial Statements.

Consolidated Financial Results

	Three months ended		Increase	
	March 31		(decrease)	
	2019	2018		
Net sales	\$5,305	\$5,251	1	%
Gross profit	1,732	1,678	3	%
Percent of net sales	32.6	% 32.0	%	
Income before income taxes	603	565	7	%
Net income	522	487	7	%
Less net loss for noncontrolling interests	—	1		
Net income attributable to Eaton	522	488	7	%
ordinary shareholders				
Excluding acquisition integration and divestiture charges, after-tax (Note 3)	11	—		
Adjusted earnings	\$533	\$488	9	%
Net income per share attributable to Eaton ordinary shareholders - diluted	\$1.23	\$1.10	12	%
Excluding per share impact of acquisition integration and divestiture charges, after-tax (Note 3)	0.03	—		
Adjusted earnings per ordinary share	\$1.26	\$1.10	15	%

Net Sales

Net sales increased 1% in the first quarter of 2019 compared to the first quarter of 2018 due to an increase of 4% in organic sales, partially offset by a decrease of 3% from the impact of negative currency translation. The increase in organic sales in the first quarter of 2019 was primarily due to higher sales volumes in all business segments, except for Vehicle.

Gross Profit

Gross profit margin increased from 32.0% in the first quarter of 2018 to 32.6% in the first quarter of 2019. The increase in gross profit margin was primarily due to higher sales volumes, other operating improvements in Electrical Products and favorable product mix in the Aerospace business segment.

Income Taxes

The effective income tax rate for the first quarter of 2019 was expense of 13.5%, a slight decrease compared to expense of 13.8% for the first quarter of 2018.

Table of Contents

Net Income

Net income attributable to Eaton ordinary shareholders of \$522 in the first quarter of 2019 increased 7% compared to Net income attributable to Eaton ordinary shareholders of \$488 in the first quarter of 2018. The increase in the first quarter of 2019 was primarily due to higher sales volumes and favorable product mix.

Net income per ordinary share increased to \$1.23 in the first quarter of 2019 compared to \$1.10 in the first quarter of 2018. The increase in the Net income per ordinary share in the first quarter of 2019 was due to higher Net income attributable to Eaton ordinary shareholders and the impact of the Company's share repurchases over the past year.

Adjusted Earnings

Adjusted earnings of \$533 in the first quarter of 2019 increased 9% compared to Adjusted earnings of \$488 in the first quarter of 2018. The increase in Adjusted earnings in the first quarter of 2019 was primarily due to higher Net income attributable to Eaton ordinary shareholders and higher acquisition integration and divestiture charges.

Adjusted earnings per ordinary share increased to \$1.26 in the first quarter of 2019 compared to \$1.10 in the first quarter of 2018. The increase in Adjusted earnings per ordinary share in the first quarter of 2019 was due to higher Adjusted earnings, higher acquisition integration and divestiture charges and the impact of the Company's share repurchases over the past year.

Business Segment Results of Operations

The following is a discussion of Net sales, operating profit and operating margin by business segment, which includes a discussion of operating profit and operating profit margin before acquisition integration and divestiture charges. For additional information related to acquisition integration and divestiture charges, see Note 3 to the Condensed Consolidated Financial Statements.

Electrical Products

	Three months ended		Increase	
	March 31		(decrease)	
	2019	2018		%
Net sales	\$1,760	\$1,732	2	%
Operating profit	\$331	\$307	8	%
Operating margin	18.8	% 17.7	%	
Acquisition integration and divestiture charges	\$1	\$—		

Before acquisition integration and divestiture charges

Operating profit	\$332	\$307	8	%
Operating margin	18.9	% 17.7	%	

Net sales increased 2% in the first quarter of 2019 compared to the first quarter of 2018 due to an increase of 5% in organic sales, partially offset by a decrease of 3% from the impact of negative currency translation. Organic sales grew in the first quarter of 2019 in North America, primarily driven by strong growth in commercial and residential markets.

The operating margin increased from 17.7% in the first quarter of 2018 to 18.8% in the first quarter of 2019 due to higher sales volumes and other operating improvements.

The operating margin before acquisition integration and divestiture charges increased from 17.7% in the first quarter of 2018 to 18.9% in the first quarter of 2019 primarily due to an increase in the operating margin, and higher acquisition and divestiture transaction charges.

Table of Contents

Electrical Systems and Services

	Three months ended March 31		Increase (decrease)	
	2019	2018		
Net sales	\$1,464	\$1,381	6	%
Operating profit	\$192	\$167	15	%
Operating margin	13.1 %	12.1 %		

Net sales increased 6% in the first quarter of 2019 compared to the first quarter of 2018 due to an increase of 8% in organic sales, partially offset by a decrease of 2% from the impact of negative currency translation. The increase in organic sales in the first quarter of 2019 was primarily due to strength in commercial construction markets and data centers.

The operating margin increased from 12.1% in the first quarter of 2018 to 13.1% in the first quarter of 2019 primarily due to higher sales volumes.

Hydraulics

	Three months ended March 31		Increase (decrease)	
	2019	2018		
Net sales	\$686	\$710	(3)	%
Operating profit	\$80	\$90	(11)	%
Operating margin	11.7 %	12.7 %		

Net sales decreased 3% in the first quarter of 2019 compared to the first quarter of 2018 due to a decrease of 4% from the impact of negative currency translation, partially offset by an increase of 1% in organic sales. The increase in organic sales in the first quarter of 2019 was due to growth in construction equipment markets, partially offset by declines in agricultural and industrial equipment markets.

The operating margin decreased from 12.7% in the first quarter of 2018 to 11.7% in the first quarter of 2019 primarily due to unfavorable product mix.

Aerospace

	Three months ended March 31		Increase (decrease)	
	2019	2018		
Net sales	\$502	\$458	10	%
Operating profit	\$116	\$89	30	%
Operating margin	23.1 %	19.4 %		

Net sales increased 10% in the first quarter of 2019 compared to the first quarter of 2018 due to an increase of 11% in organic sales, partially offset by a decrease of 1% from the impact of negative currency translation. The increase in organic sales in the first quarter of 2019 was primarily due to higher sales in commercial markets.

The operating margin increased from 19.4% in the first quarter of 2018 to 23.1% in first quarter of 2019 primarily due to higher sales volumes and favorable product mix.

Table of Contents

Vehicle

	Three months		Increase (decrease)
	ended		
	March 31 2019	2018	
Net sales	\$810	\$893	(9)%

Operating profit \$122 \$132 (8)%

Operating margin 15.1 % 14.8 %

Net sales decreased 9% in the first quarter of 2019 compared to the first quarter of 2018 due to a decrease of 6% in organic sales and a decrease of 3% from the impact of negative currency translation. The decrease in organic sales in the first quarter of 2019 was driven by weakness in global light vehicle markets and revenues transferring over to the Eaton Cummins Automated Transmission Technologies joint venture.

The operating margin increased from 14.8% in the first quarter of 2018 to 15.1% in the first quarter of 2019 primarily due to lower restructuring costs, and other cost control measures, partially offset by lower sales volumes.

eMobility

	Three months		Increase (decrease)
	ended		
	March 31 2019	2018	
Net sales	\$83	\$77	8 %

Operating profit \$5 \$11 (55)%

Operating margin 6.0 % 14.3%

Net sales increased 8% in the first quarter of 2019 compared to the first quarter of 2018 due to an increase of 9% in organic sales, partially offset by a decrease of 1% from the impact of negative currency translation. The increase in organic sales in the first quarter of 2019 was due to strength in North America.

The operating margin decreased from 14.3% in the first quarter of 2018 to 6.0% in the first quarter of 2019 primarily due to increased research and development costs.

Corporate Expense

	Three		Increase (decrease)
	months		
	ended March 31 2019	2018	
Amortization of intangible assets	\$93	\$98	(5)%
Interest expense - net	66	70	(6)%
Pension and other postretirement benefits expense	—	2	(100)%
Other corporate expense - net	84	61	38 %
Total corporate expense	\$243	\$231	5 %

Total corporate expense was \$243 in the first quarter of 2019 compared to corporate expense of \$231 in the first quarter of 2018. The change in Total corporate expense for the first quarter of 2019 was primarily due to costs related to the planned spin-off of the Lighting business discussed in Note 2.

Table of Contents

LIQUIDITY, CAPITAL RESOURCES AND CHANGES IN FINANCIAL CONDITION

Financial Condition and Liquidity

Eaton's objective is to finance its business through operating cash flow and an appropriate mix of equity and long-term and short-term debt. By diversifying its debt maturity structure, Eaton reduces liquidity risk. The Company maintains access to the commercial paper markets through a \$2,000 commercial paper program, which is supported by credit facilities in the aggregate principal amount of \$2,000. There were no borrowings outstanding under these revolving credit facilities at March 31, 2019. Over the course of a year, cash, short-term investments and short-term debt may fluctuate in order to manage global liquidity. Eaton believes it has the operating flexibility, cash flow, cash and short-term investment balances, and access to capital markets in excess of the liquidity necessary to meet future operating needs of the business as well as scheduled payments of long-term debt.

Eaton was in compliance with each of its debt covenants for all periods presented.

Sources and Uses of Cash

Operating Cash Flow

Net cash provided by operating activities was \$551 in the first three months of 2019, an increase of \$212 in the source of cash compared to \$339 in the first three months of 2018. The increase in net cash provided by operating activities in the first three months of 2019 was driven by lower working capital balances compared to 2018.

Investing Cash Flow

Net cash used in investing activities was \$68 in the first three months of 2019, a decrease in the use of cash of \$69 compared to \$137 in the first three months of 2018. The decrease in the use of cash was primarily driven by \$51 of proceeds in 2019 from the settlement of currency exchange contracts not designated as hedges discussed in Note 12.

Financing Cash Flow

Net cash used in financing activities was \$471 in the first three months of 2019, an increase of \$28 in the use of cash compared to \$443 in the first three months of 2018. The increase in the use of cash was primarily due to higher payments on borrowings of \$315 in 2019 compared to \$33 in 2018 and higher dividends paid of \$302 in 2019 compared to \$284 in 2018, partially offset by higher proceeds from borrowings of \$342 in 2019 compared to \$179 in 2018 and lower share repurchases of \$180 in 2019 compared to \$300 in 2018.

FORWARD-LOOKING STATEMENTS

This Form 10-Q Report contains forward-looking statements concerning legal contingencies, among other matters. These statements may discuss goals, intentions and expectations as to future trends, plans, events, results of operations or financial condition, or state other information relating to Eaton, based on current beliefs of management as well as assumptions made by, and information currently available to, management. Forward-looking statements generally will be accompanied by words such as "anticipate," "believe," "could," "estimate," "expect," "forecast," "guidance," "intend," "may," "possible," "potential," "predict," "project" or other similar words, phrases or expressions. These statements should be used with caution and are subject to various risks and uncertainties, many of which are outside Eaton'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; the potential effects on our businesses from natural disasters; the availability of credit to customers and suppliers; 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 impact of acquisitions and divestitures; unanticipated difficulties integrating acquisitions; new laws and governmental regulations; interest rate changes; tax rate changes or exposure to additional income tax liability; 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. Eaton does not assume any obligation to update these forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There have been no material changes in exposures to market risk since December 31, 2018.

Table of Contents

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures - Pursuant to SEC Rule 13a-15, an evaluation was performed under the supervision and with the participation of Eaton's management, including Craig Arnold - Principal Executive Officer; and Richard H. Fearon - Principal Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, management concluded that Eaton's disclosure controls and procedures were effective as of March 31, 2019.

Disclosure controls and procedures are designed to ensure that information required to be disclosed in Eaton's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in Eaton's reports filed under the Exchange Act is accumulated and communicated to management, including Eaton's Principal Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosure.

During the first quarter of 2019, there was no change in Eaton's internal control over financial reporting that materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

Table of Contents

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Information regarding the Company's current legal proceedings is presented in Note 8 of the Notes to the Condensed Consolidated Financial Statements.

ITEM 1A. RISK FACTORS.

“Item 1A. Risk Factors” in Eaton's 2018 Form 10-K includes a discussion of the Company's risk factors. There have been no material changes from the risk factors described in the 2018 Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

(c) Issuer's Purchases of Equity Securities

During the first quarter of 2019, 1.9 million ordinary shares were repurchased in the open market at a total cost of \$150 million. These shares were repurchased under the program approved by the Board on February 27, 2019 (the 2019 Program). A summary of the shares repurchased in the first quarter of 2019 follows:

Month	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs ¹	Approximate dollar value of shares that may yet be purchased under the plans or programs (in millions)
January	—	\$ —	—	\$ 4,702
February	—	\$ —	—	\$ 4,702
March	1,873,270	\$ 80.09	1,873,270	\$ 4,552
Total	1,873,270	\$ 80.09	1,873,270	

¹ The 2019 Program was authorized for repurchases up to \$5 billion and was announced in this report on Form 10-Q (See Note 10 to Item 1 of this report).

Table of Contents

ITEM 6. EXHIBITS.

Eaton Corporation plc

First Quarter 2019 Report on Form 10-Q

3 (i) Certificate of
Incorporation —
Incorporated by
reference to the
Form S-8 filed
November 30,
2012

3 (ii) Amended and
Restated
Memorandum
and Articles of
Incorporation —
Incorporated by
reference to the
Form 8-K filed
on May 1, 2017

4.1 Indenture dated
as of November
20, 2012, among
Turlock
Corporation, the
guarantors
named therein
and The Bank of
New York
Mellon Trust
Company, N.A.,
as trustee
(incorporated by
reference to
Exhibit 4.1 of
Eaton
Corporation
plc's Form 8-K
Current Report
filed on
November 26,
2012
(Commission
File No.
333-182303))

4.2 Supplemental
Indenture No. 1.

dated as of
November 30,
2012, among
Eaton
Corporation, the
guarantors
named therein
and The Bank of
New York
Mellon Trust
Company, N.A.,
as trustee
(incorporated by
reference to
Exhibit 4.2 of
the registrant's
Form S-4 filed
on September 6,
2013)

4.3 Supplemental
Indenture No. 2,
dated as of
January 8, 2013,
among Eaton
Corporation, the
guarantors
named therein
and The Bank of
New York
Mellon Trust
Company, N.A.,
as trustee
(incorporated by
reference
Exhibit 4.3 of
the registrant's
Form S-4 filed
on September 6,
2013)

4.4 Supplemental
Indenture No. 3,
dated as of
December 20,
2013, among
Eaton
Corporation, the
guarantors
named therein
and The Bank of

New York Mellon Trust Company, N.A., as trustee (incorporated by reference Exhibit 4.4 of the registrant's Form 10-K filed on February 28, 2018)

4.5 Supplemental Indenture No. 4, dated as of December 20, 2017 and effective as of January 1, 2018, among Eaton Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference Exhibit 4.5 of the registrant's Form 10-K filed on February 28, 2018)

4.6 Supplemental Indenture No. 5, dated as of February 16, 2018, among Eaton Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by

reference
Exhibit 4.6 of
the registrant's
Form 10-K filed
on February 28,
2018)

4.7 Pursuant to
Regulation S-K
Item 601(b)(4),
Eaton agrees to
furnish to the
SEC, upon
request, a copy
of the
instruments
defining the
rights of holders
of its long-term
debt other than
those set forth in
Exhibits (4.1 -
4.6) hereto

31.1 Certification of
Principal
Executive
Officer
(Pursuant to
Rule 13a-14(a)) —
Filed in
conjunction
with this
Form 10-Q
Report *

31.2 Certification of
Principal
Financial
Officer
(Pursuant to
Rule 13a-14(a)) —
Filed in
conjunction
with this
Form 10-Q
Report *

32.1 Certification of
Principal
Executive

Officer
(Pursuant to
Rule 13a-14(b)
as adopted
pursuant to
Section 906 of
the
Sarbanes-Oxley
Act) — Filed in
conjunction
with this
Form 10-Q
Report *

32.2 Certification of
Principal
Financial
Officer
(Pursuant to
Rule 13a-14(b)
as adopted
pursuant to
Section 906 of
the
Sarbanes-Oxley
Act) — Filed in
conjunction
with this
Form 10-Q
Report *

101.INS XBRL Instance
Document *

101.SCH XBRL
Taxonomy
Extension
Schema
Document *

101.CAL XBRL
Taxonomy
Extension
Calculation
Linkbase
Document *

101.DEF XBRL
Taxonomy
Extension Label
Definition

Document *

XBRL

Taxonomy

101.LAB Extension Label

Linkbase

Document *

XBRL

Taxonomy

101.PRE Extension
Presentation

Linkbase

Document *

* Submitted electronically herewith.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statements of Income for the three months ended March 31, 2019 and 2018, (ii) Consolidated Statements of Comprehensive Income for the three months ended March 31, 2019 and 2018, (iii) Condensed Consolidated Balance Sheets at March 31, 2019 and December 31, 2018, (iv) Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2019 and 2018 and (v) Notes to Condensed Consolidated Financial Statements for the three months ended March 31, 2019.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EATON CORPORATION plc
Registrant

Date: April 30, 2019 By: /s/ Richard H. Fearon
Richard H. Fearon
Principal Financial Officer
(On behalf of the registrant and
as Principal Financial Officer)