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 June 30, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to ______

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Ordinary shares ($0.01 par value)	ETN	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

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.

Large Accelerated Filer	☑	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth 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. ☐

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 398.1 million Ordinary Shares outstanding as of June 30, 2024.

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

EATON CORPORATION plc
CONSOLIDATED STATEMENTS OF INCOME

	Three months ended June 30		Six months ended June 30	
(In millions except for per share data)	2024	2023	2024	2023
Net sales	$ 6,350	$ 5,866	$ 12,293	$ 11,349
Cost of products sold	3,940	3,747	7,665	7,346
Selling and administrative expense	1,021	986	2,046	1,890
Research and development expense	196	187	385	366
Interest expense - net	29	42	59	91
Other expense (income) - net	(32)	7	(58)	(4)
Income before income taxes	1,195	898	2,195	1,660
Income tax expense	201	153	379	276
Net income	994	745	1,816	1,384
Less net income for noncontrolling interests	(1)	(1)	(2)	(3)
Net income attributable to Eaton ordinary shareholders	$ 993	$ 744	$ 1,814	$ 1,382
Net income per share attributable to Eaton ordinary shareholders				
Diluted	$ 2.48	$ 1.86	$ 4.52	$ 3.45
Basic	2.49	1.86	4.54	3.47
Weighted-average number of ordinary shares outstanding				
Diluted	401.0	400.7	401.5	400.6
Basic	399.2	398.9	399.6	398.7
Cash dividends declared per ordinary share	$ 0.94	$ 0.86	$ 1.88	$ 1.72

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

EATON CORPORATION plc
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)	Three months ended June 30 2024	Three months ended June 30 2023	Six months ended June 30 2024	Six months ended June 30 2023
Net income	$ 994	$ 745	$ 1,816	$ 1,384
Less net income for noncontrolling interests	(1)	(1)	(2)	(3)
Net income attributable to Eaton ordinary shareholders	993	744	1,814	1,382
Other comprehensive income (loss), net of tax				
Currency translation and related hedging instruments	(125)	57	(178)	176
Pensions and other postretirement benefits	13	(2)	30	(5)
Cash flow hedges	(10)	(1)	(14)	14
Other comprehensive income (loss) attributable to Eaton ordinary shareholders	(122)	53	(162)	185
Total comprehensive income attributable to Eaton ordinary shareholders	$ 871	$ 797	$ 1,652	$ 1,567

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

EATON CORPORATION plc
CONSOLIDATED BALANCE SHEETS

(In millions)	June 30, 2024	December 31, 2023
Assets		
Current assets		
Cash	$ 540	$ 488
Short-term investments	2,241	2,121
Accounts receivable - net	4,861	4,475
Inventory	3,963	3,739
Prepaid expenses and other current assets	1,046	851
Total current assets	12,652	11,675
Property, plant and equipment		
Land and buildings	2,192	2,241
Machinery and equipment	6,660	6,497
Gross property, plant and equipment	8,852	8,738
Accumulated depreciation	(5,248)	(5,208)
Net property, plant and equipment	3,604	3,530
Other noncurrent assets		
Goodwill	14,849	14,977
Other intangible assets	4,883	5,091
Operating lease assets	785	648
Deferred income taxes	499	458
Other assets	2,110	2,052
Total assets	$ 39,381	$ 38,432
Liabilities and shareholders' equity		
Current liabilities		
Short-term debt	$ 4	$ 8
Current portion of long-term debt	1,278	1,017
Accounts payable	3,497	3,365
Accrued compensation	529	676
Other current liabilities	2,812	2,680
Total current liabilities	8,120	7,747
Noncurrent liabilities		
Long-term debt	8,555	8,244
Pension liabilities	709	768
Other postretirement benefits liabilities	175	180
Operating lease liabilities	656	533
Deferred income taxes	429	402
Other noncurrent liabilities	1,484	1,489
Total noncurrent liabilities	12,008	11,616
Shareholders' equity		
Ordinary shares (398.1 million outstanding in 2024 and 399.4 million in 2023)	4	4
Capital in excess of par value	12,662	12,634
Retained earnings	10,622	10,305
Accumulated other comprehensive loss	(4,069)	(3,906)
Shares held in trust	(1)	(1)
Total Eaton shareholders' equity	19,219	19,036
Noncontrolling interests	35	33
Total equity	19,254	19,069
Total liabilities and equity	$ 39,381	$ 38,432

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

EATON CORPORATION plc
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	Six months ended June 30 2024	Six months ended June 30 2023
Operating activities		
Net income	$ 1,816	$ 1,384
Adjustments to reconcile to net cash provided by operating activities		
Depreciation and amortization	452	466
Deferred income taxes	9	(3)
Pension and other postretirement benefits expense	11	9
Contributions to pension plans	(64)	(51)
Contributions to other postretirement benefits plans	(8)	(10)
Changes in working capital	(784)	(622)
Other - net	(11)	12
Net cash provided by operating activities	1,421	1,185
Investing activities		
Capital expenditures for property, plant and equipment	(370)	(286)
Proceeds from sales of property, plant and equipment	77	—
Cash paid for acquisition of a business, net of cash acquired	(51)	—
Investments in associate companies	(68)	(68)
Return of investment from associate companies	33	9
Purchases of short-term investments - net	(126)	(719)
Proceeds from settlement of currency exchange contracts not designated as hedges - net	1	42
Other - net	(7)	(8)
Net cash used in investing activities	(511)	(1,030)
Financing activities		
Proceeds from borrowings	1,084	818
Payments on borrowings	(399)	(5)
Short-term debt, net	(4)	(225)
Cash dividends paid	(756)	(692)
Exercise of employee stock options	46	46
Repurchase of shares	(738)	—
Employee taxes paid from shares withheld	(63)	(47)
Other - net	(8)	(7)
Net cash used in financing activities	(839)	(113)
Effect of currency on cash	(20)	16
Total increase in cash	52	59
Cash at the beginning of the period	488	294
Cash at the end of the period	$ 540	$ 353

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

EATON CORPORATION plc
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Amounts are in millions 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. 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 2023 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.

Recently Issued Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (ASU 2023-07). This accounting standard requires additional segment disclosures on an annual and interim basis, including significant segment expenses that are regularly provided to the chief operating decision maker. The standard does not change how operating segments and reportable segments are determined. ASU 2023-07 is effective for annual reporting periods beginning after December 15, 2023 and interim reporting periods beginning after December 15, 2024. The standard is required to be applied retrospectively to all periods presented in the consolidated financial statements. Eaton plans to adopt the standard for the year ended December 31, 2024. The Company is evaluating the impact of ASU 2023-07 and expects the standard will only impact its segment disclosures with no material impact to the consolidated financial statements.

In December 2023, the FASB issued Accounting Standards Update 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (ASU 2023-09). This accounting standard requires disaggregated income tax disclosures on an annual basis, including information on the Company's effective income tax rate reconciliation and income taxes paid. ASU 2023-09 is effective for annual reporting periods beginning after December 15, 2024, and may be applied prospectively or retrospectively. The Company is evaluating the impact of ASU 2023-09 and expects the standard will only impact its income taxes disclosures with no material impact to the consolidated financial statements.

Note 2. ACQUISITIONS OF BUSINESSES

Acquisition of a 49% stake in Jiangsu Ryan Electrical Co. Ltd.

On April 23, 2023, Eaton acquired a 49 percent stake in Jiangsu Ryan Electrical Co. Ltd., a manufacturer of power distribution and sub-transmission transformers in China. Eaton accounts for this investment on the equity method of accounting and it is reported within the Electrical Global business segment.

Acquisition of Exertherm

On May 20, 2024, Eaton acquired Exertherm, a U.K.-based provider of thermal monitoring solutions for electrical equipment. Exertherm is reported within the Electrical Americas business segment.

Acquisition of a 49% stake in NordicEPOD AS

On May 31, 2024, Eaton acquired a 49 percent stake in NordicEPOD AS, which designs and assembles standardized power modules for data centers in the Nordic region. Eaton accounts for this investment on the equity method of accounting and it is reported within the Electrical Global business segment.

Note 3. 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. Control is transferred when the customer has the ability to direct the use of and obtain benefits from the goods or services. Sales are measured at the amount of consideration the Company expects to be paid in exchange for these products or services.

The following table provides disaggregated sales by lines of businesses, geographic destination, market channel or end market, as applicable, for the Company's operating segments:

	Three months ended June 30		Six months ended June 30	
(In millions)	2024	2023	2024	2023
Electrical Americas				
Products	$ 745	$ 757	$ 1,478	$ 1,473
Systems	2,132	1,781	4,089	3,359
Total	$ 2,877	$ 2,538	$ 5,567	$ 4,832
Electrical Global				
Products	$ 882	$ 889	$ 1,726	$ 1,772
Systems	724	680	1,380	1,297
Total	$ 1,606	$ 1,569	$ 3,105	$ 3,069
Aerospace				
Original Equipment Manufacturers	$ 389	$ 324	$ 744	$ 638
Aftermarket	329	297	620	561
Industrial and Other	237	226	462	451
Total	$ 955	$ 848	$ 1,826	$ 1,650
Vehicle				
Commercial	$ 454	$ 459	$ 889	$ 907
Passenger and Light Duty	269	292	558	583
Total	$ 723	$ 751	$ 1,447	$ 1,490
eMobility	$ 189	$ 161	$ 348	$ 308
Total net sales	$ 6,350	$ 5,866	$ 12,293	$ 11,349

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 receivable from customers were $4,339 million and $3,966 million at June 30, 2024 and December 31, 2023, 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 $332 million and $289 million at June 30, 2024 and December 31, 2023, respectively, and are recorded in Prepaid expenses and other current assets. The increase in unbilled receivables reflects higher revenue recognized and not yet billed from increased business activity in 2024.

Changes in the deferred revenue liabilities are as follows:

(In millions)	Deferred Revenue
Balance at January 1, 2024	$ 626
Customer deposits and billings	1,333
Revenue recognized in the period	(1,306)
Balance at June 30, 2024	$ 653

(In millions)	Deferred Revenue
Balance at January 1, 2023	$ 508
Customer deposits and billings	1,052
Revenue recognized in the period	(949)
Translation	9
Balance at June 30, 2023	$ 620

Deferred revenue liabilities of $639 million and $610 million as of June 30, 2024 and December 31, 2023, respectively, were included in Other current liabilities with the remaining balance presented in Other noncurrent liabilities.

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 June 30, 2024 was approximately $15.2 billion. At June 30, 2024, approximately 72% of this backlog is targeted for delivery to customers in the next twelve months and the rest thereafter.

Note 4. CREDIT LOSSES FOR RECEIVABLES

Receivables are exposed to credit risk based on the customers' ability to pay which is influenced by, among other factors, their financial liquidity position. Eaton's receivables are generally short-term in nature with a majority outstanding less than 90 days.

Eaton performs ongoing credit evaluation of its customers and maintains sufficient allowances for potential credit losses. The Company evaluates the collectability of its receivables based on the length of time the receivable is past due, and any anticipated future write-off based on historic experience adjusted for market conditions. The Company's segments, supported by our global credit department, perform the credit evaluation and monitoring process to estimate and manage credit risk. The process includes an evaluation of credit losses for both the overall segment receivable and specific customer balances. The process also includes review of customer financial information and credit ratings, approval and monitoring of customer credit limits, and an assessment of market conditions. The Company may also require prepayment from customers to mitigate credit risk. Receivable balances are written off against an allowance for credit losses after a final determination of collectability has been made.

Accounts receivable are net of an allowance for credit losses of $ 44 million and $38 million at June 30, 2024 and December 31, 2023, respectively. The change in the allowance for credit losses includes expense and net write-offs, none of which are significant.

Note 5. INVENTORY

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

(In millions)	June 30, 2024	December 31, 2023
Raw materials	$ 1,535	$ 1,515
Work-in-process	1,017	870
Finished goods	1,412	1,354
Total inventory	$ 3,963	$ 3,739

Note 6. GOODWILL

Changes in the carrying amount of goodwill by segment are as follows:

(In millions)	January 1, 2024	Additions	Translation	June 30, 2024
Electrical Americas	$ 7,415	$ 21	$ (16)	$ 7,420
Electrical Global	4,038	—	(109)	3,930
Aerospace	2,901	—	(22)	2,879
Vehicle	289	—	(2)	287
eMobility	334	—	(1)	334
Total	$ 14,977	$ 21	$ (150)	$ 14,849

The 2024 additions to goodwill relate primarily to the anticipated synergies of acquiring Exertherm. The allocation of the Exertherm purchase price is preliminary and will be completed during the measurement period.

Note 7. SUPPLY CHAIN FINANCE PROGRAM

The Company negotiates payment terms directly with its suppliers for the purchase of goods and services. In addition, a third-party financial institution offers a voluntary supply chain finance (SCF) program that enables certain of the Company's suppliers, at the supplier's sole discretion, to sell receivables due from the Company to the financial institution on terms directly negotiated with the financial institution. If a supplier elects to participate in the SCF program, the supplier decides which invoices are sold to the financial institution and the Company has no economic interest in a supplier's decision to sell an invoice. Payments by the Company to participating suppliers are paid to the financial institution on the invoice due date, regardless of whether an individual invoice is sold by the supplier to the financial institution. The amounts due to the financial institution for suppliers that participate in the SCF program are included in Accounts payable on the Consolidated Balance Sheets, and the associated payments are included in operating activities on the Condensed Consolidated Statements of Cash Flows.

The changes in SCF obligations are as follows:

(In millions)	SCF Obligations
Balance at January 1, 2024	$ 369
Invoices confirmed during the period	695
Invoices paid during the period	(695)
Translation	(1)
Balance at June 30, 2024	$ 367

(In millions)	SCF Obligations
Balance at January 1, 2023	$ 219
Invoices confirmed during the period	634
Invoices paid during the period	(519)
Translation	2
Balance at June 30, 2023	$ 336

Note 8. DEBT

On May 21, 2024, a subsidiary of Eaton issued Euro denominated notes (2024 Euro Notes) with a face value of € 1,000 million ($1,084 million), in accordance with Regulation S promulgated under the Securities Act of 1933, as amended. The 2024 Euro Notes are comprised of two tranches of €500 million each, which mature in 2031 and 2036, with interest payable annually at a respective rate of 3.601% and 3.802%. The issuer received proceeds totaling €995 million ($1,079 million) from the issuance, net of financing costs. The 2024 Euro Notes are fully and unconditionally guaranteed on an unsubordinated, unsecured basis by Eaton and certain of its direct and indirect subsidiaries. The 2024 Euro Notes contain customary optional redemption and par call provisions. The 2024 Euro Notes also contain a change of control provision which requires the Company to make an offer to purchase all or any part of the 2024 Euro Notes at a purchase price of 101% of the principal amount plus accrued and unpaid interest. The capitalized deferred financing fees are amortized in Interest expense - net over the respective terms of the 2024 Euro Notes. The 2024 Euro Notes are subject to customary non-financial covenants.

Note 9. RETIREMENT BENEFITS PLANS

The components of retirement benefits expense are as follows:

	United States pension benefit expense		Non-United States pension benefit expense	
	Three months ended June 30			
(In millions)	2024	2023	2024	2023
Service cost	$ 5	$ 5	$ 11	$ 10
Interest cost	34	35	22	21
Expected return on plan assets	(48)	(49)	(33)	(30)
Amortization	3	1	2	3
	(6)	(8)	2	4
Settlements	10	10	2	—
Total expense	$ 4	$ 2	$ 4	$ 4

	United States pension benefit expense		Non-United States pension benefit expense	
	Six months ended June 30			
(In millions)	2024	2023	2024	2023
Service cost	$ 9	$ 10	$ 23	$ 21
Interest cost	67	71	43	42
Expected return on plan assets	(95)	(98)	(66)	(60)
Amortization	5	2	5	4
	(14)	(15)	5	7
Settlements	19	19	3	1
Total expense	$ 5	$ 4	$ 8	$ 8

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

During 2020, the Company announced it was freezing its United States pension plans for its non-union employees. The freeze was effective January 1, 2021 for non-union U.S. employees whose retirement benefit was determined under a cash balance formula and is effective January 1, 2026 for non-union U.S. employees whose retirement benefit is determined under a final average pay formula.

Note 10. LEGAL CONTINGENCIES

Eaton is subject to a broad range of claims, administrative and legal proceedings such as lawsuits that relate to contractual allegations and indemnity claims, tax audits, patent infringement, personal injuries, antitrust matters, and employment-related matters. Eaton is also subject to legal 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 condensed consolidated financial statements.

Note 11. INCOME TAXES

The effective income tax rate for the second quarter of 2024 was expense of 16.8% compared to expense of 17.0% for the second quarter of 2023. The decrease in the effective tax rate in the second quarter of 2024 was due to the reduction of valuation allowances on foreign tax attributes, partially offset by greater levels of income in higher tax jurisdictions. The effective income tax rate for the first six months of 2024 was expense of 17.3% compared to expense of 16.6% for the first six months of 2023. The increase in the effective tax rate in the first six months of 2024 was due to greater levels of income in higher tax jurisdictions, partially offset by a larger impact from the excess tax benefits recognized for employee share-based payments and the reduction of valuation allowances on foreign tax attributes.

Brazil Tax Years 2005-2012

The Company has two Brazilian tax cases primarily relating to the amortization of certain goodwill generated from the acquisition of third-party businesses and corporate reorganizations. One case involves tax years 2005-2008 (Case 1), and the other involves tax years 2009-2012 (Case 2). Case 2 is proceeding on a more accelerated timeline than Case 1. For Case 2, the Company received a tax assessment in 2014 that included interest and penalties. In November 2019, the Company received an unfavorable result at the final tax administrative appeals level, resulting in an alleged tax deficiency of $24 million plus $108 million of interest and penalties (translated at the June 30, 2024 exchange rate). The Company is challenging this assessment in the judicial system and, on April 18, 2022, received an unfavorable decision at the first judicial level. On April 27, 2022, the Company filed a motion for clarification relating to that decision. On May 20, 2022, the court largely upheld its prior decision without further clarification. On June 9, 2022, the Company filed its notice of appeal to the second level court. The Company intends to continue its challenge of this assessment in the judicial system.

As previously disclosed for Case 1, the Company received a separate tax assessment alleging a tax deficiency of $ 30 million plus $109 million of interest and penalties (translated at the June 30, 2024 exchange rate), which the Company is challenging in the judicial system. On April 4, 2024, the court published a favorable decision resulting in a reduction to the Case 1 assessment for the goodwill generated from the acquisition of a third-party business. In the same decision, the court confirmed the cancellation of an additional 75% penalty imposed by the tax authorities. As a result of the favorable decision, the alleged tax deficiency was reduced to $29 million plus $89 million of interest and penalties (translated at the June 30, 2024 exchange rate). The remainder of Case 1 is still pending resolution at the first judicial level.

Both cases are expected to take several years to resolve through the Brazilian judicial system and require provision of certain assets as security for the alleged deficiencies. As of June 30, 2024, the Company pledged Brazilian real estate assets with net book value of $18 million and provided additional security in the form of bank secured bonds and insurance bonds totaling $122 million and a cash deposit of $24 million (translated at the June 30, 2024 exchange rate).

The Company believes that the final resolution of both of the assessments will not have a material impact on its condensed consolidated financial statements. The ultimate outcome of these matters cannot be predicted with certainty given the complex nature of tax controversies. Should the ultimate outcome of these matters deviate from our reasonable expectations, they may have a material adverse impact on the Company's condensed consolidated financial statements. However, Eaton believes that its interpretations of tax laws and application of tax laws to its facts are correct.

Note 12. EATON SHAREHOLDERS' EQUITY

The changes in Shareholders' equity are as follows:

	Ordinary shares		Capital in excess of	Retained	Accumulated other comprehensive	Shares held in	Total Eaton shareholders'	Noncontrolling	Total
(In millions)	Shares	Dollars	par value	earnings	loss	trust	equity	interests	equity
Balance at January 1, 2024	399.4	$ 4	$ 12,634	$ 10,305	$ (3,906)	$ (1)	$ 19,036	$ 33	$ 19,069
Net income	—	—	—	821	—	—	821	1	822
Other comprehensive loss, net of tax					(40)		(40)		(40)
Cash dividends paid and accrued	—	—	—	(381)	—	—	(381)	—	(381)
Issuance of shares under equity-based compensation plans	0.9	—	(4)	(1)	—	—	(5)	—	(5)
Repurchase of shares	(0.5)	—	—	(138)	—	—	(138)	—	(138)
Balance at March 31, 2024	399.8	$ 4	$ 12,630	$ 10,605	$ (3,946)	$ (1)	$ 19,292	$ 34	$ 19,326
Net income	—	—	—	993	—	—	993	1	994
Other comprehensive loss, net of tax					(122)		(122)		(122)
Cash dividends paid	—	—	—	(375)	—	—	(375)	—	(375)
Issuance of shares under equity-based compensation plans	0.1	—	31	—	—	—	31	—	31
Repurchase of shares	(1.9)	—	—	(600)	—	—	(600)	—	(600)
Balance at June 30, 2024	398.1	$ 4	$ 12,662	$ 10,622	$ (4,069)	$ (1)	$ 19,219	$ 35	$ 19,254

	Ordinary shares		Capital in excess of	Retained	Accumulated other comprehensive	Shares held in	Total Eaton shareholders'	Noncontrolling	Total
(In millions)	Shares	Dollars	par value	earnings	loss	trust	equity	interests	equity
Balance at January 1, 2023	397.8	$ 4	$ 12,512	$ 8,468	$ (3,946)	$ (1)	$ 17,038	$ 38	$ 17,075
Net income	—	—	—	638	—	—	638	1	639
Other comprehensive income, net of tax					132		132	—	132
Cash dividends paid and accrued	—	—	—	(348)	—	—	(348)	(4)	(352)
Issuance of shares under equity-based compensation plans	0.7	—	(11)	(1)	—	1	(11)	—	(11)
Changes in noncontrolling interest of consolidated subsidiaries - net	—	—	—	—	—	—	—	1	1
Balance at March 31, 2023	398.6	$ 4	$ 12,502	$ 8,757	$ (3,814)	$ —	$ 17,449	$ 36	$ 17,485
Net income	—	—	—	744	—	—	744	1	745
Other comprehensive income, net of tax					53		53		53
Cash dividends paid	—	—	—	(344)	—	—	(344)	—	(344)
Issuance of shares under equity-based compensation plans	0.4	—	52	(1)	—	(1)	51	—	51
Changes in noncontrolling interest of consolidated subsidiaries - net	—	—	—	—	—	—	—	(1)	(1)
Balance at June 30, 2023	399.0	$ 4	$ 12,554	$ 9,156	$ (3,760)	$ (1)	$ 17,953	$ 36	$ 17,988

On February 27, 2019, the Board of Directors adopted a share repurchase program for share repurchases up to $ 5.0 billion of ordinary shares (2019 Program). On February 23, 2022, the Board renewed the 2019 Program by providing authority for up to $5.0 billion in repurchases to be made during the three-year period commencing on that date (2022 Program). Under the 2022 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 three and six months ended June 30, 2024, 1.9 million and 2.3 million ordinary shares, respectively, were repurchased under the 2022 program in the open market at a total cost of $600 million and $738 million, respectively. During the three and six months ended June 30, 2023, no ordinary shares were repurchased.

The changes in Accumulated other comprehensive loss are as follows:

(In millions)	Currency translation and related hedging instruments	Pensions and other postretirement benefits	Cash flow hedges	Total
Balance at January 1, 2024	$ (3,029)	$ (995)	$ 118	$ (3,906)
Other comprehensive income (loss) before reclassifications	(171)	7	—	(164)
Amounts reclassified from Accumulated other comprehensive loss (income)	(7)	23	(14)	2
Net current-period Other comprehensive income (loss)	(178)	30	(14)	(162)
Balance at June 30, 2024	$ (3,207)	$ (965)	$ 104	$ (4,069)

The reclassifications out of Accumulated other comprehensive loss are as follows:

(In millions)	Six months ended June 30, 2024	Consolidated Statements of Income classification
Gains and (losses) on net investment hedges (amount excluded from effectiveness testing)		
Currency exchange contracts	$ 7	Interest expense - net
Tax expense	—	
Total, net of tax	7	
Amortization of defined benefits pensions and other postretirement benefits items		
Actuarial loss and prior service cost	(26) [1]	
Tax benefit	3	
Total, net of tax	(23)	
Gains and (losses) on cash flow hedges		
Floating-to-fixed interest rate swaps	6	Interest expense - net
Currency exchange contracts	11	Net sales and Cost of products sold
Commodity contracts	—	Cost of products sold
Tax expense	(4)	
Total, net of tax	14	
Total reclassifications for the period	$ (2)	

[1] These components of Accumulated other comprehensive loss are included in the computation of net periodic benefit cost. See Note 9 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 is as follows:

	Three months ended June 30		Six months ended June 30	
(In millions except for per share data)	2024	2023	2024	2023
Net income attributable to Eaton ordinary shareholders	$ 993	$ 744	$ 1,814	$ 1,382
Weighted-average number of ordinary shares outstanding - diluted	401.0	400.7	401.5	400.6
Less dilutive effect of equity-based compensation	1.8	1.8	1.9	1.9
Weighted-average number of ordinary shares outstanding - basic	399.2	398.9	399.6	398.7
Net income per share attributable to Eaton ordinary shareholders				
Diluted	$ 2.48	$ 1.86	$ 4.52	$ 3.45
Basic	2.49	1.86	4.54	3.47

For the second quarter and first six months of 2024, all stock options were included in the calculation of diluted net income per share attributable to Eaton ordinary shareholders because they were all dilutive. For the second quarter and first six months of 2023, 0.1 million stock options 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.

Note 13. 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 and contingent consideration recognized at fair value, and the fair value measurements used, is as follows:

(In millions)	Total	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)
June 30, 2024				
Cash	$ 540	$ 540	$ —	$ —
Short-term investments	2,241	2,241	—	—
Net derivative contracts	(16)	—	(16)	—
Contingent future payments from acquisition of Green Motion	(17)	—	—	(17)
December 31, 2023				
Cash	$ 488	$ 488	$ —	$ —
Short-term investments	2,121	2,121	—	—
Net derivative contracts	11	—	11	—
Contingent future payments from acquisition of Green Motion	(18)	—	—	(18)

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.

On March 22, 2021, Eaton acquired Green Motion SA, a leading designer and manufacturer of electric vehicle charging hardware and related software based in Switzerland. Green Motion SA was acquired for $106 million, including $49 million of cash paid at closing and an initial estimate of $ 57 million for the fair value of contingent future consideration based on 2023 and 2024 revenue performance. The fair value of contingent consideration liabilities is estimated by discounting contingent payments expected to be made, and may increase or decrease based on changes in revenue estimates and discount rates, with a maximum possible undiscounted value of $114 million. As of June 30, 2024, the fair value of the contingent future payments has been reduced to $17 million based primarily on lower revenue in 2023 and anticipated reductions in projected 2024 revenue compared to the initial estimates at closing.

Other Fair Value Measurements

Long-term debt and the current portion of long-term debt had a carrying value of $ 9,833 million and fair value of $ 9,246 million at June 30, 2024 compared to $9,261 million and $8,924 million, respectively, at December 31, 2023. The fair value of Eaton's debt instruments was estimated using prevailing market interest rates on debt with similar creditworthiness, terms and maturities and is considered a Level 2 fair value measurement.

Note 14. 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 as part of a hedging relationship, is effective and 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 currency exchange contracts and 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). The Company uses the spot rate method to assess hedge effectiveness when currency exchange contracts are used in net investment hedges. Under this method, changes in the spot exchange rate are recognized in Accumulated other comprehensive loss. Changes related to the forward rate are excluded from the hedging relationship and the forward points are amortized to Interest expense - net on a straight-line basis over the term of the contract. The cash flows resulting from these currency exchange contracts are classified in investing activities on the Condensed Consolidated Statements of Cash Flows.

Derivative Financial Statement Impacts

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

(In millions)	Notional amount	Other current assets	Other noncurrent assets	Other current liabilities	Other noncurrent liabilities	Type of hedge	Term
June 30, 2024							
Derivatives designated as hedges							
Currency exchange contracts	$ 561	$ 3	$ 2	$ 15	$ —	Cash flow	1 to 19 months
Commodity contracts	23	3	—	—	—	Cash flow	1 to 11 months
Currency exchange contracts	548	—	—	—	—	Net investment	3 months
Total		$ 6	$ 2	$ 15	$ —		
Derivatives not designated as hedges							
Currency exchange contracts	$ 4,441	$ 6		$ 15			1 to 9 months
December 31, 2023							
Derivatives designated as hedges							
Forward starting floating-to-fixed interest rate swaps	$ 165	$ —	$ —	$ —	$ 3	Cash flow	8 years
Currency exchange contracts	505	17	3	7	1	Cash flow	1 to 25 months
Commodity contracts	54	1	—	1	—	Cash flow	1 to 12 months
Currency exchange contracts	564	—	—	1	—	Net investment	3 months
Total		$ 17	$ 3	$ 9	$ 4		
Derivatives not designated as hedges							
Currency exchange contracts	$ 4,797	$ 12		$ 8			1 to 7 months

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 95% to 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. The cash flows resulting from the settlement of these derivatives have been classified in investing activities in the Condensed Consolidated Statements of Cash Flows.

Foreign currency denominated debt designated as non-derivative net investment hedging instruments had a carrying value on an after-tax basis of $3,785 million at June 30, 2024 and $ 3,140 million at December 31, 2023.

As of June 30, 2024, the volume of outstanding commodity contracts that were entered into to hedge forecasted transactions:

Commodity	June 30, 2024		Term
Aluminum	2	Millions of pounds	1 to 6 months
Copper	5	Millions of pounds	1 to 11 months
Gold	1,183	Troy ounces	1 to 7 months
Silver	10,742	Troy ounces	1 to 4 months

The following amounts were recorded on the Consolidated Balance Sheets related to fixed-to-floating interest rate swaps:

(In millions)	Carrying amount of the hedged assets (liabilities)		Cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged asset (liabilities)[1]	
Location on Consolidated Balance Sheets	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Long-term debt	$ (647)	$ (713)	$ (39)	$ (42)

[1] At June 30, 2024 and December 31, 2023, these amounts include the cumulative liability amount of fair value hedging adjustments remaining for which the hedge accounting has been discontinued of $39 million and $42 million, respectively.

The impact of cash flow and fair value hedging activities to the Consolidated Statements of Income is as follows:

	Three months ended June 30, 2024		
(In millions)	Net Sales	Cost of products sold	Interest expense - net
Amounts from Consolidated Statements of Income	$ 6,350	$ 3,940	$ 29
Gain (loss) on derivatives designated as cash flow hedges			
Forward starting floating-to-fixed interest rate swaps			
Hedged item	$ —	$ —	$ (3)
Derivative designated as hedging instrument	—	—	3
Currency exchange contracts			
Hedged item	$ 2	$ (4)	$ —
Derivative designated as hedging instrument	(2)	4	—
Commodity contracts			
Hedged item	$ —	$ (1)	$ —
Derivative designated as hedging instrument	—	1	—

	Three months ended June 30, 2023		
(In millions)	Net Sales	Cost of products sold	Interest expense - net
Amounts from Consolidated Statements of Income	$ 5,866	$ 3,747	$ 42
Gain (loss) on derivatives designated as cash flow hedges			
Forward starting floating-to-fixed interest rate swaps			
Hedged item	$ —	$ —	$ (3)
Derivative designated as hedging instrument	—	—	3
Currency exchange contracts			
Hedged item	$ (1)	$ (15)	$ —
Derivative designated as hedging instrument	1	15	—

(In millions)	Six months ended June 30, 2024 Net Sales	Cost of products sold	Interest expense - net
Amounts from Consolidated Statements of Income	$ 12,293	$ 7,665	$ 59
Gain (loss) on derivatives designated as cash flow hedges			
Forward starting floating-to-fixed interest rate swaps			
Hedged item	$ —	$ —	$ (6)
Derivative designated as hedging instrument	—	—	6
Currency exchange contracts			
Hedged item	$ —	$ (12)	$ —
Derivative designated as hedging instrument	—	12	—

(In millions)	Six months ended June 30, 2023 Net Sales	Cost of products sold	Interest expense - net
Amounts from Consolidated Statements of Income	$ 11,349	$ 7,346	$ 91
Gain (loss) on derivatives designated as cash flow hedges			
Forward starting floating-to-fixed interest rate swaps			
Hedged item	$ —	$ —	$ (6)
Derivative designated as hedging instrument	—	—	6
Currency exchange contracts			
Hedged item	$ 1	$ (30)	$ —
Derivative designated as hedging instrument	(1)	30	—

The impact of derivatives not designated as hedges to the Consolidated Statements of Income is as follows:

	Gain (loss) recognized in Consolidated Statements of Income		Consolidated Statements of Income classification
	Three months ended June 30		
(In millions)	2024	2023	
Gain (loss) on derivatives not designated as hedges			
Currency exchange contracts	$ (29)	$ 6	Interest expense - net
Total	$ (29)	$ 6	

	Gain (loss) recognized in Consolidated Statements of Income		Consolidated Statements of Income classification
	Six months ended June 30		
(In millions)	2024	2023	
Gain (loss) on derivatives not designated as hedges			
Currency exchange contracts	$ (9)	$ 17	Interest expense - net
Total	$ (9)	$ 17	

The impact of derivative and non-derivative instruments designated as hedges to the Consolidated Statements of Income and Comprehensive Income is as follows:

	Gain (loss) recognized in other comprehensive income (loss)		Location of gain (loss) reclassified from Accumulated other comprehensive loss	Gain (loss) reclassified from Accumulated other comprehensive loss	
	Three months ended June 30			Three months ended June 30	
(In millions)	2024	2023		2024	2023
Derivatives designated as cash flow hedges					
Forward starting floating-to-fixed interest rate swaps	$ 4	$ 1	Interest expense - net	$ 3	$ 3
Currency exchange contracts	(12)	18	Net sales and Cost of products sold	3	15
Commodity contracts	3	(2)	Cost of products sold	1	—
Derivatives designated as net investment hedges					
Currency exchange contracts					
Effective portion	5	32	Gain (loss) on sale of business	—	—
Amount excluded from effectiveness testing	—	4	Interest expense - net	3	4
Non-derivative designated as net investment hedges					
Foreign currency denominated debt	26	(3)	Gain (loss) on sale of business	—	—
Total	$ 26	$ 50		$ 10	$ 22

(In millions)	Gain (loss) recognized in other comprehensive income (loss) Six months ended June 30 2024	2023	Location of gain (loss) reclassified from Accumulated other comprehensive loss	Gain (loss) reclassified from Accumulated other comprehensive loss Six months ended June 30 2024	2023
Derivatives designated as cash flow hedges					
Forward starting floating-to-fixed interest rate swaps	$ 6	$ 1	Interest expense - net	$ 6	$ 6
Currency exchange contracts	(10)	49	Net sales and Cost of products sold	11	26
Commodity contracts	4	—	Cost of products sold	—	—
Derivatives designated as net investment hedges					
Currency exchange contracts					
Effective portion	16	18	Gain (loss) on sale of business	—	—
Amount excluded from effectiveness testing	3	9	Interest expense - net	7	6
Non-derivative designated as net investment hedges					
Foreign currency denominated debt	98	(66)	Gain (loss) on sale of business	—	—
Total	$ 118	$ 11		$ 25	$ 38

The pre-tax portion of the fair value of currency exchange contracts designated as net investment hedges included in Accumulated other comprehensive loss were net gains of $24 million at June 30, 2024. There was no net gain or loss included in Accumulated other comprehensive loss related to the pre-tax portion of the fair value of the forward points at June 30, 2024.

At June 30, 2024, a gain of $11 million 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. These reclassifications relate to our designated foreign currency and commodity hedges that will mature in the next twelve months.

Note 15. RESTRUCTURING CHARGES

In the second quarter of 2020, Eaton initiated a multi-year restructuring program to reduce its cost structure and gain efficiencies in its business segments and at corporate in order to initially respond to declining market conditions brought on by the COVID-19 pandemic. Since the inception of the program, the Company incurred expenses of $199 million for workforce reductions and $184 million for plant closing and other costs, resulting in total charges of $382 million through December 31, 2023. This multi-year restructuring program was substantially complete at the end of 2023, with final payments expected to be made in 2024.

During the first quarter of 2024, Eaton implemented a new multi-year restructuring program to accelerate opportunities to optimize its operations and global support structure. These actions will better align the Company's functions to support anticipated growth and drive greater effectiveness throughout the Company. Restructuring charges incurred under this program were $15 million in the second quarter and $78 million in the first six months of 2024. This restructuring program is expected to be completed in 2026 and is expected to incur additional expenses related to workforce reductions of $208 million and plant closing and other costs of $89 million, resulting in total estimated charges of $375 million for the entire program.

A summary of restructuring program charges is as follows:

	Three months ended June 30		Six months ended June 30	
(In millions except for per share data)	2024	2023	2024	2023
Workforce reductions	$ 9	$ 15	$ 68	$ 17
Plant closing and other	7	15	11	22
Total before income taxes	15	29	78	39
Income tax benefit	3	6	18	8
Total after income taxes	$ 12	$ 24	$ 61	$ 31
Per ordinary share - diluted	$ 0.03	$ 0.06	$ 0.15	$ 0.08

Restructuring program charges related to the following segments:

	Three months ended June 30		Six months ended June 30	
(In millions)	2024	2023	2024	2023
Electrical Americas	$ 1	$ 1	$ 8	$ 3
Electrical Global	4	14	27	18
Aerospace	—	2	8	3
Vehicle	4	1	27	3
eMobility	—	6	—	7
Corporate	7	5	7	6
Total	$ 15	$ 29	$ 78	$ 39

A summary of liabilities related to workforce reductions, plant closing, and other associated costs is as follows:

(In millions)	Workforce reductions	Plant closing and other	Total
Balance at January 1, 2024	$ 35	$ 6	$ 41
Liability recognized, net	68	11	78
Payments, utilization and translation	(28)	(11)	(40)
Balance at June 30, 2024	$ 74	$ 5	$ 80

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. See Note 16 for additional information about business segments.

Note 16. 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 Americas, Electrical Global, Aerospace, Vehicle, and eMobility. Operating profit includes the operating profit from intersegment sales. For additional information regarding Eaton's business segments, see Note 18 to the consolidated financial statements contained in the 2023 Form 10-K.

	Three months ended June 30		Six months ended June 30	
(In millions)	2024	2023	2024	2023
Net sales				
Electrical Americas	$ 2,877	$ 2,538	$ 5,567	$ 4,832
Electrical Global	1,606	1,569	3,105	3,069
Aerospace	955	848	1,826	1,650
Vehicle	723	751	1,447	1,490
eMobility	189	161	348	308
Total net sales	$ 6,350	$ 5,866	$ 12,293	$ 11,349
Segment operating profit (loss)				
Electrical Americas	$ 859	$ 669	$ 1,644	$ 1,194
Electrical Global	305	290	578	564
Aerospace	206	191	407	371
Vehicle	130	115	246	222
eMobility	2	(1)	(2)	(5)
Total segment operating profit	1,502	1,264	2,873	2,346
Corporate				
Intangible asset amortization expense	(106)	(113)	(212)	(237)
Interest expense - net	(29)	(42)	(59)	(91)
Pension and other postretirement benefits income	9	11	20	22
Restructuring program charges	(15)	(29)	(78)	(39)
Other expense - net	(166)	(192)	(349)	(340)
Income before income taxes	1,195	898	2,195	1,660
Income tax expense	201	153	379	276
Net income	994	745	1,816	1,384
Less net income for noncontrolling interests	(1)	(1)	(2)	(3)
Net income attributable to Eaton ordinary shareholders	$ 993	$ 744	$ 1,814	$ 1,382

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

Amounts are in millions of dollars or shares 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.

COMPANY OVERVIEW

Eaton Corporation plc (Eaton or the Company) is an intelligent power management company dedicated to protecting the environment and improving the quality of life for people everywhere. We make products for the data center, utility, industrial, commercial, machine building, residential, aerospace and mobility markets. We are well positioned to capitalize on the megatrends of electrification, energy transition and digitalization. The reindustrialization of North America and Europe, growth in North American megaprojects, and increased global infrastructure spending focused on clean energy programs are expanding our end markets and positioning Eaton for growth for years to come. We are strengthening our participation across the entire electrical power value chain and benefiting from momentum in the data center and utility end markets as well as a growth cycle in the commercial aerospace and defense markets. We are guided by our commitment to operate sustainably and with the highest ethical standards. Our work is accelerating the planet’s transition to renewable energy sources, helping to solve the world’s most urgent power management challenges, and building a more sustainable society for people today and for future generations.

Eaton was founded in 1911 and has been listed on the New York Stock Exchange for more than a century. We reported revenues of $23.2 billion in 2023 and serve customers in more than 160 countries.

Portfolio Changes

The Company continues to actively manage its portfolio of businesses to deliver on its strategic objectives. The Company is focused on deploying its capital toward businesses that provide opportunities for above-market growth, strong returns, and align with secular trends and its power management strategies. During 2023 and 2024, Eaton continued to selectively add businesses to strengthen its portfolio.

Acquisitions of businesses and investments in associate companies	Date of acquisition	Business segment
Jiangsu Ryan Electrical Co. Ltd.	April 23, 2023	Electrical Global
A 49 percent stake in Jiangsu Ryan Electrical Co. Ltd., a manufacturer of power distribution and sub-transmission transformers in China.		
Exertherm	May 20, 2024	Electrical Americas
A U.K. based provider of thermal monitoring solutions for electrical equipment.		
NordicEPOD AS	May 31, 2024	Electrical Global
A 49 percent stake in NordicEPOD AS, which designs and assembles standardized power modules for data centers in the Nordic region.		

Additional information related to acquisitions of businesses is presented in Note 2.

RESULTS OF OPERATIONS

Non-GAAP Financial Measures

The following discussion of Consolidated Financial Results includes certain non-GAAP financial measures. These financial measures include adjusted earnings and adjusted earnings per ordinary share, 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 Consolidated Financial Results table below. 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's financial performance period to period. Management uses this information in monitoring and evaluating the on-going performance of Eaton.

Acquisition and Divestiture Charges

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:

	Three months ended June 30		Six months ended June 30	
(In millions except for per share data)	2024	2023	2024	2023
Acquisition integration, divestiture charges and transaction costs	$ 10	$ 38	$ 27	$ 51
Income tax benefit	3	7	7	10
Total after income taxes	$ 8	$ 30	$ 20	$ 41
Per ordinary share - diluted	$ 0.02	$ 0.08	$ 0.05	$ 0.10

Acquisition integration, divestiture charges and transaction costs in 2024 and 2023 are primarily related to acquisitions completed prior to 2023, including other charges and income to acquire and exit businesses. 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 in Note 16, the charges were included in Other expense - net.

Restructuring Programs

In the second quarter of 2020, Eaton initiated a multi-year restructuring program to reduce its cost structure and gain efficiencies in its business segments and at corporate in order to initially respond to declining market conditions brought on by the COVID-19 pandemic. Since the inception of the program, the Company incurred expenses of $199 million for workforce reductions and $184 million for plant closing and other costs, resulting in total charges of $382 million through December 31, 2023. This restructuring program was substantially complete at the end of 2023.

During the first quarter of 2024, Eaton implemented a new multi-year restructuring program to accelerate opportunities to optimize its operations and global support structure. These actions will better align the Company's functions to support anticipated growth and drive greater effectiveness throughout the Company. Restructuring charges incurred under this program were $15 million in the second quarter and $78 million in the first six months of 2024. This restructuring program is expected to be completed in 2026 and is expected to incur additional expenses related to workforce reductions of $208 million and plant closing and other costs of $89 million, resulting in total estimated charges of $375 million for the entire program. The Company expects mature year benefits of $325 million when the multi-year program is fully implemented.

Additional information related to these restructuring programs is presented in Note 15.

Intangible Asset Amortization Expense

Intangible asset amortization expense is as follows:

	Three months ended June 30		Six months ended June 30	
(In millions except for per share data)	2024	2023	2024	2023
Intangible asset amortization expense	$ 106	$ 113	$ 212	$ 237
Income tax benefit	23	24	45	51
Total after income taxes	$ 83	$ 88	$ 167	$ 186
Per ordinary share - diluted	$ 0.20	$ 0.21	$ 0.42	$ 0.46

Consolidated Financial Results

(In millions except for per share data)	Three months ended June 30 2024	Three months ended June 30 2023	Increase (decrease)	Six months ended June 30 2024	Six months ended June 30 2023	Increase (decrease)
Net sales	$ 6,350	$ 5,866	8 %	$ 12,293	$ 11,349	8 %
Gross profit	2,410	2,119	14 %	4,628	4,003	16 %
Percent of net sales	38.0 %	36.1 %		37.6 %	35.3 %	
Income before income taxes	1,195	898	33 %	2,195	1,660	32 %
Net income	994	745	33 %	1,816	1,384	31 %
Less net income for noncontrolling interests	(1)	(1)		(2)	(3)	
Net income attributable to Eaton ordinary shareholders	993	744	33 %	1,814	1,382	31 %
Excluding acquisition and divestiture charges, after-tax	8	30		20	41	
Excluding restructuring program charges, after-tax	12	24		61	31	
Excluding intangible asset amortization expense, after-tax	83	88		167	186	
Adjusted earnings	$ 1,096	$ 886	24 %	$ 2,062	$ 1,639	26 %
Net income per share attributable to Eaton ordinary shareholders - diluted	$ 2.48	$ 1.86	33 %	$ 4.52	$ 3.45	31 %
Excluding per share impact of acquisition and divestiture charges, after-tax	0.02	0.08		0.05	0.10	
Excluding per share impact of restructuring program charges, after-tax	0.03	0.06		0.15	0.08	
Excluding per share impact of intangible asset amortization expense, after-tax	0.20	0.21		0.42	0.46	
Adjusted earnings per ordinary share	$ 2.73	$ 2.21	24 %	$ 5.14	$ 4.09	26 %

Net Sales

Changes in Net sales are summarized as follows:	Three months ended June 30, 2024	Six months ended June 30 2024
Organic growth	9 %	9 %
Foreign currency	(1) %	(1) %
Total increase in Net sales	8 %	8 %

Organic sales increased 9% in the second quarter and first six months of 2024 due to strength in industrial end-markets in the Electrical Americas business segment, strength in data center end-markets in the Electrical Americas and Electrical Global business segments, strength in commercial OEM, commercial aftermarket, and military OEM in the Aerospace business segment, and strength in the European region in the eMobility business segment, partially offset by weakness in residential end-markets in the Electrical Americas and Electrical Global business segments.

Gross Profit

Gross profit margin increased from 36.1% in the second quarter of 2023 to 38.0% in the second quarter of 2024. Material factors affecting this increase were a 270 basis point increase from higher sales and a 140 basis point increase from operating efficiencies, partially offset by a 90 basis point decline from higher commodity and wage inflation and a 60 basis point decline from higher costs to support growth initiatives.

Gross profit margin increased from 35.3% in the first six months of 2023 to 37.6% in the first six months of 2024. Material factors affecting this increase were a 310 basis point increase from higher sales and a 150 basis point increase from operating efficiencies, partially offset by a 90 basis point decline from higher commodity and wage inflation and a 70 basis point decline from higher costs to support growth initiatives.

Income Taxes

The effective income tax rate for the second quarter of 2024 was expense of 16.8% compared to expense of 17.0% for the second quarter of 2023. The decrease in the effective tax rate in the second quarter of 2024 was due to the reduction of valuation allowances on foreign tax attributes, partially offset by greater levels of income in higher tax jurisdictions. The effective income tax rate for the first six months of 2024 was expense of 17.3% compared to expense of 16.6% for the first six months of 2023. The increase in the effective tax rate in the first six months of 2024 was due to greater levels of income in higher tax jurisdictions, partially offset by a larger impact from the excess tax benefits recognized for employee share-based payments and the reduction of valuation allowances on foreign tax attributes.

Net Income

Changes in Net income attributable to Eaton ordinary shareholders and Net income per share attributable to Eaton ordinary shareholders - diluted are summarized as follows:

	Three months ended		Six months ended	
(In millions except for per share data)	Dollars	Per share	Dollars	Per share
June 30, 2023	$ 744	$ 1.86	$ 1,382	$ 3.45
Business segment results of operations				
Operational performance	203	0.51	456	1.14
Foreign currency	(7)	(0.02)	(20)	(0.05)
Corporate				
Intangible asset amortization expense	5	0.01	19	0.04
Restructuring program charges	11	0.03	(30)	(0.07)
Acquisition and divestiture charges	23	0.06	20	0.05
Other corporate items	9	0.02	(1)	—
Tax rate impact	5	0.01	(12)	(0.03)
Impact of shares	—	—	—	(0.01)
June 30, 2024	$ 993	$ 2.48	$ 1,814	$ 4.52

Business Segment Results of Operations

The following is a discussion of Net sales, operating profit (loss) and operating margin by business segment. Additionally, the Company uses the following metrics as indicators of customer demand and future revenue expectations in the Electrical Americas, Electrical Global, and Aerospace business segments. The Company believes these metrics are useful to investors for the same reasons.

- Backlog: Includes orders to which customers are firmly committed
- Organic change in backlog: Percentage change in backlog, excluding the impact of foreign currency, acquisitions and divestitures
- Organic change in customer orders: Percentage change in firm customer orders on a trailing twelve month basis, excluding the impact of foreign currency, acquisitions and divestitures
- Book-to-bill: Average of the ratio of firm customer orders to Net sales for the last four quarters

Electrical Americas

	Three months ended June 30		Increase	Six months ended June 30		Increase
($ in millions)	2024	2023	(decrease)	2024	2023	(decrease)
Net sales	$ 2,877	$ 2,538	13 %	$ 5,567	$ 4,832	15 %
Operating profit	$ 859	$ 669	28 %	$ 1,644	$ 1,194	38 %
Operating margin	29.9 %	26.4 %		29.5 %	24.7 %	
Changes in Net sales:						
Organic growth			13 %			15 %
Foreign currency			— %			— %
Total increase in Net sales			13 %			15 %
Performance metrics:				June 30, 2024	June 30, 2023	
Backlog				$ 9,698	$ 7,555	28 %
Organic change in backlog						29 %
Organic change in customer orders						11 %
Book-to-bill				1.2		

The increase in organic sales in the second quarter and first six months of 2024 was due to strength in industrial and data center end-markets, partially offset by weakness in residential end-markets.

The operating margin increased from 26.4% in the second quarter of 2023 to 29.9% in the second quarter of 2024. Material factors affecting this increase were a 530 basis point increase from higher sales and a 190 basis point increase from operating efficiencies, partially offset by a 170 basis point decline from higher costs to support growth initiatives and a 130 basis point decline from higher commodity and wage inflation. The operating margin increased from 24.7% in the first six months of 2023 to 29.5% in the first six months of 2024. Material factors affecting this increase were a 640 basis point increase from higher sales and a 220 basis point increase from operating efficiencies, partially offset by a 190 basis point decline from higher costs to support growth initiatives and a 130 basis point decline from higher commodity and wage inflation.

Electrical Global

($ in millions)	Three months ended June 30 2024	Three months ended June 30 2023	Increase (decrease)	Six months ended June 30 2024	Six months ended June 30 2023	Increase (decrease)
Net sales	$ 1,606	$ 1,569	2 %	$ 3,105	$ 3,069	1 %
Operating profit	$ 305	$ 290	5 %	$ 578	$ 564	2 %
Operating margin	19.0 %	18.5 %		18.6 %	18.4 %	
Changes in Net sales:						
Organic growth			3.5 %			2 %
Foreign currency			(1.5) %			(1) %
Total increase in Net sales			2 %			1 %
Performance metrics:				June 30, 2024	June 30, 2023	
Backlog				$ 1,751	$ 1,525	15 %
Organic change in backlog						16 %
Organic change in customer orders						7 %
Book-to-bill				1.1		

The increase in organic sales in the second quarter of 2024 was due to strength in utility and data center end-markets, partially offset by weakness in residential end-markets. The increase in organic sales in the first six months of 2024 was due to strength in data center end-markets, partially offset by weakness in residential end-markets. Additionally, the increase in organic sales in the second quarter and first six months of 2024 was due to strength in the Asia Pacific region and the Global Energy Infrastructure Solutions (GEIS) business, partially offset by weakness in the European region.

The operating margin increased from 18.5% in the second quarter of 2023 to 19.0% in the second quarter of 2024. Material factors affecting this increase were a 110 basis point increase from higher sales and a 100 basis point increase from operating efficiencies, partially offset by a 140 basis point decline from higher wage inflation. The operating margin increased from 18.4% in the first six months of 2023 to 18.6% in the first six months of 2024. Material factors affecting this increase were a 110 basis point increase from operating efficiencies, partially offset by a 100 basis point decline from higher wage inflation.

Aerospace

($ in millions)	Three months ended June 30 2024	Three months ended June 30 2023	Increase (decrease)	Six months ended June 30 2024	Six months ended June 30 2023	Increase (decrease)
Net sales	$ 955	$ 848	13 %	$ 1,826	$ 1,650	11 %
Operating profit	$ 206	$ 191	8 %	$ 407	$ 371	10 %
Operating margin	21.5 %	22.5 %		22.3 %	22.5 %	
Changes in Net sales:						
Organic growth			13 %			11 %
Foreign currency			— %			— %
Total increase in Net sales			13 %			11 %
Performance metrics:				June 30, 2024	June 30, 2023	
Backlog				$ 3,463	$ 3,046	14 %
Organic change in backlog						14 %
Organic change in customer orders						4 %
Book-to-bill				1.1		

The increase in organic sales in the second quarter and first six months of 2024 was due to strength in commercial OEM, commercial aftermarket, and military OEM.

The operating margin decreased from 22.5% in the second quarter of 2023 to 21.5% in the second quarter of 2024. Material factors affecting this decrease were a 250 basis point decline from operating inefficiencies, a 240 basis point decline from higher commodity and wage inflation, and a 110 basis point decline from higher costs to support growth initiatives, partially offset by a 500 basis point increase from higher sales. The operating margin decreased from 22.5% in the first six months of 2023 to 22.3% in the first six months of 2024. Material factors affecting this decrease were a 260 basis point decline from higher commodity and wage inflation, a 160 basis point decline from operating inefficiencies, and a 140 basis point decline from higher costs to support growth initiatives, partially offset by a 450 basis point increase from higher sales and a 130 basis point increase from the gain on the sale of a production facility in the first quarter of 2024.

Vehicle

(In millions)	Three months ended June 30 2024	Three months ended June 30 2023	Increase (decrease)	Six months ended June 30 2024	Six months ended June 30 2023	Increase (decrease)
Net sales	$ 723	$ 751	(4) %	$ 1,447	$ 1,490	(3) %
Operating profit	$ 130	$ 115	13 %	$ 246	$ 222	11 %
Operating margin	18.0 %	15.3 %		17.0 %	14.9 %	
Changes in Net sales:						
Organic growth			(3) %			(3) %
Foreign currency			(1) %			— %
Total increase in Net sales			(4) %			(3) %

The decrease in organic sales in the second quarter of 2024 was due to weakness in the North American light vehicle and European truck markets, partially offset by strength in the South American region. The decrease in organic sales in the first six months of 2024 was due to weakness in the North American and European regions, partially offset by strength in the South American and Asia Pacific regions.

The operating margin increased from 15.3% in the second quarter of 2023 to 18.0% in the second quarter of 2024. Material factors affecting this increase were a 320 basis point increase from operating efficiencies and a 240 basis point increase from the sale of a non-production facility in the second quarter of 2024, partially offset by a 140 basis point decrease from lower income from investments in associate companies. The operating margin increased from 14.9% in the first six months of 2023 to 17.0% in the first six months of 2024. Material factors affecting this increase were a 290 basis point increase from operating efficiencies and a 120 basis point increase from the sale of a non-production facility in the second quarter of 2024, partially offset by a 120 basis point decrease from lower income from investments in associate companies.

eMobility

(In millions)	Three months ended June 30 2024	Three months ended June 30 2023	Increase (decrease)	Six months ended June 30 2024	Six months ended June 30 2023	Increase (decrease)
Net sales	$ 189	$ 161	18 %	$ 348	$ 308	13 %
Operating profit (loss)	$ 2	$ (1)	300 %	$ (2)	$ (5)	60 %
Operating margin	1.3 %	(0.5)%		(0.6)%	(1.6)%	
Changes in Net sales:						
Organic growth			18 %			13 %
Foreign currency			— %			— %
Total increase in Net sales			18 %			13 %

The increase in organic sales in the second quarter and first six months of 2024 was due to strength in the European region, partially offset by weakness in the North American region.

The operating margin increased from negative 0.5% in the second quarter of 2023 to positive 1.3% in the second quarter of 2024. Material factors affecting this increase were a 590 basis point increase from higher sales and a 490 basis point increase from the sale of a non-production facility in the second quarter of 2024, partially offset by a 480 basis point decline from unfavorable product mix and a 320 basis point decline from additional manufacturing costs due to increased capacity and product launches. The operating margin increased from negative 1.6% in the first six months of 2023 to negative 0.6% in the first six months of 2024. Material factors affecting this increase were a 570 basis point increase from higher sales and a 420 basis point increase from the sale of a non-production facility in the second quarter of 2024, partially offset by a 570 basis point decline from unfavorable product mix, a 160 basis point decline from higher costs to support growth initiatives, and a 150 basis point decline from higher commodity and wage inflation.

Corporate Expense

(In millions)	Three months ended June 30 2024	Three months ended June 30 2023	Increase (decrease)	Six months ended June 30 2024	Six months ended June 30 2023	Increase (decrease)
Intangible asset amortization expense	$ 106	$ 113	(6) %	$ 212	$ 237	(11) %
Interest expense - net	29	42	(31) %	59	91	(35) %
Pension and other postretirement benefits income	(9)	(11)	(18) %	(20)	(22)	(9) %
Restructuring program charges	15	29	(48) %	78	39	100 %
Other expense - net	166	192	(14) %	349	340	3 %
Total corporate expense	$ 307	$ 366	(16) %	$ 678	$ 686	(1) %

Total corporate expense decreased from $366 million in the second quarter of 2023 to $307 million in the second quarter of 2024. Material factors affecting this decrease were lower Other expense - net, Restructuring program charges, and Interest expense - net. The decrease in Other expense - net is due to lower acquisition and divestiture costs. Total corporate expense decreased from $686 million in the first six months of 2023 to $678 million in the first six months of 2024. Material factors affecting this decrease were lower Interest expense - net and Intangible asset amortization expense, partially offset by higher Restructuring program charges.

LIQUIDITY, CAPITAL RESOURCES, AND FINANCIAL CONDITION

Liquidity and Financial Condition

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.

On May 21, 2024, a subsidiary of Eaton issued Euro denominated notes (2024 Euro Notes) with a face value of €1,000 million ($1,084 million), in accordance with Regulation S promulgated under the Securities Act of 1933, as amended. The 2024 Euro Notes are comprised of 2 tranches of €500 million each, which mature in 2031 and 2036, with interest payable annually at a respective rate of 3.601% and 3.802%. The issuer received proceeds totaling €995 million ($1,079 million) from the issuance, net of financing costs. The 2024 Euro Notes are fully and unconditionally guaranteed on an unsubordinated, unsecured basis by Eaton and certain of its direct and indirect subsidiaries. The 2024 Euro Notes contain customary optional redemption and par call provisions. The 2024 Euro Notes also contain a change of control provision which requires the Company to make an offer to purchase all or any part of the 2024 Euro Notes at a purchase price of 101% of the principal amount plus accrued and unpaid interest. The capitalized deferred financing fees are amortized in Interest expense - net over the respective terms of the 2024 Euro Notes. The 2024 Euro Notes are subject to customary non-financial covenants.

The Company maintains revolving credit facilities consisting of a $500 million 364-day revolving credit facility that will expire on September 30, 2024 and a $2,500 million five-year revolving credit facility that will expire on October 1, 2027. The revolving credit facilities totaling $3,000 million are used to support commercial paper borrowings and are fully and unconditionally guaranteed by Eaton and certain of its direct and indirect subsidiaries on an unsubordinated, unsecured basis. There were no borrowings outstanding under Eaton's revolving credit facilities at June 30, 2024. The Company maintains access to the commercial paper markets through its $3,000 million commercial paper program, of which none was outstanding on June 30, 2024.

Over the course of a year, cash, short-term investments, and short-term debt may fluctuate in order to manage global liquidity. As of June 30, 2024 and December 31, 2023, Eaton had cash of $540 million and $488 million, short-term investments of $2,241 million and $2,121 million, and short-term debt of $4 million and $8 million, respectively. Eaton believes it has the operating flexibility, cash flow, cash and short-term investment balances, availability under existing revolving credit facilities, and access to capital markets in excess of the liquidity necessary to meet future operating needs of the business, fund capital expenditures and acquisitions of businesses, as well as scheduled payments of long-term debt.

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

Cash Flows

A summary of cash flows is as follows:

(In millions)	Six months ended June 30 2024	2023	Change from 2023
Net cash provided by operating activities	$ 1,421	$ 1,185	$ 236
Net cash used in investing activities	(511)	(1,030)	519
Net cash used in financing activities	(839)	(113)	(726)
Effect of currency on cash	(20)	16	(36)
Total increase in cash	$ 52	$ 59	

Operating Cash Flow

Net cash provided by operating activities increased by $236 million in the first six months of 2024 compared to 2023. Material factors affecting this increase was higher net income of $432 million, partially offset by higher working capital balances of $162 million.

Investing Cash Flow

Net cash used in investing activities decreased by $519 million in the first six months of 2024 compared to 2023. Material factors affecting this decrease were a decrease in purchases of short-term investments to $126 million in 2024 from $719 million in 2023 and an increase in proceeds from sales of property, plant and equipment to $77 million in 2024 compared to no proceeds in 2023, partially offset by an increase in capital expenditures for property, plant and equipment to $370 million in 2024 from $286 million in 2023 and an increase in cash paid for acquisition of a business to $51 million in 2024 compared to no cash paid in 2023.

Financing Cash Flow

Net cash used in financing activities increased by $726 million in the first six months of 2024 compared to 2023. Material factors affecting this increase were an increase in repurchase of shares to $738 million in 2024 compared to no repurchase of shares in 2023, an increase in payments on borrowings to $399 million in 2024 from $5 million in 2023 and an increase in cash dividends paid to $756 million in 2024 from $692 million in 2023, partially offset by an increase in proceeds from borrowings to $1,084 million in 2024 from $818 million in 2023 and a decrease in net payments of short-term debt to $4 million in 2024 from $225 million in 2023.

Uses of Cash

Capital Expenditures

Capital expenditures were $370 million and $286 million in the first six months of 2024 and 2023, respectively. The Company plans to increase capital expenditures over the next five years to expand production capacity across various markets to support anticipated growth. As a result, Eaton expects approximately $800 million in capital expenditures in 2024.

Dividends

Cash dividend payments were $756 million and $692 million in the first six months of 2024 and 2023, respectively. Payment of quarterly dividends in the future depends upon the Company’s ability to generate net income and operating cash flows, among other factors, and is subject to declaration by the Eaton Board of Directors. The Company intends to continue to pay quarterly dividends in 2024.

Share Repurchases

On February 27, 2019, the Board of Directors adopted a share repurchase program for share repurchases up to $5.0 billion of ordinary shares (2019 Program). On February 23, 2022, the Board renewed the 2019 Program by providing authority for up to $5.0 billion in repurchases to be made during the three-year period commencing on that date (2022 Program). Under the 2022 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 three and six months ended June 30, 2024, 1.9 million and 2.3 million ordinary shares, respectively, were repurchased under the 2022 program in the open market at a total cost of $600 million and $738 million, respectively. During the three and six months ended June 30, 2023, no ordinary shares were repurchased. The Company will continue to pursue share repurchases in 2024 depending on market conditions and capital levels.

Acquisition of Businesses

The Company paid cash of $51 million to acquire a business in the first six months of 2024. There were no business acquisitions in the first six months of 2023. The Company paid cash of $68 million for investments in associate companies in the first six months of 2024 and 2023. The Company will continue to focus on deploying its capital toward businesses that provide opportunities for higher growth and strong returns, and align with secular trends and its power management strategies.

Debt

The Company manages a number of short-term and long-term debt instruments, including commercial paper. At June 30, 2024, the Company had Short-term debt of $4 million, Current portion of long-term debt of $1,278 million, and Long-term debt of $8,555 million. The Company believes it has the operating flexibility, cash flow, and access to capital markets to meet scheduled payments of long-term debt.

Supply Chain Finance Program

A third-party financial institution offers a voluntary supply chain finance (SCF) program that enables certain of the Company’s suppliers, at the supplier’s sole discretion, to sell receivables due from the Company to the financial institution on terms directly negotiated with the financial institution. The SCF program does not have a significant impact on the Company’s liquidity as payments by the Company to participating suppliers are paid to the financial institution on the invoice due date, regardless of whether an individual invoice is sold by the supplier to the financial institution. For additional information on the SCF program, see Note 7.

Guaranteed Debt

Issuers, Guarantors and Guarantor Structure

Eaton Corporation has issued senior notes pursuant to indentures dated April 1, 1994 (the 1994 Indenture), November 20, 2012 (the 2012 Indenture), September 15, 2017 (the 2017 Indenture) and August 23, 2022 (as supplemented by the First and Second Supplemental Indentures of the same date and the Third Supplemental Indenture dated May 18, 2023, the 2022 Indenture). The senior notes of Eaton Corporation are registered under the Securities Act of 1933, as amended (the Registered Senior Notes). Eaton Capital Unlimited Company, a subsidiary of Eaton, is the issuer of six outstanding series of debt securities sold in offshore transactions under Regulation S promulgated under the Securities Act (the Eurobonds). The Eurobonds and the Registered Senior Notes (together, the Senior Notes) comprise substantially all of Eaton’s long-term indebtedness.

Substantially all of the Senior Notes (with limited exceptions), together with the credit facilities described above under Liquidity and Financial Condition (the Credit Facilities), are guaranteed by Eaton and 17 of its subsidiaries. Accordingly, they rank equally with each other. However, because these obligations are not secured, they would be effectively subordinated to any existing or future secured indebtedness of Eaton and its subsidiaries. As of June 30, 2024, Eaton has no material, long-term secured debt. The guaranteed Registered Senior Notes are also structurally subordinated to the liabilities of Eaton's subsidiaries that are not guarantors. Except as described below under Future Guarantors, Eaton is not obligated to cause its subsidiaries to guarantee the Registered Senior Notes.

The table set forth in Exhibit 22 filed with the Form 10-K filed on February 23, 2023 (10-K Exhibit 22) details the primary obligors and guarantors with respect to the guaranteed Registered Senior Notes.

Terms of Guarantees of Registered Securities

Payment of principal and interest on the Registered Senior Notes is guaranteed, on an unsecured, unsubordinated basis by the subsidiaries of Eaton set forth in the table referenced in the 10-K Exhibit 22. Each guarantee is full and unconditional, and joint and several. Each guarantor’s guarantee is an unsecured obligation that ranks equally with all its other unsecured and unsubordinated indebtedness. The obligations of each guarantor under its guarantee of the Registered Senior Notes are subject to a customary savings clause or similar provision designed to prevent such guarantee from constituting a fraudulent conveyance or otherwise legally impermissible or voidable obligation.

Though the terms of the indentures vary slightly, generally, each guarantee of the Registered Senior Notes by a guarantor that is a subsidiary of Eaton Corporation provides that it will be automatically and unconditionally released and discharged under certain circumstances, including, but not limited to:

(a) the consummation of certain types of transactions permitted under the applicable indenture, including one that results in such guarantor ceasing to be a subsidiary; and
(b) for Registered Senior Notes issued under the 2022 Indenture, when such guarantor is a guarantor or issuer of indebtedness in an aggregate outstanding principal amount of less than 25% of our total outstanding indebtedness.

Further, each guarantee by a direct or indirect parent of Eaton Corporation (other than Eaton) provides that it will also be released if:

(c) such guarantee (so long as the guarantor is not obligated under any other U.S. debt obligations), becomes prohibited by any applicable law, rule or regulation or by any contractual obligation; or

(d) such guarantee results in material adverse tax consequences to Eaton or any of its subsidiaries (so long as the applicable guarantor is not obligated under any other U.S. debt obligation).

The guarantee of Eaton does not contain any release provisions.

Future Guarantors

The 2012 and 2017 Indentures generally provide that, with certain limited exceptions, any subsidiary of Eaton must become a guarantor if it becomes obligated as borrower or guarantor under any series of debt securities or a syndicated credit facility. Further, the 2012 and 2017 Indentures provide that any entity that becomes a direct or indirect parent entity of Eaton Corporation and holds any material assets, with certain limited exceptions, or owes any material liabilities must become a guarantor. The 2022 Indenture provides only that, with certain limited exceptions, any subsidiary of Eaton must become a guarantor if it becomes obligated as borrower or guarantor under indebtedness with an aggregate outstanding principal amount in excess of 25% of the Parent and its Subsidiaries' then-outstanding indebtedness.

The 1994 Indenture does not contain provisions with respect to future guarantors.

Summarized Financial Information of Guarantors and Issuers

(In millions)	June 30, 2024	December 31, 2023
Current assets	$ 5,349	$ 5,006
Noncurrent assets	13,062	13,004
Current liabilities	4,172	3,927
Noncurrent liabilities	10,422	10,012
Amounts due to subsidiaries that are non-issuers and non-guarantors - net	8,904	8,178

(In millions)	Six months ended June 30, 2024
Net sales	$ 7,202
Sales to subsidiaries that are non-issuers and non-guarantors	572
Cost of products sold	5,294
Expense from subsidiaries that are non-issuers and non-guarantors - net	318
Net income	472

The financial information presented is that of Eaton Corporation and the Guarantors, which includes Eaton Corporation plc, on a combined basis and the financial information of non-issuer and non-guarantor subsidiaries has been excluded. Intercompany balances and transactions between Eaton Corporation and Guarantors have been eliminated, and amounts due from, amounts due to, and transactions with non-issuer and non-guarantor subsidiaries have been presented separately.

FORWARD-LOOKING STATEMENTS

This Form 10-Q Report contains forward-looking statements concerning litigation, expected capital deployment, expected capital expenditures, future dividend payments, anticipated share repurchases, and expected restructuring program charges and benefits. 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: global pandemics such as COVID-19; unanticipated changes in the markets for the Company’s business segments; unanticipated downturns in business relationships with customers or their purchases from us; the availability of credit to customers and suppliers; supply chain disruptions, competitive pressures on sales and pricing; 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 at Eaton or at our customers or suppliers; 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, geopolitical tensions, natural disasters, 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, 2023.

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 Olivier Leonetti - 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 June 30, 2024.

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 second quarter of 2024, 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. Management is currently evaluating the impact of businesses acquired in the past twelve months on Eaton's internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Information regarding the Company's current legal proceedings is presented in Note 10 of the Notes to the condensed consolidated financial statements.

ITEM 1A. RISK FACTORS.

"Item 1A. Risk Factors" in Eaton's 2023 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 2023 Form 10-K.

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

(c) Issuer's Purchases of Equity Securities

During the second quarter of 2024, 1.9 million ordinary shares were repurchased in the open market at a total cost of $600 million. These shares were repurchased under the program approved by the Board on February 23, 2022 (the 2022 Program). A summary of the shares repurchased in the second quarter of 2024 is as 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	Approximate dollar value of shares that may yet be purchased under the plans or programs (in millions)
April	624,820	$ 319.19	624,820	$ 4,377
May	765,072	$ 329.91	765,072	$ 4,125
June	465,252	$ 318.00	465,252	$ 3,977
Total	1,855,144	$ 323.31	1,855,144	

ITEM 6. EXHIBITS.

Eaton Corporation plc
Second Quarter 2024 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	Description of Eaton Corporation plc's Securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 (incorporated by reference to Exhibit 4.1 of the registrant's Form 10-K filed on February 26, 2020)
4.2	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))
4.3	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)
4.4	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)
4.5	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)
4.6	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)
4.7	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)
4.8	Indenture dated as of August 23, 2022, among Eaton Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as Trustee
4.9	First Supplemental Indenture dated as of August 23, 2022, among Eaton Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as Trustee
4.10	Second Supplemental Indenture dated as of August 23, 2022, among Eaton Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as Trustee
4.11	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 (4.2 - 4.10) hereto
10.1	5-Year Revolving Credit Agreement, dated as of October 3, 2022, among Eaton Corporation, the guarantors from time to time party thereto, the several lenders from time to time parties thereto, Citibank, N.A., as Administrative Agent, Citibank, N.A., JPMorgan Chase Bank, N.A. and BofA Securities, Inc. as joint lead arrangers and joint bookrunners, JPMorgan Chase Bank, N.A., as syndication agent and Bank of America, N.A. as documentation agent.
10.2	364-Day Revolving Credit Agreement, dated as of October 2, 2023, among Eaton Corporation, the guarantors from time to time party thereto, the several lenders from time to time parties thereto, Citibank, N.A., as Administrative Agent, Citibank, N.A., JPMorgan Chase Bank, N.A. and BofA Securities, Inc., as joint lead arrangers and joint bookrunners, JPMorgan Chase Bank, N.A., as syndication agent and Bank of America, N.A. as documentation agent.
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 - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. *
101.SCH	XBRL Taxonomy Extension Schema Document *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document *
101.DEF	XBRL Taxonomy Extension Label Definition Document *
101.LAB	XBRL Taxonomy Extension Label Linkbase Document *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document *
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

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* Submitted electronically herewith.

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: August 1, 2024	By:	/s/ Olivier Leonetti
		Olivier Leonetti
		Principal Financial Officer
		(On behalf of the registrant and as Principal Financial Officer)

Eaton Corporation plc
Second Quarter 2024 Report on Form 10-Q
Exhibit 31.1
Certification

I, Craig Arnold, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Eaton Corporation plc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2024

/s/ Craig Arnold
Craig Arnold
Principal Executive Officer

Eaton Corporation plc
Second Quarter 2024 Report on Form 10-Q
Exhibit 31.2
Certification

I, Olivier Leonetti, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Eaton Corporation plc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 1, 2024

/s/ Olivier Leonetti
Olivier Leonetti
Principal Financial Officer

Eaton Corporation plc
Second Quarter 2024 Report on Form 10-Q
Exhibit 32.1
Certification

This written statement is submitted in accordance with Section 906 of the Sarbanes-Oxley Act of 2002. It accompanies Eaton Corporation plc's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 ("10-Q Report").

I hereby certify that, based on my knowledge, the 10-Q Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C 78m), and information contained in the 10-Q Report fairly presents, in all material respects, the financial condition and results of operations of Eaton Corporation plc and its consolidated subsidiaries.

Date:	August 1, 2024	/s/ Craig Arnold
		Craig Arnold
		Principal Executive Officer

Eaton Corporation plc
Second Quarter 2024 Report on Form 10-Q
Exhibit 32.2
Certification

This written statement is submitted in accordance with Section 906 of the Sarbanes-Oxley Act of 2002. It accompanies Eaton Corporation plc's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 ("10-Q Report").

I hereby certify that, based on my knowledge, the 10-Q Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C 78m), and information contained in the 10-Q Report fairly presents, in all material respects, the financial condition and results of operations of Eaton Corporation plc and its consolidated subsidiaries.

Date: August 1, 2024

/s/ Olivier Leonetti

Olivier Leonetti
Principal Financial Officer