



Q1 2018 Updated Supplemental Financial Information

March 30, 2018

This presentation may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "potential," "predict," "should" or "will," or the negative of such terms or other comparable terminology. These forward-looking statements are only predictions based on the current intent and expectations of the management of Esterline, are not guarantees of future performance or actions, and involve risks and uncertainties that are difficult to predict and may cause Esterline's or its industry's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Esterline's actual results and the timing and outcome of events may differ materially from those expressed in or implied by the forward-looking statements due to risks detailed in Esterline's public filings with the Securities and Exchange Commission including its most recent Annual Report on Form 10-K.

This presentation contains references to non-GAAP financial information subject to Regulation G. The reconciliations of each non-GAAP financial measure to its comparable GAAP measure as well as further information on management's use of non-GAAP financial measures are detailed in this presentation, included as Exhibit 99.1 to Form 8-K filed with the SEC on March 30, 2018, wherever non-GAAP financial measures are discussed as well as in the Appendix of this presentation. Amounts included herein and on Esterline's Form 10-Q for Q1 2018 filed on March 30, 2018, have been updated from amounts included in our earnings press release for fiscal Q1 2018 issued on February 1, 2018. See the Appendix for further information on the updated amounts.

Strategic Direction



Q1 2018 Financial Results

- Sales of \$482 million, up 5.2% over prior-year period
 - Some timing considerations as customers accelerated deliveries into the first quarter from Q2
 - Better Advanced Materials results on higher defense margins and return to full production in Arkansas business following plant shutdown
- GAAP EPS¹ of \$(1.16) per diluted share
 - Includes \$48.6 million, or \$1.62 per share, of discrete tax expenses from the U.S. Tax Cuts and Jobs Act of 2017 (TCJA)
 - EPS of \$0.46 per share* excluding the one-time tax expenses
- Book-to-bill of 1.17x
- Free cash flow of \$49 million*

¹ From Continuing Operations

* This is a non-GAAP financial measure. See Page 1 and the Appendix of this presentation for more information regarding non-GAAP financial measures.

Q1 2018 Year-over-Year (YOY) Summary

<i>Dollars in millions, except EPS</i>	Q1 2018 Updated	Q1 2017 Restated	Change
Sales	\$ 482	\$ 458	\$ 24
Gross Margin	\$ 148	\$ 143	\$ 5
- % of sales	30.8%	31.2%	(0.4)%
Operating Earnings from Continuing Operations	\$ 27	\$ 29	\$ (2)
- % of sales	5.5%	6.3%	(0.8)%
Earnings (Loss) from Continuing Operations	\$ (35)	\$ 21	\$ (56)
Earnings (Loss) Per Diluted Share from Continuing Operations	\$ (1.16)	\$ 0.71	\$ (1.87)

Q1 2018 Sales Change (YOY)

<i>Dollars in millions</i>	Items	Sales
Q1 2017 Restated		\$ 458
	• Foreign currency translation	11
	• FX forward contract gain	6
	• Sales volume	<u>7</u>
Q1 2018 Updated		<u>\$ 482</u>

Q1 2018 Segment Sales Change (YOY)

<i>Comparison to Restated Q1 2017</i>	Total Change	Organic¹	FX
Avionics & Controls	5.2%	1.9%	3.3%
Sensors & Systems	4.6%	(0.7)%	5.3%
Advanced Materials	6.0%	4.5%	1.5%
Total	5.2%	1.5%	3.7%

¹ Q1 2018 organic sales growth represents the total reported increase within the company's continuing operations less the impact of all foreign currency translation and hedging activities.

Q1 2018 Gross Margin Change (YOY)

<i>Dollars in millions</i>	Items	Gross Margin
Q1 2017 Restated		\$ 143
	• Foreign currency translation	1
	• FX forward contract gain	6
	• Sales volume / mix	(1)
	• Other	<u>(1)</u>
Q1 2018 Updated		<u>\$ 148</u>

Q1 2018 Earnings Summary

<i>Dollars in millions, except EPS</i>	Earnings from Continuing Ops	EPS
Q1 2018 GAAP Updated	\$ (35)	\$ (1.16)
• Provisional Tax Expense Due to TCJA	<u>49</u>	<u>1.62</u>
Q1 2018 Updated – Excluding Tax Impact *	<u>\$ 14</u>	<u>\$ 0.46</u>

* This is a non-GAAP financial measure. See Page 1 and the Appendix of this presentation for more information regarding non-GAAP financial measures.

Q1 2018 Free Cash Flow* Reconciliation

<i>Dollars in millions; GAAP results</i>	Q1 2018 Updated	Q1 2017 Restated
Net Earnings	\$ (35)	\$ 16
• Depreciation and amortization (Depreciation of \$14M in Q1 2018 and Q1 2017)	26	26
• Change in working capital (A/R, Inventory, A/P)	39	23
• Other	<u>32</u>	<u>(19)</u>
Cash flow from operations	\$ 62	\$ 46
• Capital expenditures	<u>(13)</u>	<u>(15)</u>
Free cash flow*	<u>\$ 49</u>	<u>\$ 31</u>

* This is a non-GAAP financial measure. See Page 1 and the Appendix of this presentation for more information regarding non-GAAP financial measures.

Q1 2018 EBITDA*

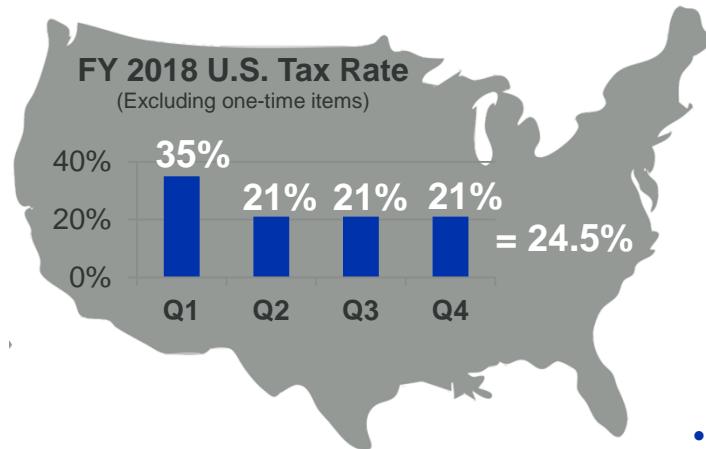
<i>Dollars in millions**</i>	Q1 2018 Updated	Q1 2017 Restated
Net Earnings Attributable to Esterline	\$ (35)	\$ 16
• Loss from discontinued operations	0	5
• Earnings attributable to noncontrolling interests	0	0
• Income tax expense	54	0
• Interest income	0	0
• Interest expense	8	8
• Depreciation & Amortization ¹	<u>26</u>	<u>25</u>
EBITDA from Continuing Operations *	<u>\$ 53</u>	<u>\$ 54</u>

¹Excludes debt issuance costs of \$0.3 million, which is included in interest expense

* This is a non-GAAP financial measure. See Page 1 and the Appendix of this presentation for more information regarding non-GAAP financial measures.

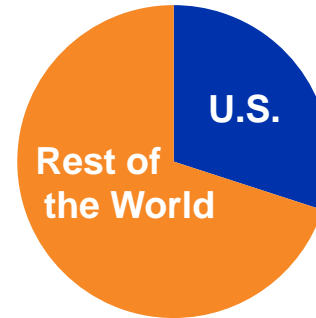
** Amounts are rounded to the nearest whole number. 0 indicates an amount less than 1.

2018 Tax Outlook



- Full-year estimated U.S. statutory tax rate is a blended rate across all quarters

Taxable Income FY 2017



**FY 2018 Full-Year ESL
Estimated Tax Rate**
(Excluding one-time items)
~ 25% - 27%

- Effective tax rate influenced by geographic mix of earnings
 - Esterline is truly international, with large, profitable operations across the globe
 - In FY 2017, the U.S. made up ~30% of the company's total taxable income

Share Repurchase Update

	# Shares <i>In thousands</i>	\$ Value <i>In millions</i>	\$ Authorization Remaining <i>In millions</i>
• FY 2014	269	\$ 30.3	
• FY 2015	2,562	259.5	
• FY 2016	305	18.7	
• FY 2017	-	-	
• Q1 2018	287	20.4	
Total since inception *	3,423	\$ 328.9	\$ 71

* \$400 million total authorization for share repurchase.

Appendix

Statement of Operations – Q1 2018 Updated

	Per 2/1/18	
	Press Release	As Reported
<u>Consolidated Statement of Operations</u>		
Net Sales	\$ 482,348	\$ 482,045
Cost of Sales	331,994	333,709
Selling, general & administrative	99,057	98,886
Research, development and engineering	26,923	25,842
Operating Earnings from Continuing Operations	27,399	26,633
Income Tax Expense	53,729	53,789
Earnings from Continuing Operations Attributable to Esterline, Net of Tax	(33,989)	(34,815)
Net Earnings Attributable to Esterline	(34,155)	(34,981)
Earnings (Loss) Per Share Attributable to Esterline - Basic:		
Continuing operations	\$ (1.13)	\$ (1.16)
Earnings (Loss) Per Share - Basic	\$ (1.14)	\$ (1.17)
Earnings (Loss) Per Share Attributable to Esterline - Diluted:		
Continuing operations	\$ (1.13)	\$ (1.16)
Earnings (Loss) Per Share - Diluted	\$ (1.14)	\$ (1.17)

Balance Sheet – Q1 2018 Updated

	Per 2/1/18	
	Press Release	As Reported
<u>Consolidated Balance Sheet</u>		
Accounts receivable, net	\$ 382,442	\$ 374,700
Inventories	501,768	496,567
Prepaid expenses	22,424	22,762
Deferred income tax benefits	48,925	51,327
Accounts payable	127,977	133,656
Accrued liabilities	217,019	217,251
U.S. and foreign income taxes	7,321	1,501
Total Shareholders' Equity	1,804,392	1,791,696

Segment Data – Q1 2018 Updated

	Per 2/1/18	
	Press Release	As Reported
<u>Consolidated Sales and Earnings from Continuing Operations by Segment (unaudited)</u>		
Sales		
Avionics & Controls	\$ 202,703	\$ 202,703
Sensors & Systems	175,771	175,468
Advanced Materials	103,874	103,874
	\$ 482,348	\$ 482,045
Earnings from Continuing Operations Before Income Taxes		
Avionics & Controls	20,385	20,385
Sensors & Systems	12,479	11,713
Advanced Materials	14,583	14,583
Segment Earnings	47,447	46,681
Corporate expense	(20,048)	(20,048)
Interest income	298	298
Interest expense	(7,604)	(7,604)
	\$ 20,093	\$ 19,327

Restated Statement of Operations* – Prior Years

Eleven Months Ended

In Thousands, Except Per Share Amounts

	2017		2016		2015	
	As Reported	Restated	As Reported	Restated	As Reported	Restated
Consolidated Statement of Operations						
Net Sales	\$ 2,002,195	\$ 2,000,304	\$ 1,992,631	\$ 1,993,453	\$ 1,774,449	\$ 1,774,449
Cost of Sales	1,336,736	1,340,259	1,331,386	1,331,573	1,185,056	1,186,606
Selling, general & administrative	375,413	374,981	395,274	396,548	346,781	348,766
Research, development and engineering	103,024	109,778	95,939	99,710	91,491	91,868
Operating Earnings from Continuing Operations						
Operations	194,811	183,075	170,159	165,749	156,985	153,073
Income Tax Expense	38,928	33,025	22,535	21,857	18,956	16,486
Earnings from Continuing Operations						
Attributable to Esterline, Net of Tax	124,698	118,865	116,951	113,219	96,665	95,223
Net Earnings Attributable to Esterline	117,387	111,554	101,685	97,953	59,612	58,170
Earnings Per Share Attributable to Esterline - Basic:						
Continuing operations	\$ 4.19	\$ 4.00	\$ 3.97	\$ 3.84	\$ 3.15	\$ 3.10
Earnings Per Share	\$ 3.94	\$ 3.75	\$ 3.45	\$ 3.32	\$ 1.94	\$ 1.89
Earnings Per Share Attributable to Esterline - Diluted:						
Continuing operations	\$ 4.15	\$ 3.96	\$ 3.93	\$ 3.80	\$ 3.10	\$ 3.05
Earnings Per Share	\$ 3.91	\$ 3.72	\$ 3.42	\$ 3.29	\$ 1.91	\$ 1.86

* Line items included are a summary of the restatement filed on March 30, 2018.

Restated Balance Sheet Items* – Prior Years

In Thousands	2017		2016		2015	
	As Reported	Restated	As Reported	Restated	As Reported	Restated
<u>Consolidated Balance Sheet</u>						
Accounts receivable, net	\$ 437,963	\$ 430,524	\$ 422,073	\$ 421,511	\$ 380,748	\$ 380,450
Inventories	482,701	477,969	450,206	447,095	446,768	442,315
Prepaid expenses	18,816	19,239	17,909	18,378	23,008	23,156
Deferred income tax benefits	55,355	56,793	75,409	75,790	28,979	27,982
Accounts payable	133,101	138,595	121,816	126,607	117,976	118,734
Accrued liabilities	229,610	230,007	238,163	235,649	259,734	256,147
U.S. and foreign income taxes	6,111	582	10,932	9,695	2,404	1,861
Other liabilities	17,658	18,838	21,968	23,026	29,367	30,174
Deferred income tax liabilities	43,978	43,978	53,798	54,325	73,849	73,106
Total Shareholders' Equity	1,847,128	1,835,276	1,611,131	1,605,865	1,547,791	1,545,496

* Line items included are a summary of the restatement filed on March 30, 2018.

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The company provides these non-GAAP financial measures as supplemental information to the GAAP financial measures. Management uses these non-GAAP financial measures to (a) evaluate the company's historical and prospective financial performance and its performance relative to its competitors, (b) allocate resources, and (c) measure the operational performance of the company's business units. In addition, management believes including these non-GAAP financial measures enhances investors' and financial analysts' understanding of the company's performance as well as their ability to assess and compare the company's historical results of operations.

These non-GAAP financial measures are not meant to be considered in isolation or as a substitute for the comparable GAAP measures, and free cash flow is not necessarily indicative of amounts available for discretionary use. There are limitations to these non-GAAP financial measures because they are not prepared in accordance with GAAP and may not be comparable to similarly titled measures of other companies due to potential differences in methods of calculation and items that comprise the calculation. The company compensates for these limitations by using these non-GAAP financial measures as a supplement to the GAAP measures and by providing reconciliations of the non-GAAP and comparable GAAP financial measures. The non-GAAP financial measures should be read only in conjunction with the company's consolidated financial statements prepared in accordance with GAAP.

Non-GAAP financial measures may include: adjusted earnings from continuing operations, adjusted earnings from continuing operations per diluted share, earnings before interest, tax, depreciation and amortization (EBITDA), and free cash flow—that have not been calculated in accordance with generally accepted accounting principles in the U.S. (GAAP).

Adjusted earnings from continuing operations consist of earnings from continuing operations attributable to Esterline less the one-time expenses associated with the TCJA. Adjusted earnings from continuing operations per diluted share divides each element of adjusted earnings from continuing operations by the weighted average number of shares outstanding, diluted for the periods presented. See details on page 8 of this presentation.

EBITDA from continuing operations is defined as net earnings plus loss from discontinued operations plus earnings attributable to noncontrolling interests plus income tax expense less interest income plus interest expense plus loss on extinguishment of debt plus depreciation & amortization (excluding amortization of debt issuance costs) of \$25.9 million in the first quarter of fiscal 2018. See details on page 10 of this presentation.

Free cash flow is defined as cash flow from operations of \$62.4 million less capital expenditures of \$13.4 million in the first quarter of fiscal 2018. See details on page 9 of this presentation.