Johnson Controls

Fiscal Q2 2021 Earnings Conference Call

April 30, 2021

The power behind **your mission**

Forward Looking & Cautionary Statements / Non-GAAP Financial Information

Johnson Controls International plc Cautionary Statement Regarding Forward-Looking Statements

Johnson Controls International plc has made statements in this communication that are forward-looking and therefore are subject to risks and uncertainties. All statements in this document other than statements of historical fact are, or could be, “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. In this communication, statements regarding Johnson Controls’ future financial position, sales, costs, earnings, cash flows, other measures of results of operations, synergies and integration opportunities, capital expenditures and debt levels are forward-looking statements. Words such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “should,” “forecast,” “project” or “plan” and terms of similar meaning are also generally intended to identify forward-looking statements. However, the absence of these words does not mean that a statement is not forward-looking. Johnson Controls cautions that these statements are subject to numerous important risks, uncertainties, assumptions and other factors, some of which are beyond Johnson Controls’ control, that could cause Johnson Controls’ actual results to differ materially from those expressed or implied by such forward-looking statements, including, among others, risks related to: Johnson Controls’ ability to manage general economic, business, capital market and geopolitical conditions, including the impacts of natural disasters, climate change, pandemics and outbreaks of contagious diseases and other adverse public health developments, such as the COVID-19 pandemic; the strength of the U.S. or other economies; changes or uncertainty in laws, regulations, rates, policies or interpretations that impact Johnson Controls’ business operations or tax status; the ability to develop or acquire new products and technologies that achieve market acceptance; changes to laws or policies governing foreign trade, including increased tariffs or trade restrictions; maintaining the capacity, reliability and security of Johnson Controls’ enterprise and product information technology infrastructure; the risk of infringement or expiration of intellectual property rights; any delay or inability of Johnson Controls to realize the expected benefits and synergies of recent portfolio transactions such as its merger with Tyco and the disposition of the Power Solutions business; the outcome of litigation and governmental proceedings; the ability to hire and retain key senior management; the tax treatment of recent portfolio transactions; significant transaction costs and/or unknown liabilities associated with such transactions; the availability of raw materials and component products; fluctuations in currency exchange rates; work stoppages, union negotiations, labor disputes and other matters associated with the labor force; the cancellation of or changes to commercial arrangements. A detailed discussion of risks related to Johnson Controls' business is included in the section entitled "Risk Factors" in Johnson Controls' Annual Report on Form 10-K for the year ended September 30, 2020 filed with the United States Securities and Exchange Commission ("SEC") on November 16, 2020, which is available at www.sec.gov and www.johnsoncontrols.com under the "Investors" tab. Shareholders, potential investors and others should consider these factors in evaluating the forward-looking statements and should not place undue reliance on such statements. The forward-looking statements included in this communication are made only as of the date of this document, unless otherwise specified, and, except as required by law, Johnson Controls assumes no obligation, and disclaims any obligation, to update such statements to reflect events or circumstances occurring after the date of this communication.

Non-GAAP Financial Information

This presentation contains financial information regarding adjusted earnings per share, which is a non-GAAP performance measure. The adjusting items include restructuring and impairment costs, transaction costs, integration costs, net mark-to-market adjustments, Power Solutions divestiture reserve adjustment and discrete tax items. Financial information regarding organic sales, EBIT, EBIT margin, total segment EBITA, adjusted segment EBITA, adjusted segment EBITA margin, adjusted Corporate expense, free cash flow, free cash flow conversion, net debt and net debt/EBITDA are also presented, which are non-GAAP performance measures. Adjusted segment EBITA excludes special items such integration costs because these costs are not considered to be directly related to the underlying operating performance of its business units. Management believes that, when considered together with unadjusted amounts, these non-GAAP measures are useful to investors in understanding period-over-period operating results and business trends of the Company. Management may also use these metrics as guides in forecasting, budgeting and long-term planning processes and for compensation purposes. These metrics should be considered in addition to, and not as replacements for, the most comparable GAAP measure. For further information on the calculation of the non-GAAP measures and a reconciliation of these non-GAAP measures, refer to the attached footnotes.

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Q2 Summary

- Solid Q2 results across the board
- End markets continue to recover; gaining share
- Strategic momentum continues internally
  - Services
  - Digital
  - Sustainability
- Announcing COGS plan; $250M cumulative net benefit

Strategic Announcements & External Recognition

OpenBlue "Buildings as a Service"

- Aligns more than a century of experience in building efficiency with our vision for digital transformation
- Comprehensive portfolio of advanced solutions serving a wide array of vertical markets; helps customers optimize their assets' performance and meet energy efficiency and sustainability goals

Acquisition of Silent-Aire

- Establishes leadership position in high-growth data center vertical; leverages our global capabilities to expand into key growth regions and service offerings
- Attractive valuation; immediately accretive

AI/IoT Partnership with Pelion

- Accelerates innovation by removing the complexities of bringing artificial intelligence to a diversity of devices at the edge; enabling smarter buildings that evolve and adapt through our OpenBlue technology
- Leverages Pelion's connected device platform of IoT device management services

Science-Based Targets Approved

- Science Based Targets Initiative (SBTi) confirms GHG reduction targets align with Paris Agreement's most ambitious 1.5°C goal; emissions from Johnson Controls' value chain in line with industry best practice
- Reinforces Johnson Controls' leadership in sustainability

Recognized for Leadership, Integrity, and Innovation

- Industry Awards for heat pump technology
- Ethisphere Worlds Most Ethical Companies
- Amazon Climate Pledge signatory
- Clarivate Top 100 Global Innovator 2021

2021 WORLD'S MOST ETHICAL COMPANIES® ™ WWW.ETHISPHERE.COM

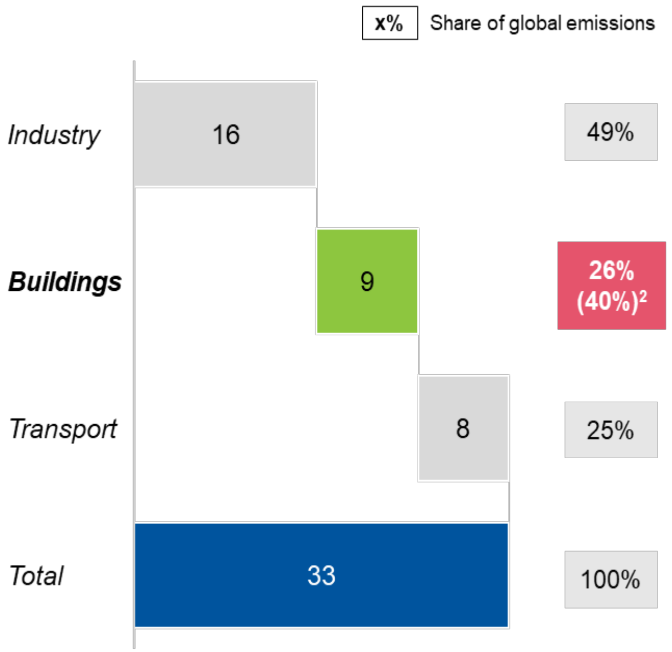
THE CLIMATE PLEDGE NET ZERO CARBON

TOP 100 GLOBAL INNOVATOR Clarivate Analytics

Uniquely Positioned To Support The Economy's Decarbonization And Capture A Once-In-A-Generation Opportunity

Buildings are responsible for **40% of GHG emissions** globally

Global energy related CO_2 emissions by sector[1]
2017, Billion tonnes of CO_2



Global-scale investment in **decarbonization is at an inflection point**

Capital reallocation as the six largest U.S. banks have committed to net-zero operations and asset portfolios

Federal policies associate existing building decarbonization as investment in infrastructure

EU renovation wave targeting as much as 75% of the existing building stock with hundreds of billions of Euros

Local regulations setting timelines for net zero buildings (e.g. New York City Local Law 97 and similar elsewhere)

Corporate commitments to meeting Science Based Targets from over 1,000 companies with $20.5T in market cap

JCI is positioned to capture a **significant opportunity**

As much as **$20B** in building retrofits between now and 2030 to comply with NYC Local Law 97[3]

Hundreds of billions in investment in commercial building sector required to achieve net zero ambitions

This opportunity plays to our strengths:

- Combination of **efficient building systems and smart technologies**
- **Physical systems** and **digital infrastructure**, connected by OpenBlue
- **Global presence and local distribution** enables sales conversion and service attachment

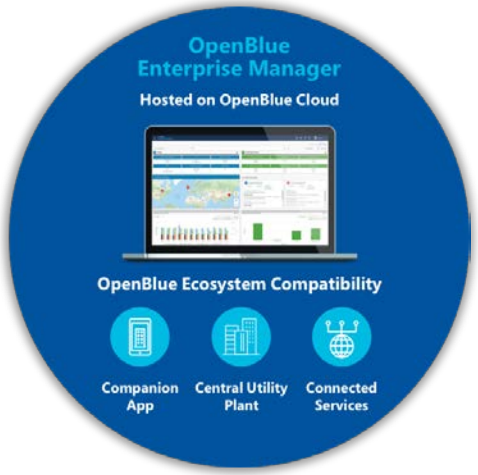
1. Power sector related emissions attributed to respective sectors based on their heat and power consumption. Some of other categories (e.g., industry) are also building related, so building-specific share of emissions likely underestimates the full addressable market for JCI **2.** When buildings' embedded carbon (e.g., emissions through construction, materials in buildings) is taken into account, they comprise ~40% of total emissions **3.** Urban Green Council study of Local Law 97 retrofit expenses **Source:** McKinsey Energy Insights Global Energy Perspective, April 2020; UN Environment Program; Urban Green Council study of Local Law 97; US Census

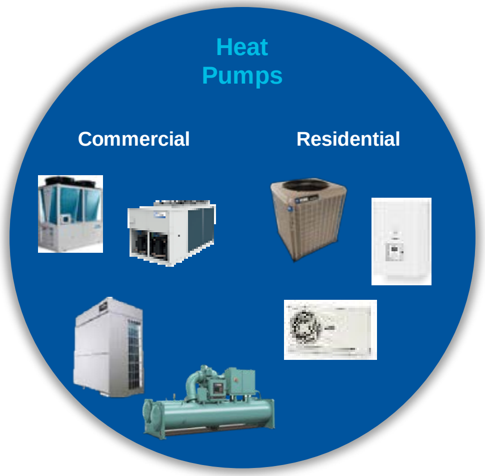
Enabling Net-Zero Buildings, Prioritizing A Healthy Planet

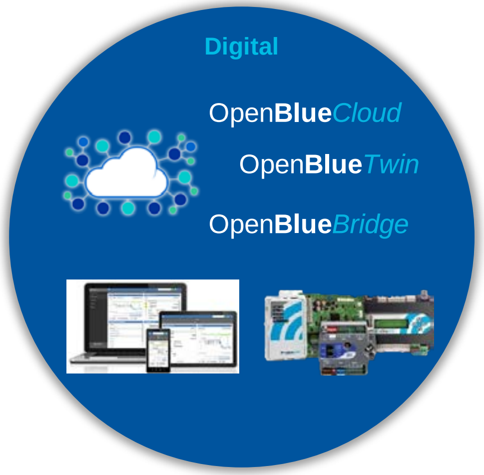
Value Proposition: Net-zero carbon emissions made easy – accessing investment funds & incentives while transferring the delivery of decarbonization to us. Powering a healthy planet for our customers.

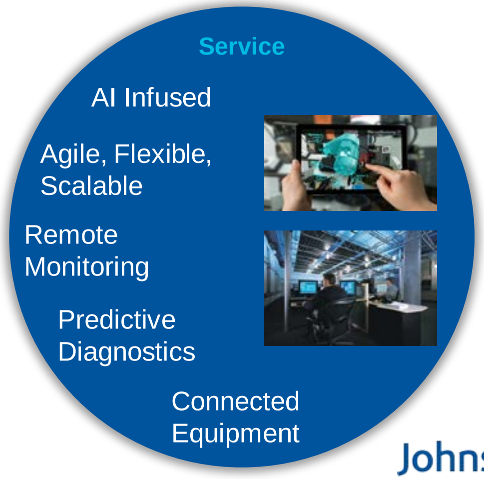
- One-source, turnkey solutions
- Energy savings of up to 50%
- CO_2 emission cut in half
- Transfer of full building lifecycle risk

- Flexible & customizable offerings
- Cost effective, easy implementation
- Open architecture
- Strategic alignment on sustainability and commitment to the environment







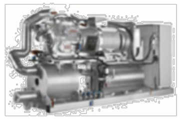


A Best In Class Heat Pump Technology Portfolio Enables Growth Across All Building Segments And Delivers on Sustainability Goals

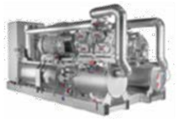
Building segment

JCI Heat Pump product portfolio

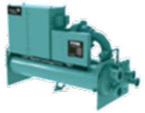
Complex



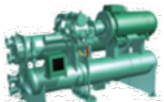
HeatPAC recip
Variable Speed Drive
Heating Cap: 100 to 2,100 kW



DualPAC recip
2-stage
Variable Speed Drive
Heating Cap: 150 to 1,775 kW

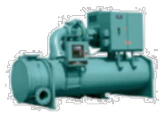


YMC²
VSD Mag. Bearing
Water to Water HP
Heating Cap: 1,000 to 3,700 kW



SHP
VSD Screw
Water to Water HP
Heating Cap: 800 to 7,700 kW

NS
VSD 2-stage Cascade Screw
Heating Cap: 2,000 to 10,000 kW



YK
VSD Centrifugal
Water to Water HP
Heating Cap: 1,500 to 11,000 kW

CYK
VSD Dual Centrifugal
Water to Water HP
Heating Cap: 2,900 to 11,100 kW

Titan OM
Multi-Stage Centrifugal
Water to Water HP
Heating Cap: 5,000 to 21,700 kW

YHAP
Single Stage Absorption
Steam/Gas/Hot Water
Heating Cap: 1,000 to 30,000 kW

Commercial

YLZ
High-Efficiency, Multi-Pipe
Air to Water HP, Reversible
Heating Cap: 25 to 200 kW

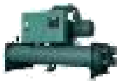
AMICHI Series YMPA
Air Cooled Scroll DC Inverter HP, Reversible
Heating Cap: 50 to 250 kW

YHA
High-Efficiency, Multi-Pipe
Air to Water HP, Reversible
Heating Cap: 20 to 460 kW

YLPA/B
Air to Water Scroll HP
Integrated Heat/Cool
Heating Cap: 350 to 680 kW

YVWA
Water to Water Heat Pump
VSD Screw
Heating Cap: 530 to 1,200 kW

YSPA
Air to Water Screw Heat Pump, Reversible
Heating Cap: 360 to 1,500 kW



YGWE
Water to Water Screw Heat Pump
Heating Cap: 350 to 1,700 kW

Sunline
10 to70 kW
Packaged Rooftop HP

Sun Core Hi-Efficiency
10 to 35 kW Packaged Rooftop HP

Sun Pro STD Efficiency
20 to 50 kW Packaged Rooftop HP

Predator
25 to 70 kW
Split System HP

Residential

YUTAKI S
Air to Water HP
Heating Cap: 4.3 to 24 kW

YUTAKI M
Air to Water HP
Monoblock Unit
Heating Cap: 4.3 to 16 kW

YUTAKI S Combi
Air to Water HP
All-in-one compact unit
Heating Cap: 4.3 to 16 kW

YUTAKI S80
Air to Water HP
Best high temp performance
Heating Cap: 11 to 16 kW

YVAG
Air to Water Chiller/HP
Heating Cap.: 7 to 40 KW

YHE/YEE: 14 SEER-
Single Stage Ducted Air to Air HP & Duel Fuel

THE: 14 SEER
3Ph Single Stage Ducted Air to Air HP

YHG/M: 16 SEER
Single Stage & modulating Ducted Air to Air HP

YZT- 19 SEER
Two Stage Ducted Air to Air HP

YZV- 20 SEER Variable
Variable Speed Ducted Air to Air HP

PHE4 14 SEER
Single Stage Residential Package Heat Pump

PHG4 14 SEER
Single Stage Residential Package Dual Fuel HP

PHE6 16 SEER-
Two Stage Residential Package Heat Pump

PHG6 16 SEER-
Two Stage Residential Package Dual Fuel HP

HMH7 - 17 SEER
Ducted Air to Air
Modulating

Size (kW/SEER)

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OpenBlue Driving Sustainability As A Service

Customer Challenges

- Requirement to attain high-level LEED status
- Deferred maintenance requiring capital
- Lack of unified energy management systems
- Restricted Operating Budgets

Positioned Solutions

- OpenBlue as a Service
  - OpenBlue Digital Twin
  - Advanced Data Analytics
- Enhanced Technology offering with OpenBlue Enterprise Manager
- Performance Partnership Agreements

Results

- Outcome based services centered on integrated data
- Increased attach rates and recurring revenue service agreements
- Energy and cost savings
- Carbon & Sustainability benefits
- Clear ROI

IDENTIFY ENERGY SAVINGS OPPORTUNITIES

ENVIRONMENTAL HEALTH AND SAFETY

ENSURE PRODUCTIVE ENVIRONMENTS

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Q2 Performance Infrastructure Projects

Industry Leader Powering Sustainability For Our Customers

Atascadero State Hospital

- Another successful project with California Department of General Services
- Atascadero is an 850,000-square foot Forensic Hospital in California
- **$1.5M annual reduction of electricity** purchased from the grid through energy retrofits and a cogeneration solution
- Savings total **$34 million** over 15 years
- Leveraged savings to perform significant infrastructure upgrades to Central Steam Plant and Electrical Distribution

Distributed Generation

- Lighting / HVAC conservation measures
- On-site generation

Jackson-Madison County General Hospital

- JCI designed and built a UL-Listed, integrated, factory engineered and manufactured Central Utility Plant to deliver a **sustainable environment of Care**
- Saved **$25 million** over 15 years an energy retrofit
- Reducing emissions by **92,500 metric tons of CO_2e** each year, equal to **113,000 acres of forest**
- OpenBlue Central Utility Plant technologies help JCI reduce consumption by **4,770,000 kWh/year** and support **energy reporting**

Energy Savings

- Modular Central Utility Plant
- Design build

Hackensack Public Schools

- School district to achieve **energy efficiency, sustainability and resiliency outcomes** using Performance Contracting
- Driving desired sustainability outcomes utilizing **OpenBlue Enterprise Manager**
- Leveraging **2.5 MW solar PV system** to drive sustainable infrastructure improvements
- Cost savings of **$15.8M over a 20-year term**
- The project will reduce Hackensack's carbon footprint by **3,454 metric tons of CO_2 annually**

Energy Savings

- Demand-side projects
- On-site solar generation

City of Lansing, Michigan

- Reduce operation and maintenance costs in 49 facilities **with no tax increase**
- Reducing emissions by **1,393 metric tons of CO_2e** each year, equal to **23,211 trees**
- Energy savings retrofits across the entire City to enhance public safety through technology
- Over 3 years this project will **create 193 local jobs**

Energy Savings

- Citywide facility upgrades
- M&V and branch service

Lethbridge School Division

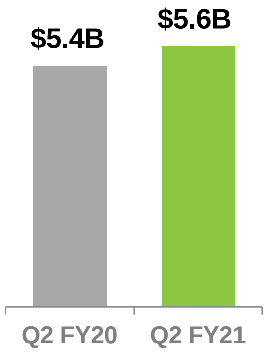
- School Division seeking a long-term partner to achieve **energy efficiency, reduce deferred maintenance and reduce GHG emissions**
- **1st Phase** contracted at **$4.1M** to address prioritized complex infrastructure renewal projects
- **Future Phases** will be developed with support funding from Government
- Project will yield annual energy savings, reduce emissions by **1057 tons of CO_2e annually and create 22 local jobs**

Healthy Buildings

- Lighting / HVAC
- Heat pumps / cooling tower
- Long-term partnership

Q2 FY21 Financial Summary*

SALES



1% Organic

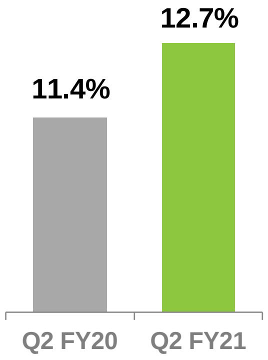
+ Strong growth in Global Products
+ Volume improving in the field
+ Service revenue has recovered

EPS

+24%

+ Increased profitability
+ Lower share count

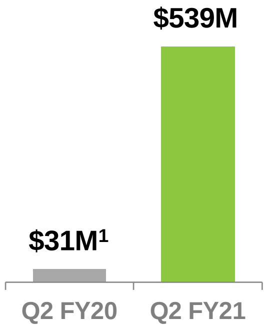
Segment EBITA MARGIN



+130bps

+ Strong execution; price/cost positive
+ Continued operating expense benefits – permanent and temporary costs actions

FCF



Up Significantly

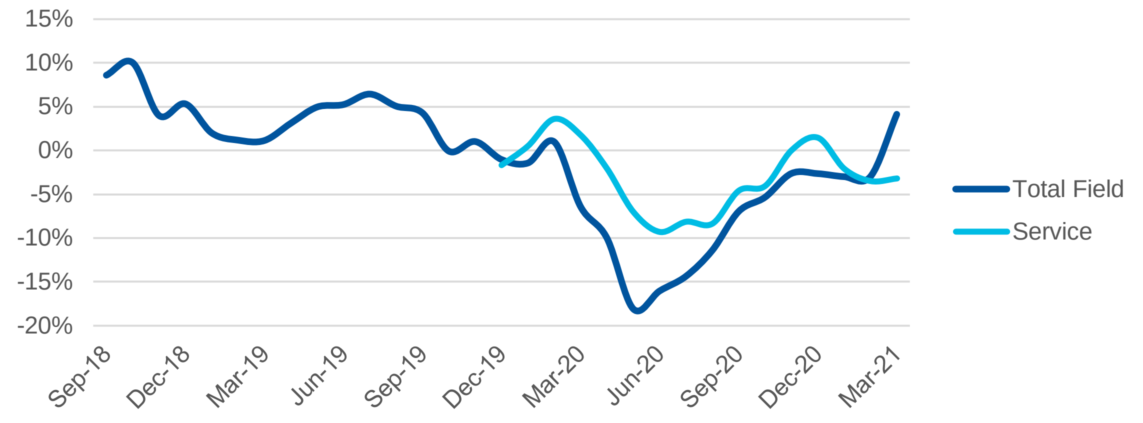
+ Underlying FCF up significantly YoY
+ Strong Trade Working Capital management
+ Lower Capex vs. prior year

[1] Prior year Reported FCF includes ~$100M of one-time cash items that were previously excluded

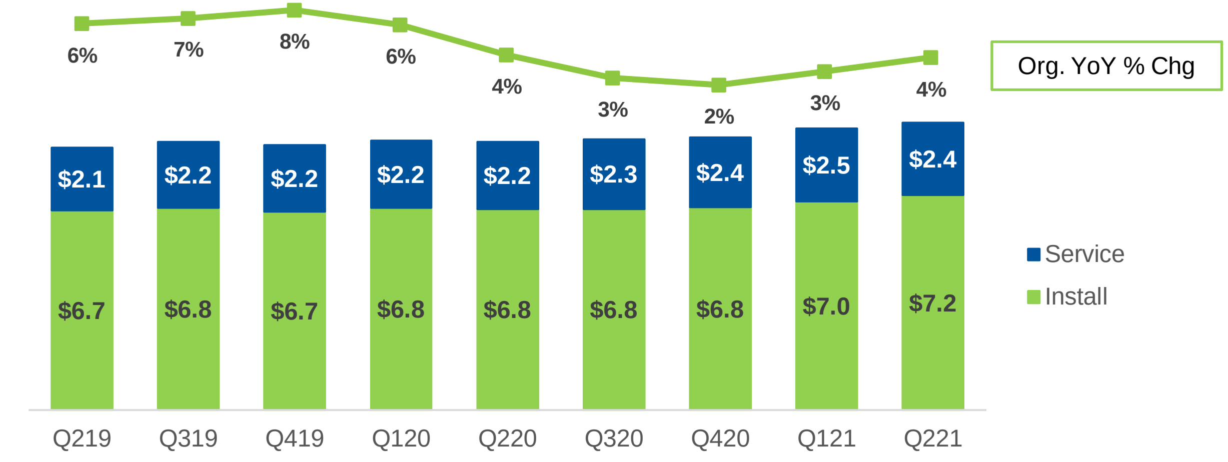
*All figures other than sales are adjusted and/or non-GAAP. Non-GAAP figures exclude special items. See footnotes for reconciliation.

Order Momentum Continues & Backlog Visibility Improves

Trailing 3-mo Field Orders (YoY % Chg)



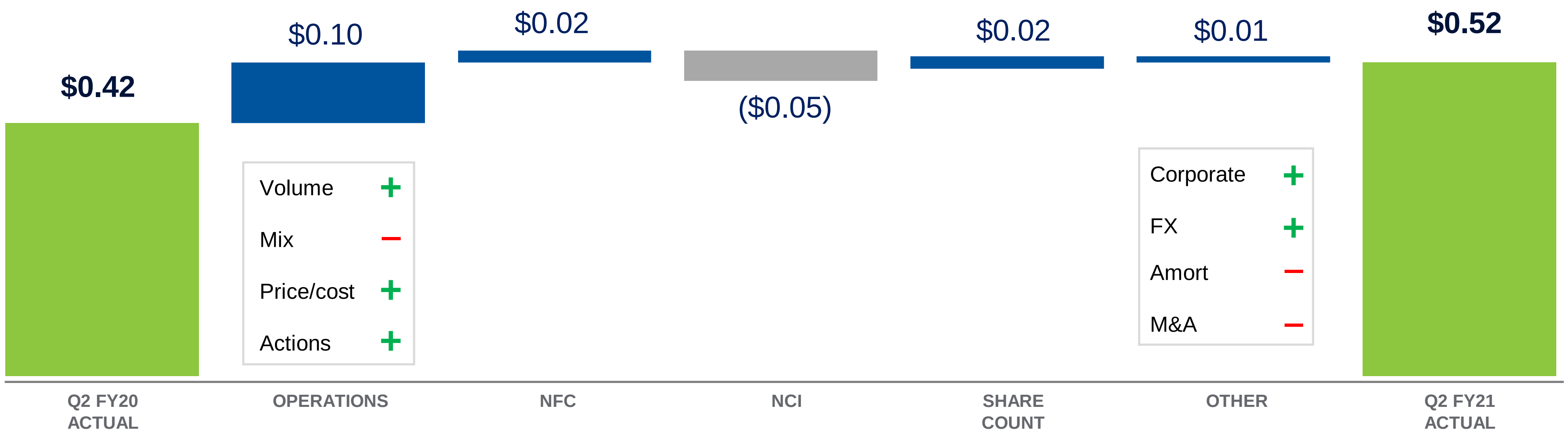
Backlog ($, billions)



- Trailing 3-month Field Orders +4% YoY
  - Service orders down 3%
  - Install orders inflected positive +9% YoY
- Global Products B:B = 1.0X; Resi HVAC orders +88% YoY

- Backlog of $9.6B +4% YoY organic
- Service backlog +5% YoY; conversion accelerating
- Install backlog +4% YoY; sequential improvement led by higher retrofit activity
- Backlog continue to remix towards shorter cycle projects
- Long cycle backlog provides visibility

Q2 FY21 EPS Bridge* (Continuing Operations)



- Strong and accelerating operational performance
- Disciplined price / cost execution; mix headwind
- Aggressive temporary and permanent cost mitigation actions
- Reduced share count benefit

*Non-GAAP EPS from continuing operations, excluding special items. See footnotes for reconciliation.

Q2 Segment Results*

($M)	**Sales** *Organic % YoY*	**EBITA Margin** *Change YoY*	**Comments**
North America	**$2,092** *(4%)*	**12.7%** *+110bps*	▪ Service Flat / Install (7%) ▪ Sequential improvement in HVAC & Controls and F&S; very strong growth in performance infrastructure driven by sustainability needs ▪ Strong gross margin expansion ▪ Orders +5%; Backlog $6.0B, +3% YoY
EMEALA	**$897** *flat*	**9.6%** *(40bps)*	▪ Service (1%) / Install +1% ▪ HVAC & Controls inflects positive; sequential improvement in F&S ▪ Orders growth driven by Fire & Security and Industrial Refrigeration ▪ Orders +5%; Backlog $1.9B, +7% YoY
Asia Pac	**$603** *+9%*	**12.3%** *(10bps)*	▪ Service +3% / Install +15% ▪ Organic revenue growth driven by HVAC & Controls ▪ China continues to strengthen; orders +40%, revenue growth >60% ▪ Orders (1%); Backlog $1.7B, +4% YoY
Global Products	**$2,002** *+6%*	**14.2%** *+280bps*	▪ Continued strong growth in NA residential; gaining share ▪ Commercial HVAC and F&S inflected positive ▪ Strong execution, operating leverage, higher equity income and prior year cost actions driving margin expansion ▪ Book-to-bill 1.0X
Total Segment	**$5,594** *+1%*	**12.7%** *+130bps*	▪ Field: Service Flat / Install (2%); Products +6% ▪ Sequential revenue improvement across all segments; strong operational execution ▪ Order momentum building; retrofit driving the improvement ▪ Field orders +4%; Field backlog $9.6B, +4% YoY

*Non-GAAP excludes special items. See footnotes for reconciliation.

Q2 Segment End Market Performance*

Organic Sales % Change	% of FY20 Sales	North America	EMEALA	APAC	Global Products	Consolidated JCI
Applied[1]	31%	(MSD)	+LSD	+>20%	+HSD[3]	+MSD
Light Commercial[2]	9%				(MSD)	(MSD)
Commercial HVAC	40%				(LSD)	+LSD
NA Residential	4%				+35%	+35%
ROW Residential	8%				+mid-teens	+mid-teens
Residential HVAC	12%				+20%	+20%
Fire & Security[3]	41%	(HSD)	(LSD)	(mid-teens)	+LSD	(MSD)
Performance Contracting	3%	+mid-teens	-	-		+mid-teens
Industrial Refrigeration	4%	-	MSD	-	(MSD)	+LSD
Total	100%	(4%)	Flat	+9%	+6%	+1%

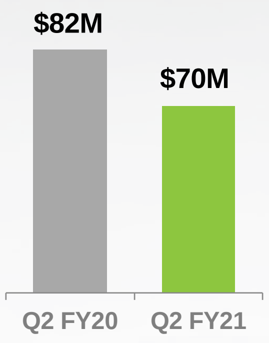
Underlying Market Is Improving; Continuing To Gain Share

[1] Includes BMS Controls
[2] Includes VRF
[3] Includes Retail
[4] Represents indirect sales of chiller and air handling equipment

*Non-GAAP excludes special items. See footnotes for reconciliation.

Corporate Expense* & Other Items

Corporate Expense



+ Mitigating cost actions
+ Continuous structural cost reductions

Full Year Guidance Items

- Corporate expense $285 to $295M
- Amortization expense ~$410M
- NFC - $210 to $220M
- NCI - $210 to $220M

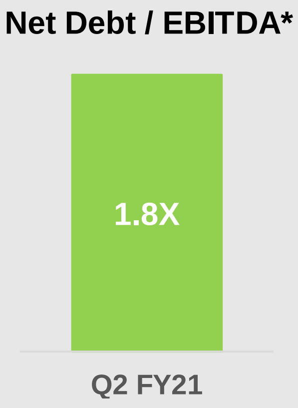
*Non-GAAP excludes special items. See footnotes for reconciliation.

Balance Sheet & Free Cash Flow*

Capital Structure ($ millions)	Q4 FY20	Q1 FY21	Q2 FY21
Short-term debt and current portion of long-term debt	$293	$464	$444
Long-term debt	7,526	7,469	7,323
Total debt	**7,819**	**7,933**	**7,767**
Less: cash and cash equivalents	1,951	1,839	1,883
Net debt*	**$5,868**	**$6,094**	**$5,884**

DEBT & LIQUIDITY

- **94% fixed** rate debt
- **2.8%** weighted avg interest rate
- **$1.9B** cash position
- BBB+/Baa2 credit rating (S&P/Moody's)
- ~$3B undrawn credit facilities
- Target Net Debt/EBITDA ~**2.0-2.5X**
- Increased quarterly dividend
- Increased share repo authorization



Free Cash Flow ($ millions)	Q2 FY20	Q2 FY21	H1 FY20	H1 FY21
Cash from operating activities	$155	$645	$666	$1,160
Capital expenditures	(124)	(106)	(250)	(197)
Reported FCF*	**$31[1]**	**$539**	**$416[2]**	**$963**

[1] Prior year Reported FCF includes ~$100M of one-time cash items that were previously excluded

[2] Prior YTD Reported FCF includes ~$600M tax benefit related to prior period tax planning, as well as ~$250M of other one-time cash items that were previously excluded

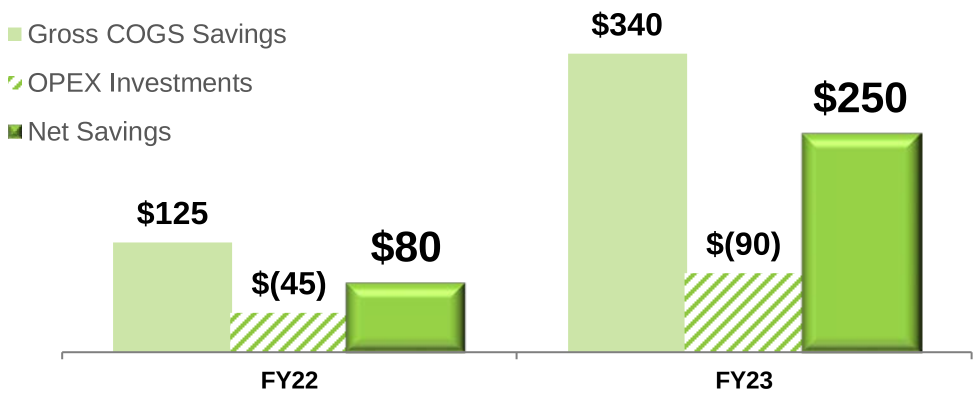
FREE CASH FLOW

- Trade Working Capital % of Sales **down 270 bps YoY to 9.1%**
- Capex spend **down 15% YoY Q2; down 21% YoY H1**

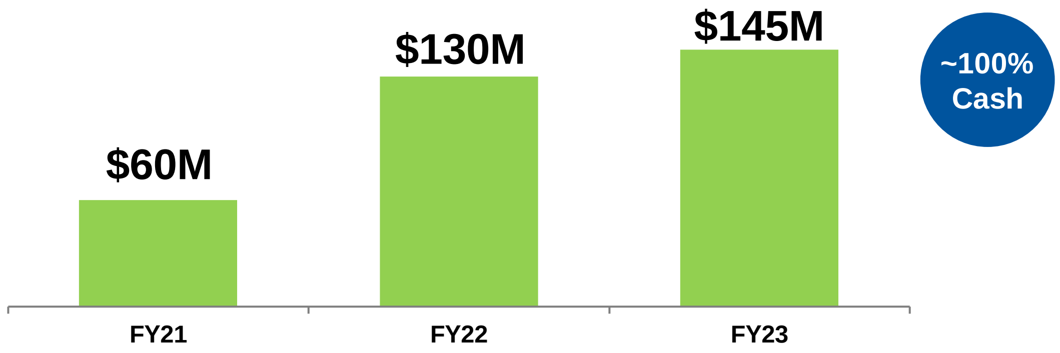
*Non-GAAP figures. See footnotes for reconciliation.

Detailed View Of COGS Cost Actions: ~$250M In Net Savings

Cumulative Net Savings From COGS Cost Actions[1]



Cumulative One Time Restructuring & Implementation Costs

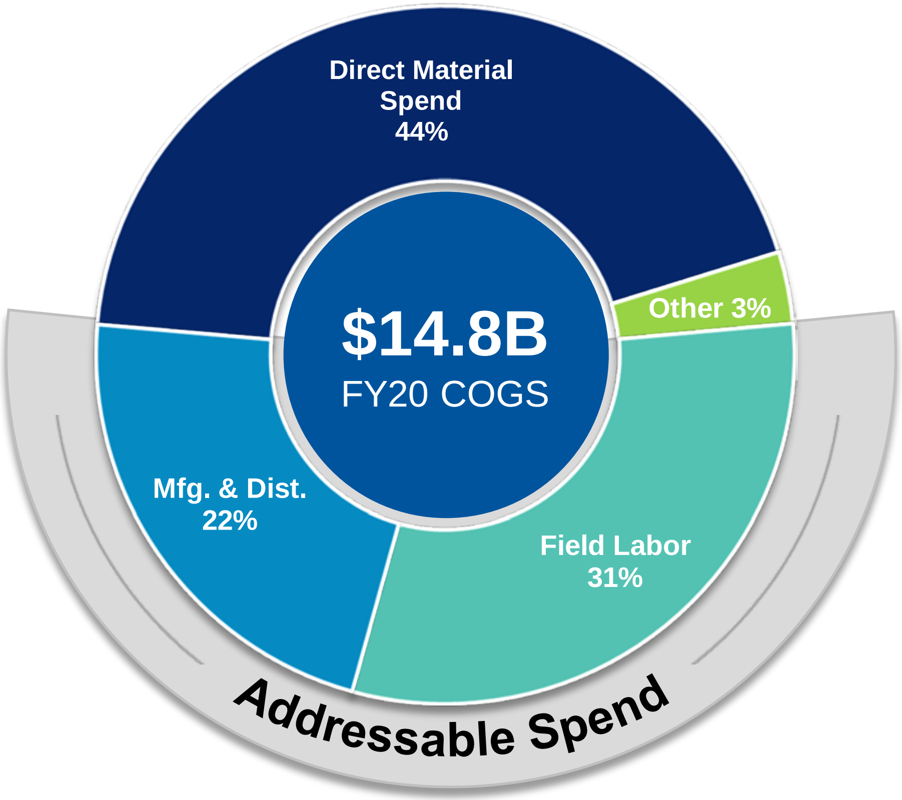


- Bottoms up analysis of COGS across the entire enterprise
- Detailed review to optimize addressable spend
- Actions in motion require lead time prior to benefit realization
- Strong Free Cash Flow generation to absorb restructuring & implementation costs
- Expect to maintain ~100% FCF conversion

[1] Includes operating investments to achieve, excludes one-time restructuring and implementation costs

Johnson Controls

Net Cost Of Goods Reduction Program – Areas Of Focus

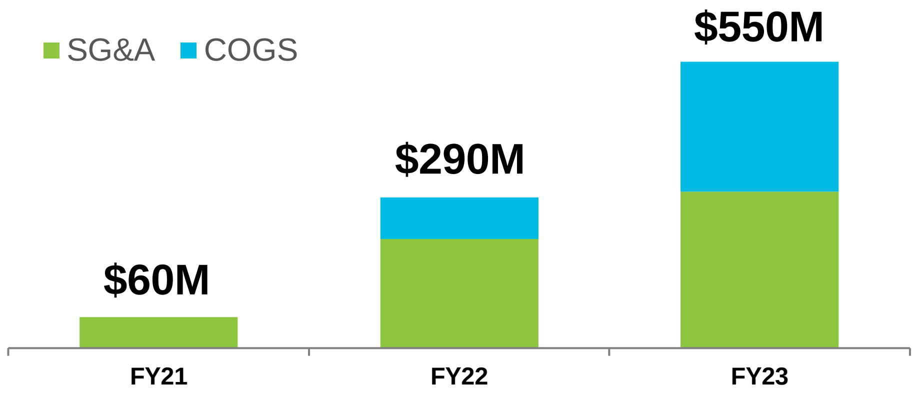


Material Spend	▪ Managing supplier relationships ▪ Design to Value & VAVE ▪ Ongoing productivity savings
Field Labor ~$180M	▪ Standardizing Field practices (e.g., sales planning & scoping, design & engineering) ▪ Improving project execution ▪ Accelerating service technician productivity utilizing digital
Manufacturing & Distribution ~$70M	▪ Digitizing manufacturing processes ▪ Maximizing best practices across plants ▪ Value chain optimization

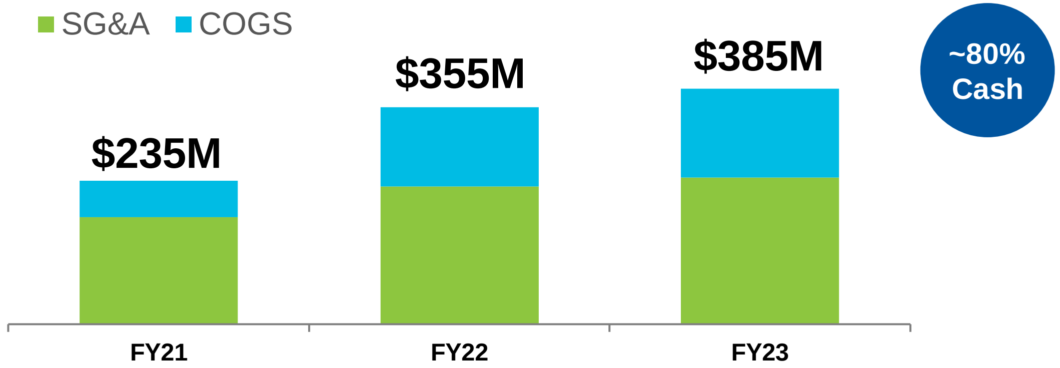
Cumulative Net Savings: ~$250M by FY23

Reduced Cost Structure & Improved Productivity Creating Significant Margin Runway

Cumulative Net Cost Reductions[1]



Cumulative One Time Restructuring & Implementation Costs



[1] Includes operating investments to achieve, excludes one-time restructuring and implementation costs

Fiscal 2021 Q3 & Raised Full Year Guidance*

FY 2021 Commentary

- Underlying market is recovering; well-positioned to capture growth
- Continued share gains
- Tax rate 13.5%
- Free cash flow conversion ~100%
- Disciplined capital allocation
  - ~$1.0B of share repurchases

Guidance[1]	Q3FY21	FY21
Organic Revenue	+mid-teens	+MSD
Segment EBITA Margin	Up slightly	+70 to +90bps
EPS	$0.80 - $0.82 (19 to 22% increase yoy)	$2.58 - $2.65 (15 to 18% increase yoy)
Weighted-Average Shares	~719M	~721M

[1] All guidance items exclude the announced acquisition of Silent-Aire

Continued Strong Performance In Challenging Environment

* Non-GAAP excludes special items.

Johnson Controls

2021 Investor Day

Save The Date

Wednesday, September 8, 2021

Further details to follow

Appendix

IR CONTACTS

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FY21 Second Quarter
Financial Results (Continuing Operations)

($ in millions, except earnings per share)	Q2 FY20 GAAP	Q2 FY21 GAAP	Q2 FY20* NON-GAAP	Q2 FY21* NON-GAAP	% Change NON-GAAP
Sales	$5,444	$5,594	$5,444	$5,594	3%
Gross profit	1,801	1,943	1,801	1,894	5%
% of sales	*33.1%*	*34.7%*	*33.1%*	*33.9%*	
SG&A expenses	1,451	1,253	1,381	1,413	2%
Restructuring & impairment costs	62	96	-	-	
Equity income	20	56	20	56	180%
EBIT	308	650	440	537	22%
EBIT margin	***5.7%***	***11.6%***	***8.1%***	***9.6%***	
Net financing charges	59	44	59	44	(25%)
Income before income taxes	249	606	381	493	29%
Income tax provision	13	209	52	66	27%
Net income	236	397	329	427	30%
Income attributable to noncontrolling interests	23	54	12	54	350%
Net income attributable to JCI	$213	$343	$317	$373	18%
Diluted EPS	**$0.28**	**$0.48**	**$0.42**	**$0.52**	24%

*Non-GAAP excludes special items. See footnotes for reconciliation.

Special Items (Continuing Operations)

$ In millions, except EPS

Q2 FY21	Pre-tax Income (Expense)	Tax (Expense) Benefit	NCI (Expense) Income	After-tax/NCI Income (Expense)	EPS Impact
Mark-to-market adjustments	$209	$(53)	$-	$156	$0.22
Restructuring & impairment costs	(96)	15	-	(81)	(0.11)
Discrete income tax items		(105)		(105)	(0.15)
Total	**$113**	**$(143)**	**$-**	**$(30)**	**$(0.04)**

Q2 FY20	Pre-tax Income (Expense)	Tax (Expense) Benefit	NCI (Expense) Income	After-tax/NCI Income (Expense)	EPS Impact
Integration costs	$(38)	$6	$-	$(32)	$(0.04)
Net mark-to-market adjustments	(32)	7	-	(25)	(0.03)
Impairment charge	(62)	4	-	(58)	(0.08)
Discrete income tax items	-	22	(11)	11	0.01
Total	**$(132)**	**$39**	**$(11)**	**$(104)**	**$(0.14)**

JOHNSON CONTROLS INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share data; unaudited)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Net sales	$ 5,594	$ 5,444
Cost of sales	3,651	3,643
Gross profit	1,943	1,801
Selling, general and administrative expenses	(1,253)	(1,451)
Restructuring and impairment costs	(96)	(62)
Net financing charges	(44)	(59)
Equity income	56	20
Income from continuing operations before income taxes	606	249
Income tax provision	209	13
Income from continuing operations	397	236
Income from discontinued operations, net of tax	-	-
Net income	397	236
Less: Income from continuing operations attributable to noncontrolling interests	54	23
Less: Income from discontinued operations attributable to noncontrolling interests	-	-
Net income attributable to JCI	$ 343	$ 213
Income from continuing operations	$ 343	$ 213
Income from discontinued operations	-	-
Net income attributable to JCI	$ 343	$ 213
Diluted earnings per share from continuing operations	$ 0.48	$ 0.28
Diluted earnings per share from discontinued operations	-	-
Diluted earnings per share	$ 0.48	$ 0.28
Diluted weighted average shares	721.3	757.1
Shares outstanding at period end	716.7	743.9

JOHNSON CONTROLS INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share data; unaudited)

	Six Months Ended March 31,	
	2021	2020
Net sales	$ 10,935	$ 11,020
Cost of sales	7,264	7,416
Gross profit	3,671	3,604
Selling, general and administrative expenses	(2,547)	(2,878)
Restructuring and impairment costs	(96)	(173)
Net financing charges	(103)	(111)
Equity income	114	63
Income from continuing operations before income taxes	1,039	505
Income tax provision	270	78
Income from continuing operations	769	427
Income from discontinued operations, net of tax	124	-
Net income	893	427
Less: Income from continuing operations attributable to noncontrolling interests	99	55
Less: Income from discontinued operations attributable to noncontrolling interests	-	-
Net income attributable to JCI	$ 794	$ 372
Income from continuing operations	$ 670	$ 372
Income from discontinued operations	124	-
Net income attributable to JCI	$ 794	$ 372
Diluted earnings per share from continuing operations	$ 0.93	$ 0.49
Diluted earnings per share from discontinued operations	0.17	-
Diluted earnings per share	$ 1.10	$ 0.49
Diluted weighted average shares	723.9	765.6
Shares outstanding at period end	716.7	743.9

JOHNSON CONTROLS INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in millions; unaudited)

	March 31, 2021	September 30, 2020
ASSETS		
Cash and cash equivalents	$ 1,883	$ 1,951
Accounts receivable - net	5,167	5,294
Inventories	1,994	1,773
Other current assets	1,160	1,035
Current assets	10,204	10,053
Property, plant and equipment - net	3,015	3,059
Goodwill	18,124	17,932
Other intangible assets - net	5,259	5,356
Investments in partially-owned affiliates	1,045	914
Noncurrent assets held for sale	179	147
Other noncurrent assets	3,354	3,354
Total assets	$ 41,180	$ 40,815
LIABILITIES AND EQUITY		
Short-term debt and current portion of long-term debt	$ 444	$ 293
Accounts payable and accrued expenses	4,234	3,958
Other current liabilities	4,062	3,997
Current liabilities	8,740	8,248
Long-term debt	7,323	7,526
Other noncurrent liabilities	6,360	6,508
Shareholders' equity attributable to JCI	17,698	17,447
Noncontrolling interests	1,059	1,086
Total liabilities and equity	$ 41,180	$ 40,815

JOHNSON CONTROLS INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions; unaudited)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Operating Activities		
Net income attributable to JCI from continuing operations	$ 343	$ 213
Income from continuing operations attributable to noncontrolling interests	54	23
Net income from continuing operations	397	236
Adjustments to reconcile net income from continuing operations to cash provided by operating activities:		
Depreciation and amortization	212	207
Pension and postretirement benefit income	(253)	(40)
Pension and postretirement contributions	(8)	(15)
Equity in earnings of partially-owned affiliates, net of dividends received	(55)	(19)
Deferred income taxes	84	(58)
Non-cash restructuring and impairment costs	54	62
Other - net	(7)	40
Changes in assets and liabilities, excluding acquisitions and divestitures:		
Accounts receivable	(57)	7
Inventories	(113)	(147)
Other assets	(20)	(58)
Restructuring reserves	10	(71)
Accounts payable and accrued liabilities	419	(107)
Accrued income taxes	(18)	118
Cash provided by operating activities from continuing operations	645	155
Investing Activities		
Capital expenditures	(106)	(124)
Acquisition of businesses, net of cash acquired	(10)	(10)
Business divestitures, net of cash divested	8	-
Other - net	26	19
Cash used by investing activities from continuing operations	(82)	(115)
Financing Activities		
Decrease in short and long-term debt - net	(13)	(177)
Stock repurchases	(315)	(816)
Payment of cash dividends	(187)	(199)
Dividends paid to noncontrolling interests	(101)	-
Proceeds from the exercise of stock options	102	18
Cash paid to acquire a noncontrolling interest	(14)	-
Employee equity-based compensation withholding	(8)	(12)
Other - net	4	-
Cash used by financing activities from continuing operations	(532)	(1,186)
Discontinued Operations		
Net cash used by operating activities	(1)	(14)
Net cash used by investing activities	-	-
Net cash used by financing activities	-	-
Net cash flows used by discontinued operations	(1)	(14)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	20	7
Changes in cash held for sale	-	-
Increase (decrease) in cash, cash equivalents and restricted cash	$ 50	$ (1,153)

JOHNSON CONTROLS INTERNATIONAL PLC

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions; unaudited)

	Six Months Ended March 31, 2021	Six Months Ended March 31, 2020
Operating Activities		
Net income attributable to JCI from continuing operations	$ 670	$ 372
Income from continuing operations attributable to noncontrolling interests	99	55
Net income from continuing operations	769	427
Adjustments to reconcile net income from continuing operations to cash provided by operating activities:		
Depreciation and amortization	419	414
Pension and postretirement benefit income	(299)	(80)
Pension and postretirement contributions	(25)	(27)
Equity in earnings of partially-owned affiliates, net of dividends received	(107)	(11)
Deferred income taxes	25	(61)
Non-cash restructuring and impairment costs	54	116
Other - net	(32)	56
Changes in assets and liabilities, excluding acquisitions and divestitures:		
Accounts receivable	167	244
Inventories	(211)	(261)
Other assets	(90)	(150)
Restructuring reserves	(24)	(38)
Accounts payable and accrued liabilities	510	(605)
Accrued income taxes	4	642
Cash provided by operating activities from continuing operations	1,160	666
Investing Activities		
Capital expenditures	(197)	(250)
Acquisition of businesses, net of cash acquired	(10)	(58)
Business divestitures, net of cash divested	19	-
Other - net	69	20
Cash used by investing activities from continuing operations	(119)	(288)
Financing Activities		
Decrease in short and long-term debt - net	(33)	(167)
Stock repurchases	(661)	(1,467)
Payment of cash dividends	(377)	(402)
Proceeds from the exercise of stock options	133	39
Dividends paid to noncontrolling interests	(101)	(5)
Cash paid to acquire a noncontrolling interest	(14)	-
Employee equity-based compensation withholding	(29)	(32)
Other - net	3	(2)
Cash used by financing activities from continuing operations	(1,079)	(2,036)
Discontinued Operations		
Net cash used by operating activities	(37)	(208)
Net cash used by investing activities	-	-
Net cash used by financing activities	-	-
Net cash flows used by discontinued operations	(37)	(208)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	9	64
Changes in cash held for sale	-	-
Decrease in cash, cash equivalents and restricted cash	$ (66)	$ (1,802)

FOOTNOTES

1. Financial Summary

The Company evaluates the performance of its business units primarily on segment earnings before interest, taxes and amortization (EBITA), which represents income from continuing operations before income taxes and noncontrolling interests, excluding general corporate expenses, intangible asset amortization, net financing charges, restructuring and impairment costs, and the net mark-to-market adjustments related to restricted asbestos investments and pension and postretirement plans. The financial results shown below are for continuing operations and exclude the Power Solutions business.

(in millions; unaudited)	Three Months Ended March 31,				Six Months Ended March 31,			
	2021		2020		2021		2020	
	Actual	Adjusted Non-GAAP	Actual	Adjusted Non-GAAP	Actual	Adjusted Non-GAAP	Actual	Adjusted Non-GAAP
Net sales								
Building Solutions North America	$ 2,092	$ 2,092	$ 2,175	$ 2,175	$ 4,126	$ 4,126	$ 4,342	$ 4,342
Building Solutions EMEA/LA	897	897	850	850	1,803	1,803	1,778	1,778
Building Solutions Asia Pacific	603	603	525	525	1,218	1,218	1,154	1,154
Global Products	2,002	2,002	1,894	1,894	3,788	3,788	3,746	3,746
Net sales	$ 5,594	$ 5,594	$ 5,444	$ 5,444	$ 10,935	$ 10,935	$ 11,020	$ 11,020
Segment EBITA (1)								
Building Solutions North America	$ 266	$ 266	$ 251	$ 253	$ 521	$ 521	$ 509	$ 512
Building Solutions EMEA/LA	86	86	85	85	181	181	175	175
Building Solutions Asia Pacific	74	74	65	65	153	153	137	137
Global Products	285	285	216	216	498	498	419	420
Segment EBITA	711	711	617	619	1,353	1,353	1,240	1,244
Corporate expenses (2)	(70)	(70)	(118)	(82)	(137)	(137)	(236)	(163)
Amortization of intangible assets	(104)	(104)	(97)	(97)	(208)	(208)	(193)	(193)
Net mark-to-market adjustments (3)	209	-	(32)	-	230	-	(22)	-
Restructuring and impairment costs (4)	(96)	-	(62)	-	(96)	-	(173)	-
EBIT (5)	650	537	308	440	1,142	1,008	616	888
EBIT margin	11.6%	9.6%	5.7%	8.1%	10.4%	9.2%	5.6%	8.1%
Net financing charges	(44)	(44)	(59)	(59)	(103)	(103)	(111)	(111)
Income from continuing operations before income taxes	606	493	249	381	1,039	905	505	777
Income tax provision (6)	(209)	(66)	(13)	(52)	(270)	(122)	(78)	(105)
Income from continuing operations	397	427	236	329	769	783	427	672
Income from continuing operations attributable to noncontrolling interests	(54)	(54)	(23)	(12)	(99)	(99)	(55)	(49)
Net income from continuing operations attributable to JCI	$ 343	$ 373	$ 213	$ 317	$ 670	$ 684	$ 372	$ 623

(1) The Company's press release contains financial information regarding segment EBITA, adjusted segment EBITA and adjusted segment EBITA margins, which are non-GAAP performance measures. The Company's definition of adjusted segment EBITA excludes special items because these costs are not considered to be directly related to the underlying operating performance of its businesses. Management believes these non-GAAP measures are useful to investors in understanding the ongoing operations and business trends of the Company.

A reconciliation of segment EBITA to income from continuing operations is shown earlier within this footnote. The following is the three months ended March 31, 2021 and 2020 reconciliation of segment EBITA and segment EBITA margin as reported to adjusted segment EBITA and adjusted segment EBITA margin (unaudited):

(in millions)	Building Solutions North America		Building Solutions EMEA/LA		Building Solutions Asia Pacific		Global Products		Consolidated JCI plc	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Segment EBITA as reported	$ 266	$ 251	$ 86	$ 85	$ 74	$ 65	$ 285	$ 216	$ 711	$ 617
Segment EBITA margin as reported	12.7%	11.5%	9.6%	10.0%	12.3%	12.4%	14.2%	11.4%	12.7%	11.3%
Adjusting items:										
Integration costs	-	2	-	-	-	-	-	-	-	2
Adjusted segment EBITA	$ 266	$ 253	$ 86	$ 85	$ 74	$ 65	$ 285	$ 216	$ 711	$ 619
Adjusted segment EBITA margin	12.7%	11.6%	9.6%	10.0%	12.3%	12.4%	14.2%	11.4%	12.7%	11.4%

The following is the six months ended March 31, 2021 and 2020 reconciliation of segment EBITA and segment EBITA margin as reported to adjusted segment EBITA and adjusted segment EBITA margin (unaudited):

(in millions)	Building Solutions North America		Building Solutions EMEA/LA		Building Solutions Asia Pacific		Global Products		Consolidated JCI plc	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Segment EBITA as reported	$ 521	$ 509	$ 181	$ 175	$ 153	$ 137	$ 498	$ 419	$ 1,353	$ 1,240
Segment EBITA margin as reported	12.6%	11.7%	10.0%	9.8%	12.6%	11.9%	13.1%	11.2%	12.4%	11.3%
Adjusting items:										
Integration costs	-	3	-	-	-	-	-	1	-	4
Adjusted segment EBITA	$ 521	$ 512	$ 181	$ 175	$ 153	$ 137	$ 498	$ 420	$ 1,353	$ 1,244
Adjusted segment EBITA margin	12.6%	11.8%	10.0%	9.8%	12.6%	11.9%	13.1%	11.2%	12.4%	11.3%

(2) Adjusted Corporate expenses excludes special items because these costs are not considered to be directly related to the underlying operating performance of the Company's business. Adjusted Corporate expenses for the three months ended March 31, 2020 excludes $36 million of integration costs. Adjusted Corporate expenses for the six months ended March 31, 2020 excludes $73 million of integration costs.

(3) The three months ended March 31, 2021 exclude the net mark-to-market adjustments on restricted investments and pension and postretirement plans of $209 million. The six months ended March 31, 2021 exclude the net mark-to-market adjustments on restricted investments and pension and postretirement plans of $230 million. The three months ended March 31, 2020 exclude the net mark-to-market adjustments on restricted investments of $32 million. The six months ended March 31, 2020 exclude the net mark-to-market adjustments on restricted investments of $22 million.

(4) Restructuring and impairment costs for the three and six months ended March 31, 2021 of $96 million are excluded from the adjusted non-GAAP results. Restructuring and impairment costs for the three months ended March 31, 2020 of $62 million are excluded from the adjusted non-GAAP results. Restructuring and impairment costs for the six months ended March 31, 2020 of $173 million are excluded from the adjusted non-GAAP results. The restructuring actions and impairment costs related primarily to workforce reductions, plant closures and asset impairments.

(5) Management defines earnings before interest and taxes (EBIT) as income (loss) from continuing operations before net financing charges, income taxes and noncontrolling interests. EBIT is a non-GAAP performance measure. Management believes this non-GAAP measure is useful to investors in understanding the ongoing operations and business trends of the Company. A reconciliation of EBIT to income from continuing operations is shown earlier within this footnote.

(6) Adjusted income tax provision for the three months ended March 31, 2021 excludes tax provisions from a Mexico valuation allowance adjustment of $105 million and net mark-to-market adjustments of $53 million, partially offset by tax benefits related to restructuring and impairment costs of $15 million. Adjusted income tax provision for the six months ended March 31, 2021 excludes tax provisions from a Mexico valuation allowance adjustment of $105 million and net mark-to-market adjustments of $58 million, partially offset by tax benefits related to restructuring and impairment costs of $15 million. Adjusted income tax provision for the three months ended March 31, 2020 excludes tax benefits from tax audit reserve adjustments of $22 million, net mark-to-market adjustments of $7 million, integration costs of $6 million, and restructuring and impairment costs of $4 million. Adjusted income tax provision for the six months ended March 31, 2020 excludes tax benefits from tax audit reserve adjustments of $22 million, restructuring and impairment costs of $20 million, integration costs of $11 million and net mark-to-market adjustments of $4 million, partially offset by tax provisions related to Switzerland tax reform of $30 million.

2. Diluted Earnings Per Share Reconciliation

The Company's press release contains financial information regarding adjusted earnings per share, which is a non-GAAP performance measure. The adjusting items include transaction/integration costs, net mark-to-market adjustments, restructuring and impairment costs, Power Solutions divestiture reserve adjustment and discrete tax items. The Company excludes these items because they are not considered to be directly related to the underlying operating performance of the Company. Management believes these non-GAAP measures are useful to investors in understanding the ongoing operations and business trends of the Company.

A reconciliation of diluted earnings per share as reported to adjusted diluted earnings per share for the respective periods is shown below (unaudited):

	Net Income Attributable to JCI plc Three Months Ended March 31,		Net Income Attributable to JCI plc from Continuing Operations Three Months Ended March 31,		Net Income Attributable to JCI plc Six Months Ended March 31,		Net Income Attributable to JCI plc from Continuing Operations Six Months Ended March 31,	
	2021	2020	2021	2020	2021	2020	2021	2020
Earnings per share as reported for JCI plc	$ 0.48	$ 0.28	$ 0.48	$ 0.28	$ 1.10	$ 0.49	$ 0.93	$ 0.49
Adjusting items:								
Integration costs	-	0.05	-	0.05	-	0.10	-	0.10
Related tax impact	-	(0.01)	-	(0.01)	-	(0.01)	-	(0.01)
Net mark-to-market adjustments	(0.29)	0.04	(0.29)	0.04	(0.32)	0.03	(0.32)	0.03
Related tax impact	0.07	(0.01)	0.07	(0.01)	0.08	(0.01)	0.08	(0.01)
Restructuring and impairment costs	0.13	0.08	0.13	0.08	0.13	0.23	0.13	0.23
Related tax impact	(0.02)	(0.01)	(0.02)	(0.01)	(0.02)	(0.03)	(0.02)	(0.03)
NCI impact of restructuring and impairment	-	-	-	-	-	(0.01)	-	(0.01)
Power Solutions divestiture reserve adjustment	-	-	-	-	(0.21)	-	-	-
Related tax impact	-	-	-	-	0.04	-	-	-
Discrete tax items	0.15	(0.03)	0.15	(0.03)	0.15	0.01	0.15	0.01
NCI impact of discrete tax items	-	0.01	-	0.01	-	0.01	-	0.01
Adjusted earnings per share for JCI plc*	$ 0.52	$ 0.42	$ 0.52	$ 0.42	$ 0.94	$ 0.81	$ 0.94	$ 0.81

* May not sum due to rounding

The following table reconciles the denominators used to calculate basic and diluted earnings per share for JCI plc (in millions; unaudited):

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	Six Months Ended March 31, 2021	Six Months Ended March 31, 2020
Weighted average shares outstanding for JCI plc				
Basic weighted average shares outstanding	717.1	754.8	720.1	762.4
Effect of dilutive securities:				
Stock options, unvested restricted stock				
and unvested performance share awards	4.2	2.3	3.8	3.2
Diluted weighted average shares outstanding	721.3	757.1	723.9	765.6

The Company has presented forward-looking statements regarding adjusted corporate expense, adjusted EPS, organic revenue, adjusted segment EBITA margin and free cash flow conversion, which are non-GAAP financial measures. These non-GAAP financial measures are derived by excluding certain amounts, expenses, or income from the corresponding financial measures determined in accordance with GAAP. The determination of the amounts that are excluded from these non-GAAP financial measures are a matter of management judgment and depends upon, among other factors, the nature of the underlying expense or income amounts recognized in a given period, including but not limited to the high variability of the net mark-to-market adjustments and the effect of foreign currency exchange fluctuations. Our fiscal 2021 full year and third quarter guidance for organic revenue also excludes the effect of acquisitions, divestitures and foreign currency. Our fiscal 2021 full year and third quarter guidance for adjusted segment EBITA margin, adjusted EPS and amortization expense also excludes the effect of the announced acquisition of Silent-Aire. We are unable to present a quantitative reconciliation of the aforementioned forward-looking non-GAAP financial measures to their most directly comparable forward-looking GAAP financial measures because such information is not available and management cannot reliably predict all of the necessary components of such GAAP measures without unreasonable effort or expense. The unavailable information could have a significant impact on the Company's third quarter and full year 2021 GAAP financial results.

3. Organic Growth Reconciliation

The components of the changes in net sales for the three months ended March 31, 2021 versus the three months ended March 31, 2020, including organic growth, is shown below (unaudited):

(in millions)	Net Sales for the Three Months Ended March 31, 2020	Base Year Adjustments - Divestitures and Other		Base Year Adjustments - Foreign Currency		Adjusted Base Net Sales for the Three Months Ended March 31, 2020	Acquisitions		Organic Growth		Net Sales for the Three Months Ended March 31, 2021	
Building Solutions North America	$ 2,175	$ -	-	$ 13	1%	$ 2,188	$ -	-	$ (96)	-4%	$ 2,092	-4%
Building Solutions EMEA/LA	850	-	-	42	5%	892	4	-	1	-	897	6%
Building Solutions Asia Pacific	525	(2)	-	30	6%	553	-	-	50	9%	603	15%
Total field	3,550	(2)	-	85	2%	3,633	4	-	(45)	-1%	3,592	1%
Global Products	1,894	(62)	-3%	51	3%	1,883	-	-	119	6%	2,002	6%
Total net sales	$ 5,444	$ (64)	-1%	$ 136	2%	$ 5,516	$ 4	-	$ 74	1%	$ 5,594	3%

The components of the changes in net sales for the six months ended March 31, 2021 versus the six months ended March 31, 2020, including organic growth, is shown below (unaudited):

(in millions)	Net Sales for the Six Months Ended March 31, 2020	Base Year Adjustments - Divestitures and Other		Base Year Adjustments - Foreign Currency		Adjusted Base Net Sales for the Six Months Ended March 31, 2020	Acquisitions		Organic Growth		Net Sales for the Six Months Ended March 31, 2021	
Building Solutions North America	$ 4,342	$ -	-	$ 16	-	$ 4,358	$ -	-	$ (232)	-5%	$ 4,126	-5%
Building Solutions EMEA/LA	1,778	-	-	63	4%	1,841	13	1%	(51)	-3%	1,803	1%
Building Solutions Asia Pacific	1,154	(4)	-	58	5%	1,208	-	-	10	1%	1,218	6%
Total field	7,274	(4)	-	137	2%	7,407	13	-	(273)	-4%	7,147	-2%
Global Products	3,746	(133)	-4%	88	2%	3,701	-	-	87	2%	3,788	1%
Total net sales	$ 11,020	$ (137)	-1%	$ 225	2%	$ 11,108	$ 13	-	$ (186)	-2%	$ 10,935	-1%

4. Free Cash Flow Reconciliation

The Company's press release contains financial information regarding free cash flow which is a non-GAAP performance measure. Free cash flow is defined as cash provided by operating activities less capital expenditures. Management believes this non-GAAP measure is useful to investors in understanding the strength of the Company and its ability to generate cash.

The following is the three months and six months ended March 31, 2021 and 2020 reconciliation of free cash flow for continuing operations (unaudited):

(in millions)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	Six Months Ended March 31, 2021	Six Months Ended March 31, 2020
Cash provided by operating activities from continuing operations	$ 645	$ 155	$ 1,160	$ 666
Capital expenditures	(106)	(124)	(197)	(250)
Reported free cash flow	$ 539	$ 31	$ 963	$ 416

5. Net Debt to EBITDA

The Company provides financial information regarding net debt to adjusted EBITDA, which is a non-GAAP performance measure. The Company believes the total net debt to adjusted EBITDA ratio is useful to understanding the Company's financial condition as it provides a review of the extent to which the Company relies on external debt financing for its funding and is a measure of risk to its shareholders. The following is the March 31, 2021 calculation of net debt to adjusted EBITDA (unaudited):

(in millions)	March 31, 2021
Short-term debt and current portion of long-term debt	$ 444
Long-term debt	7,323
Total debt	7,767
Less: cash and cash equivalents	1,883
Total net debt	$ 5,884
Last twelve months adjusted EBITDA	$ 3,312
Total net debt to adjusted EBITDA	1.8x

The following is the last twelve months ended March 31, 2021 reconciliation of income from continuing operations to adjusted EBIT and adjusted EBITDA, which are non-GAAP performance measures (unaudited):

(in millions)	Last Twelve Months Ended March 31, 2021
Income from continuing operations	$ 1,137
Income tax provision	300
Net financing charges	223
EBIT	1,660
Adjusting items:	
Integration costs	58
Net mark-to-market adjustments	22
Restructuring and impairment costs	706
Acquisition related compensation charge	39
Adjusted EBIT (1)	2,485
Depreciation and amortization	827
Adjusted EBITDA (1)	$ 3,312

(1) The Company's definition of adjusted EBIT and adjusted EBITDA excludes special items because these costs are not considered to be directly related to the underlying operating performance of its businesses. Management believes this non-GAAP measure is useful to investor in understanding the ongoing operations and business trends of the Company.

6. Trade Working Capital as a Percentage of Net Sales

The Company provides financial information regarding trade working capital as a percentage of net sales, which is a non-GAAP performance measure. Trade working capital is defined as current assets less current liabilities, excluding cash, short-term debt, the current portion of long-term debt, the current portion of assets and liabilities held for sale, accrued compensation and benefits, and other current assets and liabilities. Management believes this non-GAAP measure, which excludes financing-related items, non-trade related items and businesses to be divested, is a more useful measurement of the Company's operating performance. The following is the March 31, 2021 and March 31, 2020 calculation of trade working capital as a percentage of net sales (unaudited):

(in millions)	March 31, 2021	March 31, 2020
Current assets	$ 10,204	$ 9,955
Current liabilities	(8,740)	(9,509)
Total working capital	1,464	446
Less: cash and cash equivalents	(1,883)	(1,006)
Less: assets held for sale	-	(91)
Less: other current assets	(1,160)	(1,336)
Add: short-term debt	248	344
Add: current portion of long-term debt	196	1,086
Add: accrued compensation and benefits	817	694
Add: liabilities held for sale	-	39
Add: other current liabilities	2,352	2,627
Trade working capital	$ 2,034	$ 2,803
Last twelve months net sales	$ 22,232	$ 23,745
Trade working capital as a percentage of net sales	9.1%	11.8%

7. Income Taxes

The Company's effective tax rate from continuing operations before consideration of transaction/integration costs, net mark-to-market adjustments, restructuring and impairment costs and discrete tax items for the three and six months ending March 31, 2021 and March 31, 2020 is approximately 13.5%.

8. Restructuring and Impairment Costs

The three and six months ended March 31, 2021 include restructuring and impairment costs of $96 million related primarily to workforce reductions and asset impairments. The three months ended March 31, 2020 include restructuring and impairment costs of $62 million related to indefinite-lived intangible asset impairments primarily related to the Company's retail business. The six months ended March 31, 2020 include restructuring and impairment costs of $173 million related primarily to workforce reductions, plant closures and asset impairments.