

First Quarter 2010 Earnings Release

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Forward-looking statements and Non-GAAP financial information

This presentation contains forward-looking statements concerning the second quarter 2010, and full year 2010 net income per share and operating earnings per share, full year 2010 revenues, our worldwide markets, our growth in relation to end markets, our growth from acquisitions, and estimated savings from acquisition integration. These statements should be used with caution and are subject to various risks and uncertainties, many of which are outside the company's control. The following factors could cause actual results to differ materially from those in the forward-looking statements: unanticipated changes in the markets for the company's business segments; unanticipated downturns in business relationships with customers or their purchases from us; competitive pressures on sales and pricing; increases in the cost of material and other production costs, or unexpected costs that cannot be recouped in product pricing; the introduction of competing technologies; unexpected technical or marketing difficulties; unexpected claims, charges, litigation or dispute resolutions; the impact of acquisitions and divestitures; unanticipated difficulties integrating acquisitions; new laws and governmental regulations; interest rate changes; changes in currency exchange rates; stock market or currency fluctuations; and unanticipated deterioration of economic and financial conditions in the United States and around the world. We do not assume any obligation to update these forward-looking statements.

This presentation includes certain non-GAAP measures as defined by SEC rules. A reconciliation of those measures to the most directly comparable GAAP equivalent is provided in the investor relations section of our website at www.eaton.com.

Highlights of 1Q Results

- Operating income per share \$0.95
 - Excluding the Medicare Part D charge \$1.09
- Net income per share \$0.91
 - Excluding the Medicare Part D charge \$1.05
- Sales for Q1 were \$3,103M, up 10%
 - End markets up 4% in the quarter
 - 24% of sales came from developing countries
- Operating cash flow of \$(162M) for Q1 after a pension contribution of \$326M

Comparison to 1st Q Guidance

Operating EPS Reconciliation versus Guidance

Midpoint of Guidance	\$	0.85
Operating EPS		0.95
Impact Medicare Part D		0.14
Lower tax rate		(0.09)
Operating performance	\$	<u>1.00</u>

18% improvement over Guidance

Financial Summary

(M)	<u>1Q '10</u>	<u>1Q '09</u>	<u>V '09</u>
Sales	\$3,103	\$2,813	↑ 10%
Segment Operating Profit	347	118	↑ 194%
Segment Operating Margin	11.2%	4.2%	↑ 700 bps
Acquisition Integration Charges	9	21	
Segment Operating Profit as Reported	338	97	↑ 248%
Net Income (Loss)	155	(50)	↑ NM

Sales Mix:	Market Growth	4%
	Outgrowth	1%
	Acquisition	0%
	Forex	5%
	Total	<u>10%</u>

Reconciliation of net income to operating earnings

Net Income per share assuming dilution	\$.91
After tax per share impact of acquisition integration charges	\$.04
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Operating Earnings per share	\$.95

Electrical – Americas Segment

(M)	<u>1Q '10</u>	<u>1Q '09</u>	<u>V '09</u>
Sales	\$802	\$859	↓ 7%
Operating Profit	106	107	↓ 1%
Margin	13.2%	12.5%	↑ 70 bps
Acquisition Integration Charges	1	1	
Operating Profit as Reported	105	106	↓ 1 %

Sales Mix:	Market Growth	(8)%
	Outgrowth	(1)%
	Acquisition	0%
	Forex	2%
	Total	(7)%

- Bookings down 4% vs. Q4 decline of 18%
- Residential up 3%
- Non-residential down 21%
- Industrial up 3%
- Stimulus orders gaining momentum – now \$250M

Electrical – Rest of World Segment

(M)	<u>1Q '10</u>	<u>1Q '09</u>	<u>V '09</u>
Sales	\$608	\$544	↑ 12%
Operating Profit	49	10	↑ 390%
Margin	8.1%	1.8%	↑ 630 bps
Acquisition Integration Charges	7	16	
Operating Profit (Loss) as Reported	42	(6)	NM

Sales Mix:	Market Growth	1%
	Outgrowth	3%
	Acquisition	0%
	Forex	8%
	Total	<u>12%</u>

- Bookings up 18%
- Areas of particular strength
 - APAC – China, India
 - EMEA – Northern Europe

Hydraulics Segment

(M)	<u>1Q '10</u>	<u>1Q '09</u>	<u>V '09</u>
Sales	\$490	\$430	↑ 14%
Operating Profit	54	7	↑ 671%
Margin	11.0%	1.6%	↑ 940 bps
Acquisition Integration Charges	0	1	
Operating Profit as Reported	54	6	↑ 800%

Sales Mix:	Market Growth	1%
	Outgrowth	10%
	Acquisition	0%
	Forex	3%
	Total	14%

- 11% shipment growth, excluding forex and acquisitions
- Global bookings up 88%, excluding forex and acquisitions
 - Compared to extremely low Q1 from last year
 - Led by mobile OEM strength
 - Distributor demand beginning to strengthen

Aerospace Segment

(M)	<u>1Q '10</u>	<u>1Q '09</u>	<u>V '09</u>
Sales	\$376	\$418	↓ 10%
Operating Profit	50	73	↓ 32%
Margin	13.3%	17.5%	↓ 420 bps
Acquisition Integration Charges	1	2	
Operating Profit as Reported	49	71	↓ 31%

Sales Mix:	Market Growth	(5)%
	Outgrowth	(7)%
	Acquisition	0%
	Forex	2%
	Total	<u>(10)%</u>

- Q1 bookings down 7% compared to Q4 down 25%
- Aerospace markets globally forecasted to decline by 1% vs. prior estimate of -3%
 - Stronger OEM production
 - Weakness continues in commercial aftermarket

Truck Segment

(M)	<u>1Q '10</u>	<u>1Q '09</u>	<u>V '09</u>
Sales	\$453	\$292	↑ 55%
Operating Profit (Loss)	46	(34)	NM
Margin	10.2%	(11.6)%	↑2,180 bps
Operating Profit (Loss) as Reported	46	(34)	NM

Sales Mix:	Market Growth	19%
	Outgrowth	25%
	Acquisition	0%
	Forex	11%
	Total	<u>55%</u>

- Overall markets up 19%
 - Strong agricultural equipment market in Brazil
- 2010 outlook for Class 8 builds 135,000 units
 - Versus prior estimate of 150,000

Automotive Segment

(M)	<u>1Q '10</u>	<u>1Q '09</u>	<u>V '09</u>
Sales	\$374	\$270	↑ 39%
Operating Profit (Loss)	42	(45)	NM
Margin	11.2%	(16.7)%	↑ 2,790 bps
Acquisition Integration Charges	0	1	
Operating Profit (Loss) as Reported	42	(46)	NM

Sales Mix:	Market Growth	46%
	Outgrowth	(14)%
	Acquisition	0%
	Forex	7%
	Total	<u>39%</u>

- Strongest growth in U.S., followed by Asia Pacific and then Europe
- Full year U.S. production forecast up 31%
- Full year non-U.S. production forecast up 6%

2010 End Market Growth Forecast -- A Transitional Year

	2010		
	U.S. Growth	Non U.S. Growth	Total
Electrical Americas Index	(3)	NA	(3)
Electrical Rest of World Index	NA	6	6 ↑
Hydraulics Index	16	15	16 ↑
Aerospace Index	(1)	(1)	(1) ↑
Truck Index	16	17	17 ↓
Automotive Index	31	6	15 ↑
Consolidated Market Index	5	7	6 ↑
Eaton Weightings	45%	55%	100%

We expect further improvement in segment margins

	February Guidance	April Guidance
Electrical Americas	13%	13%
Electrical ROW	9%	9%
Hydraulics	9%	11%
Aerospace	15.5%	14.5%
Truck	10%	10%
Automotive	7%	9%
Eaton Consolidated	10%	11%

2010 EPS Guidance

	<u>Operating Earnings</u>	<u>Net Income</u>
Q2	\$1.10 - \$1.20	\$1.05 - \$1.15
Midpoint	\$1.15	\$1.10
Full Year	\$4.30 - \$4.60	\$4.15 - \$4.45
Midpoint	\$4.45	\$4.30

1Q 2010 to 2Q 2010 Reconciliation

1 st Q Operating EPS	\$ 0.95
Elimination of Medicare Part D	0.14
Incremental volume	0.21
Higher tax rate	(0.11)
Aerospace plant flooding	(0.04)
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2nd Q Operating EPS	\$ 1.15

2010 EPS Guidance Bridge

2009 Operating EPS **\$2.59**

Several Pluses:

• Market improvement of 6% at 40% margin	\$1.98
• Year-to-Year RIF net savings	1.77
• Market outgrowth at 40% margin	0.84
• FOREX	0.10
• Moeller and Phoenixtec cost synergies	0.30
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	\$4.99

Several Negatives:

• Tax rate change	\$1.50
• Restoration of other savings	1.53
• Net acquisition/divestiture	0.01
• Increase in number of shares outstanding	0.05
• Higher amortization of intangibles and other	0.04
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	(\$3.13)

2010 Operating EPS **\$4.45**

Summary of 2010 guidance

	January Guidance	February Guidance	April Guidance
Market Growth Forecast	5%	5.5%	6%
Market Growth	\$600M	\$650M	\$700M
Outgrowth of Market	\$300M	\$300M	\$300M
Growth from Forex	\$450M	\$225M	\$150M
Tax Rate	14% – 16%	14% – 16%	12% – 14%
Operating EPS	\$3.70 – \$4.00	\$3.85 – \$4.15	\$4.30 – \$4.60
Fully Diluted EPS	\$3.50 – \$3.80	\$3.65 – \$3.95	\$4.15 – \$4.45
Operating Cash Flow	\$1.0B – \$1.1B	\$1.0B – \$1.1B	\$1.1B – \$1.2B
Free Cash Flow	\$600M – \$700M	\$600M – \$700M	\$700M – \$800M

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