



Fourth Quarter 2010 Earnings Release January 27, 2011

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Forward-looking statements and Non-GAAP financial information

This presentation contains forward-looking statements concerning the first quarter 2011 and full year 2011 net income per share and operating earnings per share, full year 2011 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 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 Q4 Results

- Operating earnings per share of \$1.69
- Net income per share of \$1.63
- Sales for Q4 were \$3,663M, up 17%
- Operating cash flow of \$555M for Q4; \$1.3B for 2010
- Record segment operating margin of 13.7%
 - Improvement from Q3 segment margin of 13.4%

Dividend Increase and Stock Split

- Dividend raised by 17%, from \$0.58 to \$0.68
- Stock to be split two for one
- Record date for both actions February 7, 2011

Comparison to Q4 Guidance

Operating EPS Reconciliation versus Guidance

Midpoint of guidance	\$	1.60
Higher end market growth		0.16
R&E tax credit		0.08
Lower tax rate		0.01
Brazil lawsuit provision		(0.15)
Increase in number of shares		(0.01)
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Total	\$	1.69

Normalized Q4 Results

Q4 operating EPS	\$1.69
Brazil lawsuit provision	.15
R&E tax credit – 1 st three quarters	(.06)
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Adjusted Q4 operating EPS	\$1.78

Financial Summary

(M)	<u>4Q '10</u>	<u>4Q '09</u>	<u>V '09</u>	
Sales	\$3,663	\$3,131	↑	17%
Segment Operating Profit	503	346	↑	45%
Segment Operating Margin	13.7%	11.1%	↑	260 bps
Acquisition Integration Charges	(15)	(25)		
Segment Operating Profit as Reported	488	321	↑	52%
Net Income	280	211	↑	33%

Sales Mix:	Market Growth	13%
	Outgrowth	3%
	Acquisition	2%
	Forex	(1)%
	Total	<u>17%</u>

Reconciliation of net income to operating earnings

Net Income per share assuming dilution	\$1.63
Per share impact of acquisition integration charges	\$0.06
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Operating Earnings per share	\$1.69

Electrical – Americas Segment

(M)	<u>4Q '10</u>	<u>4Q '09</u>	<u>V '09</u>
Sales	\$1,012	\$827	↑ 22%
Operating Profit	163	126	↑ 29%
Margin	16.1%	15.2%	↑ 90 bps

Sales Mix:	Market Growth	9%
	Outgrowth	7%
	Acquisition	5%
	Forex	1%
	Total	22%

- Outstanding quarter
- Margins improving, back to mid-2009 levels
- Q4 bookings up 14%
- Stimulus bookings ended the year at \$516M

Electrical – Rest of World Segment

(M)	<u>4Q '10</u>	<u>4Q '09</u>	<u>V '09</u>
Sales	\$768	\$698	↑ 10%
Operating Profit	94	74	↑ 27%
Margin	12.2%	10.6%	↑ 160 bps
Acquisition Integration Charges	(13)	(22)	
Operating Profit as Reported	81	52	↑ 56%

Sales Mix:	Market Growth	10%
	Outgrowth	3%
	Acquisition	1%
	Forex	(4)%
	Total	<u>10%</u>

- Q4 record quarterly sales and operating profits
- Bookings up 10%

Hydraulics Segment

(M)	<u>4Q '10</u>	<u>4Q '09</u>	<u>V '09</u>
Sales	\$571	\$419	↑ 36%
Operating Profit	73	13	↑ 462%
Margin	12.8%	3.1%	↑ 970 bps
Acquisition Integration Charges	(1)	0	
Operating Profit as Reported	72	13	↑ 454%

Sales Mix:	Market Growth	38%
	Outgrowth	(2)%
	Acquisition	0%
	Forex	0%
	Total	<u>36%</u>

- U.S. markets up 46%, non-U.S. markets up 32%
- Closed Tuthill Couplings acquisition on January 1

Aerospace Segment

(M)	<u>4Q '10</u>	<u>4Q '09</u>	<u>V '09</u>
Sales	\$400	\$381	↑ 5%
Operating Profit	64	50	↑ 28%
Margin	16.0%	13.1%	↑ 290 bps
Acquisition Integration Charges	(1)	(3)	
Operating Profit as Reported	63	47	↑ 34%

Sales Mix:	Market Growth	1%
	Outgrowth	5%
	Acquisition	0%
	Forex	(1)%
	Total	5%

- Q4 bookings up 36%
- Aftermarket bookings up 9%

Truck Segment

(M)	<u>4Q '10</u>	<u>4Q '09</u>	<u>V '09</u>
Sales	\$518	\$443	↑ 17%
Operating Profit	66	51	↑ 29%
Margin	12.7%	11.5%	↑ 120 bps

Sales Mix:	Market Growth	16%
	Outgrowth	0%
	Acquisition	0%
	Forex	1%
	Total	17%

- U.S. markets up 20%, non-U.S. markets up 14%
- NAFTA Class 8 market momentum
 - Q4 orders at 72.3K
 - Q4 production of 43.8K units

Automotive Segment

(M)	<u>4Q '10</u>	<u>4Q '09</u>	<u>V '09</u>
Sales	\$394	\$363	↑ 9%
Operating Profit	43	32	↑ 34%
Margin	10.9%	8.8%	↑ 210 bps

Sales Mix:	Market Growth	9%
	Outgrowth	2%
	Acquisition	0%
	Forex	(2)%
	Total	9%

- U.S. markets up 10%, non-U.S. markets up 9%
- Strong record of wins in 2010 – will drive growth in 2012 – 2013

Cash Flow

(\$M)	<u>Q4</u>	<u>2010 Full Year</u>	<u>2011 Guidance</u>
Operating cash flow	\$555	\$1,282	\$1,600 – \$1,700
Capital expenditures	186	394	550
Free cash flow	<u>\$369</u>	<u>\$888</u>	<u>\$1,050 – \$1,150</u>

Margin Expectations

	2010 Actual	2011 Guidance
Electrical Americas	14.4%	15.0%
Electrical ROW	10.8%	12.0%
Hydraulics	12.7%	14.5%
Aerospace	14.6%	15.0%
Truck	12.3%	16.0%
Automotive	10.5%	11.0%
Eaton Consolidated	12.7%	14.0%

2011 End Market Growth

	2011		
	U.S. Growth	Non U.S. Growth	Total
Electrical Americas Index	6	7	6
Electrical Rest of World Index	---	7	7
Hydraulics Index	13	11	12
Aerospace Index	4	3	4
Truck Index	40	7	20
Automotive Index	7	5	6
Consolidated Market Index	10	7	8
Eaton Weightings	45%	55%	100%

2011 EPS Guidance

	<u>Operating Earnings</u>	<u>Net Income</u>
Full Year	\$7.00 - \$7.60	\$6.92 - \$7.52
Midpoint	\$7.30	\$7.22
Q1	\$1.50 - \$1.60	\$1.48 - \$1.58
Midpoint	\$1.55	\$1.53

Note: Guidance is prior to 2-for-1 split

2011 EPS Guidance Bridge

2010 Operating EPS **\$ 5.61**

Several Pluses:

• Market improvement of 8% at 33% margin	\$	1.91
• Market outgrowth of \$450M at 33% margin		0.78
• Brazil lawsuit provision		0.15
• Acquisitions		0.08
		2.92
	\$	2.92

Several Negatives:

• Higher tax rate	\$	(0.48)
• Increase in pension expense		(0.22)
• Unrecovered commodity costs		(0.18)
• Increase in number of shares outstanding		(0.10)
• Other corporate expense charges		(0.25)
		(1.23)
	\$	(1.23)

2011 Operating EPS **\$ 7.30**

Q4 2010 to Q1 2011 Reconciliation

Q4 Operating EPS	\$	1.69
Brazil lawsuit provision		0.15
Higher tax rate		(0.14)
Lower seasonal volume		(0.08)
Higher pension		(0.06)
Higher number of shares		(0.01)
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Q1 Operating EPS	\$	1.55

Guidance reflects strong leverage

2011 Change in Sales	12%
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2011 Change in Operating EPS	30%
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Summary of 2011 Guidance

	2011 Guidance
Market Growth of 8%	\$1,100M
Market Outgrowth	\$450M
Acquisition Revenue	\$160M
Tax Rate	15% - 17%
Operating EPS	\$7.00 - \$7.60
Fully Diluted EPS	\$6.92 - \$7.52
Operating Cash Flow	\$1.6B to \$1.7B
Free Cash Flow	\$1.05B to \$1.15B

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