



Second Quarter 2011 Earnings Release

July 25, 2011

Alexander M. Cutler



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Ideals that Endure

Forward-looking statements and Non-GAAP financial information

This presentation contains forward-looking statements concerning the third quarter 2011 and full year 2011 net income per share and operating earnings per share, full year 2011 revenues, our worldwide markets in 2011 and 2012, our growth in relation to end markets and our growth from acquisitions. 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; the availability of credit to customers and suppliers; 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; strikes or other labor unrest; new laws and governmental regulations; interest rate changes; stock market and 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 financial measures as defined by SEC rules and regulations. 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 2Q Results

- Operating earnings per share of \$0.97
 - \$0.04 above midpoint of guidance
- Net income per share of \$0.97
- Sales for Q2 were \$4,090M
 - End markets up 12% in the quarter
 - 26% of sales from developing countries
- Record quarterly segment operating margin of 13.9%

Comparison to 2Q Guidance

Operating EPS Reconciliation versus Guidance

Midpoint of Guidance	\$	0.93
Lower end markets		(0.01)
Improved performance		0.05
		<hr/>
Operating EPS	\$	0.97

Financial Summary

(M)	<u>2Q '11</u>	<u>2Q '10</u>	<u>V '10</u>
Sales	\$4,090	\$3,378	↑ 21%
Segment Operating Profit	568	412	↑ 38%
Segment Operating Margin	13.9%	12.2%	↑ 170 bps
Acquisition Integration Charges	(2)	(9)	
Segment Operating Profit as Reported	566	403	↑ 40%
Net Income	336	226	↑ 49%

Sales Mix:	Market Growth	12%
	Outgrowth	2%
	Acquisition	1%
	Forex	6%
	Total	21%

Reconciliation of net income to operating earnings

Net income per share assuming dilution	\$0.97
After tax per share impact of acquisition integration charges	\$0.00
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Operating earnings per share	\$0.97

Electrical – Americas Segment

(M)	<u>2Q '11</u>	<u>2Q '10</u>	<u>V '10</u>
Sales	\$1,033	\$894	↑ 16%
Operating Profit	145	121	↑ 20%
Margin	14.0%	13.5%	↑ 50 bps
Acquisition Integration Charges	(1)	(1)	
Operating Profit as Reported	144	120	↑ 20%

Sales Mix:	Market Growth	10%
	Outgrowth	1%
	Acquisition	4%
	Forex	1%
	Total	16%

- Q2 bookings up 9%
- Continued strong growth in industrial markets
- U.S. non-residential markets close to bottom
- Completed acquisition of C.I. ESI in Colombia

Electrical – Rest of World Segment

(M)	<u>2Q '11</u>	<u>2Q '10</u>	<u>V '10</u>
Sales	\$787	\$665	↑ 18%
Operating Profit	78	67	↑ 16%
Margin	9.9%	10.1%	↓ 20 bps
Acquisition Integration Charges	(1)	(7)	
Operating Profit as Reported	77	60	↑ 28%

Sales Mix:	Market Growth	6%
	Outgrowth	(1)%
	Acquisition	0%
	Forex	13%
	Total	<u>18%</u>

- Markets up 6%, in both Europe and Asia Pacific
- Bookings in Q2 declined by 4%, driven by a drop in orders for solar inverters
- Completed acquisition of ACTOM Limited's low voltage business in South Africa

Hydraulics Segment

(M)	<u>2Q '11</u>	<u>2Q '10</u>	<u>V '10</u>
Sales	\$728	\$568	↑ 28%
Operating Profit	120	77	↑ 56%
Margin	16.5%	13.6%	↑ 290 bps

Sales Mix:	Market Growth	18%
	Outgrowth	2%
	Acquisition	3%
	Forex	5%
	Total	<u>28%</u>

- Record margin levels - increasing full year guidance
- Q2 bookings increased 20%
- Took further actions to build filtration business
 - Internormen Technology Group
 - E. Begerow

Aerospace Segment

(M)	<u>2Q '11</u>	<u>2Q '10</u>	<u>V '10</u>
Sales	\$409	\$370	↑ 11%
Operating Profit	50	49	↑ 2%
Margin	12.2%	13.2%	↓ 100 bps
Acquisition Integration Charges	0	(1)	
Operating Profit as Reported	50	48	↑ 4%

Sales Mix:	Market Growth	4%
	Outgrowth	4%
	Acquisition	0%
	Forex	3%
	Total	<u>11%</u>

- Aftermarket bookings up 7% in Q2
- Bookings declined 1% in Q2 driven by weakness in military markets
- Program expenses negatively impacted margins for Q2

Truck Segment

(M)	<u>2Q '11</u>	<u>2Q '10</u>	<u>V '10</u>
Sales	\$673	\$492	↑ 37%
Operating Profit	120	59	↑ 103%
Margin	17.8%	12.0%	↑ 580 bps

Sales Mix:	Market Growth	24%
	Outgrowth	6%
	Acquisition	0%
	Forex	7%
	Total	<u>37%</u>

- Raising full year margin guidance
- Maintaining forecast for 2011 NAFTA Class 8 production at 265K units
- Higher growth now expected in markets outside NAFTA

Automotive Segment

(M)	<u>2Q '11</u>	<u>2Q '10</u>	<u>V '10</u>
Sales	\$460	\$389	↑ 18%
Operating Profit	55	39	↑ 41%
Margin	12.0%	10.0%	↑ 200 bps

Sales Mix:	Market Growth	9%
	Outgrowth	2%
	Acquisition	0%
	Forex	7%
	Total	18%

- Raising full year margin guidance
- U.S. markets up 15% in Q2
- Impact of Japanese supply disruption on global production much less than some had anticipated

2011 End Market Growth Forecast

(YOY % Growth)	2011		
	U.S. Growth	Non U.S. Growth	Total
Electrical Americas Index	7	7	7
Electrical Rest of World Index	N/A	7	7
Hydraulics Index	22	15	18
Aerospace Index	4	4	4
Truck Index	48	9	25 ↑ 3
Automotive Index	10	8	9 ↑ 3
Consolidated Market Index	14	9	11 ↑ 1
Eaton Weightings	45%	55%	100%

Note: Arrows indicate direction of change since April 20, 2011 Q1 Earnings call

We expect further improvement to record consolidated segment margin

	February Guidance	April Guidance	July Guidance
Electrical Americas	15%	15%	15%
Electrical ROW	12%	12%	11% ↓
Hydraulics	14.5%	15.5%	16% ↑
Aerospace	15%	14%	14%
Truck	16%	17%	18% ↑
Automotive	11%	11%	12% ↑
Eaton Consolidated	14%	14%	14.5% ↑

2011 EPS Guidance

	<u>Operating Earnings</u>	<u>Net Income</u>
Q3	\$1.03 - \$1.13	\$1.01 - \$1.11
Midpoint	\$1.08	\$1.06
Full Year	\$3.90 - \$4.10	\$3.86 - \$4.06
Midpoint	\$4.00	\$3.96

2Q 2011 to 3Q 2011 Reconciliation

2Q Operating EPS	\$	0.97
Incremental volume		0.08
Commodity recovery		0.06
Improved Aerospace margins		0.02
Higher tax rate		<u>(0.05)</u>
3Q Operating EPS	\$	1.08

2011 EPS Guidance Bridge

2010 Operating EPS **\$2.81**

Several Pluses:

• Market improvement of 11% at 33% margin	\$1.31
• Market outgrowth at 33% margin	0.39
• FOREX	0.11
• Non-recurring 2010 lawsuit provision	0.08
• Acquisitions	0.04
	<hr/>
	\$1.93

Several Negatives:

• Higher tax rate	\$(0.29)
• Unrecovered commodity costs	(0.13)
• Increase in number of shares outstanding	(0.07)
• Increase in pension expense	(0.12)
• Increase in other (healthcare, LIFO)	(0.13)
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	\$(0.74)

2011 Operating EPS **\$4.00**

Summary of 2011 Guidance

		January Guidance	February Guidance	April Guidance	July Guidance
Market Growth Forecast		8%	9%	10%	11%
Market Growth		\$1,100M	\$1,200M	\$1,400M	\$1,500M
Outgrowth of Market		\$450M	\$450M	\$450M	\$450M
Acquisition Revenue		\$160M	\$160M	\$160M	\$225M
Growth from Forex		\$0M	\$0M	\$200M	\$400M
Tax Rate		15% – 17%	15% – 17%	16% – 18%	16% – 18%
Operating EPS	Full Year	\$3.50 – \$3.80	\$3.55 – \$3.85	\$3.70 – \$4.00	\$3.90 – \$4.10
	Q3				\$1.03 – \$1.13
Fully Diluted EPS	Full Year	\$3.46 – \$3.76	\$3.51 – \$3.81	\$3.66 – \$3.96	\$3.86 – \$4.06
	Q3				\$1.01 – \$1.11
Operating Cash Flow		\$1.6B – \$1.7B	\$1.6B – \$1.7B	\$1.6B – \$1.7B	\$1.6B – \$1.7B
Free Cash Flow		\$1.05B – \$1.15B	\$1.05B – \$1.15B	\$1.05B – \$1.15B	\$1.0B – \$1.1B

Initial thoughts on 2012

- 2012 expected to be a year of solid economic growth
 - Consensus view of global GDP: ↑ 3.7%
 - Consensus view of global manufacturing industrial production: ↑ 5.2%
- We would expect to outgrow manufacturing industrial production
 - Late-cycle markets beginning to accelerate
 - U.S. non-residential construction
 - Large data centers
 - Commercial aerospace
 - Early- and mid-cycle businesses continuing recovery from recession
 - Industrial electrical markets
 - Hydraulics
 - NAFTA Class 8 trucks
 - Global automotive

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