



Third Quarter 2011 Earnings Release

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Forward-looking statements and Non-GAAP financial information

This presentation contains forward-looking statements concerning the fourth 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, commodity pricing 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 3Q Results

- Record operating earnings per share of \$1.08
- Record net income per share of \$1.07
- Sales for 3Q were \$4,123M
 - Sales up 15% from 3Q 2010
 - End markets up 11% in the quarter
 - 27% of revenues from emerging markets
- Record segment margins of 14.6%
- Quarterly operating cash flow of \$642M
- Repurchased 2% of outstanding shares in Q3

Comparison to 3Q Guidance

Operating EPS Reconciliation versus Guidance

Midpoint of Guidance	\$	1.08
Lower number of shares outstanding		0.01
Improved performance		0.01
Lower tax rate		0.04
Commodity hedge losses		<u>(0.06)</u>
Operating EPS	\$	1.08

Financial Summary

(M)	<u>3Q '11</u>	<u>3Q '10</u>	<u>V '10</u>
Sales	\$4,123	\$3,571	↑ 15%
Segment Operating Profit	603	478	↑ 26%
Segment Operating Margin	14.6%	13.4%	↑ 120 bps
Acquisition Integration Charges	(4)	(7)	
Segment Operating Profit as Reported	599	471	↑ 27%
Net Income	365	268	↑ 36%

Sales Mix:	Market Growth	11%
	Outgrowth	0%
	Acquisition	2%
	Forex	2%
	Total	15%

Reconciliation of net income to operating earnings

Net income per share assuming dilution	\$1.07
After tax per share impact of acquisition integration charges	\$0.01
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Operating earnings per share	\$1.08

Electrical – Americas Segment

(M)	<u>3Q '11</u>	<u>3Q '10</u>	<u>V '10</u>
Sales	\$1,074	\$967	↑ 11%
Operating Profit	159	141	↑ 13%
Margin	14.8%	14.6%	↑ 20 bps
Acquisition Integration Charges	(3)	(0)	
Operating Profit as Reported	156	141	↑ 11%

Sales Mix:	Market Growth	11%
	Outgrowth	(2)%
	Acquisition	1%
	Forex	1%
	Total	11%

- Record quarterly revenues
- Bookings up 21%
- Backlog up 15% to all time record of \$1.3B
- Non-residential markets have bottomed and are starting to show modest growth
- Adjusting for mark-to-market commodity hedge costs of \$11M, operating margins were 15.8%

Electrical – Rest of World Segment

(M)	<u>3Q '11</u>	<u>3Q '10</u>	<u>V '10</u>
Sales	\$755	\$707	↑ 7%
Operating Profit	62	87	↓ (29)%
Margin	8.2%	12.3%	↓ 410 bps
Acquisition Integration Charges	(0)	(6)	
Operating Profit as Reported	62	81	↓ (23)%

Sales Mix:	Market Growth	1%
	Outgrowth	(3)%
	Acquisition	2%
	Forex	7%
	Total	7%

- Bookings down 9%
 - Continued softness of residential solar markets
- Adjusting for mark-to-market commodity hedge costs of \$11M, operating margins were 9.7%

Hydraulics Segment

(M)	<u>3Q '11</u>	<u>3Q '10</u>	<u>V '10</u>
Sales	\$717	\$583	↑ 23%
Operating Profit	110	76	↑ 45%
Margin	15.3%	13.0%	↑ 230 bps
Acquisition Integration Charges	(1)	(0)	
Operating Profit as Reported	109	76	↑ 43%

Sales Mix:	Market Growth	14%
	Outgrowth	(1)%
	Acquisition	7%
	Forex	3%
	Total	<u>23%</u>

- Bookings up 20%, leading to record backlog
- Continued strength in Americas and European markets
- Orders down Q2 to Q3 in China construction equipment markets

Aerospace Segment

(M)	<u>3Q '11</u>	<u>3Q '10</u>	<u>V '10</u>
Sales	\$420	\$390	↑ 8%
Operating Profit	71	61	↑ 16%
Margin	16.9%	15.6%	↑ 130 bps
Acquisition Integration Charges	(0)	(1)	
Operating Profit as Reported	71	60	↑ 18%

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

- Program cost issues from 1H resolved
- Bookings up 16% reflecting improvements in commercial OEM market
- Aftermarket bookings up 6%

Truck Segment

(M)	<u>3Q '11</u>	<u>3Q '10</u>	<u>V '10</u>
Sales	\$715	\$534	↑ 34%
Operating Profit	139	74	↑ 88%
Margin	19.4%	13.9%	↑ 550 bps

Sales Mix:	Market Growth	25%
	Outgrowth	6%
	Acquisition	0%
	Forex	3%
	Total	<u>34%</u>

- Record quarterly revenues, despite NAFTA markets still below peak levels
- NAFTA production in Q3 at 68K units, full year outlook now at 255K units

Automotive Segment

(M)	<u>3Q '11</u>	<u>3Q '10</u>	<u>V '10</u>
Sales	\$442	\$390	↑ 13%
Operating Profit	62	39	↑ 59%
Margin	14.0%	10.0%	↑ 400 bps

Sales Mix:	Market Growth	8%
	Outgrowth	3%
	Acquisition	0%
	Forex	2%
	Total	13%

- U.S. light vehicle sales grew 7% in Q3
- EU27 domestic and export sales holding up well

2011 End Market Growth Forecast

(YOY % Growth)	2011		
	U.S. Growth	Non U.S. Growth	Total
Electrical Americas Index	8 ↑	7	8 ↑ 1
Electrical Rest of World Index	N/A	6 ↓	6 ↓ 1
Hydraulics Index	22	13 ↓	17 ↓ 1
Aerospace Index	5 ↑	5 ↑	5 ↑ 1
Truck Index	46 ↓	9	24 ↓ 1
Automotive Index	13 ↑	9 ↑	10 ↑ 1
Consolidated Market Index	15 ↑	8 ↓	11
Eaton Weightings	45%	55%	100%

Note: Arrows indicate direction of change since July 25, 2011 2Q Earnings call

Full year consolidated segment margins are expected to achieve record levels

	February Guidance	April Guidance	July Guidance	October Guidance
Electrical Americas	15%	15%	15%	15%
Electrical ROW	12%	12%	11%	10% ↓
Hydraulics	14.5%	15.5%	16%	16%
Aerospace	15%	14%	14%	14%
Truck	16%	17%	18%	18%
Automotive	11%	11%	12%	12%
Eaton Consolidated	14%	14%	14.5%	14.5%

2011 EPS Guidance

	<u>Operating Earnings</u>	<u>Net Income</u>
Q4	\$1.06 - \$1.16	\$1.04 - \$1.14
Midpoint	\$1.11	\$1.09
Full Year	\$3.95 - \$4.05	\$3.91 - \$4.01
Midpoint	\$4.00	\$3.96

3Q 2011 to 4Q 2011 Reconciliation

3Q Operating EPS	\$ 1.08
Recovery of commodity hedge losses	0.08
Lower number of shares outstanding	0.01
Higher tax rate	<u>(0.06)</u>
4Q Operating EPS	\$ 1.11

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	0.30
• FOREX	0.10
• Non-recurring 2010 lawsuit provision	0.08
• Acquisitions	0.05
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	\$1.84

Several Negatives:

• Higher tax rate	\$(0.24)
• Unrecovered commodity costs	(0.13)
• Increase in number of shares outstanding	(0.04)
• Increase in pension expense	(0.11)
• Increase in other (healthcare, LIFO)	(0.13)
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	\$(0.65)

2011 Operating EPS **\$4.00**

Summary of 2011 Guidance

		January Guidance	February Guidance	April Guidance	July Guidance	October Guidance
Market Growth Forecast		8%	9%	10%	11%	11%
Market Growth		\$1,100M	\$1,200M	\$1,400M	\$1,500M	\$1,500M
Outgrowth of Market		\$450M	\$450M	\$450M	\$450M	\$350M
Acquisition Revenue		\$160M	\$160M	\$160M	\$225M	\$250M
Growth from Forex		\$0M	\$0M	\$200M	\$400M	\$365M
Tax Rate	Full Year	15% – 17%	15% – 17%	16% – 18%	16% – 18%	16% – 16.5%
	Q4					18% – 19%
Operating EPS	Full Year	\$3.50 – \$3.80	\$3.55 – \$3.85	\$3.70 – \$4.00	\$3.90 – \$4.10	\$3.95 – \$4.05
	Q4					\$1.06 – \$1.16
Fully Diluted EPS	Full Year	\$3.46 – \$3.76	\$3.51 – \$3.81	\$3.66 – \$3.96	\$3.86 – \$4.06	\$3.91 – \$4.01
	Q4					\$1.04 – \$1.14
Operating Cash Flow		\$1.6B – \$1.7B	\$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	\$1.0B – \$1.1B

2012 Outlook

- 2012 expected to be a year of modest global economic growth
 - Consensus GDP at 2.8%, down from July expectations of 3.7%
 - Consensus global manufacturing industrial production at 3.9%, down from July expectations of 5.2%
- Year end return and interest rate adjustments likely to produce modest pension headwinds for 2012
 - Current interest rates and asset values would result in \$(0.10) per share of increased pension costs in 2012
 - Expect approximately \$300M funding in 2012 for U.S. qualified pension plan

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