



Third Quarter 2012 Earnings Release

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Forward-looking statements and non-GAAP financial information

This presentation contains forward-looking statements concerning the status of the Cooper acquisition and our worldwide markets. 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; strikes or other labor unrest; the performance of recent acquisitions; the unanticipated delay, or failure, to close the Cooper acquisition; unanticipated difficulties integrating acquisitions; 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 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 3Q Results

- Operating earnings per share of \$1.07
- Net income per share of \$1.02
- Sales in 3Q were \$3.95B
 - Sales down 4% from 3Q 2011
 - End markets down 1% in the quarter
 - 24% sales from emerging markets
- Segment margins of 14.6%
- Quarterly operating cash flow of \$606M

3Q Comparison to Reference Point

Midpoint of 2012 full year guidance reported in July	\$4.35
First half 2012 EPS	\$2.08
Second half projected EPS	\$2.27 ÷2
Reference point for 3Q EPS	\$1.14

Operating EPS Reconciliation versus Reference Point

Reference point for 3Q	\$	1.14
Lower tax rate		0.10
Lower end markets		(0.17)
		<hr/>
Total	\$	1.07

Financial Summary

(\$ in M)	<u>3Q '12</u>	<u>3Q '11</u>	<u>V '11</u>
Sales	\$3,950	\$4,123	↓ 4%
Segment Operating Profit	576	603	↓ 4%
Segment Operating Margin	14.6%	14.6%	
Acquisition Integration Charges	(7)	(4)	
Segment Operating Profit as Reported	569	599	↓ 5%
Net Income	345	365	↓ 5%

Sales Mix:	Market Growth	(1)%
	Outgrowth	(1)%
	Acquisitions	2%
	FOREX	(4)%
	Total	<u>(4)%</u>

Reconciliation of net income to operating earnings

Net income per share assuming dilution	\$ 1.02
Per share impact of acquisition integration charges	0.05
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Operating earnings per share	\$ 1.07

Electrical Americas Segment

(\$ in M)	<u>3Q '12</u>	<u>3Q '11</u>	<u>V '11</u>
Sales	\$1,143	\$1,074	↑ 6%
Operating Profit	208	159	↑ 31%
Margin	18.2%	14.8%	↑ 340 bps
Acquisition Integration Charges	(1)	(3)	
Operating Profit as Reported	207	156	↑ 33%

Sales Mix:	Market Growth	4%
	Outgrowth	2%
	Acquisitions	0%
	FOREX	0%
	Total	<u>6%</u>

- Record quarterly sales and profits
- Bookings down 3% from record 3Q 2011 levels on continued weakness in power quality markets, partially offset by strength in power distribution
- Rolec acquisition completed in late September, expanding capabilities in mining market

Electrical Rest of World Segment

(\$ in M)	<u>3Q '12</u>	<u>3Q '11</u>	<u>V '11</u>
Sales	\$686	\$755	↓ 9%
Operating Profit	77	62	↑ 24%
Margin	11.2%	8.2%	↑ 300 bps
Acquisition Integration Charges	(1)	0	
Operating Profit as Reported	76	62	↑ 23%

Sales Mix:	Market Growth	(6)%
	Outgrowth	3%
	Acquisitions	0%
	FOREX	(6)%
	Total	(9)%

- Bookings down 3% on continued European and APAC weakness
- Operating margins rebounded, as anticipated

Hydraulics Segment

(\$ in M)	<u>3Q '12</u>	<u>3Q '11</u>	<u>V '11</u>
Sales	\$763	\$717	↑ 6%
Operating Profit	98	110	↓ 11%
Margin	12.8%	15.3%	↓ 250 bps
Acquisition Integration Charges	(5)	(1)	
Operating Profit as Reported	93	109	↓ 15%

Sales Mix:	Market Growth	(4)%
	Outgrowth	0%
	Acquisitions	13%
	FOREX	(3)%
	Total	<u>6%</u>

- U.S. markets down 1%, and international markets down 6%, on weakness in construction equipment markets
- Bookings down 25% from record 3Q 2011
- Completed acquisition of Jeil Hydraulics in July

Aerospace Segment

(\$ in M)	<u>3Q '12</u>	<u>3Q '11</u>	<u>V '11</u>
Sales	\$419	\$420	0%
Operating Profit	49	71	↓ 31%
Margin	11.7%	16.9%	↓ 520 bps

Sales Mix:	Market Growth	4%
	Outgrowth	(3)%
	Acquisitions	0%
	FOREX	(1)%
	Total	0%

- Margins weaker on continued mix pressure due to ramp up of commercial OEM production along with lower than expected volume in the quarter
- Bookings down 7% on weakness in military OEM markets, partially offset by continued strength across commercial markets
- Aftermarket bookings impacted by weakness in commercial aftermarket

Truck Segment

(\$ in M)	<u>3Q '12</u>	<u>3Q '11</u>	<u>V '11</u>
Sales	\$549	\$715	↓ 23%
Operating Profit	103	139	↓ 26%
Margin	18.8%	19.4%	↓ 60 bps

Sales Mix:	Market Growth	(8)%
	Outgrowth	(8)%
	Acquisitions	0%
	FOREX	(7)%
	Total	(23)%

- NAFTA heavy duty orders at 45k in 3Q
- NAFTA heavy duty forecast for 2012 now at 270k
- OEM production schedules for second half of 2012 reduced significantly in 3Q

Automotive Segment

(\$ in M)	<u>3Q '12</u>	<u>3Q '11</u>	<u>V '11</u>
Sales	\$390	\$442	↓ 12%
Operating Profit	41	62	↓ 34%
Margin	10.5%	14.0%	↓ 350 bps

Sales Mix:	Market Growth	0%
	Outgrowth	(3)%
	Acquisitions	(4)%
	FOREX	(5)%
	Total	(12)%

- U.S. markets up 8%
- International markets down 3% with further softening of European markets

2012 End Market Growth Forecast

(Y-O-Y % Growth)

	U.S. Growth	Non-U.S. Growth	Total
Electrical Americas Index	7 ↓(2)	2 ↓(3)	6 ↓(2)
Electrical Rest of World Index	N/A	(3)	(3)
Hydraulics Index	2 ↓(6)	(5) ↓(4)	(2) ↓(5)
Aerospace Index	1	9 ↑ 1	4
Truck Index	5 ↓(6)	(11) ↓(7)	(4) ↓(6)
Automotive Index	10	(1) ↓(2)	2 ↓(1)
Consolidated Market Index	5 ↓(3)	(3) ↓(2)	1-2 ↓(2)
Eaton Weightings	45%	55%	100%

Initial Look at 2013 End Markets

(Y-O-Y % Growth)	Market Growth
Electrical Americas Index	3% - 4%
Electrical Rest of World Index	2% - 3%
Hydraulics Index	(2%) – (3%)
Aerospace Index	3% - 4%
Truck Index	3% - 4%
Automotive Index	1% - 2%
Consolidated Market Index	2% - 3%

Cooper Acquisition Update

- Shareholder vote completed and transaction approved by shareholders of Eaton and Cooper
- Received regulatory approvals from United States, Canada, South Korea, Turkey, Brazil, Mexico, South Africa and Russia
- Two regulatory approvals are outstanding: China and European Union
- Transaction expected to close 4Q 2012
- Fourth quarter expected to contain Eaton operating results, a partial quarter of Cooper operating results, purchase price accounting, financing cost and share count changes associated with completion of the Cooper acquisition

In May we outlined synergies, integration costs and accretion expectations for the Cooper acquisition

\$M	2013	2014	2015	2016
Pretax total operating synergies	75	175	310	375
Global cash management and tax benefits	160	160	160	160
Acquisition integration costs, pre-tax	(90)	(75)	(35)	---

Accretion	2013	2014	2015	2016
Operating EPS accretion ⁽¹⁾	(0.10)	0.35	0.45	0.55
Cash operating EPS accretion ^(1, 2)	0.40	0.65	0.75	0.85

A portion of the full year 2013 integration costs and costs associated with purchase price accounting are expected in the fourth quarter of 2012

- (1) EPS accretion numbers do not represent a profit forecast for the purpose of the Irish Takeover Rules
- (2) Cash operating EPS excludes incremental amortization of intangibles arising from purchase accounting

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