



First Quarter 2013 Earnings Release

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Forward-looking statements and non-GAAP financial information

This presentation or the comments we make on our call today may contain forward-looking statements concerning the second quarter 2013 and full year 2013 net income and operating earnings per share, acquisition integration charges and the performance of 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; 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 Q1 Results

- Operating earnings per share of \$0.84
 - Compares to guidance of \$0.70-\$0.80
- Sales for Q1 were \$5.3B, up 34%
- Operating cash flow of \$100M
 - After \$208M pension contributions
- Cooper integration on track

Comparison to Q1 Guidance

Operating EPS Reconciliation vs. Guidance

Midpoint of guidance	\$ 0.75
Lower revenue growth	(0.03)
Lower tax rate	0.02
Higher incrementals	0.10
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Q1 2013 Operating EPS	\$ 0.84

Comparison of Q1 2013 to Q1 2012

Operating EPS Reconciliation

Q1 2012 Operating EPS	\$	0.92
Incremental acquisition volume		0.59
Lower tax rate		0.13
Higher incrementals		0.05
Higher number of shares		(0.34)
Purchase price accounting and amortization		(0.24)
Lower core volume		(0.15)
Higher interest		(0.12)
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Q1 2013 Operating EPS	\$	0.84

Financial Summary – 1Q 2013

(M)	<u>1Q '13</u>	<u>1Q '12</u>	<u>V '12</u>
Sales	\$5,310	\$3,960	↑ 34%
Segment Operating Profit	743	547	↑ 36%
Segment Operating Margin	14.0%	13.8%	↑ 20 bps
Acquisition Integration Charges	(20)	(3)	
Segment Operating Profit as Reported	723	544	↑ 33%
Net Income	378	311	↑ 22%

Sales Growth:	Core	(5)%
	Acquisition	40%
	Forex	(1)%
	Total	34%

Reconciliation of net income to operating earnings

Net income per share assuming dilution	\$	0.79
Impact of acquisition integration charges		0.05
Operating earnings per share	\$	<u>0.84</u>

Electrical Products Segment

(M)	<u>1Q '13</u>	<u>1Q '12</u>	<u>V '12</u>
Sales	\$1,660	\$886	↑ 87%
Operating Profit	244	139	↑ 76%
Margin	14.7%	15.7%	↓ 100 bps
Acquisition Integration Charges	(3)	--	
Operating Profit as Reported	241	139	↑ 73%

Sales Growth:	Core	(4)%
	Acquisition	92%
	Forex	(1)%
	Total	87%

- Continued strength in U.S., Middle East and Latin America, with mixed conditions in APAC and weakness in Europe
- Combined Q1 bookings down 3%

Electrical Systems & Services Segment

(M)	<u>1Q '13</u>	<u>1Q '12</u>	<u>V '12</u>
Sales	\$1,521	\$852	↑ 79%
Operating Profit	215	78	↑ 176%
Margin	14.1%	9.2%	↑ 490 bps
Acquisition Integration Charges	(5)	(2)	
Operating Profit as Reported	210	76	↑ 176%

Sales Growth:	Core	0%
	Acquisition	80%
	Forex	(1)%
	Total	<u>79%</u>

- Continued strength in U.S., Middle East and Latin America, with mixed conditions in APAC and weakness in Europe
- Combined Q1 bookings up 2%

Hydraulics Segment

(M)	<u>1Q '13</u>	<u>1Q '12</u>	<u>V '12</u>
Sales	\$756	\$735	↑ 3%
Operating Profit	90	110	↓ 18%
Margin	11.9%	15.0%	↓ 310 bps
Acquisition Integration Charges	(12)	(1)	
Operating Profit as Reported	78	109	↓ 28%

Sales Growth:	Core	(9)%
	Acquisition	13%
	Forex	(1)%
	Total	3%

- Markets in Q1 up modestly over Q4 levels
- Bookings down 8%, compared to strong Q1 2012 bookings

Aerospace Segment

(M)	<u>1Q '13</u>	<u>1Q '12</u>	<u>V '12</u>
Sales	\$434	\$430	↑ 1%
Operating Profit	62	60	↑ 3%
Margin	14.3%	14.0%	↑ 30 bps

Sales Growth:	Core	2%
	Acquisition	0%
	Forex	(1)%
	Total	1%

- Bookings up 7% with weakness in commercial aftermarket

Vehicle Segment

(M)	<u>1Q '13</u>	<u>1Q '12</u>	<u>V '12</u>
Sales	\$939	\$1,057	↓ 11%
Operating Profit	132	160	↓ 18%
Margin	14.1%	15.1%	↓ 100 bps

Sales Growth:	Core	(8)%
	Acquisition	0%
	Forex	(3)%
	Total	<u>(11)%</u>

- Global vehicle markets performed as expected in Q1
- NAFTA heavy duty production expected to accelerate for the balance of the year

2013 End Market Growth Forecast

(Y-O-Y % Growth)

	U.S. Growth	Non U.S. Growth	Total
Electrical Products Index	4%	2%	3%
Electrical Systems and Services Index	4%	4%	4%
Hydraulics Index	(5)%	(3)%	(4)%
Aerospace Index	1%	4%	2%
Vehicle Index	1%	3%	2%
Consolidated Market Index	2 - 3%	2 - 3%	2 - 3%
Eaton Weightings	50%	50%	

Now expect market growth to be towards the lower end of the range

2013 Margin Expectations Remain Unchanged

	2012 Actual	2013 Guidance
Electrical Products	N/A	16.0%
Electrical Systems and Services	N/A	14.0%
Hydraulics	13.0%	13.5%
Aerospace	12.4%	14.0%
Vehicle	14.6%	16.0%
Eaton Consolidated	13.8%	15.0%

2013 Operating EPS Guidance

Full Year \$4.05 - \$4.45

Midpoint \$4.25

2013 full year guidance affirmed

Q2 \$1.05 - \$1.15

Midpoint \$1.10

2013 EPS Guidance Bridge Remains Unchanged

2012 Actual Operating EPS **\$ 3.94**

Several Pluses:

• Acquisitions		2.48
• Organic growth at 33% margin		0.77
		3.25
	\$	

Several Negatives:

• Higher number of shares		(1.49)
• Other corporate expense, primarily intangibles and interest		(1.24)
• Higher tax rate		(0.17)
• Increase in pension expense		(0.04)
		(2.94)
	\$	

2013 Operating EPS **\$ 4.25**

Comparison of Q1 2013 to Q2 2013

Q1 2013 Operating EPS	\$	0.84
Higher core volume at 33% margin		0.28
Inventory charges from purchase price adjustment		0.06
Additional acquisition synergy realization		0.01
Higher tax rate		(0.06)
Higher corporate expense		(0.03)
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Q2 2013 Operating EPS	\$	1.10

2013 Outlook

Core Revenue Growth		\$900M
Net Acquisition Revenue		\$6,000M
Incremental Margin		33%
Tax Rate		7% - 9%
Operating EPS	Full Year	\$4.05 – \$4.45
	Q2	\$1.05 - \$1.15
Operating Cash Flow		\$2.6B to \$2.7B
Free Cash Flow		\$1.9B to \$2.0B

Summary

- Q1 was a solid start in sluggish global markets
- Cooper integration on track
- Full year performance more dependent on execution than on global growth

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The synergies expected from the acquisition remain on track against our March forecast

(\$Millions)	Annual Pre-tax Synergies from Cooper Industries Acquisition			
	2013	2014	2015	2016
Sales synergies	10	35	70	115
Cost-out synergies	80	145	250	290
Total Operational Synergies	90	180	320	405
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Global cash management and resultant tax benefits	160	160	160	160
Acquisition integration costs, pre-tax	90	90	30	-