



Second 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 third quarter 2013 and full year 2013 operating earnings per share and net income per share, margin and operating cash flow, acquisition synergies 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 Q2 Results

- Operating earnings per share of \$1.09
- Sales for Q2 were \$5.6B, up 38%
- All time record quarterly segment operating margins of 15.6%
- Operating cash flow of \$609M
- Cooper integration ahead of schedule, 2013 synergies increased by \$25M to \$115M

Comparison to Q2 Guidance

Operating EPS Reconciliation vs. Guidance

Midpoint of guidance	\$ 1.10
Lower revenue growth	(0.08)
Higher incrementals	0.04
Lower tax rate	0.03
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Q2 2013 Operating EPS	\$ 1.09

Comparison of Q1 2013 to Q2 2013

Q1 2013 Operating EPS	\$ 0.84
Higher seasonal volume	0.19
Inventory charges from purchase price adjustment	0.06
Improved performance	0.05
Additional acquisition synergy realization	0.01
Higher tax rate	(0.02)
Higher corporate expense	(0.04)
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Q2 2013 Operating EPS	\$ 1.09

Comparison of Q2 2013 to Q2 2012

Q2 2012 Operating EPS	\$	1.15
Incremental acquisition volume		0.66
Higher incrementals		0.06
Lower tax rate		0.03
Higher number of shares		(0.44)
Purchase price accounting and amortization		(0.18)
Higher interest		(0.11)
Lower core volume		(0.08)
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Q2 2013 Operating EPS	\$	1.09

Financial Summary – 2Q 2013

(M)	<u>2Q '13</u>	<u>2Q'12</u>	<u>V '12</u>
Sales	\$5,602	\$4,068	↑ 38%
Segment Operating Profit	873	600	↑ 46%
Segment Operating Margin	15.6%	14.7%	↑ 90 bps
Acquisition Integration Charges	(31)	(8)	
Segment Operating Profit as Reported	842	592	↑ 42%
Operating Earnings	519	392	↑ 32%
Net Income	494	382	↑ 29%

Sales Growth:	Core	(2)%
	Acquisition	40%
	Forex	0%
	Total	38%

Reconciliation of net income to operating earnings

Net income per share assuming dilution	\$ 1.04
Impact of acquisition integration charges	0.05
Operating earnings per share	<u>\$ 1.09</u>

Electrical Products Segment

(M)	<u>2Q '13</u>	<u>2Q '12</u>	<u>V '12</u>
Sales	\$1,758	\$903	↑ 95%
Operating Profit	284	151	↑ 88%
Margin	16.2%	16.7%	↓ 50 bps
Acquisition Integration Charges	(12)	--	
Operating Profit as Reported	272	151	↑ 80%

Sales Growth:	Core	0%
	Acquisition	95%
	Forex	0%
	Total	95%

- Continued strength in U.S., Middle East and Latin America, with weakness in APAC and Europe
- Combined Q2 bookings up 2%
- 150 bps improvement in margins, sequentially from Q1
- Raising segment margin guidance to 16.5%

Electrical Systems & Services Segment

(M)	<u>2Q '13</u>	<u>2Q '12</u>	<u>V '12</u>
Sales	\$1,624	\$913	↑ 78%
Operating Profit	238	96	↑ 148%
Margin	14.7%	10.5%	↑ 420 bps
Acquisition Integration Charges	(11)	(5)	
Operating Profit as Reported	227	91	↑ 149%

Sales Growth:	Core	1%
	Acquisition	78%
	Forex	(1)%
	Total	78%

- Continued strength in U.S., Middle East and Latin America, with weakness in APAC and Europe
- Combined Q2 bookings up 2%
- Raising segment margin guidance to 14.5%

Hydraulics Segment

(M)	<u>2Q '13</u>	<u>2Q '12</u>	<u>V '12</u>
Sales	\$772	\$769	---
Operating Profit	112	126	↓ 11%
Margin	14.5%	16.4%	↓ 190 bps
Acquisition Integration Charges	(8)	(3)	
Operating Profit as Reported	104	123	↓ 15%

Sales Growth:	Core	(9)%
	Acquisition	10%
	Forex	(1)%
	Total	0%

- Bookings down 12% versus strong Q2 2012
- 260 bps margin improvement, sequentially from Q1

Aerospace Segment

(M)	<u>2Q '13</u>	<u>2Q '12</u>	<u>V '12</u>
Sales	\$446	\$436	↑ 2%
Operating Profit	67	59	↑ 14%
Margin	15.0%	13.5%	↑ 150 bps

Sales Growth:	Core	3%
	Acquisition	0%
	Forex	(1)%
	Total	2%

- Bookings up 5%, driven by strength of commercial OEM market
- 70 bps margin improvement versus Q1

Vehicle Segment

(M)	<u>2Q '13</u>	<u>2Q '12</u>	<u>V '12</u>
Sales	\$1,002	\$1,047	↓ 4%
Operating Profit	172	168	↑ 2%
Margin	17.2%	16.0%	↑ 120 bps

Sales Growth:	Core	(3)%
	Acquisition	0%
	Forex	(1)%
	Total	(4)%

- NAFTA heavy duty production now expected to be 260K units for 2013
- Light vehicle markets up in Americas and APAC, partially offset by continued European weakness
- 310 bps margin improvement versus Q1

2013 End Market Growth Forecast

(Y-O-Y % Growth)

	U.S. Growth	Non U.S. Growth	Total
Electrical Products Index	3% ↓	0% ↓	1.5% ↓
Electrical Systems and Services Index	1% ↓	1% ↓	1% ↓
Hydraulics Index	(5)%	(5)% ↓	(5)% ↓
Aerospace Index	1%	5% ↑	3% ↑
Vehicle Index	(3)% ↓	4% ↑	1% ↓
Consolidated Market Index	0% ↓	1% ↓	1% ↓
Eaton Weightings	50%	50%	

2013 Margin Expectations

	2012 Actual	2013 Guidance
Electrical Products	N/A	16.5% ↑
Electrical Systems and Services	N/A	14.5% ↑
Hydraulics	13.0%	13.5%
Aerospace	12.4%	14.0%
Vehicle	14.6%	16.0%
Eaton Consolidated	13.8%	15.25% ↑

The Cooper synergy projections increased from expectations at the end of Q1

(\$Millions)	Annual Pre-tax Synergies							
	2013		2014		2015		2016	
Sales synergies		10		35		70		115
Cost-out synergies	80	105	145	175	250	280	290	325
Total Operational Synergies	90	115	180	210	320	350	405	440
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Global cash management and resultant tax benefits		160		160		160		160
Acquisition integration costs, pre-tax	90	130	90	120		30		-

2013 EPS Guidance

	<u>Operating Earnings</u>	<u>Net Income</u>
Full Year	\$4.05 - \$4.25	\$3.80 - \$4.00
Midpoint	\$4.15	\$3.90
Q3	\$1.05 - \$1.15	\$0.95 - \$1.05
Midpoint	\$1.10	\$1.00

2013 EPS Guidance Bridge Update

2012 Actual Operating EPS **\$ 3.94**

Several Pluses:

• Acquisitions	2.66
• Organic growth at 33% margin	0.32
• Additional expense control	0.15
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	\$ 3.13

Several Negatives:

• Higher number of shares	\$ (1.47)
• Other corporate expense, primarily intangibles and interest	(1.24)
• Higher tax rate	(0.17)
• Increase in pension expense	(0.04)
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	\$ (2.92)

2013 Operating EPS **\$ 4.15**

Comparison of Q2 2013 to Q3 2013

Q2 2013 Operating EPS	\$ 1.09
Higher seasonal volume	0.05
Additional acquisition synergy realization	0.01
Higher tax rate	(0.02)
Higher corporate expense	(0.03)
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Q3 2013 Operating EPS	\$ 1.10

2013 Outlook

Core Revenue Growth		\$350M
Net Acquisition Revenue		\$6,000M
Incremental Margin		33%
Tax Rate		7% - 9%
Operating EPS	Full Year	\$4.05 – \$4.25
	Q3	\$1.05 – \$1.15
Operating Cash Flow		\$2.5B – \$2.6B
Free Cash Flow		\$1.85B – \$1.95B
CAPEX		\$650M

Summary

- Markets remain weaker than originally expected
- Delivering full year operating margins higher than originally expected by +25 bps
- Cooper full year 2013 and future year acquisition synergies increased

Weaker market conditions being offset by higher productivity and acquisition synergies

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