



Third 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 fourth 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 Q3 Results

- Operating earnings per share of \$1.12
- Sales in Q3 were \$5,607M, up 42%
- Core revenue growth of 3% in the quarter
- Segment margins of 15.6%
- Strengthening bookings – Electrical, Hydraulics & Aerospace
- Cooper integration activities and savings remain on track

Comparison to Q3 Guidance

Operating EPS Reconciliation vs. Guidance

Midpoint of guidance	\$ 1.10
Lower revenue growth	(0.05)
Higher corporate expense	(0.01)
Lower tax rate	<u>0.08</u>
Q3 2013 Operating EPS	\$ 1.12

Financial Summary

(\$ in M)	<u>3Q '13</u>	<u>3Q '12</u>	<u>V '12</u>
Sales	\$5,607	\$3,950	↑ 42%
Segment Operating Profit	873	576	↑ 52%
Segment Operating Margin	15.6%	14.6%	↑ 100 bps
Acquisition Integration Charges	(27)	(7)	
Segment Operating Profit as Reported	846	569	↑ 49%
Operating Earnings	536	363	↑ 48%
Net Income	510	345	↑ 48%

Sales Mix:	Core Growth	3%
	Acquisitions	40%
	Forex	(1)%
	Total	42%

Reconciliation of net income to operating earnings

Net income per share assuming dilution	1.07
Per share impact of acquisition integration charges	0.05
Operating earnings per share	1.12

Electrical Products Segment

(M)	<u>3Q '13</u>	<u>3Q '12</u>	<u>V '12</u>
Sales	\$1,817	\$919	↑ 98%
Operating Profit	310	173	↑ 79%
Margin	17.1%	18.8%	↓ 170 bps
Acquisition Integration Charges	(9)	(1)	
Operating Profit as Reported	301	172	↑ 75%

Sales Growth:	Core	1%
	Acquisition	96%
	Forex	1%
	Total	<u>98%</u>

- Combined bookings up 7% versus Q3 2012
- Strength in Americas and APAC
- Margins improved 90 bps versus Q2 2013

Electrical Systems & Services Segment

(M)	<u>3Q '13</u>	<u>3Q '12</u>	<u>V '12</u>
Sales	\$1,639	\$910	↑ 80%
Operating Profit	241	112	↑ 115%
Margin	14.7%	12.3%	↑ 240 bps
Acquisition Integration Charges	(10)	(1)	
Operating Profit as Reported	231	111	↑ 108 %

Sales Growth:	Core	3%
	Acquisition	78%
	Forex	(1)%
	Total	80%

- Combined bookings up 3% versus Q3 2012
- Strength in Americas and APAC

Hydraulics Segment

(M)	<u>3Q '13</u>	<u>3Q '12</u>	<u>V '12</u>
Sales	\$739	\$763	↓ 3%
Operating Profit	97	98	↓ 1%
Margin	13.1%	12.8%	↑ 30 bps
Acquisition Integration Charges	(8)	(5)	
Operating Profit as Reported	89	93	↓ 4%

Sales Growth:	Core	(2)%
	Acquisition	0%
	Forex	(1)%
	Total	<u>(3)%</u>

- Bookings up 8% versus Q3 2012
- Continued softness in U.S. and Chinese construction equipment markets

Aerospace Segment

(M)	<u>3Q '13</u>	<u>3Q '12</u>	<u>V '12</u>
Sales	\$448	\$419	↑ 7%
Operating Profit	64	49	↑ 31%
Margin	14.3%	11.7%	↑ 260 bps

Sales Growth:	Core	7%
	Acquisition	0%
	Forex	0%
	Total	7%

- Bookings up 6% versus Q3 2012
- Aftermarket orders flat – strong commercial offset by weak military demand

Vehicle Segment

(M)	<u>3Q '13</u>	<u>3Q '12</u>	<u>V '12</u>
Sales	\$964	\$939	↑ 3%
Operating Profit	161	144	↑ 12%
Margin	16.7%	15.3%	↑ 140 bps

Sales Growth:	Core	5%
	Acquisition	0%
	Forex	(2)%
	Total	3%

- NAFTA Class 8 truck builds forecasted at 245k units for 2013
- Strength in Latin American vehicle markets and U.S. and Asian light vehicle markets

2013 End Market Growth Forecast

(Y-O-Y % Growth)

	U.S. Growth	Non-U.S. Growth	Total
Electrical Products Index	2% ↓	0%	1% ↓
Electrical Systems and Services Index	2% ↑	1%	1.5% ↑
Hydraulics Index	(6)% ↓	(5)%	(6)% ↓
Aerospace Index	1%	5%	3%
Vehicle Index	(5)% ↓	4%	0% ↓
Consolidated Market Index	(1)% ↓	1%	0% ↓
Eaton Weightings	50%	50%	100%

2013 Margin Expectations

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

Comparison of Q3 2013 to Q4 2013

Q3 2013 Operating EPS	\$ 1.12
Lower seasonal volume	(0.05)
Higher tax rate	(0.05)
Acquisition synergy realization	<u>0.03</u>
Q4 2013 Operating EPS	\$ 1.05

2013 EPS Guidance

	<u>Operating Earnings</u>	<u>Net Income</u>
Full Year	\$4.05 - \$4.15	\$3.85 - \$3.95
Midpoint	\$4.10	\$3.90
Q4	\$1.00 - \$1.10	\$0.95 - \$1.05
Midpoint	\$1.05	\$1.00

2013 EPS Guidance Bridge Update

2012 Actual Operating EPS **\$ 3.94**

Several Pluses:

• Acquisitions		2.63
• Organic growth at 33% margin		0.11
• Additional expense control		0.24
		2.98
	\$	2.98

Several Negatives:

• Higher number of shares		(1.47)
• Other corporate expense, primarily intangibles and interest		(1.22)
• Higher tax rate		(0.07)
• Increase in pension expense		(0.06)
		(2.82)
	\$	(2.82)

2013 Operating EPS **\$ 4.10**

2013 Outlook

Core Revenue Growth		\$125M
Net Acquisition Revenue		\$5,900M
Incremental Margin		33%
Tax Rate		5%
Operating EPS	Full Year	\$4.05 – \$4.15
	Q4	\$1.00 – \$1.10
Operating Cash Flow		\$2.3B – \$2.4B
Free Cash Flow		\$1.7B – \$1.8B
CAPEX		\$600M

We remain on track to deliver our Cooper synergy projections

(\$Millions)	Annual Pre-tax Synergies			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Sales synergies	10	35	70	115
Cost-out synergies	105	175	280	325
Total Operational Synergies	115	210	350	440
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Global cash management and resultant tax benefits	160	160	160	160
Acquisition integration costs, pre-tax	130	120	30	-

Current estimates reflect no change from July Guidance

Summary

- Offsetting slower growing markets with improved productivity and Cooper acquisition synergies
- Looking toward 2014, our preliminary expectations are:
 - Modest improvement in Global GDP
 - Markets to grow 3%-4%
 - Incremental Cooper synergies of \$95M
 - Pension expense decline of approximately \$20M
 - Very modest reduction in interest expense
 - Tax rate of 8%-10%

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