



First Quarter 2014 Earnings Release

April 29, 2014

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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 2014 operating earnings per share, full year 2014 operating earnings per share and net income per share, sales, bookings, segment margins, cash flow and tax rate, acquisition synergies, divestitures, restructuring actions 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 or tax 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.

Key Takeaways from Today's Call

- Q1 2014 operating EPS of \$1.01, including \$0.03 per share of unfavorable impact due to weather
- Q1 core revenue up 4½%, partially offset (1%) by FOREX
- Confirming midpoint of full year guidance at \$4.70, including \$40M or \$0.08/share impact of Industrial Sector restructuring charges in Q2
- Confirming full year market growth expectations of 3%
- Cooper acquisition integration remains on track to deliver incremental synergies of \$95M in 2014 and \$150M in 2015
- Industrial Sector 2015 restructuring benefits of \$35M
- Q2 EPS guidance of \$1.05-\$1.15, including \$40M of Industrial Sector restructuring charges
- Electrical bookings strengthening in April

Highlights of Q1 Results

- Operating earnings of \$483M, up 21%
- Operating earnings per share of \$1.01, up 20%
- Sales of \$5.5B, up 3½%
- Segment margins of 14.5%, up 50 bps

Comparison to Q1 Guidance

Operating EPS Reconciliation vs. Guidance

Midpoint of guidance	\$ 1.00
Lower corporate expense	0.04
Lower taxes	0.01
Negative weather related impact	(0.03)
Negative currency translation	(0.01)
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Q1 2014 Operating EPS	\$ 1.01

Financial Summary

(M)	<u>1Q '14</u>	<u>1Q '13</u>	<u>V '13</u>
Sales	\$5,492	\$5,310	↑ 3.5%
Segment Operating Profit	799	743	↑ 8%
Segment Operating Margin	14.5%	14.0%	↑ 50 bps
Acquisition Integration Charges	(59)	(20)	
Segment Operating Profit as Reported	740	723	↑ 2%
Operating Earnings	483	400	↑ 21%
Net Income	439	378	↑ 16%

Sales Growth:	Core Growth	4.5%
	Acquisitions	0%
	Forex	(1)%
	Total	3.5%

Reconciliation of net income to operating earnings

Net income per share assuming dilution	\$ 0.92
Per share impact of acquisition integration charges	0.09
Operating earnings per share	\$ 1.01

Electrical Products Segment

(M)	<u>1Q '14</u>	<u>1Q '13</u>	<u>V '13</u>
Sales	\$1,726	\$1,660	↑ 4%
Operating Profit	279	244	↑ 14%
Margin	16.2%	14.7%	↑ 150 bps
Acquisition Integration Charges	(29)	(3)	
Operating Profit as Reported	250	241	↑ 4%

Sales Growth:	Core	4%
	Acquisition	0%
	Forex	0%
	Total	4%

- Q1 bookings up 6%, reflecting outgrowth due to distributor channel conversions
- Regional strength in the U.S. and EMEA
- Lighting strength – LED represented 37% of lighting sales in Q1

Electrical Systems & Services Segment

(M)	<u>1Q '14</u>	<u>1Q '13</u>	<u>V '13</u>
Sales	\$1,524	\$1,521	--
Operating Profit	195	215	↓ 9%
Margin	12.8%	14.1%	↓ 130 bps
Acquisition Integration Charges	(26)	(5)	
Operating Profit as Reported	169	210	↓ 20%

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

- Q1 bookings down 6%, reflecting weakness in U.S. and Canadian markets for power distribution and power quality major projects awards
- Weather impact added \$13M, or 0.9% of sales in premium costs

Hydraulics Segment

(M)	<u>1Q '14</u>	<u>1Q '13</u>	<u>V '13</u>
Sales	\$782	\$756	↑ 3%
Operating Profit	112	90	↑ 24%
Margin	14.3%	11.9%	↑ 240 bps
Acquisition Integration Charges	(4)	(12)	
Operating Profit as Reported	108	78	↑ 38%

Sales Growth:	Core	6%
	Acquisition	0%
	Forex	(3)%
	Total	3%

- Q1 bookings up 9%, led by construction OEM activity in U.S. and European markets

Aerospace Segment

(M)	<u>1Q '14</u>	<u>1Q '13</u>	<u>V '13</u>
Sales	\$464	\$434	↑ 7%
Operating Profit	62	62	
Margin	13.4%	14.3%	↓ 90 bps

Sales Growth:	Core	5%
	Acquisition	0%
	Forex	2%
	Total	7%

- Q1 bookings up 2%
- Q1 aftermarket orders up 15%
- Divestiture expected to close in Q2

Vehicle Segment

(M)	<u>1Q '14</u>	<u>1Q '13</u>	<u>V '13</u>
Sales	\$996	\$939	↑ 6%
Operating Profit	151	132	↑ 14%
Margin	15.2%	14.1%	↑ 110 bps

Sales Growth:	Core	9%
	Acquisition	0%
	Forex	(3)%
	Total	6%

- Q4 product launches stabilized
- 2014 NAFTA Class 8 truck build forecast of 280,000 units
- South American vehicle markets weaker than originally anticipated

2014 End Market Growth Forecast

(Y-O-Y % Growth)

Electrical	3%
Hydraulics	3%
Aerospace	3%
Vehicle	5%
Consolidated Markets	3%



2014 Margin Expectations

	2013 Actual	2014 Guidance
Electrical Products	16.1%	17.75% ↑
Electrical Systems and Services	14.4%	14.5% ↓
Hydraulics	13.1%	13.5%
Aerospace	14.2%	14.0%
Vehicle	15.4%	16.0%
Eaton Consolidated	14.9%	15.75%

2014 EPS Guidance

	<u>Operating Earnings</u>	<u>Net Income</u>
Full Year	\$4.50 - \$4.90	\$4.25 - \$4.65
Midpoint	\$4.70	\$4.45
Q2	\$1.05 - \$1.15	\$1.00 - \$1.10
Midpoint	\$1.10	\$1.05

Does not include the gain from announced Aerospace divestiture

2014 EPS Guidance Bridge Update

2013 Actual Operating EPS **\$ 4.13**

Several Pluses:

• Organic growth at 26% margin	\$ 0.50
• Incremental acquisition synergies	0.20
• Lower interest and pension expense	0.16
• Lower PPA and inventory step up	0.07
• Lower corporate expense	0.06
	\$ 0.99

Several Negatives:

• Higher tax rate	\$ (0.26)
• Forex	(0.04)
• Aerospace divestiture	(0.02)
• Higher number of shares	(0.02)
• Restructuring charges - Industrial	(0.08)
	\$ (0.42)

2014 Operating EPS **\$ 4.70**

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	15	35	80	150
Cost-out synergies	100	175	280	325
Total Operational Synergies	115	210	360	475
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Acquisition integration costs, pre-tax	112	150 140	35	-

Comparison of Q1 2014 to Q2 2014

Q1 2014 Operating EPS	\$	1.01
Higher volume		0.13
Lower pension expense		0.04
Absence of weather impact		0.03
Additional Cooper synergies		0.02
Lower interest		0.01
Industrial Sector restructuring		(0.08)
Higher corporate expense		(0.04)
Higher tax rate		(0.02)
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Q2 2014 Operating EPS	\$	1.10

2014 Outlook

Market Growth		3%
Outgrowth		\$330M
Revenues from Divestiture		(\$80)M
Forex		(\$200)M
Incremental Margin		26%
Tax Rate		5%
Operating EPS	Full Year	\$4.50 – \$4.90
	Q2	\$1.05 – \$1.15
Operating Cash Flow		\$2.7B – \$2.9B
Free Cash Flow		\$2.0B – \$2.2B
CAPEX		\$700M

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APPENDIX

Comparison of Q1 2014 to Q1 2013

Q1 2013 Operating EPS	\$	0.84
Higher core volume		0.11
Lower PPA and inventory step up		0.06
Additional acquisition synergies		0.05
Lower interest expense		0.02
Lower corporate expense		0.01
Higher pension expense		(0.03)
Weather impact		(0.03)
Forex		(0.01)
Higher shares		(0.01)
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		0.17
Q1 2014 Operating EPS	\$	1.01