



Second Quarter 2016 Earnings Release

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Powering Business Worldwide

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Forward-looking Statements and Non-GAAP Financial Information

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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 \$1.07, above midpoint of guidance by \$0.02
- Sales of \$5.1B, down (5)%
 - Organic revenue down (4)%
 - Forex impact of (1)%
- Segment operating margins of 15.4%
 - Excluding restructuring costs, segment operating margins were 16.0%
- Record Q2 operating cash flow of \$745M
- Share repurchases of \$224M

Financial Summary

(M)	<u>2Q '16</u>	<u>2Q '15</u>	<u>V '15</u>
Sales	\$5,080	\$5,372	↓ 5%
Segment Operating Profit as Reported	779	840	↓ 7%
Acquisition Integration Charges	(1)	(11)	
Segment Operating Profit	780	851	↓ 8%
Segment Operating Margin	15.4%	15.8%	↓ 40 bps
Restructuring Costs	(35)	(4)	
Segment Operating Margin, excluding restructuring costs	16.0%	15.9%	↑ 10 bps
Net Income	491	535	↓ 8%

Sales Growth: Organic	(4)%
Forex	(1)%
Total	(5)%

Net income per share assuming dilution	\$1.07
Operating earnings per share	\$1.07

Electrical Products Segment

(M)	<u>2Q '16</u>	<u>2Q '15</u>	<u>V '15</u>
Sales	\$1,784	\$1,784	--
Operating Profit as Reported	322	276	↑ 17%
Acquisition Integration Charges	(1)	(6)	
Segment Operating Profit	323	282	↑ 15%
Operating Margin	18.1%	15.8%	↑ 230 bps
Restructuring Costs	(9)	(1)	
Operating Margin, excluding restructuring costs	18.6%	15.9%	↑ 270 bps

Sales Growth:	Organic	1%
	Forex	(1)%
	Total	0%

- Bookings down 2% in Q2 on weakness in Americas and APAC, with modest growth in EMEA.

Electrical Systems & Services Segment

(M)	<u>2Q '16</u>	<u>2Q '15</u>	<u>V '15</u>
Sales	\$1,429	\$1,502	↓ 5%
Operating Profit as Reported	178	223	↓ 20%
Acquisition Integration Charges	--	(4)	
Segment Operating Profit	178	227	↓ 22%
Operating Margin	12.5%	15.1%	↓ 260 bps
Restructuring Costs	(3)	--	
Operating Margin, excluding restructuring costs	12.7%	15.1%	↓ 240 bps

Sales Growth:	Organic	(3)%
	Forex	(2)%
	Total	(5)%

- Q2 bookings down 2% on declines in Americas and APAC, partially offset by strength in EMEA
- Margins negatively impacted by continued weakness in industrial and oil and gas markets

Hydraulics Segment

(M)	<u>2Q '16</u>	<u>2Q '15</u>	<u>V '15</u>
Sales	\$589	\$643	↓ 8%
Operating Profit as Reported	59	74	↓ 20%
Acquisition Integration Charges	--	(1)	
Segment Operating Profit	59	75	↓ 21%
Operating Margin	10.0%	11.7%	↓ 170 bps
Restructuring Costs	(18)	(1)	
Operating Margin, excluding restructuring costs	13.1%	11.8%	↑ 130 bps

Sales Growth:	Organic	(7)%
	Forex	(1)%
	Total	(8)%

- Bookings declined 2%
- Hydraulics markets showing signs of stabilization

Aerospace Segment

(M)	<u>2Q '16</u>	<u>2Q '15</u>	<u>V '15</u>
Sales	\$447	\$454	↓ 2%
Segment Operating Profit	83	77	↑ 8%
Operating Margin	18.6%	17.0%	↑ 160 bps
Restructuring Costs	--	--	
Operating Margin, excluding restructuring costs	18.6%	17.0%	↑ 160 bps

Sales Growth:	Organic	0%
	Forex	(2)%
	Total	(2)%

- Bookings decreased 1% in Q2 on weakness in business jets, partially offset by strength in the large commercial market and the military aftermarket

Vehicle Segment

(M)	<u>2Q '16</u>	<u>2Q '15</u>	<u>V '15</u>
Sales	\$831	\$989	↓ 16%
Segment Operating Profit	137	190	↓ 28%
Operating Margin	16.5%	19.2%	↓ 270 bps
Restructuring Costs	(5)	(2)	
Operating Margin, excluding restructuring costs	17.1%	19.4%	↓ 230 bps

Sales Growth:	Organic	(14)%
	Forex	(2)%
	Total	(16)%

- NAFTA Class 8 truck production down 29% in Q2
- 2016 NAFTA Class 8 truck build forecast remains at 230K

For 2016, We Continue to Expect Organic Revenues Will Decline (2) - (4)%

<u>Segment</u>	<u>2016 Organic Revenue Growth</u>
Electrical Products	1% - 3%
Electrical S & S	(2)% - (4)%
Hydraulics	(9)% - (11)%
Aerospace	1% - 3%
Vehicle	(10)% - (12)%
Total	(2)% - (4)%

Update on Restructuring Actions

	2016					
\$M	Q1 Actual	Q2 Plan	Q2 Actual	Q3 Plan	Q4 Plan	Total
Restructuring Costs	\$(63)	\$(35)	\$(35)	\$(27)	\$(20)	\$(145)

For FY 2016, total restructuring costs planned to be \$145M and incremental annual benefits expected to be \$190M

Segment Operating Margin Expectations

	2016 Guidance*	Change at Midpoint from Prior Guidance
Electrical Products	17.4% - 18.0%	---
Electrical Systems and Services	12.8% - 13.4%	↓ 30 bps
Hydraulics	10.0% - 10.6%	---
Aerospace	18.1% - 18.7%	↑ 30 bps
Vehicle	16.2% - 16.8%	---
Eaton Consolidated	15.3% - 15.9%	---

* includes net impact of restructuring actions in 2016

EPS Guidance

3rd Quarter

\$1.10 - \$1.20 Operating EPS / Net Income Per Share

- Organic revenue sequentially flat with Q2 2016
- Negative revenue impact from FX of ~ \$(25)M
- Segment operating margins between 15.5% and 16.5%, including restructuring costs
- Tax rate between 8% and 10%

Full Year

\$4.20 - \$4.40 Operating EPS / Net Income Per Share

- Guidance includes net restructuring impact of \$174M and \$45M benefits from Cooper integration versus 2015
- Operating EPS flat year-to-year with organic revenues down (2) – (4)%
- Stock repurchases will offset impact of tax rate increase over 2015 rate

2016 Outlook Summary

Organic Revenue Growth		(2)% - (4)%
Acquisition Revenue Growth		\$35M
Forex		(\$225)
Segment Operating Margins		15.3% - 15.9%
Corporate expenses		\$80M below 2015 levels
Tax Rate		9% - 11%
Operating EPS / Net Income Per Share	Full Year	\$4.20 - \$4.40
	Q3	\$1.10 - \$1.20
Operating Cash Flow		\$2.6B - \$2.8B
Free Cash Flow		\$2.1B - \$2.3B
CAPEX		\$525M

Summary

- Solid Q2 performance
 - Q2 operating EPS above midpoint of guidance
 - Record Q2 operating cash flow
 - Returned significant cash to shareholders through increased dividend and \$224M of repurchases
- In total, 2016 continues to unfold as expected
- Restructuring program remains on track
 - Q2 costs as planned, and full year costs increased to \$145M
 - Full year incremental benefits now expected to be \$190M
- Capital allocation plan unchanged with ~\$700M of share repurchases expected in 2016

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APPENDIX

Restructuring Program Summary - Updated

2015 Actuals		2016 Estimate		2017 Estimate		Total	
Cost	Annual Benefits	Cost	Incremental Annual Benefits	Cost	Incremental Annual Benefits	Estimated Cost	Estimated Cumulative Benefits
\$(129)	\$78	\$(145)	\$190	\$(130)	\$105	\$(404)	\$423*

- Total program will spend \$404M over three years, yielding \$423M of cumulative benefits
- In 2016 restructuring actions will deliver \$174M incremental profit versus 2015
- In 2017 the program will yield \$120M incremental profit versus 2016

* Full year effect of 2017 actions yield additional \$50M of benefit in 2018