



Eaton - Cummins Joint Venture

April 10, 2017

Craig Arnold – Chairman and Chief Executive Officer

Richard H. Fearon – Vice Chairman and Chief Financial & Planning Officer



Powering Business Worldwide

Forward-looking Statements

We have included in this discussion certain information about our expectations for the future performance of the new joint venture and for our company going forward, particularly the assets remaining in our vehicle business. These are forward looking statements and are subject to risks and uncertainties outside of our control, and therefore should not be relied upon as certainty, particularly when making investment decisions. These risks and uncertainties include the fact that the transaction remains subject to customary closing conditions as well as the other factors set forth in our Annual Report on Form 10-K filed with the SEC on February 22 of this year.

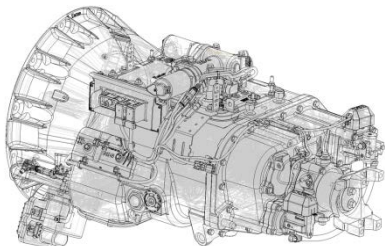
Strategic Rationale

- Commercial vehicle industry faces continued regulatory challenges
 - History of regulatory changes driving significant emissions reductions
 - Future includes more demanding fuel economy standards
- JV leverages capabilities of two leaders in powertrain technology
- Builds on the learnings from prior partnering activities between Eaton and Cummins on Smart Advantage™ product offering
- JV will be better positioned to meet future demands of vertically integrated OEMs as well as improving the performance of combined Eaton-Cummins powertrains
- JV provides increased access to global markets for automated transmissions
- Adds scale benefits inside JV and between parent companies

Scope of the 50/50 Joint Venture – Eaton Cummins Automated Transmission Technologies

- Future generations of automated medium and heavy duty transmissions for global markets
 - Includes design, development, assembly, sales, support and service
- Includes recently launched automated medium duty transmission product, Procision[®]
- Includes sales and field service support for current generation of automated transmissions to OEMs in North America
 - Eaton will continue to manufacture current generation automated transmission during the transition period

Next Gen Automated
Heavy Duty
Transmission



Procision[®]



Current Gen Automated
Heavy Duty
Transmission



Joint Venture Structure

- Eaton/Cummins will be 50/50 partners in the joint venture
- Eaton to receive \$600M for 50% interest in the business
- Eaton contributes to the JV:
 - Current design for next generation automated heavy duty transmission
 - Current automated medium duty transmission product, Procision®
 - Certain assembly assets related to the scope of the JV
- Joint venture Board and management team composed equally of Eaton and Cummins leadership
- Both partners will provide other services to joint venture, through service agreements
- Transaction expected to close in Q3 pending regulatory approvals and customary closing conditions

Financial Implications of the Joint Venture

- 50/50 joint venture with revenue consolidated by Cummins
- Financial implications of the JV for Eaton:
 - 50% of joint venture earnings to be reported within Vehicle Segment results
 - Financial impact for Vehicle Segment
 - Revenues
 - 2017: Approximately \$(25)M lower revenues
 - 2018: Approximately \$(200)M lower revenues
 - Operating Profit
 - For 2017 and 2018, no material change in operating profits
- \$600M proceeds targeted for growth. Further details provided post closing.

Eaton's Vehicle Business Post Joint Venture

Commercial Vehicle Business	Global Automotive Businesses
<ul style="list-style-type: none">▪ Global manual transmissions	<ul style="list-style-type: none">▪ Engine valves
<ul style="list-style-type: none">▪ Global clutch business	<ul style="list-style-type: none">▪ Valve actuation
<ul style="list-style-type: none">▪ Light duty and agricultural transmissions	<ul style="list-style-type: none">▪ Supercharger
<ul style="list-style-type: none">▪ Current heavy duty and medium duty transmission products outside of North America	<ul style="list-style-type: none">▪ Torque control, fluid connection, and fuel system products
<ul style="list-style-type: none">▪ Global aftermarket business	

Eaton will have market leadership positions in key products that are vital to commercial and passenger vehicle markets

Vehicle Business Post Joint Venture

Eaton's Vehicle business will continue to be a strong contributor to the overall results of the company

- Mid to high teens segment margins through the cycle
- Very attractive returns on invested capital
- Market leadership positions in technologies vital to emission, fuel economy and performance for commercial and light vehicles
- Continues to add significant scale advantage as a part of Eaton
- Global growth opportunities driven by secular trends:
 - Global growth in automotive production
 - Increased regulations create opportunities for Eaton technology
 - Increased fuel economy and lower emissions standards
 - High reliability and safety requirements

Eaton's Vehicle Business remains a core part of the company

Summary

- Joint venture positions the automated transmission business to best address future industry demands for increased fuel economy, lower emissions and improved drivetrain performance
- Provides broader access to global transmission market
- Will take advantage of sales and service network of both partners
- Provides Eaton with \$600M for growth activities
- Joint Venture reinforces Eaton's commitment to:
 - Lead innovation for the commercial vehicle industry
 - Maximize value for both customers and shareholders

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