



Eaton Corporation

Sandy Cutler

Chairman and Chief Executive Officer

Baird's 2009 Industrial Conference

November 10, 2009



Forward-looking statements and Non-GAAP financial information

The information provided at our conference today will include forward-looking statements relating to our goals and estimates for future years, including statements about future sales, net income, net income per share, operating earnings, operating earnings per share, worldwide markets, income tax liability, acquisitions and others. Those statements can be identified by the indication that they are for future periods and should be used with caution. They are subject to various risks and uncertainties, many of which are outside the Company's control. Factors that could cause actual results to differ materially from those in the forward-looking statements include: 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; unexpected increases in the cost of material and other production costs that cannot be recouped in product pricing; introduction of competing technologies; unexpected technical or marketing difficulties; unexpected claims, charges, litigation or dispute resolutions; income tax liability; acquisitions and divestitures; our ability to integrate recent acquisitions and close pending transactions; new laws and governmental regulations; interest rate changes; stock market 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 your packet.

Eaton Corporation – Powering Business Worldwide

- **Power management company**
- Business balance
- Financial overview and 2009 guidance

We are a global power management company



- Helping our global customers better utilize electrical, hydraulic and mechanical power by focusing on energy efficient solutions
- Delivering the power inside thousands of products and facilities, answering the demands of today's fast changing world

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Powering Business Worldwide

Our new organizational structure better serves the power needs of our global markets



Electrical Sector
\$6.9 B Sales

Industrial Sector
\$8.5 B Sales

Electrical Americas

Aerospace

Hydraulics

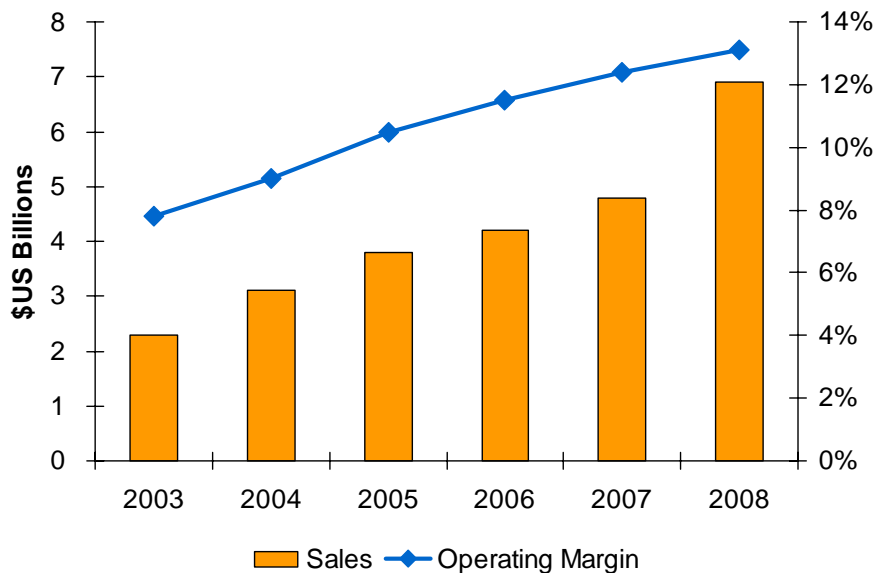
Electrical Rest of World

Truck

Automotive

Eaton's Electrical business has been an engine for growth and profit

Electrical Sector



2003 – 2008 Sales CAGR: 25%

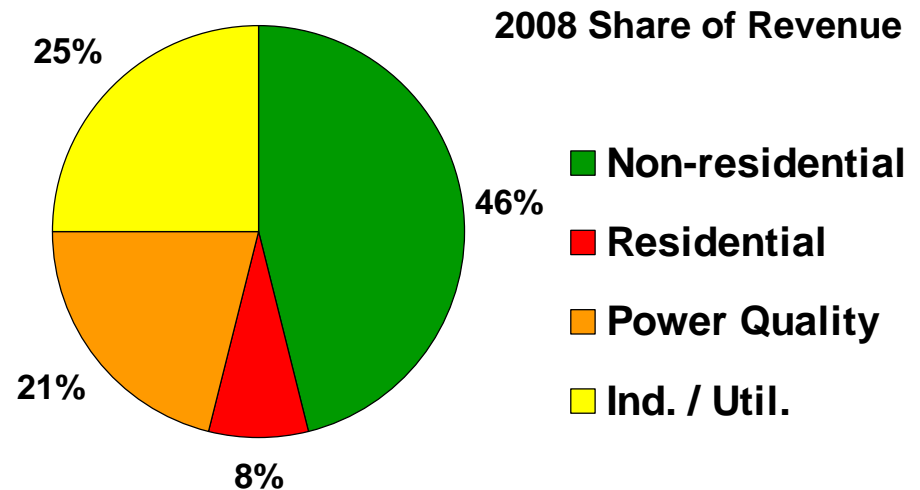
- Strong organic growth in power distribution and power quality segments
- Key acquisitions have driven strong top line growth
- Significant margin improvement from:
 - Greater scale
 - Enhanced customer value
 - Acquisition synergies

Note: Operating margin excludes acquisition integration charges

Electrical Americas is well positioned for continued growth



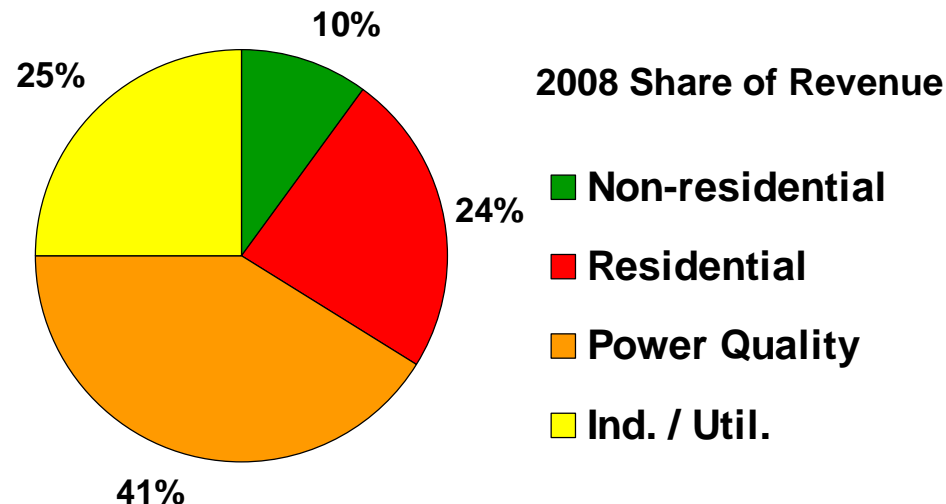
- Eaton's largest revenue source
 - 2008 sales of \$4.0 billion
- Moeller adds a more competitive offering for Latin America
 - Addresses IEC markets
 - Feature & size competitive
- Babco acquisition targets Canadian energy industry



Electrical Rest of World has strong positions in key global markets



- Fastest growing markets
 - 2008 sales of \$2.9 billion
- Moeller is key in these regions
 - Addresses IEC markets
 - Feature competitive
 - Emerging market presence
 - Low cost country production
- Middle East & Asia targeted for expansion
 - Phoenixtec adds critical mass in Asia
 - Strong organic growth



Global stimulus actions present additional growth opportunities for our Electrical sector

\$2+ Trillion in global stimulus spending
~25% for Infrastructure



Electrical



Opportunities



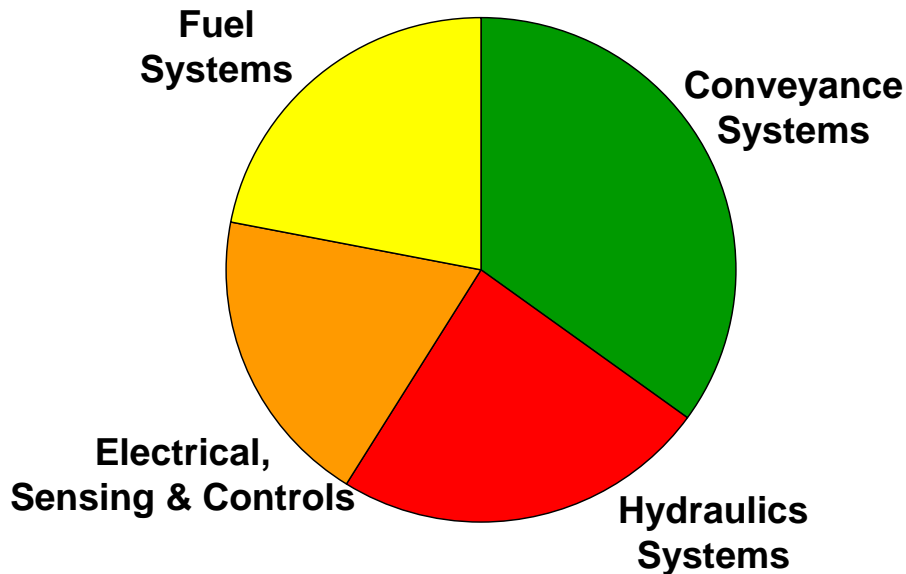
Energy efficiency
Modernization / renovation
New construction



~ \$1B incremental revenue potential during FY 2010/11

An Aerospace business with product diversity and unique capabilities...

Aerospace Revenue Mix 2008 Sales \$1.8 B



Market Segments

- Commercial: 60%
- Military: 40%
- 60% OE and 40% Aftermarket

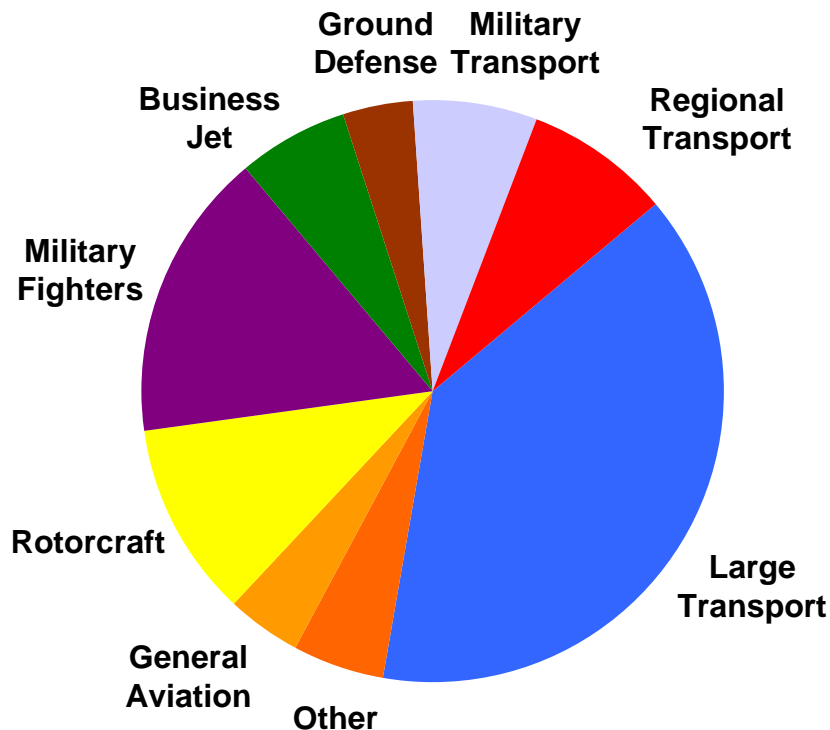
Distinctive Capabilities

- Well-balanced portfolio
- Component excellence
- Systems integration
- Platform leadership

Well positioned for growth in a global market

...to serve a diverse set of end markets with growing content on tomorrow's platforms

OE Sales Mix



Growth of Content

- A380: 5x
- Boeing 787: 7x
- F-35: 5x

Eaton Aerospace Today

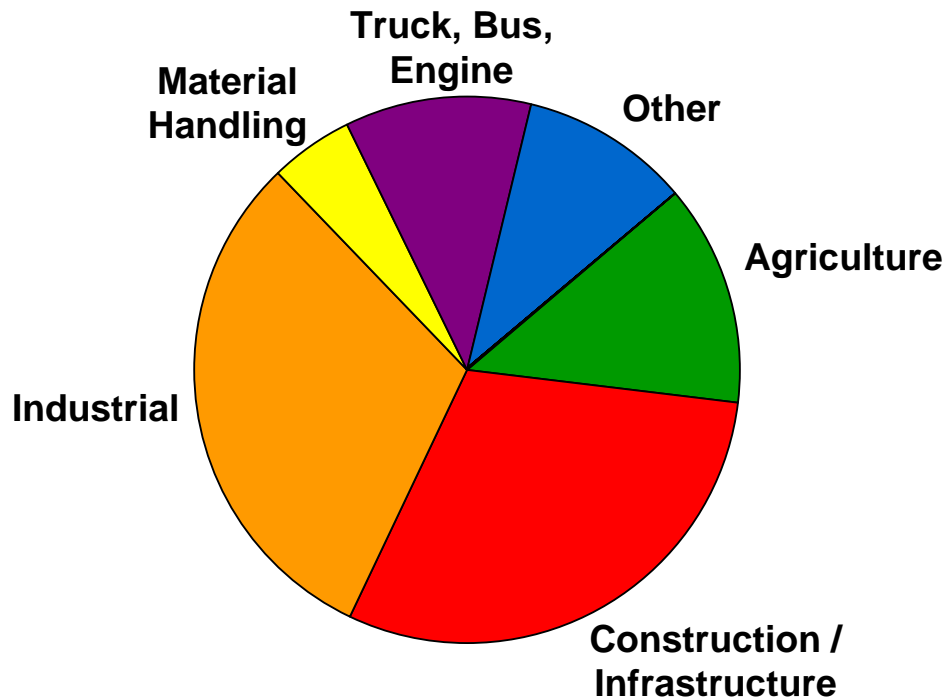
- 50% of business in growth segments
- Strong share in high growth Large Transport market
- Eaton has strong position on Military Fighters and Rotorcraft

Recent wins will drive sustainable market outgrowth

A Hydraulics business serving a diverse set of end markets with unique capabilities...

Hydraulics Revenue Mix

2008 Sales \$2.5 B



Channel Mix

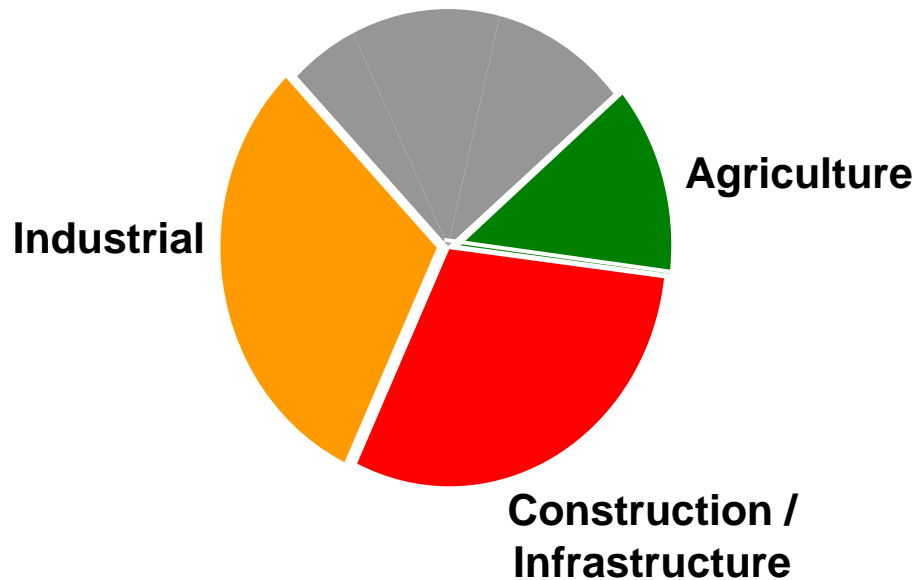
- Direct: 50%
- Distribution: 50%

Distinctive Capabilities

- Scale and breadth
- Hybrid powertrains
- A filtration growth opportunity

...and a broad international presence and customer base

Hydraulics Revenue Mix



Global Reach

- 2,000+ Distributors
- 12,000 Distributor locations
- Manufacturing throughout North America, Latin America, Europe and Asia

Eaton Hydraulics Today

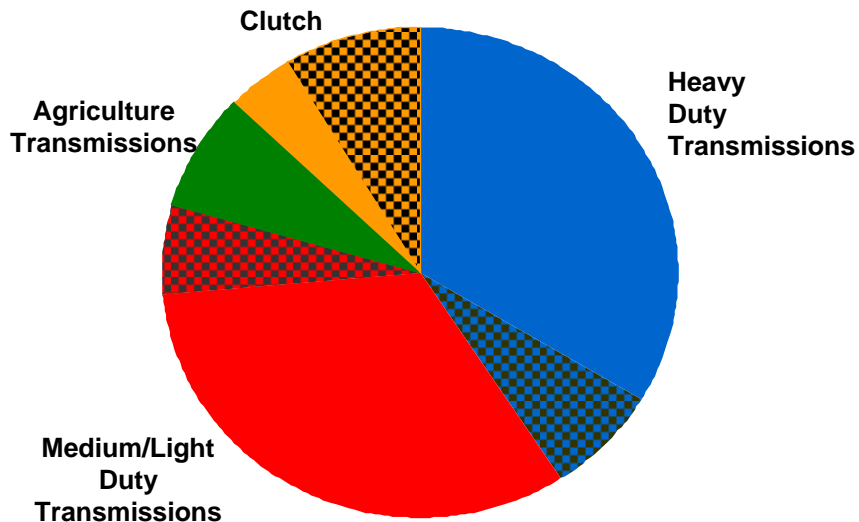
- Strong share in high growth wind power and hydro markets
- A growing share in oil and gas
- Important position in agriculture
- ~30% of business tied to infrastructure spending

Well positioned to benefit from stimulus programs

An agile Truck business with product diversity and leading technologies

Truck Revenue Mix

2008 Sales \$2.3 B



Shading represents Aftermarket sales

Product Areas

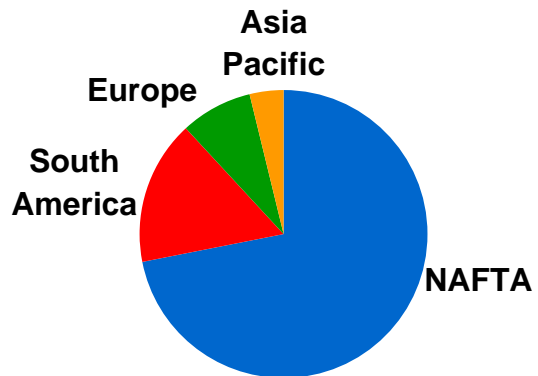
- Heavy Duty transmissions
- Medium/Light Duty transmissions
- Agriculture transmissions
- Clutch
- Hybrid electric powertrain

Distinctive Capabilities

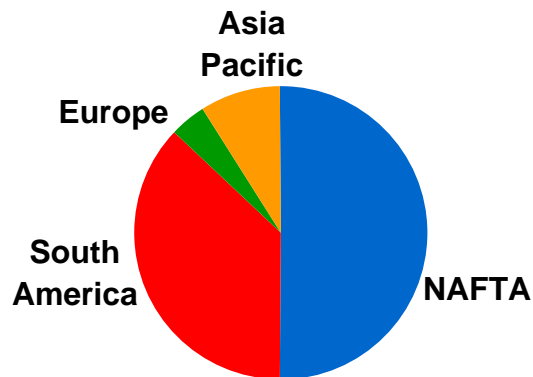
- Geographic expansion
- Product diversification
- Agile business model
- Leading technologies

We have dramatically improved our global presence

2001 Geographic Mix



2008 Geographic Mix



China

- New transmission plant in Wuxi, China
 - Facility completed September 2007
 - Production started Q2 2008

India

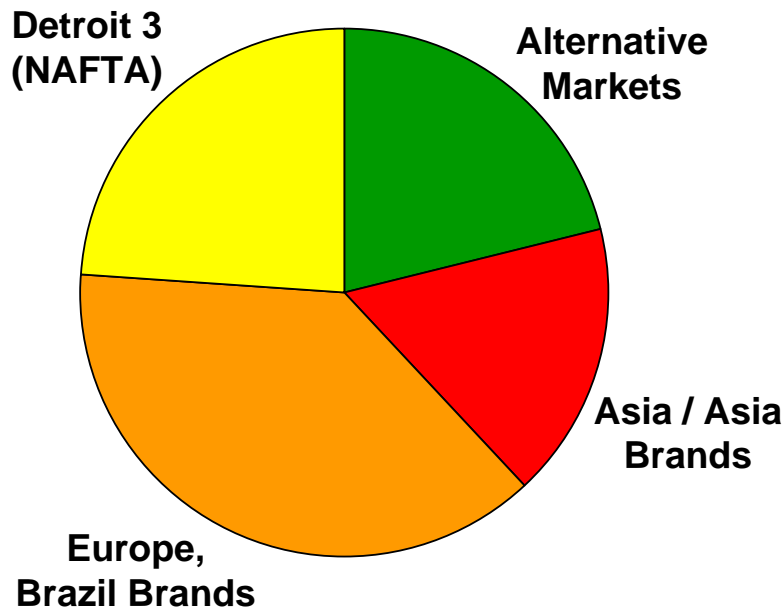
- New transmission plant in Pune, India
 - Facility completed October 2007
 - Production started Q2 2008

Brazil

- Strong agriculture growth with long-term fundamentals

An Automotive business with global presence and innovative solutions

Automotive Revenue Mix 2008 Sales \$1.9B



Product Diversity

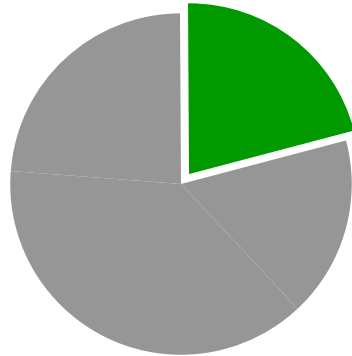
- Engine Air Management: 50%
- Specialty Controls: 25%
- Fluid Connectors: 25%

Distinctive Capabilities

- Fuel efficiency, emissions, safety and security solutions
- Alternative market penetration
- Global diversification

Alternative market penetration continues

Alternative Markets



- Alternative markets include military, agriculture, construction, truck, performance aftermarket, industrial
- Products include supercharger, fuel valves, torque systems, engine valves, valve actuation

Recent Successes



Generators

- Heavy duty engine valves
- High quality and value



Off Highway Equipment

- Hydraulic lash adjustor
- Off-highway fuel savings



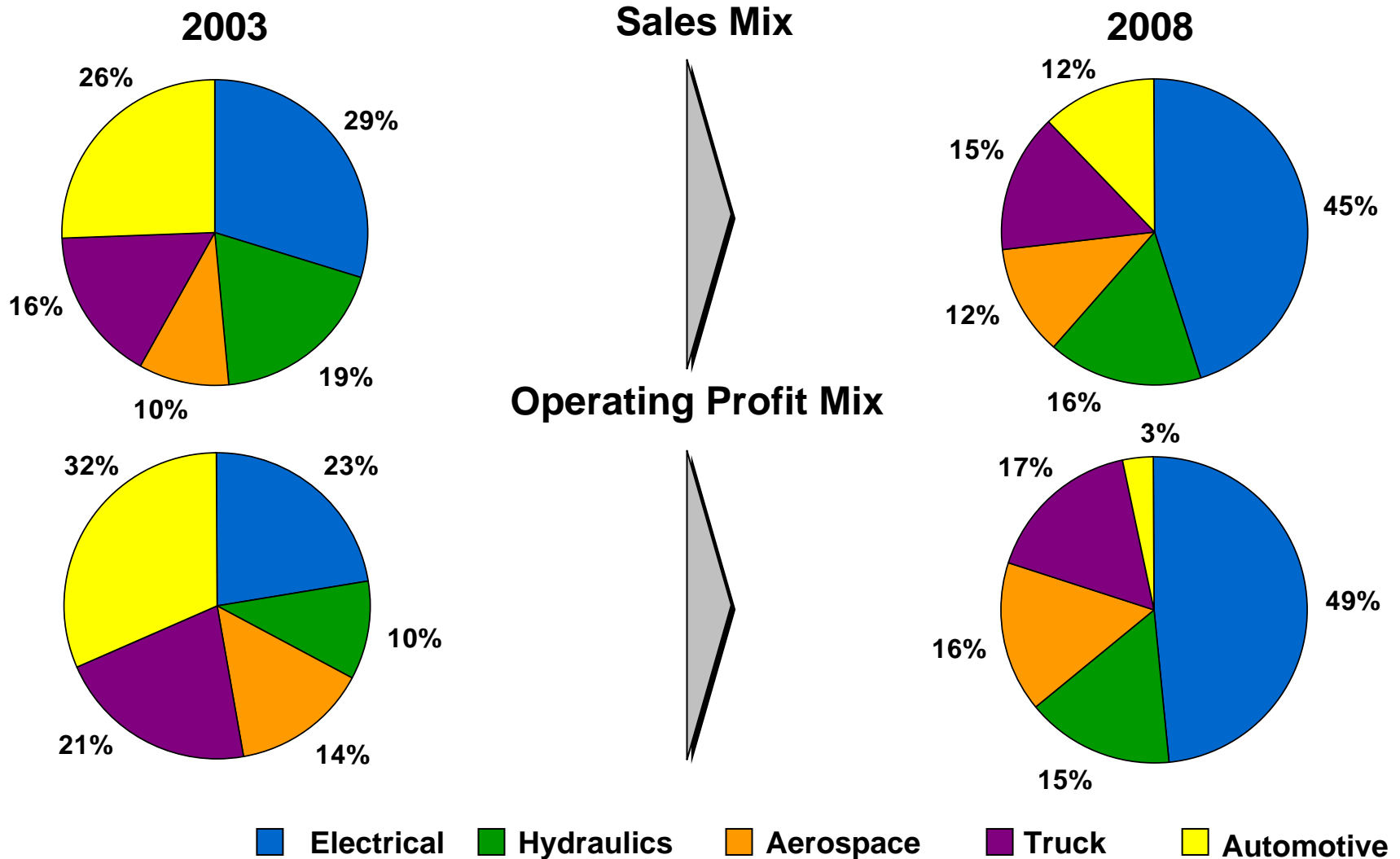
HMMWV Funding

- Electro-hydraulic torque management system
- Stability and traction controls

Eaton Corporation – Powering Business Worldwide

- Power management company
- **Business balance**
- Financial overview and 2009 guidance

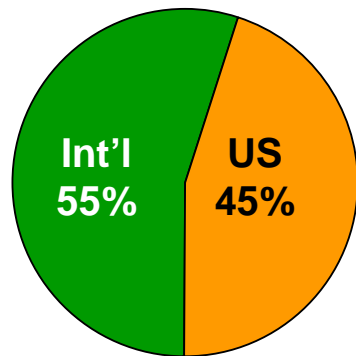
Our higher growth portfolio helps drive performance



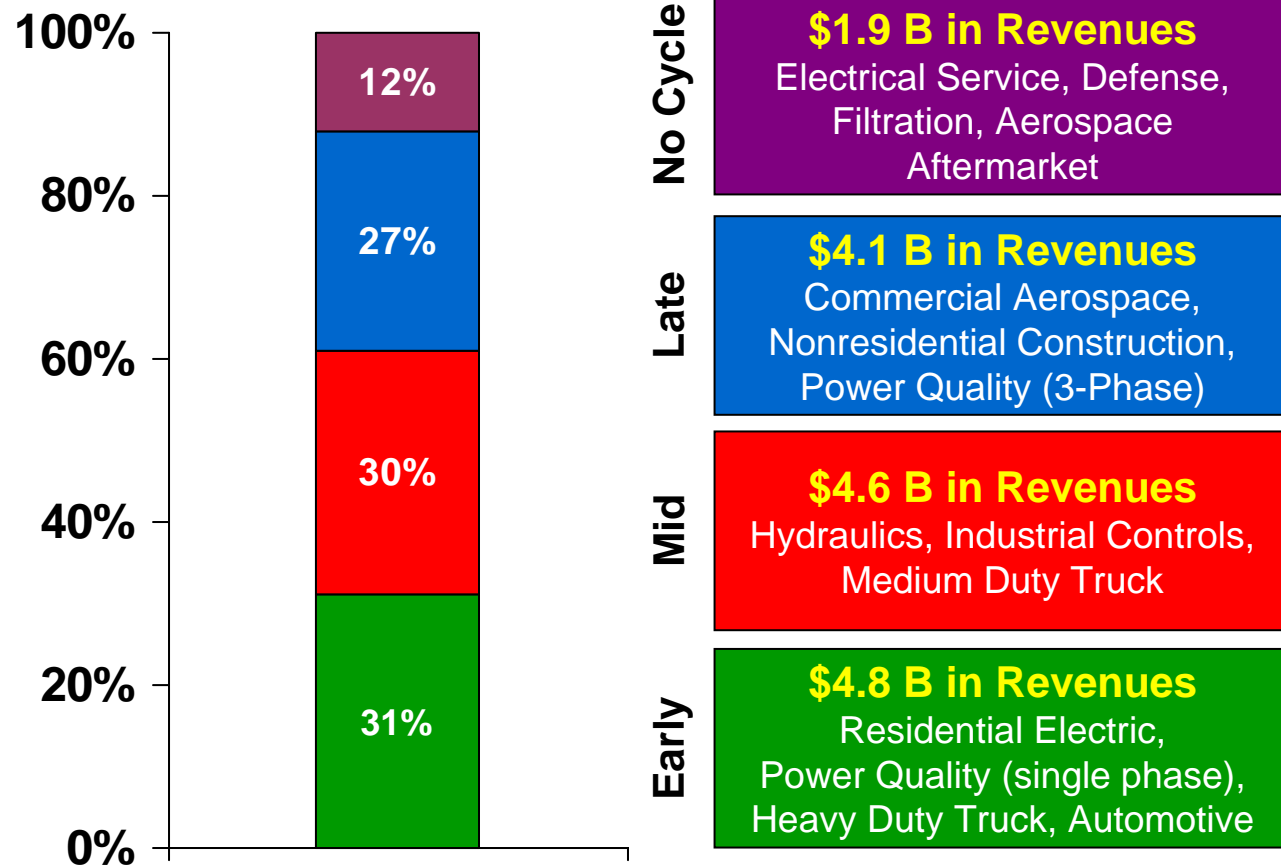
Note: Operating profit excludes acquisition integration charges

Our business is balanced globally and through the cycle

2008 Sales by final destination

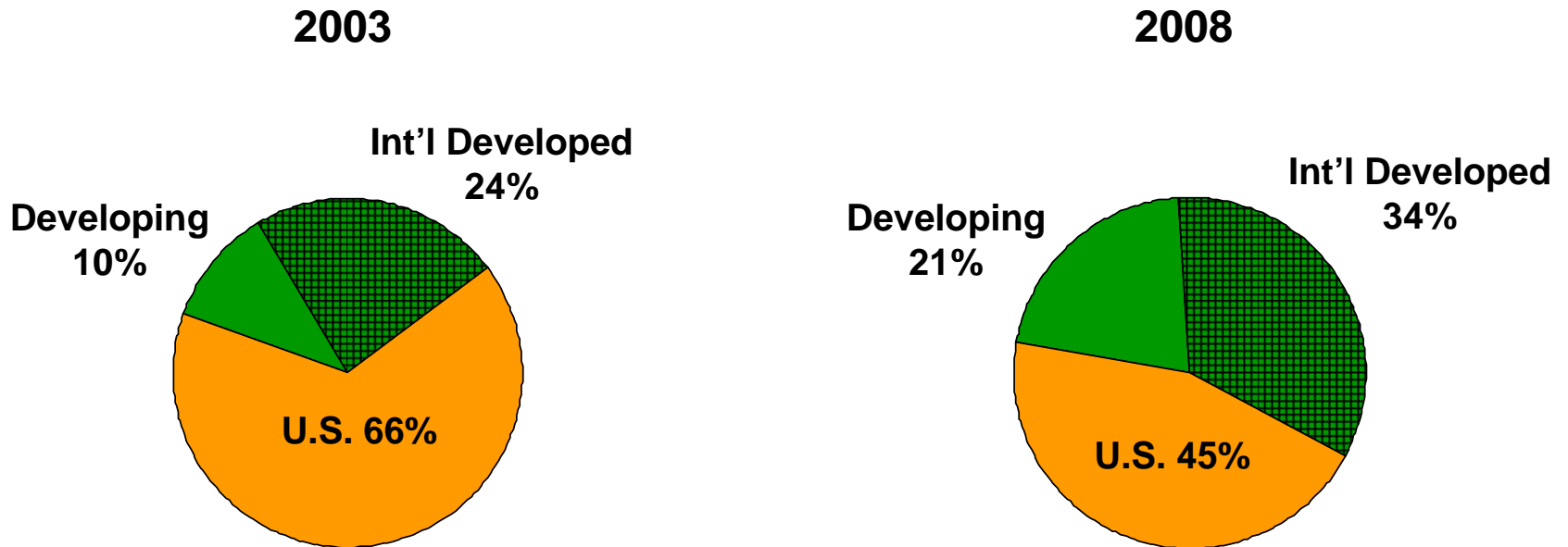


2008 Global sales by cycle



We have doubled our exposure in higher growth emerging markets

Sales by Destination



Average growth ('03-'09) Developed 2% vs. Developing 6%

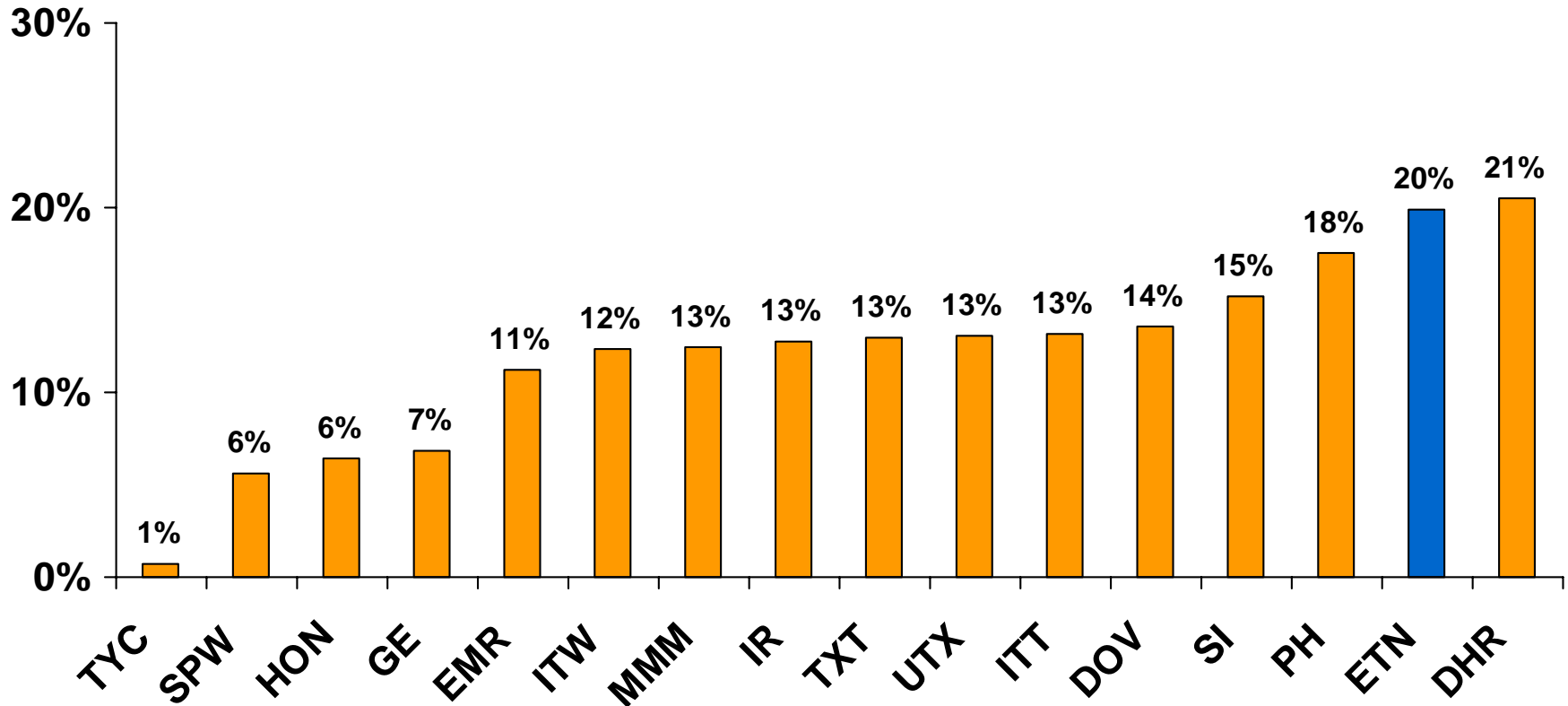
Source: Real GDP Growth - IHS Global Insight

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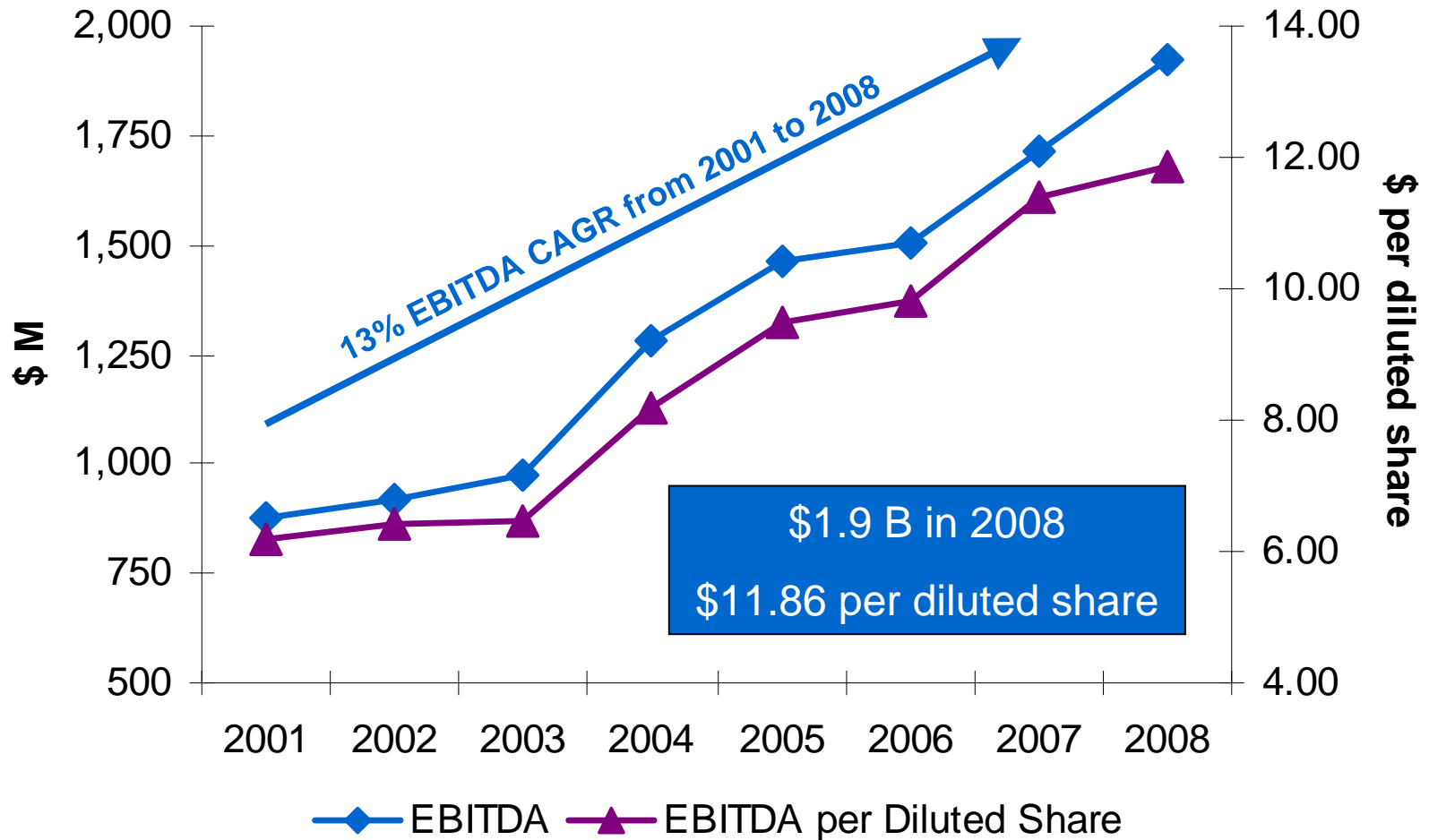
- Power management company
- Business balance
- **Financial overview and 2009 guidance**

Our new business balance has resulted in growth that is among the best in our peer group

2000 – 2008 Operating EPS CAGR



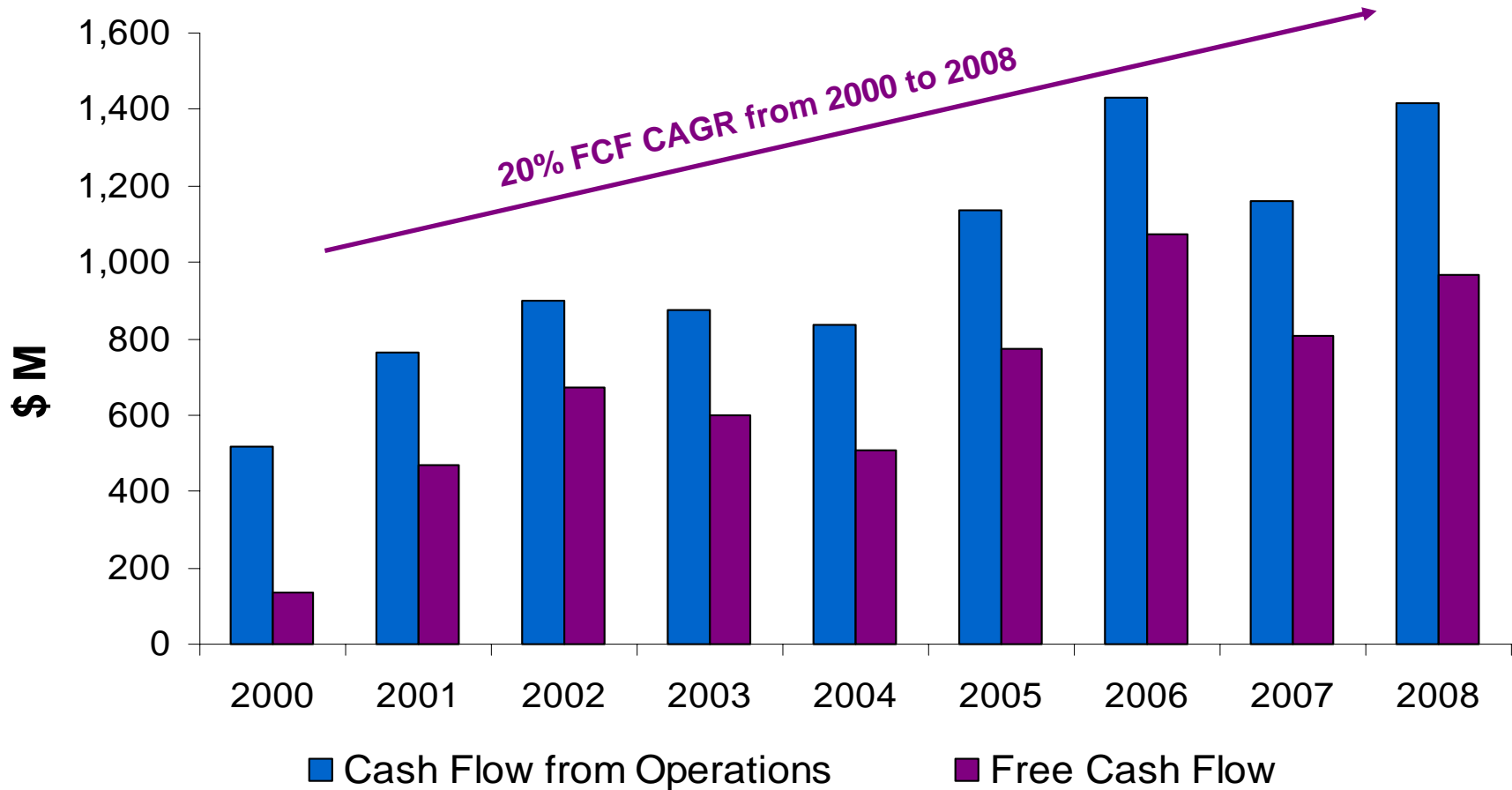
EBITDA also continues to grow rapidly



We maintain a conservative capital structure

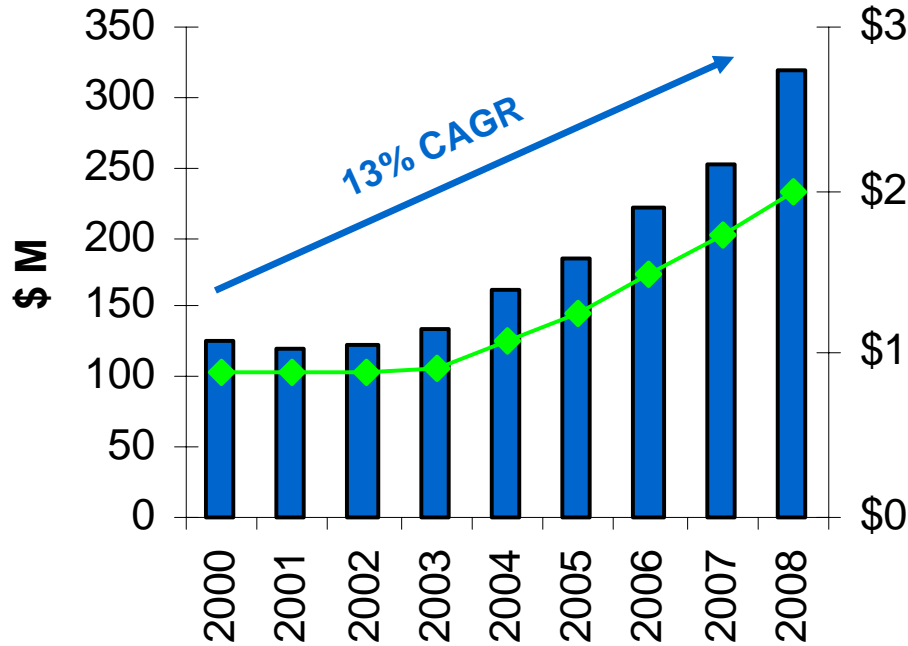
- Debt ratios kept within targeted bands
- Maintain three 5-year back-up facilities with staggered maturities
 - \$1.7 billion in total
- Manage commercial paper maturities to ensure moderate daily funding needs
- Term debt maturities over the next two years are modest
 - \$281 M in 2010
 - \$0 M in 2011

Our cash flow has grown substantially...

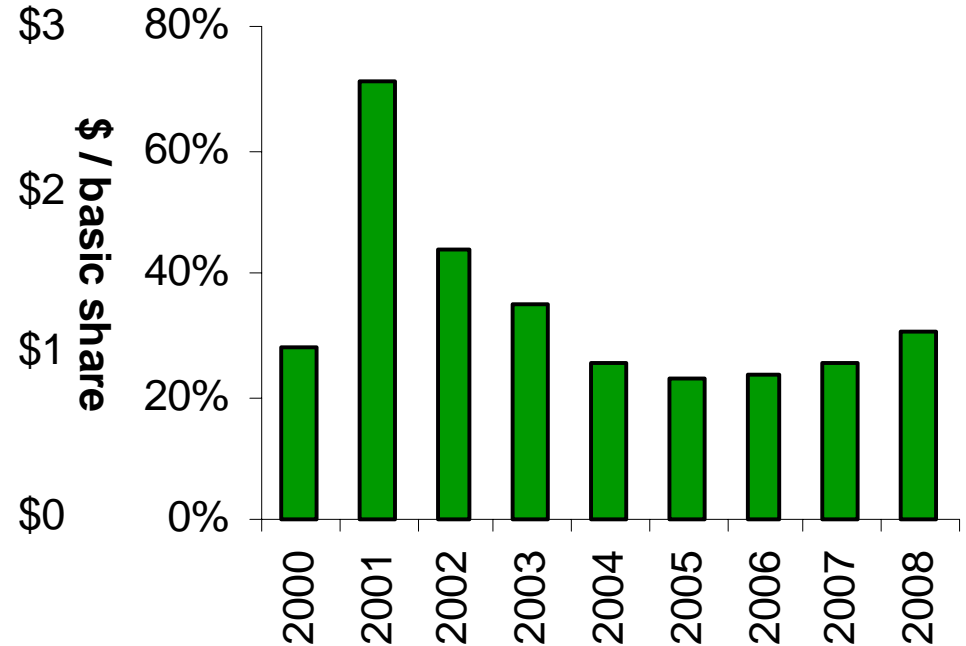


...allowing us to maintain an attractive dividend at a moderate payout ratio

Dividends



Payout Ratio



■ Dividends ◆ Dividends per share

During 2009, our overall markets have weakened significantly...

	2007	2008	2009E
Electrical Americas Index	9%	4%	(19%)
Electrical ROW Index		4%	(19%)
Hydraulics Index	2%	2%	(35%)
Aerospace Index	5%	3%	(8%)
Truck Index	(26%)	1%	(28%)
Automotive Index	2%	(7%)	(23%)
Eaton Consolidated Index	(2%)	2%	(21%) to (22%)

...with all regions of the world being affected

2009 Outlook	U.S. Growth	Non U.S. Growth	Total
Electrical Americas Index	(19%)	(17%)	(19%)
Electrical ROW Index	0	(19%)	(19%)
Hydraulics Index	(40%)	(30%)	(35%)
Aerospace Index	(3%)	(17%)	(8%)
Truck Index	(38%)	(16%)	(28%)
Automotive Index	(32%)	(19%)	(23%)
Eaton Consolidated Index	(24%)	(20%)	(21%) to (22%)
Eaton Weightings	45%	55%	

Our financial results reflect these market declines, but are rapidly improving

(\$ millions except per share data)

	<u>First Quarter</u>		<u>Second Quarter</u>		<u>Third Quarter</u>	
	<u>Net Sales</u>	<u>Sequential Change</u>	<u>Net Sales</u>	<u>Sequential Change</u>	<u>Net Sales</u>	<u>Sequential Change</u>
Net Sales	\$2,813	(19%)	\$2,901	3%	\$3,028	4%
Net Income	(50)	(131%)	29	158%	193	666%
Fully Diluted EPS	\$(0.30)	(131%)	\$0.17	157%	\$1.14	670%
Operating Earnings	(36)	(120%)	39	208%	205	526%
Operating EPS	\$(0.22)	(120%)	\$0.23	205%	\$1.21	526%

Note: Operating earnings excludes acquisition integration charges

Employment reductions are driving significant cost savings

Pre-Tax (Millions)	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
Cost	(65)	(69)	(22)	(2)	(158)
<u>Benefit</u>	<u>53</u>	<u>109</u>	<u>124</u>	<u>142</u>	<u>428</u>
Net	(12)	40	102	140	270

Full year 2009 YTY Pretax income increase of \$270M

Full year 2010 YTY Pretax income increase of \$220M

In total we expect savings of \$495 million in 2009

Millions	
Employment	\$270
Other Actions	<u>225</u>
Total	\$495

No change from prior Guidance

2009 EPS Guidance

	<u>Operating Earnings</u>	<u>Net Income</u>
Full Year	\$2.40 - \$2.50	\$2.05 - \$2.15
Midpoint	\$2.45	\$2.10
Q4	\$1.15 - \$1.25	\$1.00 - \$1.10
Midpoint	\$1.20	\$1.05

Summary of 2009 guidance

	2009 Guidance
Market Outgrowth	\$150M
Incremental Sales from Acquisitions	\$300M
Operating EPS	\$2.40 - \$2.50
Fully Diluted EPS	\$2.05 - \$2.15
Operating Cash Flow	\$1.3B to \$1.4B
Free Cash Flow	\$1.1B to \$1.2B

2010

- Consensus global growth forecasts have improved

	<u>GDP</u>	<u>Industrial Production</u>
July	2.5%	4.5% – 5.0%
October	3.1%	6.0%

- Expect good incremental profits as sales rebound
- Cost savings versus 2009 likely to be neutral

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