



# Eaton Corporation Rick Fearon

Vice Chairman and Chief Financial & Planning Officer

**Bank of America Merrill Lynch 2009 Global Industries Conference**

December 8, 2009



# Forward Looking Statements and Non-GAAP Financial Information

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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, 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: volatility 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; 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.

# 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

# EATON

*Powering Business Worldwide*

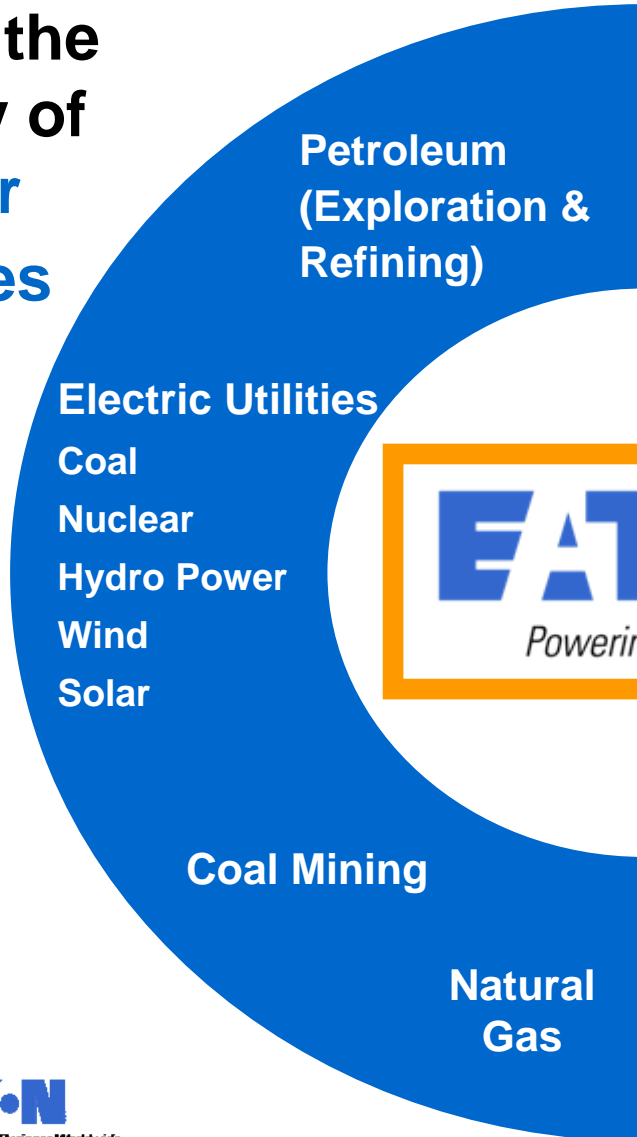
# Eaton's strategy

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- A diversified industrial enterprise run as an integrated operating company
- Build on our leadership positions within power management businesses
- Balance our business portfolio across the economic cycle
- Further globalize Eaton's businesses, particularly into developing markets

# Eaton is uniquely positioned to serve many aspects of the power value chain

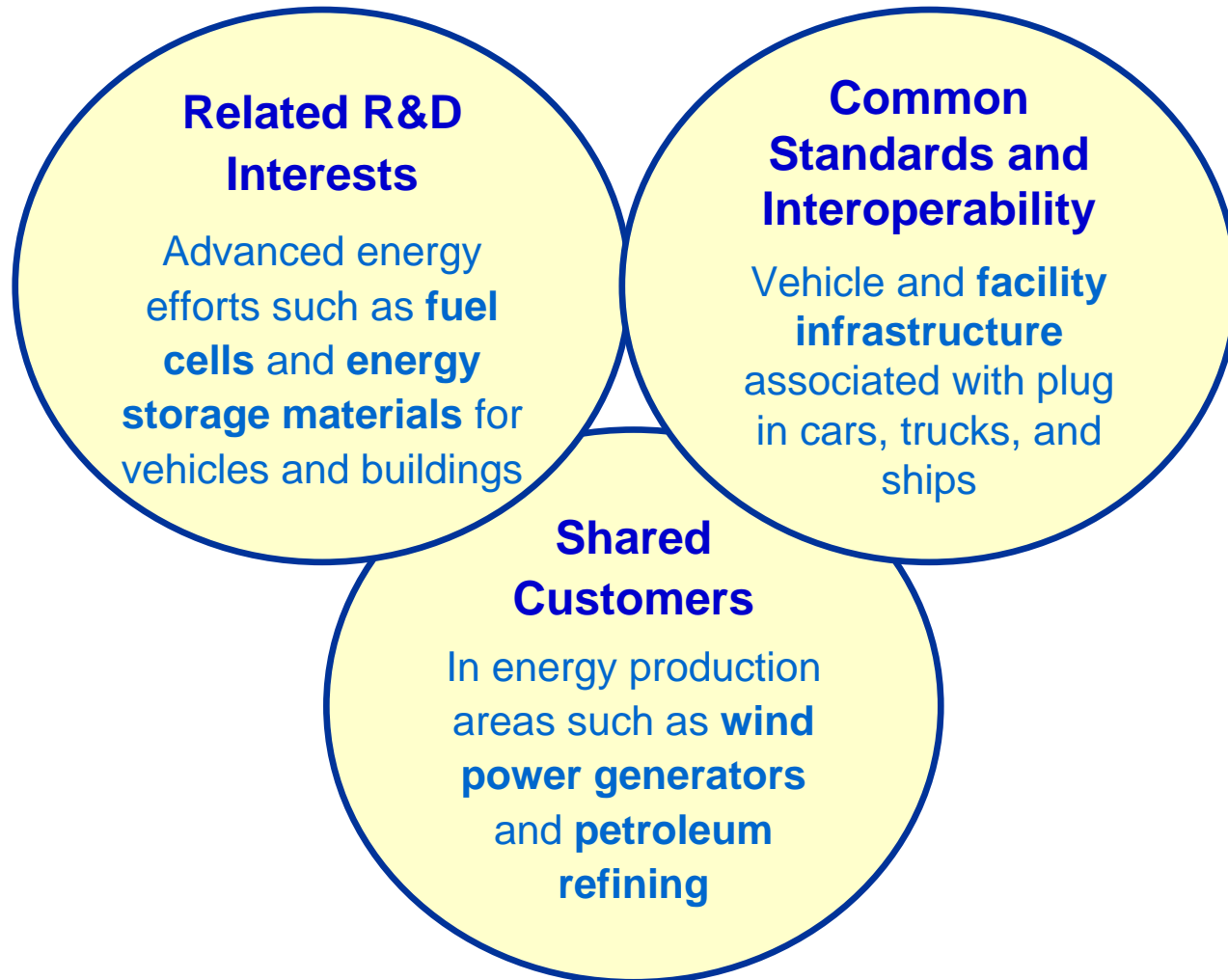
**Serving the Majority of Power Sources**



**Serving Almost all Power Uses**



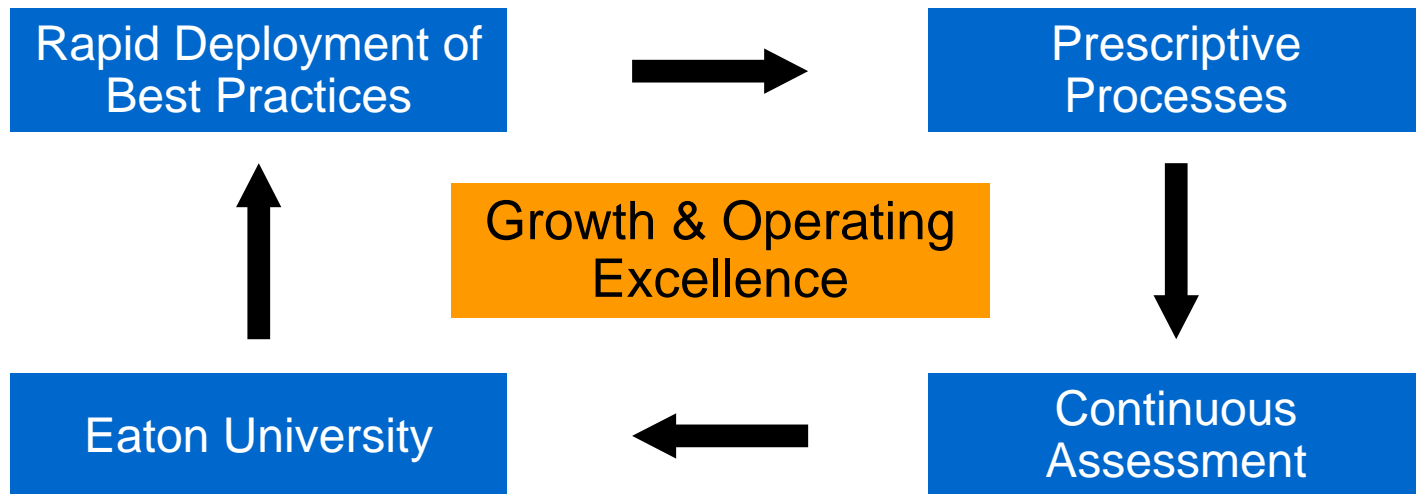
# Organizational synergies create an integrated power management company



# An integrated operating company united by the Eaton Business System (EBS)

# EBS

EBS is the sum of the tools and processes developed across our businesses, **aligned and integrated**, into a single operating philosophy.



# 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**

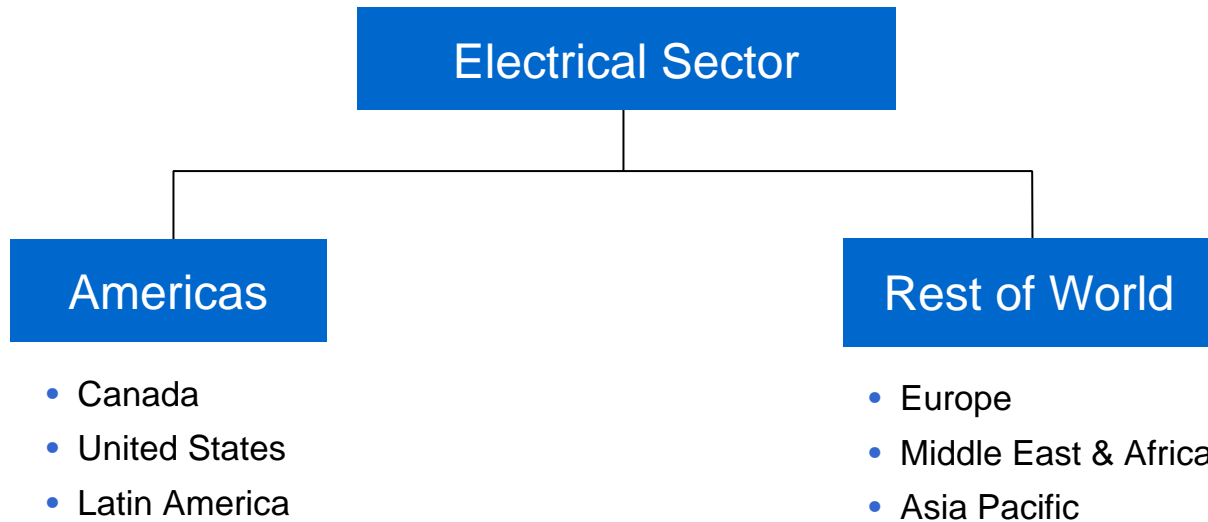
**Hydraulics**

**Electrical Rest of World**

**Truck**

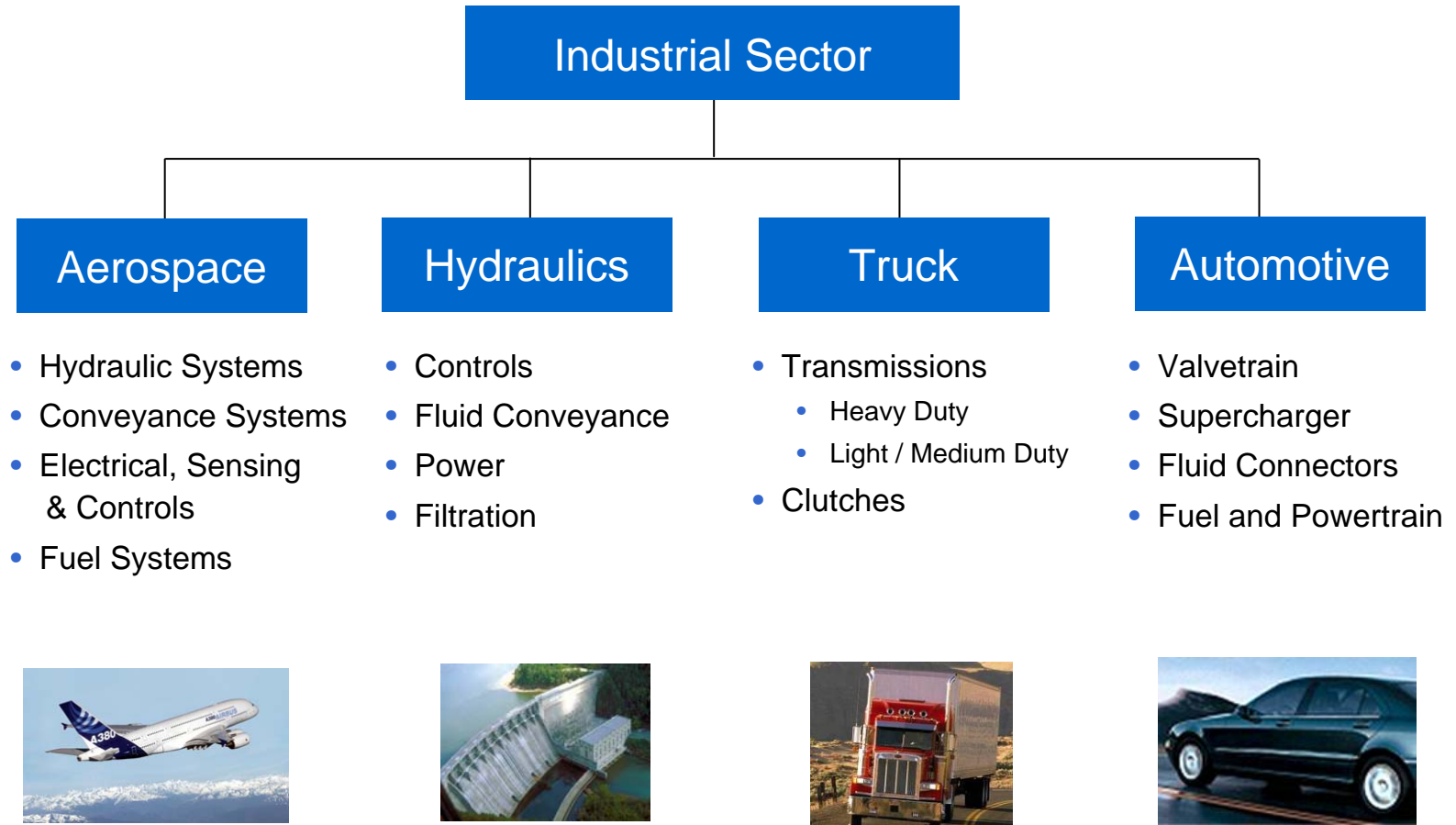
**Automotive**

# New Electrical sector accelerates growth and builds regional scale and focus



\$6.9 B global business positioned to lead regional markets

# New Industrial sector improves execution and expands integrated customer solutions



**\$8.5 B business positioned to lead in their respective markets**

We outlined our 2010 goals in 2006 and have made good progress towards them

**Eaton Corporation**  
**Premier Diversified Industrial**

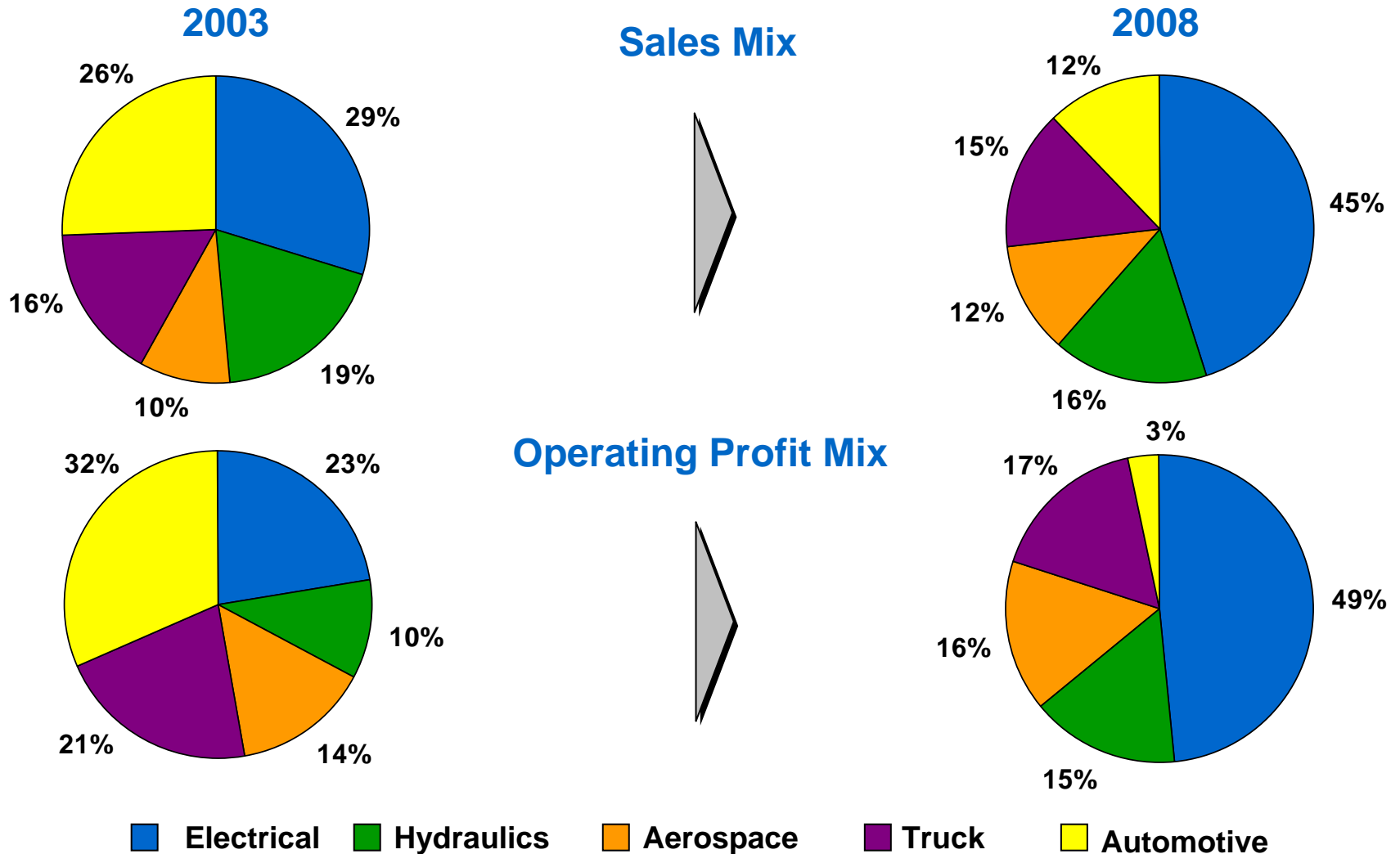
**15% Income  
Growth**

**15%  
ROIC**

**10% Sales  
Growth**

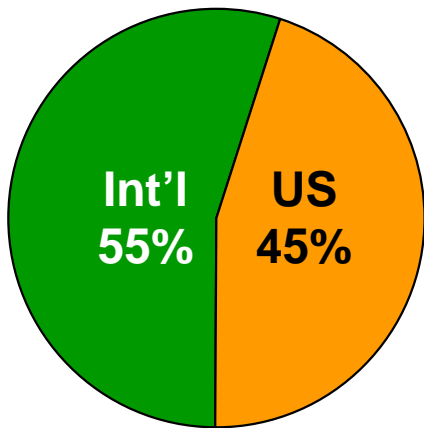
**9% FCF  
to Sales**

# Our higher growth portfolio helps drive performance

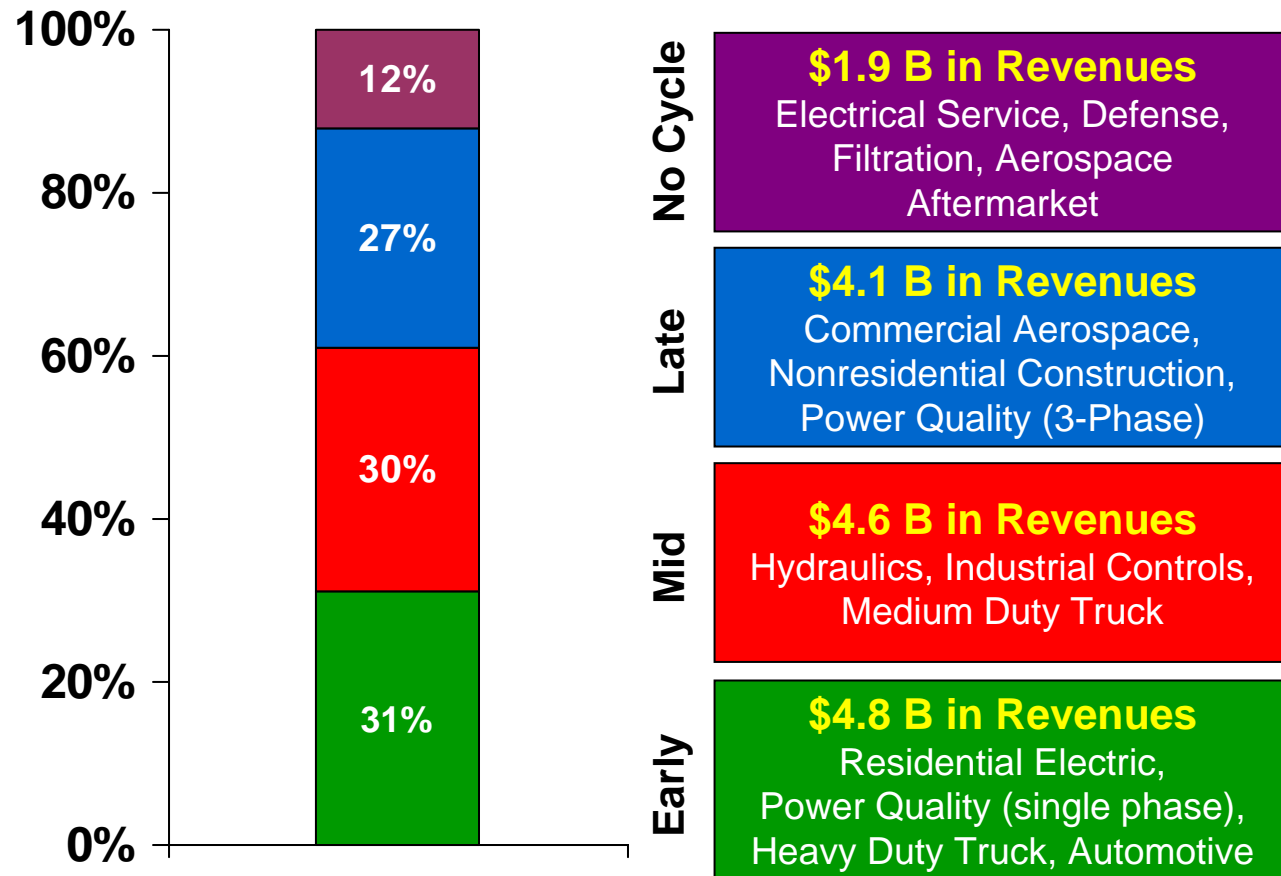


# Our business is balanced globally and through the cycle

**2008 Sales  
By Final Destination**

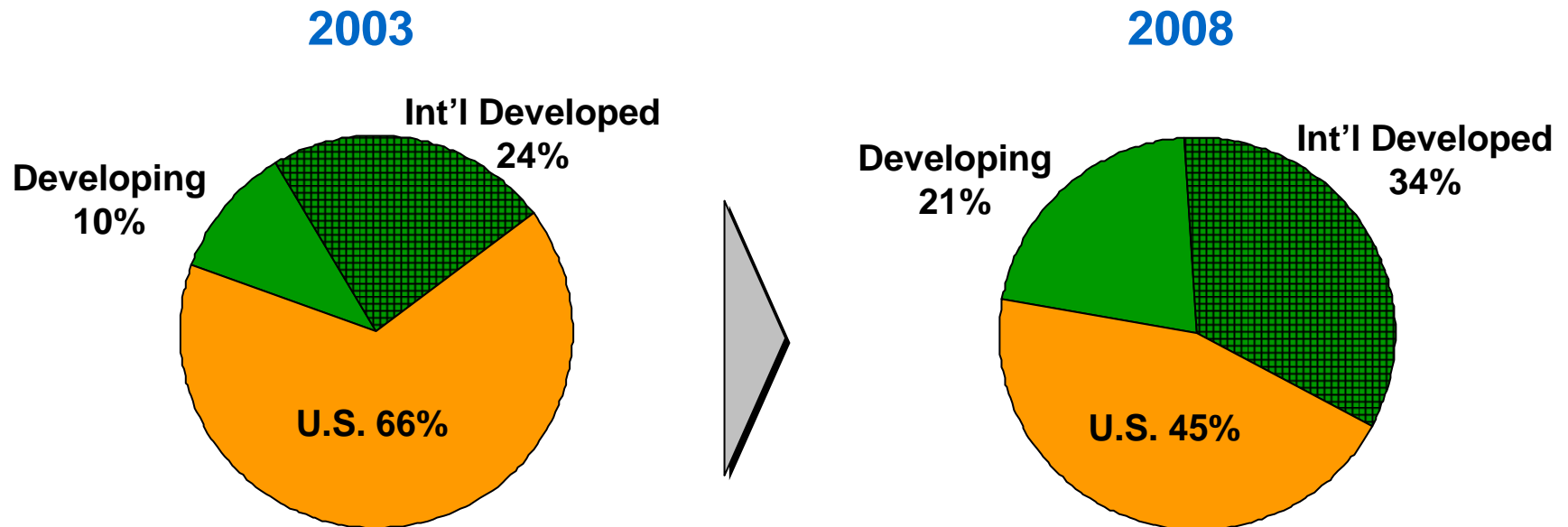


**2008 Global Sales  
By Cycle**



# We have doubled our exposure in higher growth emerging markets

## Sales by Destination



Average GDP growth ('03-'09): Developed 2% versus Developing 6%

# During 2009, our overall markets 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%)
<b>Eaton Consolidated Index</b>	<b>(2%)</b>	<b>2%</b>	<b>(21%) to (22%)</b>

# 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

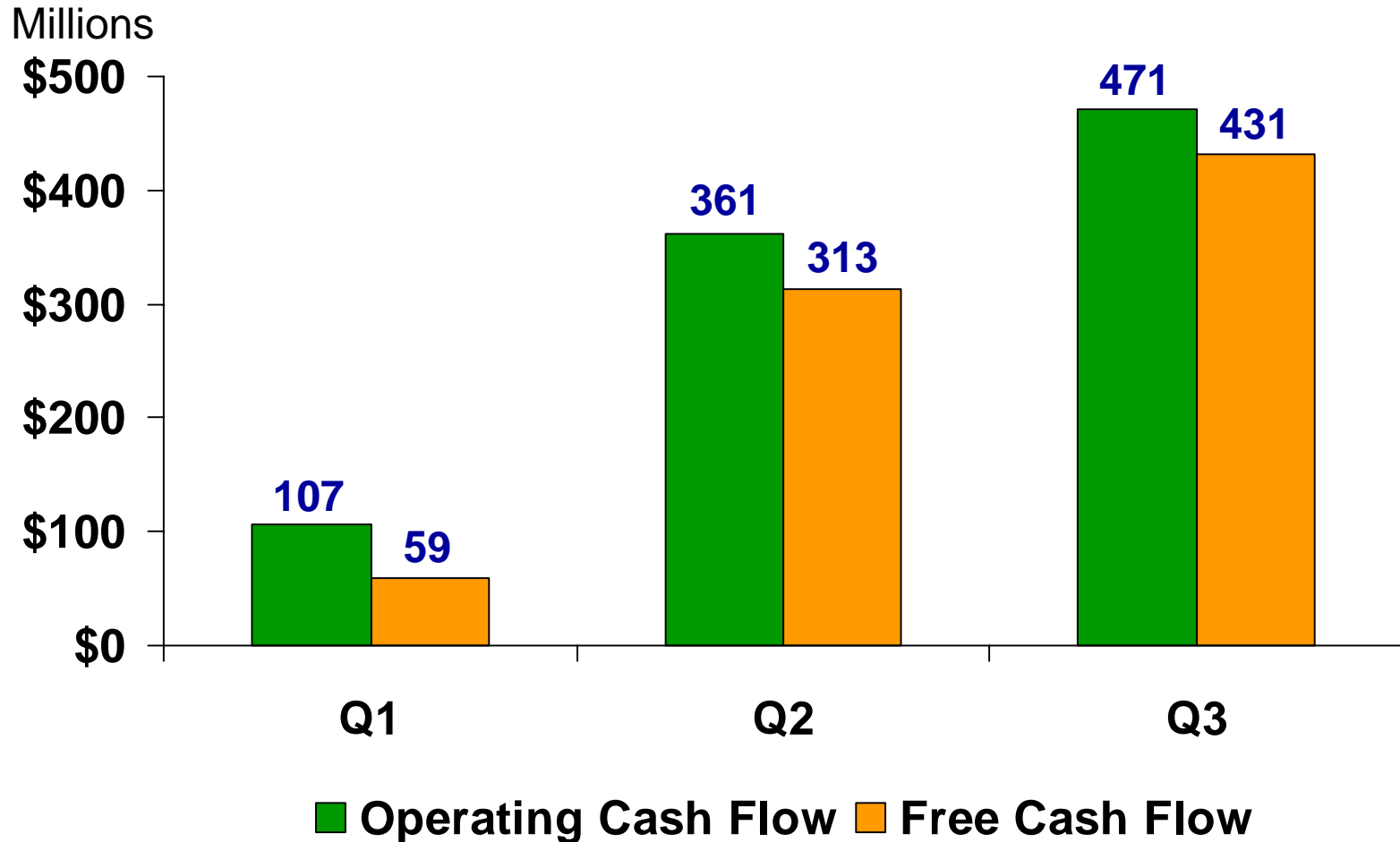
Full year 2010 YTY Pretax income increase of \$220M

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

Millions

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

# Our 2009 cash flow has been strong



Operating cash flow of \$1.6B over last 12 months... a record

# 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 outlook

- Consensus global growth forecasts have improved

	GDP	Industrial Production
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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