



Eaton Corporation

KeyBanc Capital Markets Conference

Rick Fearon, Vice Chairman and Chief Financial Officer

June 2, 2010



Forward-looking statements and Non-GAAP financial information

This presentation contains forward-looking statements concerning the second quarter 2010, and full year 2010 net income per share and operating earnings per share, full year 2010 revenues, our worldwide markets, our growth in relation to end markets, our growth from acquisitions, and estimated savings from acquisition integration. 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; the impact of acquisitions and divestitures; unanticipated difficulties integrating acquisitions; new laws and governmental regulations; interest rate changes; changes in currency exchange rates; stock market or 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.

Eaton Corporation – A Premier Diversified Power Management Company

- A balanced power management company
- Progress over the last decade
- Accelerating growth and profitability
- 2010 Outlook

Eaton is a leader across the power management spectrum

We provide reliable, efficient and safe power management for...



Cities & Buildings

Industrial & Machinery

Information Technology

Transportation

Infrastructure

Energy & Utilities

EATON

Powering Business Worldwide

We have aligned our organization structure to better serve our markets



Electrical Sector
\$5.9 B Sales

Electrical Americas

Electrical Rest of World

Industrial Sector
\$6.0 B Sales

Aerospace

Hydraulics

Vehicle

The Electrical Sector delivers a broad array of power solutions through a regionally focused organization

Power Distribution



- Circuit breakers
- Switchgear
- Panelboards and switchboards
- Transformers
- Assemblies

Power Quality



- Uninterruptible power supplies
 - Single phase
 - 3 phase
- Power distribution units
- Meters and software

Control and Automation



- Drives
- Sensors
- Human machine interface
- Control components

Services and Aftermarket



- Engineering and consulting services
- Turnkey design, build and management
- Maintenance and aftermarket
- Power audits and studies

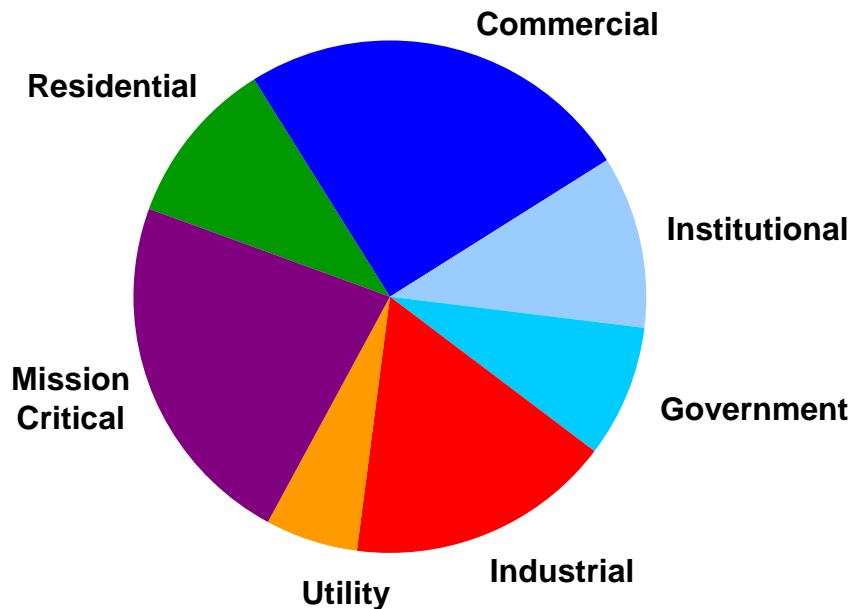
\$3.4B Americas business
\$2.5B Rest of World business

The Electrical Americas business is well positioned to grow and is balanced across markets

Electrical Americas Sales

2009 \$3.4 B

Sales by market segment



Drivers of Growth

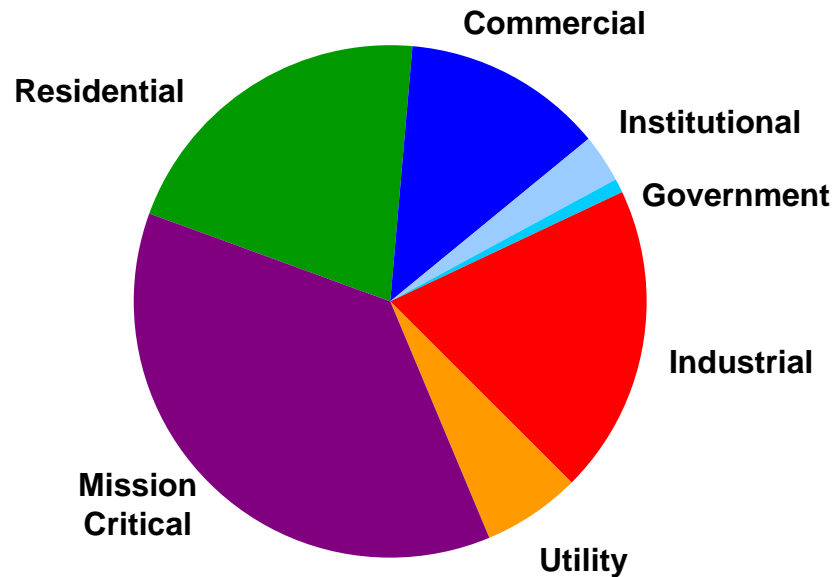
- Double digit growth in traditional earlier cycle businesses (residential and control) as markets rebound
- Double digit growth in newer early cycle single phase UPS business
- 7th consecutive year share gain in power distribution
- Stimulus focus leads to capture of \$500M globally in 2010 and again in 2011, mostly in Americas
- Machinery OEM growth using leverage of Moeller and Micro Innovation products

The Electrical ROW business is broadly diversified across markets and channels

Electrical ROW Sales

2009 \$2.5 B

Sales by market segment



Drivers of Growth

- Rapid expansion in China
- Bounce back of European construction and controls market
- Integrated sales organizations in EMEA and APAC selling entire Eaton electrical product basket
- Deeper penetration into Mission Critical applications in APAC and EMEA

Eaton's Industrial Sector is a leader in the management of mechanical and fluid power

Aerospace

2009 Sales \$1.6B



- Hydraulic Systems
- Conveyance Systems
- Electrical, Sensing and Controls
- Fuel Systems

Hydraulics

2009 Sales \$1.7B



- Controls
- Fluid Conveyance
- Power
- Filtration

Truck

2009 Sales \$1.5B



- Transmissions
 - Heavy Duty
 - Light / Medium Duty
- Clutch
- Hybrid

Automotive

2009 Sales \$1.2B



- Valvetrain
- Supercharger
- Fluid Connectors
- Fuel and Powertrain
- Torque Control

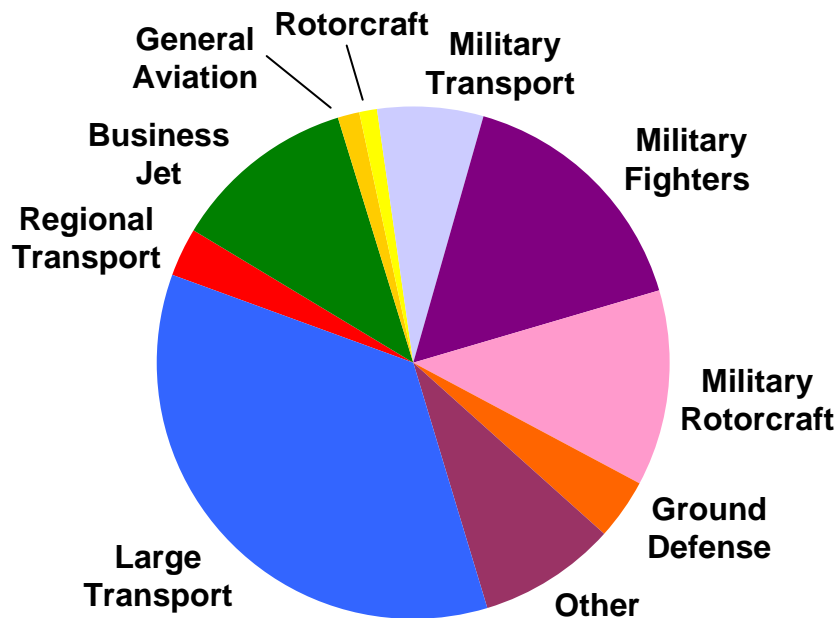
\$6.0B portfolio of Industry leading businesses

Our Aerospace business brings strong systems capabilities to a wide range of markets

Aerospace Sales

2009 \$1.6B

OE Sales Mix



Drivers of Growth

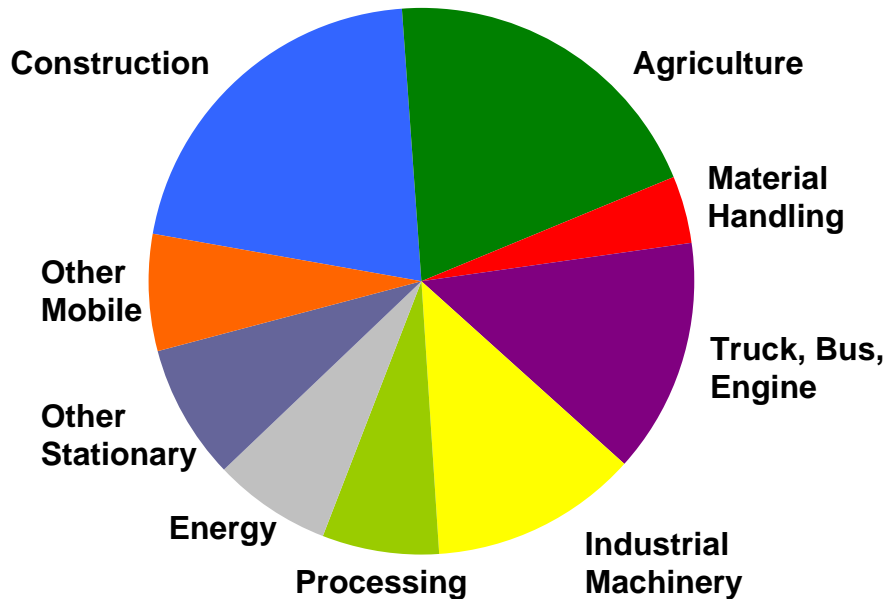
- Component technology excellence
- Superior systems and integration
- On the right growth platforms
- Well-balanced portfolio

Eaton Aerospace Today

- Sales Mix
 - Commercial: 60%
 - Military: 40%
- Channel Mix
 - Original Equipment: 60%
 - Aftermarket: 40%

Our Hydraulics business has product breadth and an extensive distribution network

Hydraulics Sales 2009 \$1.7B



Drivers of Growth

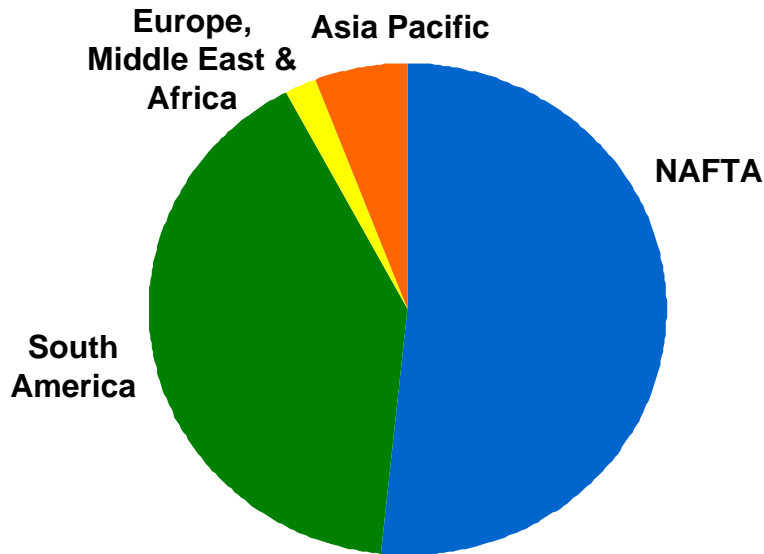
- Scale and breadth
- Leading technologies
- Ease of doing business

Eaton Hydraulics Today

- End market mix
 - Mobile: 70%
 - Stationary: 30%
- Channel mix
 - Direct: 50%
 - Distribution: 50%

We have a leading Truck business with product diversity and winning technologies...

Truck Sales 2009 \$1.5B



Drivers of Growth

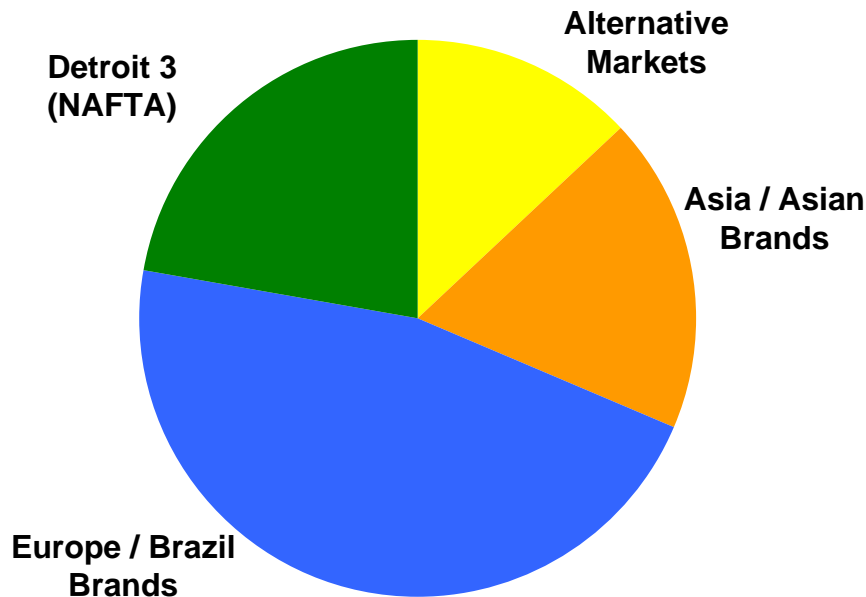
- Global expansion opportunity
- Leading technologies
- Industry leadership in hybrids

Eaton Truck Today

- Strong global presence, less dependence on NAFTA
 - NAFTA: 50%
 - Rest of World: 50%
- Aftermarket: 20%

...and an Automotive business positioned to be a global winner in emissions and fuel economy

Automotive Sales 2009 \$1.2B



Drivers of Growth

- Focus on efficiency and emissions
- Technology leadership
- Global diversification

Eaton Automotive Today

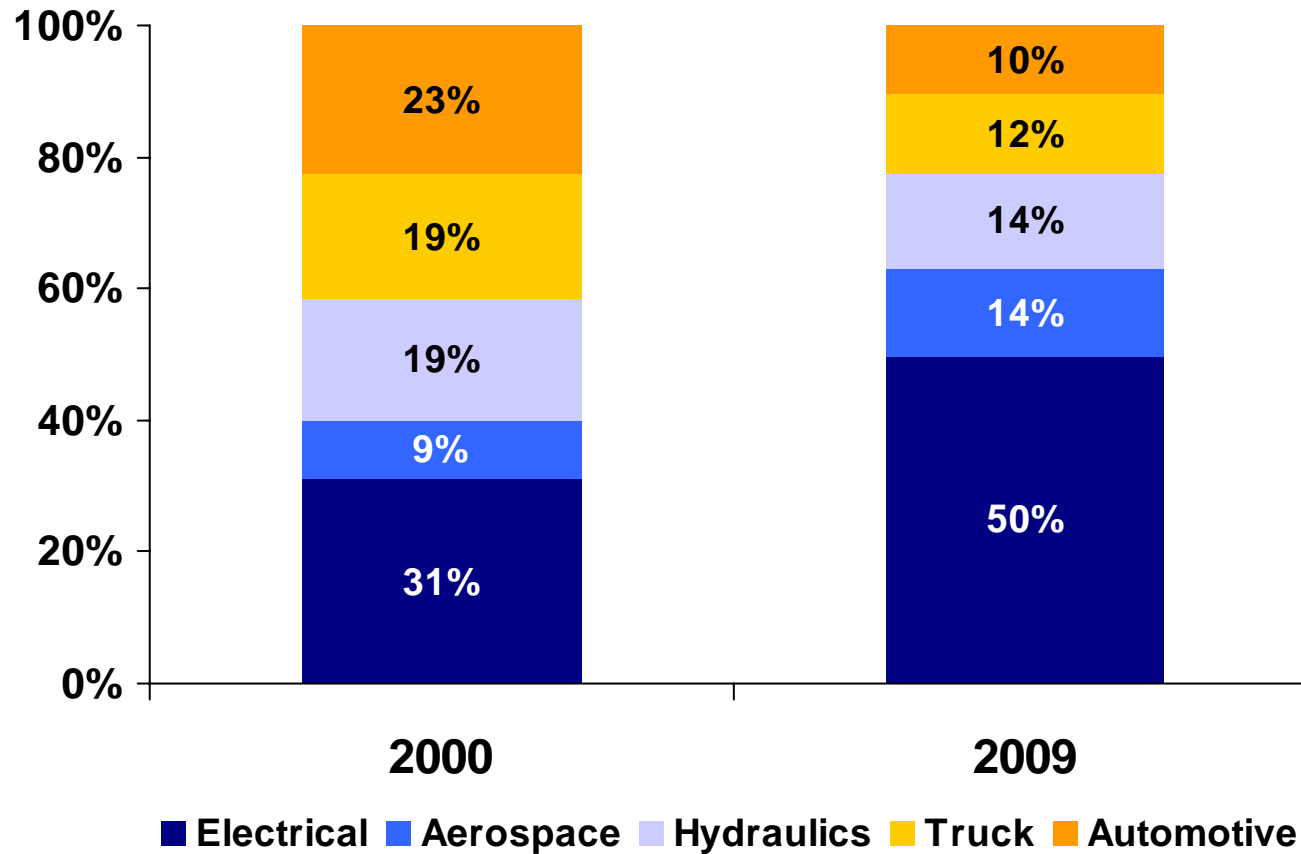
- > 75% of business is outside of Detroit 3 / NAFTA
- Strategic partnership with Nittan provides penetration into growing Asian OEM brands

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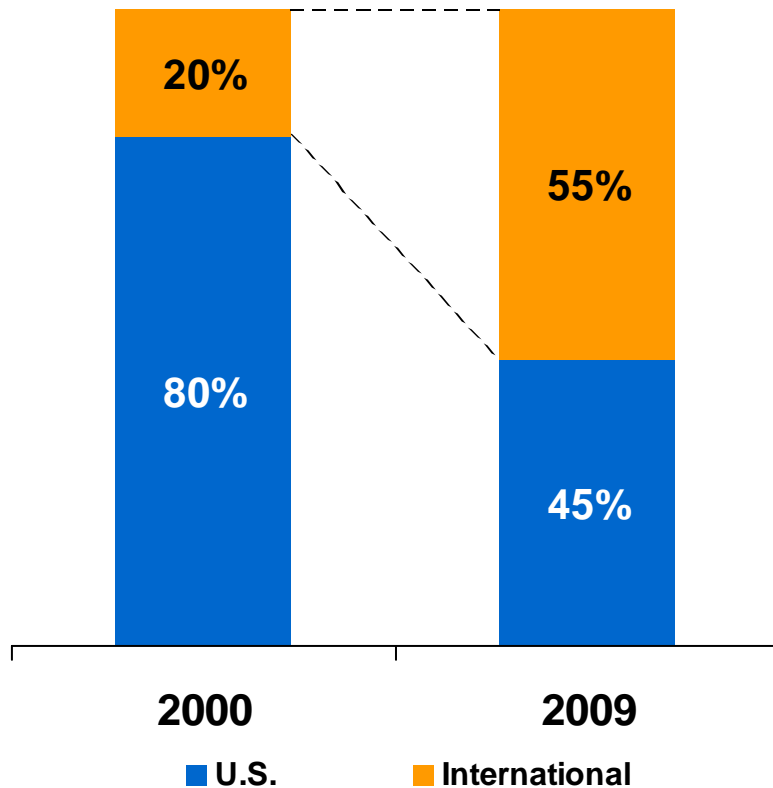
Over the last decade, we have shifted our business mix towards higher-growth markets

Eaton Sales

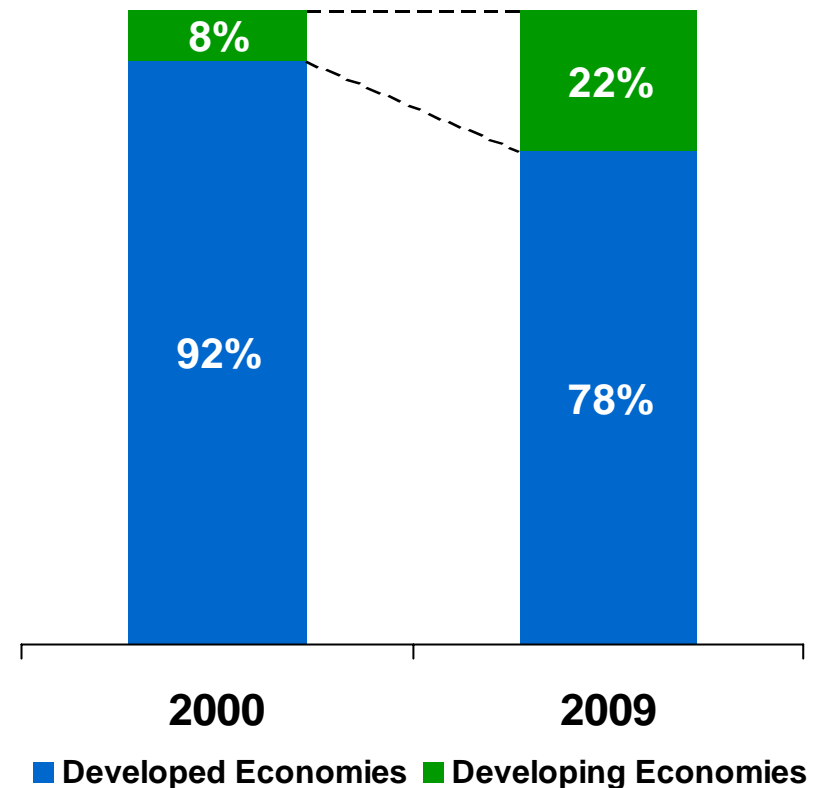


The majority of our sales are global, with growing exposure to developing economies

Global Sales by Region

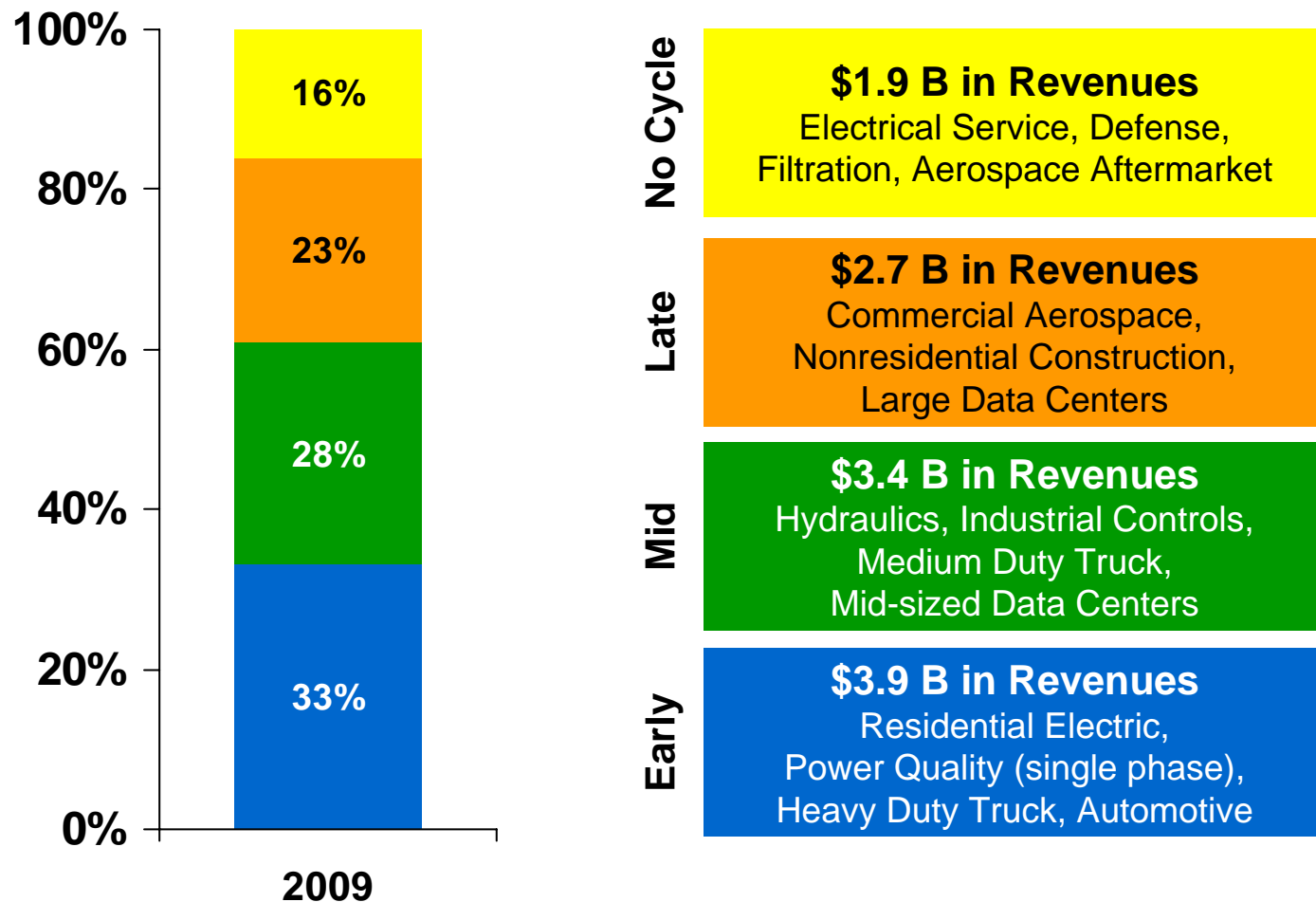


Global Sales by Type of Market



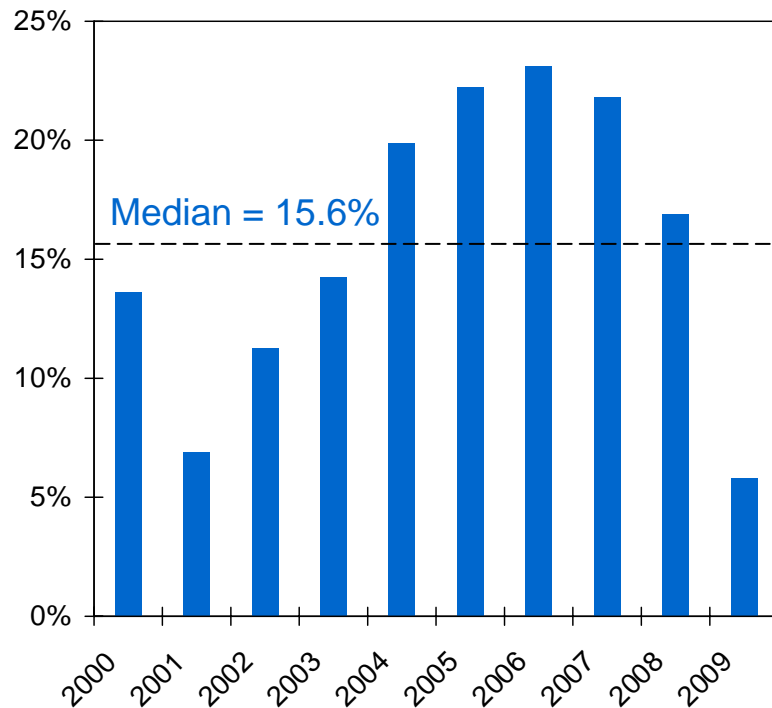
Our business mix is balanced through the economic cycle

2009 Global Sales by Cycle

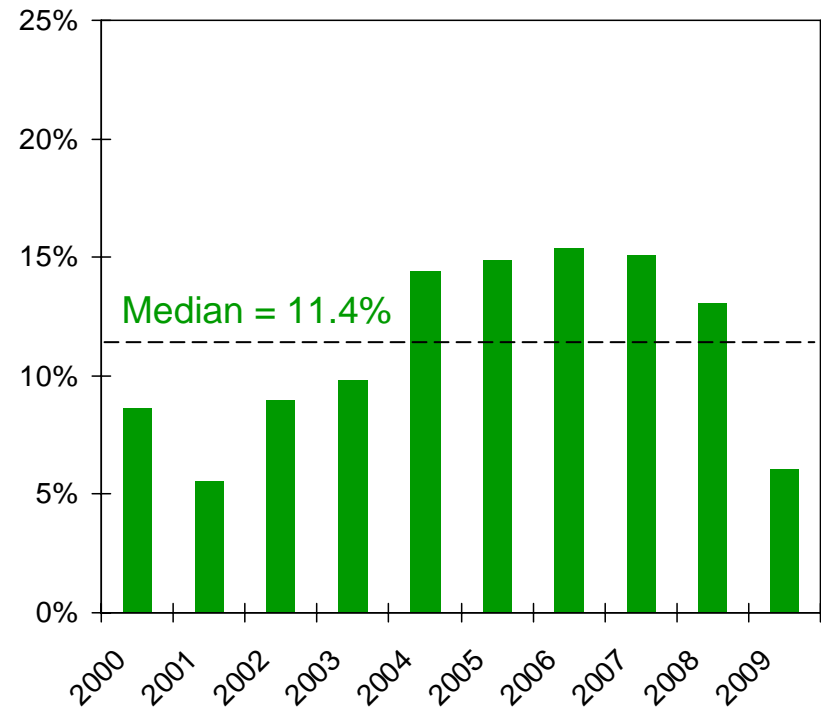


Our businesses generated attractive returns over the past decade

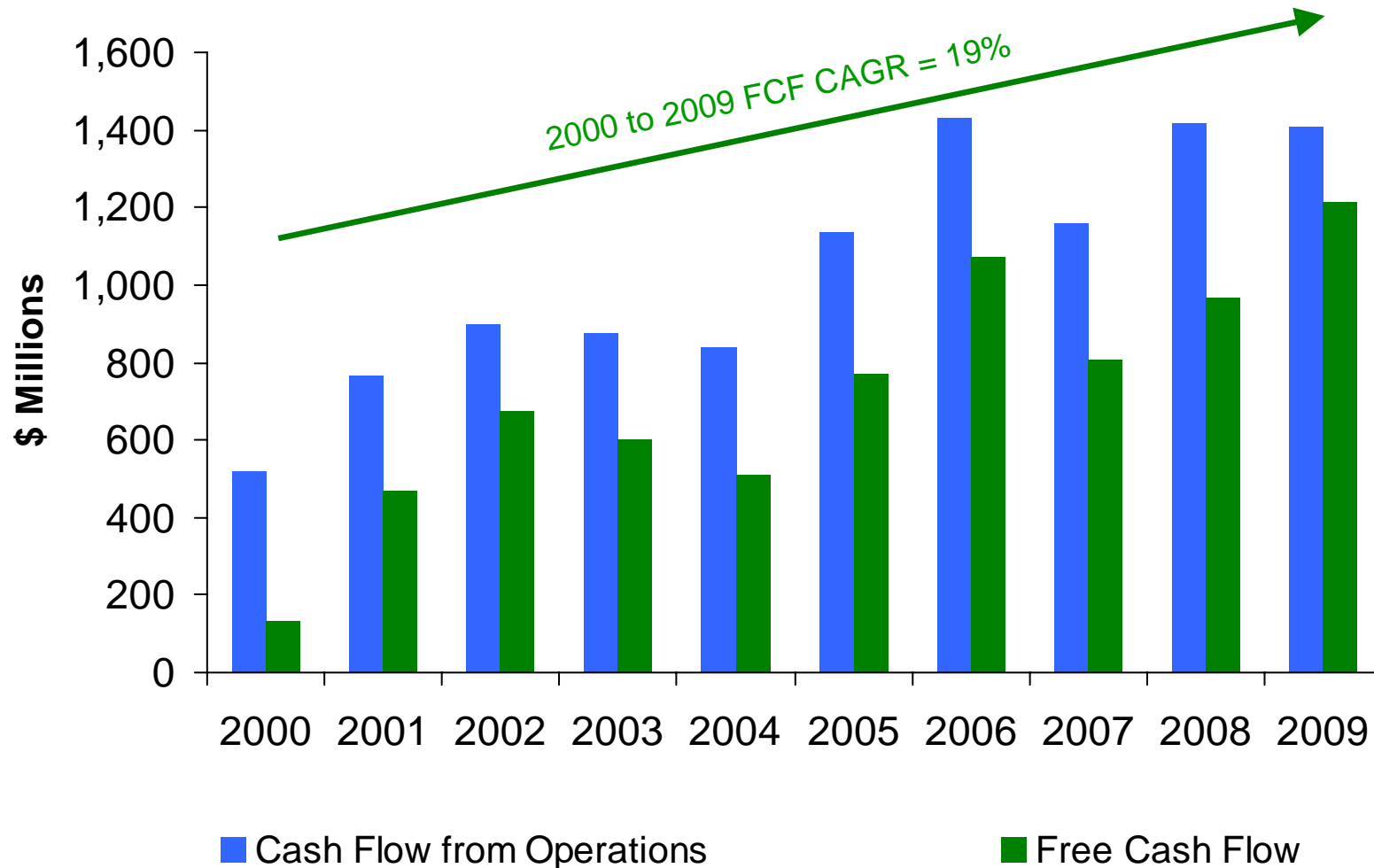
Return on Equity



Return on Invested Capital

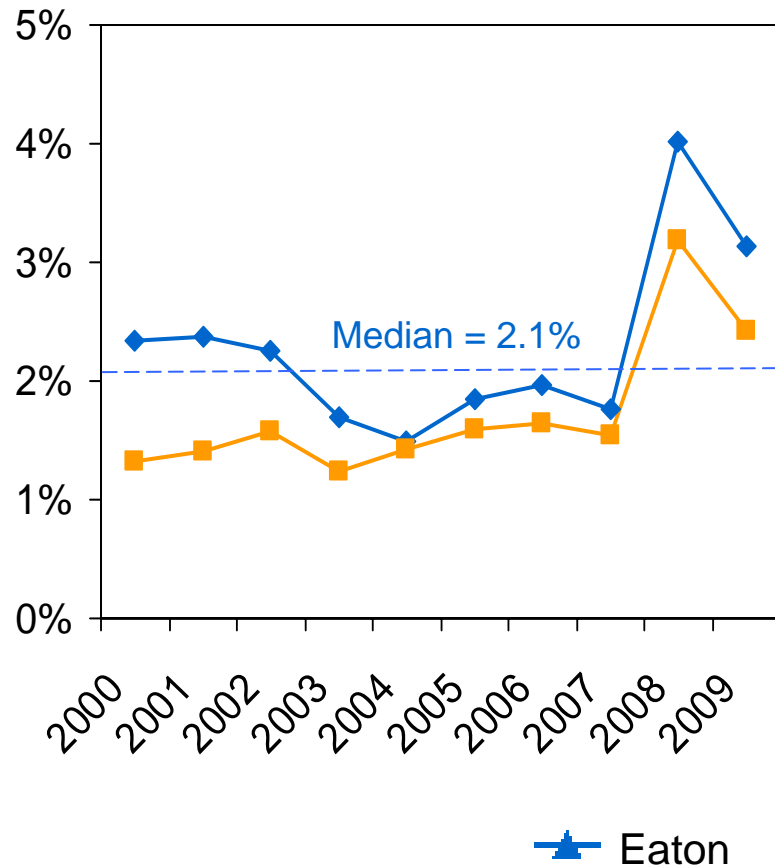


Free cash flow has grown at 19% a year, reaching a record level in 2009

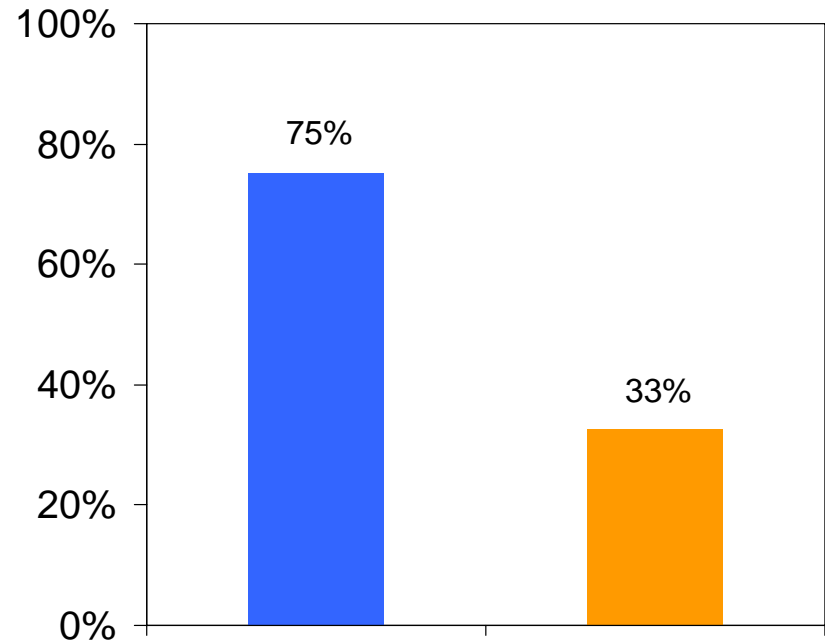


Our dividend yield and share price appreciation have delivered strong results to shareholders...

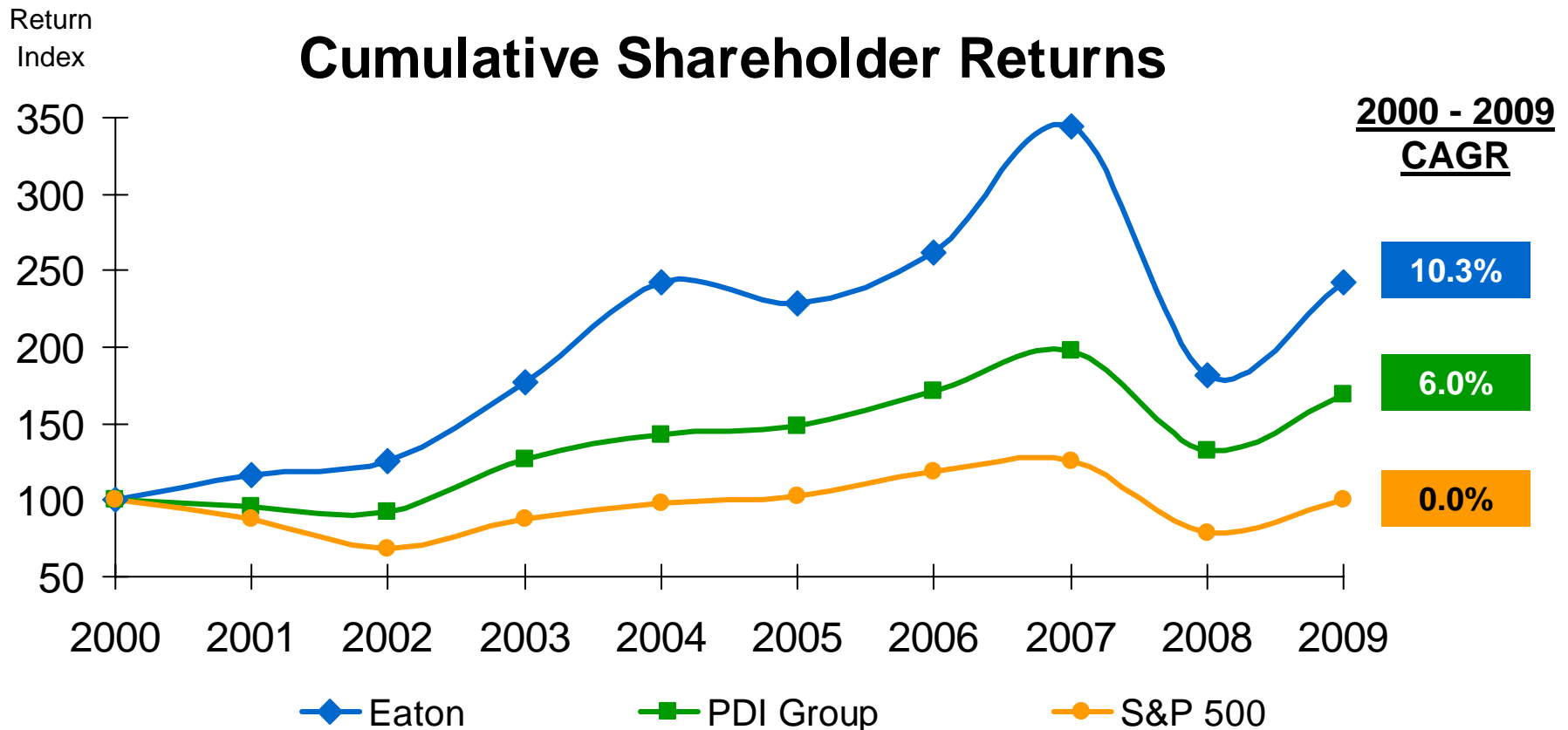
Dividend Yield



Cumulative Price Appreciation 2000 - 2009



... as reflected by Eaton's cumulative return over the last decade

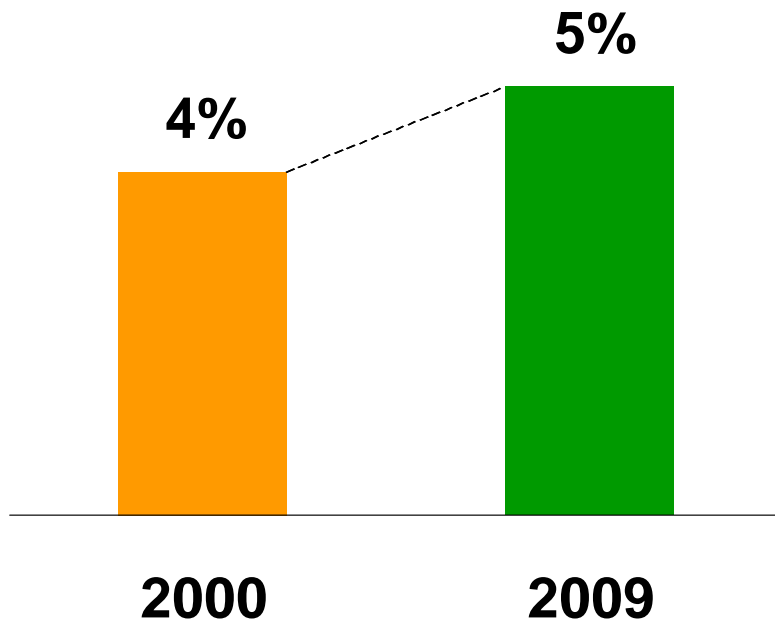


Eaton Corporation – A Premier Diversified Power Management Company

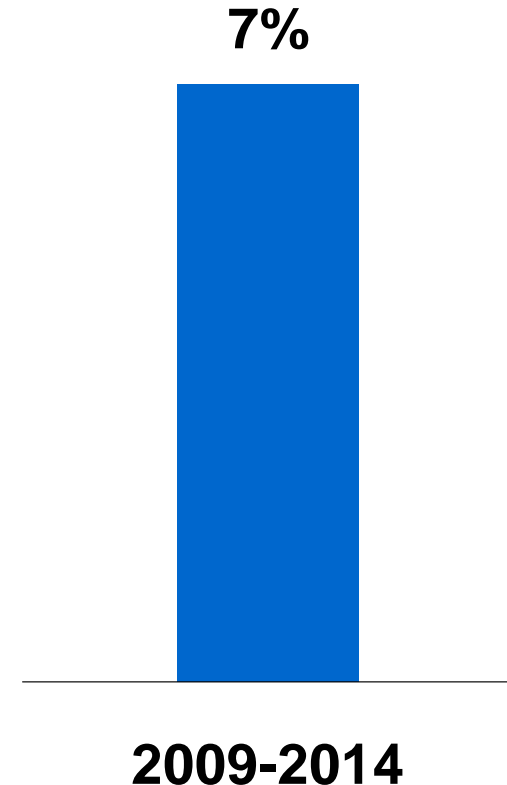
- A balanced power management company
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We have increased our core growth rate to 5% and expect growth of 7% as markets recover

Eaton Core Growth Rate Through the Cycle

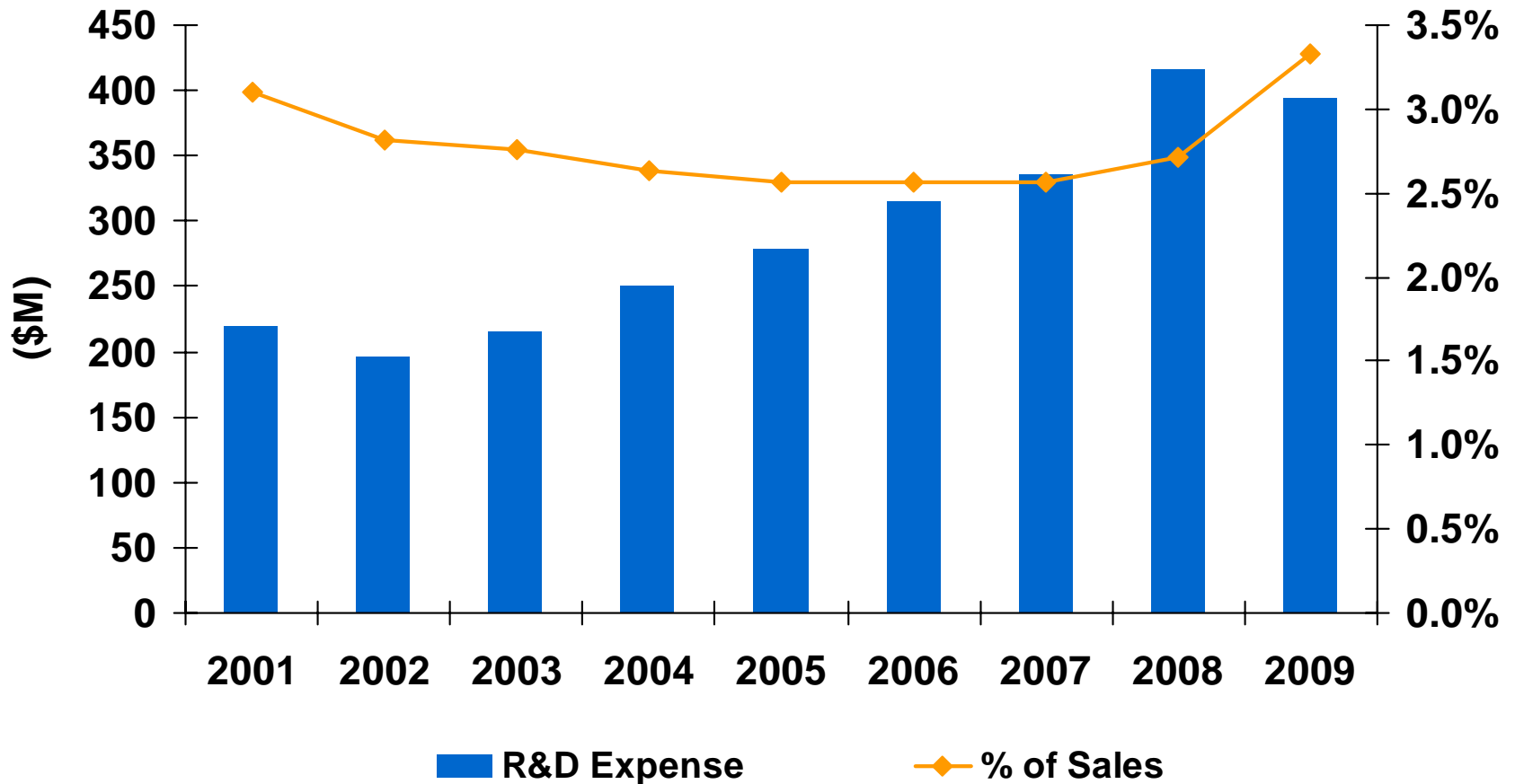


Expected Market Growth Rate During Recovery



We have remained focused on developing new technology through the downturn

R&D Expense



Our innovative Electrical technologies provide a full suite of sustainable solutions

Wind Power



- Electrical nacelle components and gearbox substitutes
- Space-saving, cost-effective switchgear
- Integrated collector substations

20-25% CAGR

Solar Power



- Commercial/utility scale photovoltaic inverters
- Scalable, integrated balance of system solutions
- SolarGuard arc flash fire prevention and safety system

25-35% CAGR

Energy Conservation



- Energy efficient uninterruptible power supplies
- Energy management engineering, programs and audits
- Power management software and reporting

15-20% CAGR

Services



- Turnkey design and engineering services
- Energy management engineering, programs and audits
- Building and infrastructure retrofits

15-20% CAGR

The Industrial sector is a market leader in hydraulic, mechanical and vehicle power

Alternative Energy



- Cylinders, valves, pumps and hoses for a broad range of alternative energy markets
 - Wind Power – leader in wind turbine pitch and yaw control
 - Hydropower – unique combination of XL cylinders, power units and design capabilities

20-25% CAGR

Hybrid Vehicles



- Global leader in commercial hybrid vehicles
- Hybrid electric systems reduce both exhaust and noise emissions
- Hybrid hydraulic systems for improved fuel economy and extended brake life

50-60% CAGR

Fuel and Emissions

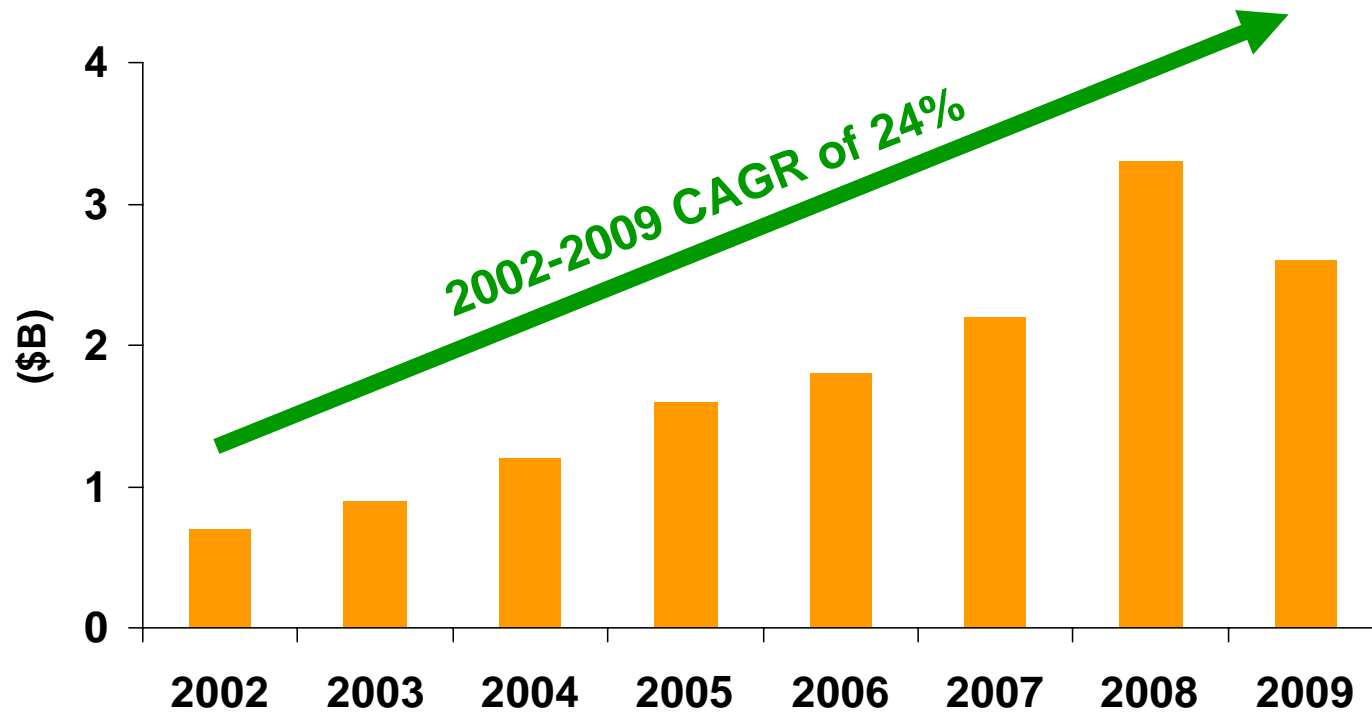


- Leading technologies improve fuel economy and reduce vehicle emissions
 - TVS™ superchargers
 - High-efficiency variable valve actuation
 - Fuel vapor valves

20-25% CAGR

We have a strong track record of growth in developing economies...

Sales in Developing Economies



Percent
of Sales:

2002	2003	2004	2005	2006	2007	2008	2009
10%	11%	13%	15%	14%	17%	21%	22%

...and we continued to invest heavily during the global downturn

2007



Eaton Engineering & Shared Service Center (Pune, India)

- Full range of professional services
- 1,100 employees, including 800 engineers

2008



Eaton R&D Center (Suzhou, China)

- Electrical center of excellence
- R&D for Electrical businesses
- Shared service center for Finance

2009



Eaton Corporate Office (Moscow, Russia)

- Co-located business and corporate teams
- Regional training center

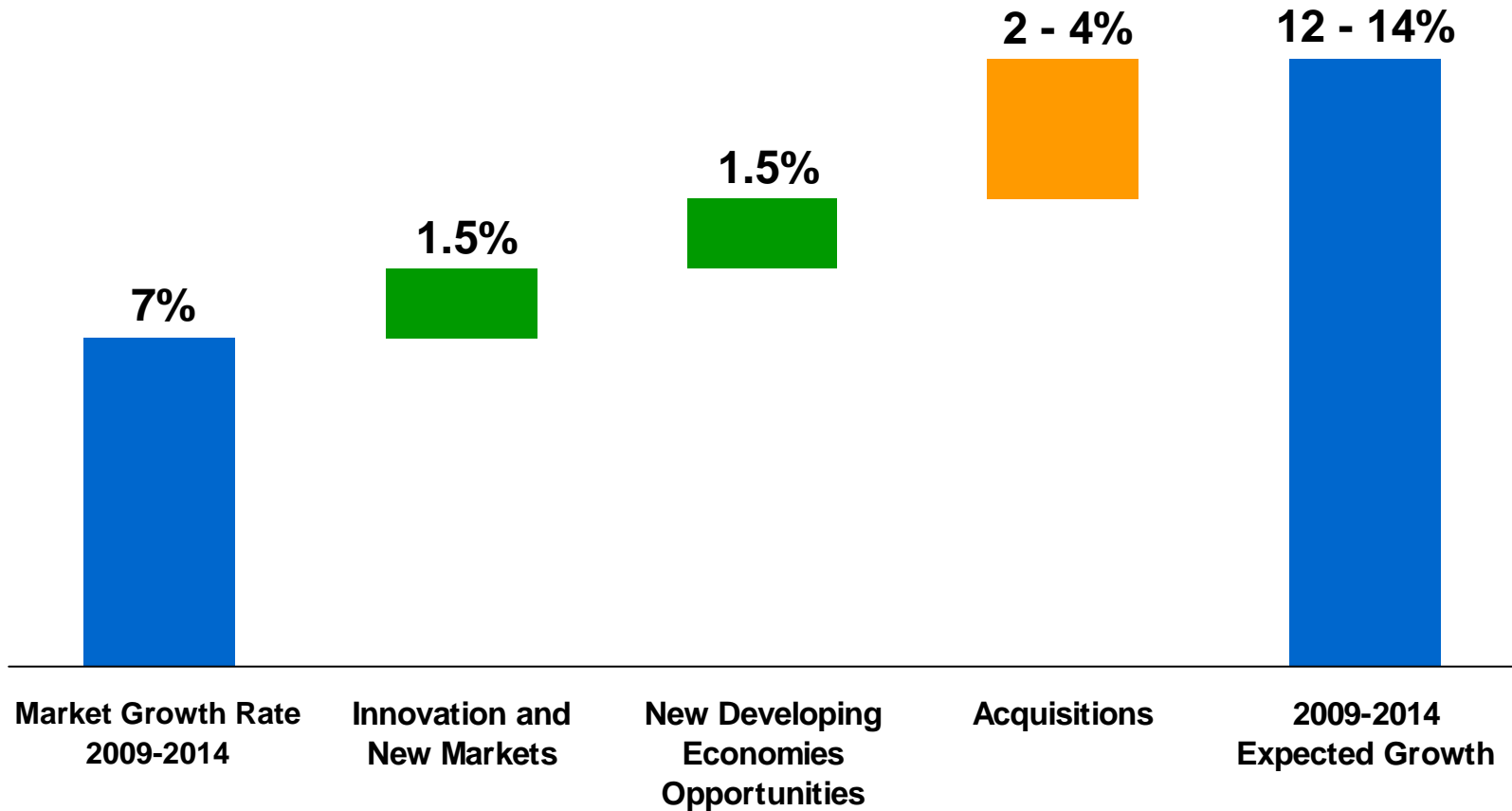


Eaton Regional HQ (Shanghai, China)

- Co-located business and corporate teams
- Customer experience center

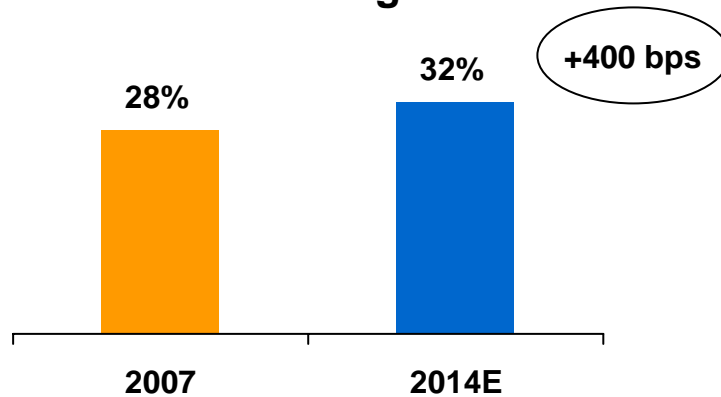
We expect organic growth of 10% over the next 5 years and an overall growth rate of 12-14%

Eaton Long-Term Sales Growth

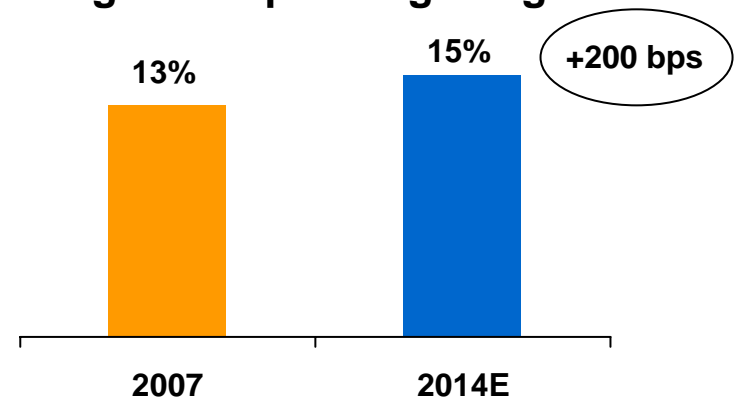


We look to surpass peak levels for key financial metrics by 2014

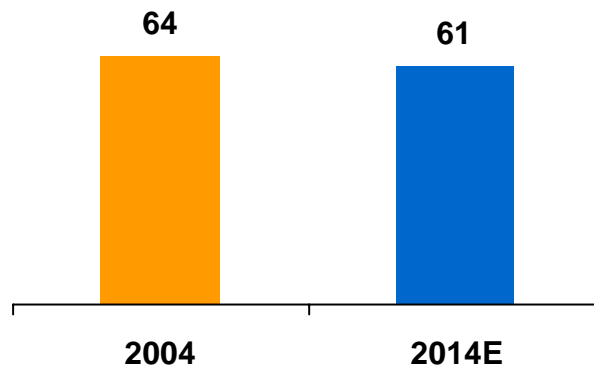
Gross Margin



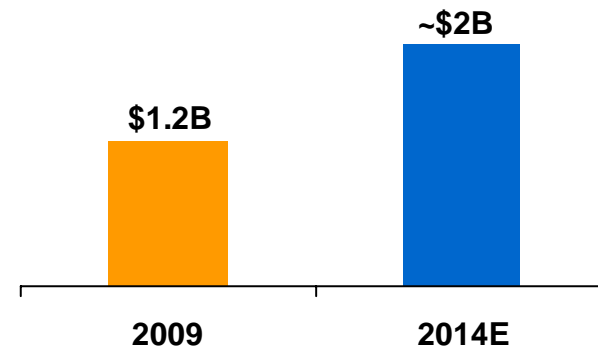
Segment Operating Margin



Cash Conversion Cycle



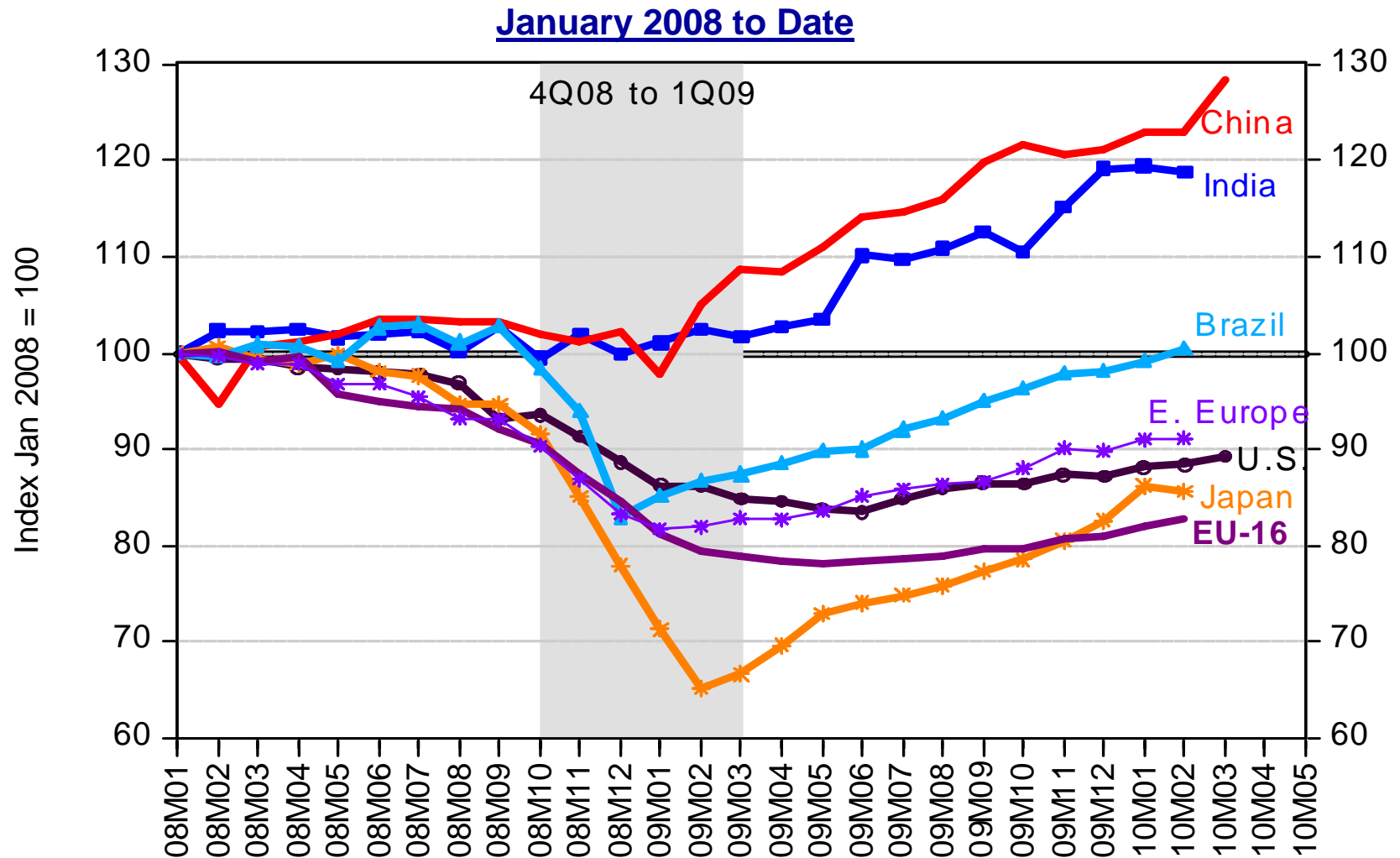
Free Cash Flow



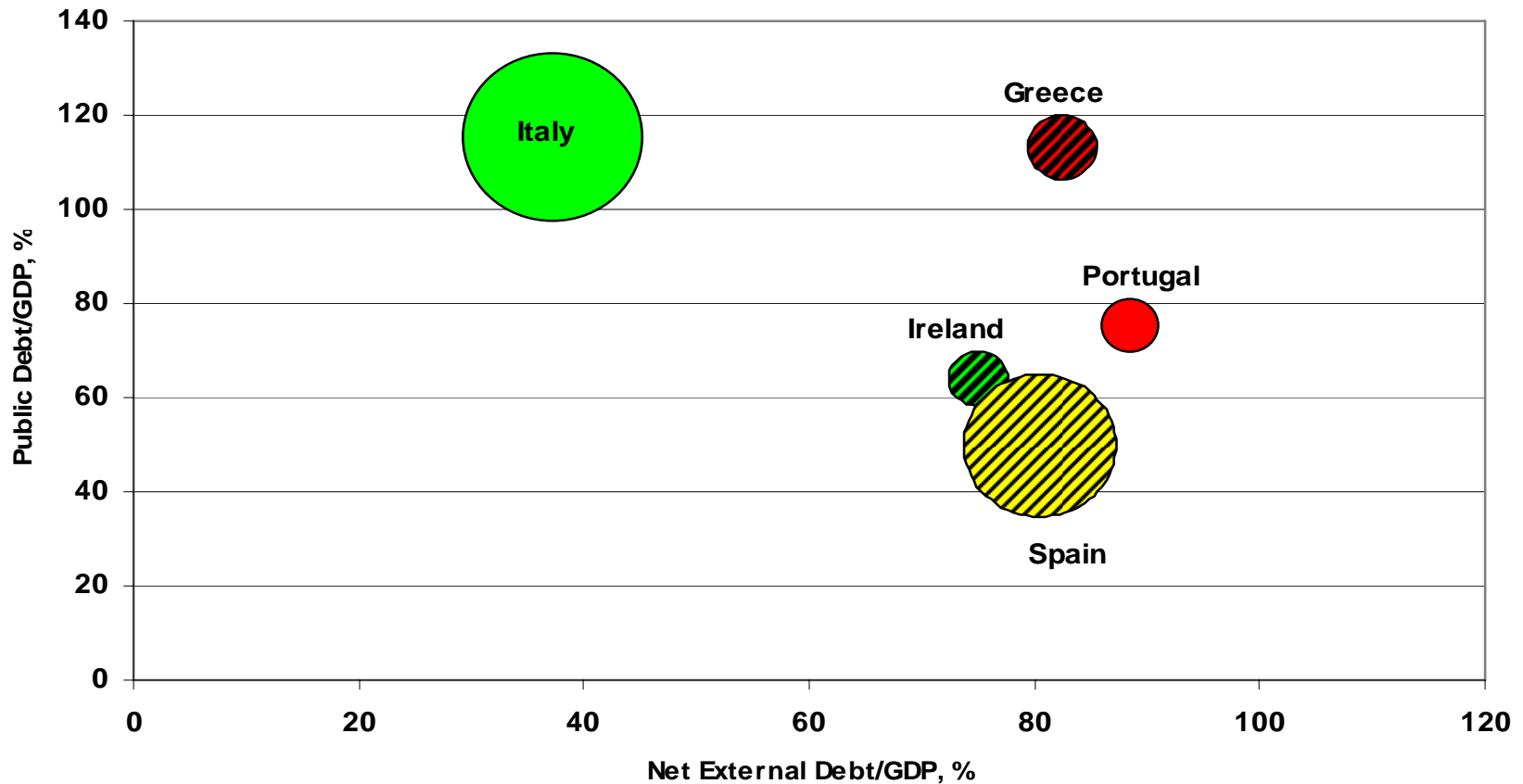
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Global manufacturing industrial production has rebounded, being led by Asia Pacific



Profile of at-risk European economies



* Size of the bubble represents GDP of each country

Color of the bubble - Current Account Deficit /GDP



<5%

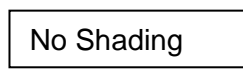


5-10%



>15%

Shading of the bubble – Fiscal Deficit /GDP



<10%



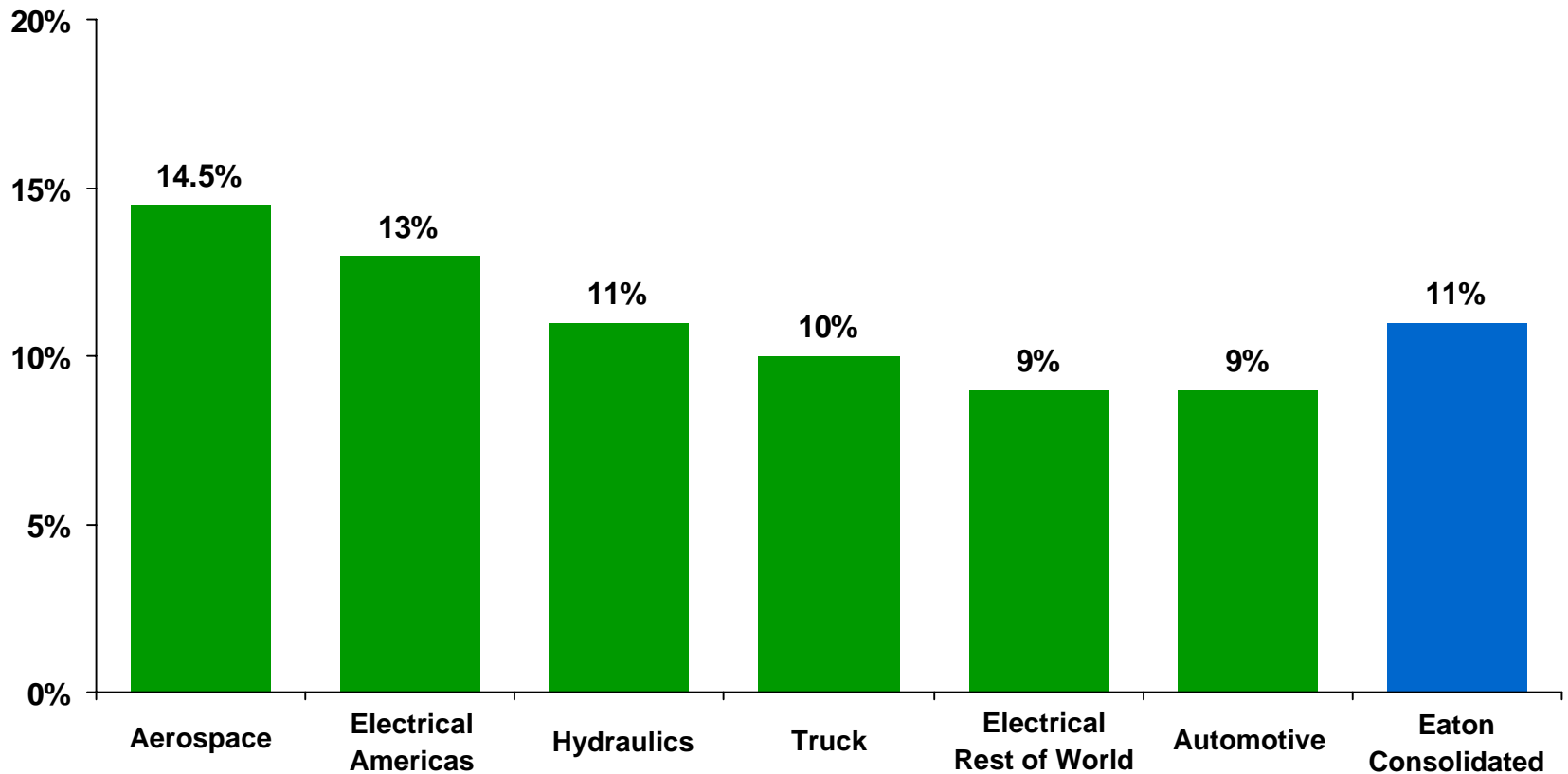
>10%

For 2010 we now project growth of 6% in our markets...

	2008	2009	2010E Total	2010E	
				U.S.	Non U.S.
Electrical Americas Index	4	(21)	(3)	(3)	n/a
Electrical ROW Index	4	(17)	6	n/a	6
Hydraulics Index	2	(33)	16	16	15
Aerospace Index	3	(4)	(1)	(1)	(1)
Truck Index	1	(26)	17	16	17
Automotive Index	(7)	(23)	15	31	6
Eaton Consolidated Index	2%	(21%)	6%	5%	7%

...and further improvement in segment margins

2010E Segment Operating Margins



First quarter results exceeded expectations

(M)	<u>1Q '10</u>	<u>1Q '09</u>	<u>Change</u>
Sales	\$3,103	\$2,813	↑ 10%
Segment Operating Profit	347	118	↑ 194%
Segment Operating Margin	11.2%	4.2%	↑ 700 bps
Acquisition Integration Charges	9	21	
Segment Operating Profit as Reported	338	97	↑ 248%
Net Income (Loss)	155	(50)	↑ NM

(per share)	<u>1Q '10</u>	<u>1Q '09</u>
Net income (loss)	\$0.91	\$(0.30)
Impact of acquisition integration	<u>0.04</u>	<u>0.08</u>
Operating earnings (loss)	\$0.95	\$(0.22)

2010 guidance

	<u>Operating Earnings</u>	<u>Net Income</u>
Q2	\$1.10 - \$1.20	\$1.05 - \$1.15
Midpoint	\$1.15	\$1.10
Full Year*	\$4.30 - \$4.60	\$4.15 - \$4.45
Midpoint	\$4.45	\$4.30

* Includes Medicare Part D impact of \$(0.14)

2010 EPS Guidance Bridge

2009 Operating EPS	\$2.59
<u>Several Pluses:</u>	
• Market improvement of 6% at 40% margin	\$1.98
• Year-to-Year RIF net savings	1.77
• Market outgrowth at 40% margin	0.84
• FOREX	0.10
• Moeller and Phoenixtec cost synergies	0.30
	<hr/>
	\$4.99
<u>Several Negatives:</u>	
• Tax rate change	\$1.50
• Restoration of other savings	1.53
• Net acquisition/divestiture	0.01
• Increase in number of shares outstanding	0.05
• Higher amortization of intangibles and other	0.04
	<hr/>
	(\$3.13)
2010 Operating EPS	\$4.45

Summary of 2010 guidance

Updated April 20, 2010

	January Guidance	February Guidance	April Guidance
Market Growth Forecast	5%	5.5%	6%
Market Growth	\$600M	\$650M	\$700M
Outgrowth of Market	\$300M	\$300M	\$300M
Growth from Forex	\$450M	\$225M	\$150M
Tax Rate	14% – 16%	14% – 16%	12% – 14%
Operating EPS	\$3.70 – \$4.00	\$3.85 – \$4.15	\$4.30 – \$4.60
Fully Diluted EPS	\$3.50 – \$3.80	\$3.65 – \$3.95	\$4.15 – \$4.45
Operating Cash Flow	\$1.0B – \$1.1B	\$1.0B – \$1.1B	\$1.1B – \$1.2B
Free Cash Flow	\$600M – \$700M	\$600M – \$700M	\$700M – \$800M

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