

EATON CORP
Form 425
September 05, 2012

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Yield Hog Conference
Capital World Investors
Alexander M. Cutler

Edgar Filing: EATON CORP - Form 425

Chairman and Chief Executive Officer

September 5, 2012

Filed by Eaton Corporation

pursuant to Rule 425 under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12

under the Securities Exchange Act of 1934

Subject Company: Cooper Industries plc; Eaton Corporation

Filer's SEC File No.: 1-1396

Date: September 5, 2012

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(1)
Currently
named
Eaton

Corporation
Limited
but
expected
to
be
re-registered
as
Eaton
Corporation
plc
prior
to
the
consummation
of
the
transaction.

This communication is not intended to and does not constitute an offer to sell or the solicitation of an offer to subscribe for or to purchase or subscribe for any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the acquisition there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. No offer of securities means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

A registration statement on Form S-4 has been filed with the SEC, which includes the preliminary Joint Proxy Statement of Eaton Corporation plc. Investors and security holders will be able to obtain free copies of the definitive Joint Proxy Statement/Prospectus (including the documents filed with the SEC by Eaton Corporation plc, Eaton and Cooper through the website maintained by the SEC at www.sec.gov). Investors and shareholders will be able to obtain free copies of the definitive Joint Proxy Statement/Prospectus (including the documents filed by Eaton and Eaton Corporation plc with the SEC by contacting Eaton Investor Relations at Eaton Corporation, Cleveland, OH 44114 or by calling (888) 328-6647, and will be able to obtain free copies of the definitive Joint Proxy Statement/Prospectus (including the documents filed by Cooper with the SEC by contacting Cooper Investor Relations at c/o Cooper US, Inc., P.O. Box 477210 or by calling (713) 209-8400.

Cooper, Eaton and Eaton Corporation plc and their respective directors and executive officers may be deemed to be participants in the transaction through the proxies from the respective shareholders of Cooper and Eaton in respect of the transaction contemplated by the Joint Proxy Statement/Prospectus. Information regarding the persons who may, under the rules of the SEC, be deemed participants in the solicitation of the proxies from Cooper and Eaton in connection with the proposed transaction, including a description of their direct or indirect interests, by such persons, otherwise, will be set forth in the definitive Joint Proxy Statement/Prospectus when it is filed with the SEC. Information regarding the directors and executive officers is contained in Cooper's Annual Report on Form 10-K for the year ended December 31, 2011 and its Proxy Statement on Schedule 14A, dated March 13, 2012, which are filed with the SEC. Information regarding Eaton's directors and executive officers is contained in Eaton's Annual Report on Form 10-K for the year ended December 31, 2011 and its Proxy Statement on Schedule 14A, dated March 13, 2012, which are filed with the SEC.

The directors of Eaton Corporation accept responsibility for the information contained in this communication. To the best of their belief, the directors of Eaton Corporation (who have taken all reasonable care to ensure such is the case), the information contained in this communication is in accordance with the facts and does not omit anything likely to affect the import of such information.

Persons interested in 1% or more of any relevant securities in Eaton or Cooper may from the date of this communication have obligations under Rule 8.3 of the Irish Takeover Panel Act, 1997, Takeover Rules 2007 (as amended).

This communication is made by Eaton Corporation plc (Eaton) and Cooper Industries plc (Cooper) that also constitutes a preliminary Prospectus of Eaton Corporation plc (Eaton).

The registration statement has not yet become effective. Eaton and Cooper plan to mail to their respective shareholders (and to Cooper Equity Award Holders for information) a definitive Joint Proxy Statement/Prospectus (including the Scheme) in connection with the transaction. **Investors and shareholders should read**

the
Joint
Proxy
Statement/Prospectus
(including
the
Scheme)
and
other
relevant
documents
filed
or
to
be
filed
with
the
SEC
carefully
because
they
contain
or
will
contain
important
information
about
Eaton,
Cooper,
Eaton
Corporation
plc,
the
transaction
and
related
matters.
STATEMENT
REQUIRED
BY
THE
IRISH
TAKEOVER
RULES
NO
OFFER
OR
SOLICITATION

IMPORTANT
ADDITIONAL
INFORMATION
WILL
BE
FILED
WITH
THE
SEC
PARTICIPANTS
IN
THE
SOLICITATION

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Forward Looking Statements

This presentation may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act concerning Eaton, Eaton Global Plc, the acquisition and other transactions contemplated by the Transaction Agreement, our ac financing, our long-term credit rating and our revenues and operating earnings. These statements or disclosures may discuss go

intentions and expectations as to future trends, plans, events, results of operations or financial condition, or state other information to Eaton or Eaton Global Plc, based on current beliefs of management as well as assumptions made by, and information current to, management. Forward-looking statements generally will be accompanied by words such as anticipate, believe, plan, estimate, expect, forecast, guidance, intend, may, possible, potential, predict, project or other similar expressions. These forward-looking statements are subject to various risks and uncertainties, many of which are outside of our control. Therefore, you should not place undue reliance on such statements. Factors that could cause actual results to differ materially from those included in the forward-looking statements include adverse regulatory decisions; failure to satisfy other closing conditions with respect to the Acquisition; the risks that the new businesses will not be integrated successfully or that we will not realize estimated cost savings or synergies; our ability to refinance the bridge loan on favorable terms and maintain our current long-term credit rating; unanticipated changes in the markets for our business segments; unanticipated downturns in business relationships with customers or their purchases from Eaton; competitive pressures on our sales and pricing; increases in the cost of material, energy and other production costs; 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; new laws and governmental regulations. This list of factors is not exhaustive. You should carefully consider the foregoing factors and the other risks and uncertainties that apply to the business described in our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other documents filed from time to time with the SEC. We do not assume any obligation to update these forward-looking statements. No statement in this presentation is intended to constitute a profit forecast for any period, nor should any statements be interpreted to mean that earnings or earnings per share will necessarily be greater or lesser than those for the relevant preceding financial periods.

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A balanced power management company

Eaton's acquisition of Cooper Industries

2012 outlook
Eaton Corporation
A Premier Diversified Power
Management Company

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©
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Cities &
Buildings
Transportation
Industrial &

Machinery

Information

Technology

Energy &

Utilities

Infrastructure

Our products & services deliver reliability, efficiency, and safety for:
helping to bridge the gap between rapidly rising demand for energy
and naturally constrained sources of supply with sustainable solutions
Eaton provides energy efficient solutions using
electrical, mechanical, and fluid technologies

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Hydraulics

Electrical

Aerospace

Truck

Automotive

International Developed

U.S.

International Emerging

2011 Sales by Region

2011 Sales by Business

Today we have a global footprint across the five
business segments

7

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\$2.2B in Revenues

Electrical Service, Defense,

Filtration, Aerospace Aftermarket

\$3.6B in Revenues

Commercial Aerospace,
Nonresidential Construction,
Large Data Centers
\$4.7B in Revenues
Hydraulics, Industrial Controls,
Medium Duty Truck,
Mid-sized Data Centers
\$5.5B in Revenues
Residential Electric,
Single Phase Power Quality,
Heavy Duty Truck, Automotive
2011 Global Sales by Cycle

34%

29%

23%

14%

0%

20%

40%

60%

80%

100%

2011

and our businesses are balanced across the
economic cycle

8

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Growth

Robust strategic planning

process for growth and
profitability

Outgrowing end markets
through innovation

Identifying higher growth markets

Established acquisition strategy
and processes

Profitability

Operational excellence

Global scale

Efficient functional support

Capital Efficiency

Effective working capital
management

Capital expenditures
targeted to support
growth

Foundation

Doing business right

Employee development

Customer focus

Supplier partnerships

A powerful combination of proven
foundation elements, tools, and processes,
EBS is at the heart of our strategy for being
a premier diversified industrial
EBS embodies the values and processes that bind
the company and have enabled our success

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Profitability Drivers

11.9%

12.7%

14.2%

14.5%-15%

0%

5%

10%

15%

20%

25%

2002-2008

Average

2010

2011

2012E

+ 260 to 310 bps

Executing our strategy has resulted in an
upward shift in profitability

Leveraging the Eaton Business System

Targeted restructuring

Margin accretive acquisitions

Innovative new products

10
©
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Cumulative Shareholder Returns
50
100
150

200
250
300
350
400
450
500
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011

Aug-
12

Eaton

S&P 500

PDI Group

2000

Aug 2012

CAGR*

Return

Index

11.8%

2.5%

6.6%

Note

DI Group represents an equal weighted index of ABB, DHR, DOV, EMR, GE, HON, IR, ITW, MMM, PH, SI, SPW, TXT, U

*CAGR = Calculated using the End Point Methodology

Source Data: Capital IQ

Our shareholder returns have far outpaced
the broader market

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Powerful megatrends will help drive our markets
to grow at a multiple of global GDP

Electrical
Hydraulics

Aerospace
Truck
Automotive

23

By the numbers:

Percentage decrease in electricity demand possible through the application of energy efficient equipment and demand management services

100

Percentage increase in agricultural output by 2050 necessary in developing countries to feed the global population

30

Percentage decrease in fuel consumption of next generation single-aisle aircraft planned by 2020

20

Percentage decrease in fuel consumption by model year 2018 resulting from the first ever U.S. emissions standards for heavy-duty trucks

90

Percentage increase in proposed Corporate Average Fuel Economy (CAFE) standards by 2025 for passenger cars

Source: United Nations, IATA, NHTSA, Eaton analysis

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Eaton Corporation

A Premier Diversified Power

Management Company

A balanced power management company

Eaton's acquisition of Cooper Industries

2012 outlook

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Acquisitions have played a large role in growing
our electrical business

Electrical Group

Acquisitions

Year
Acq'd
Sales
Market Participation
Regional Strength
Power Control
& Distribution
Power
Quality
Lighting &
Safety
Americas
EMEA
Asia-
Pacific
Cutler Hammer
1978
\$0.6B
Westinghouse DCBU
1994
\$1.0 B
Delta Electrical
2003
\$0.3 B
Powerware
2004
\$0.8 B
MGE Small Systems
2007
\$0.2 B
Moeller
2008
\$1.5 B
Phoenixtec
2008
\$0.5 B
Cooper
2012
\$5.4 B
28 other Electrical acquisitions since 1990

14

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Transaction overview for Eaton's acquisition of
Cooper Industries
Combined
company

Premier power management company with 2011 sales of \$21.5B

Under the leadership of Eaton management

Named Eaton Corporation Plc and will continue to trade on NYSE as ETN

Incorporated in Ireland

Consideration

Cooper shareholders will receive \$39.15 in cash and 0.77479 ETN Plc shares, reflecting a 29% equity premium to the closing price on May 18

Eaton shareholders will receive 1 ETN Plc share

Financing

Fully committed bridge financing in place

Financial

benefits

\$375M operating synergies, with >80% realized by year 3, and \$160M

global

cash

management

and

resultant

tax

benefits

in

the

mature

year

(1)

Significantly accretive to Eaton's earnings

Timing

Expect closing 2

nd

half of 2012

Conditional on customary regulatory and shareholder approvals

The financial benefits statements have been reported on in accordance with the Irish Takeover Code. Please see the offer announcement dated May 21, 2012 for further details.

(1)

15

Cooper has a wide range of complementary electrical businesses

Cooper Power Systems

\$1.3 B sales

Market leader in
distribution grid
protection

Crouse-Hinds

\$1.0 B sales

Global leader in electrical
solutions for harsh and
hazardous environments

Safety

\$600 M sales

Leading European
provider of emergency
lighting and video
security
Electrical Products (\$2.5 B sales)

Lighting

\$1.1 B sales

Strong LED platform
driving growth

Bussmann:

\$650 M sales

Global leader in
circuit protection

B-Line Support structures

\$400 M sales

Global provider of
structural systems and wire
management solutions

Wiring devices

\$350 M sales

Electrical devices for

commercial and residential power distribution
Energy and Safety Solutions (\$2.9 B sales)

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Broad portfolio of complementary products

Market segment expansion:

Upstream into power solutions encompassing primary and secondary distribution, grid automation, and smart grid

Downstream into lighting, lighting controls, and wiring devices

Expands our solutions with all channels

Well positioned to address long-term global requirements

Aging grid

Increased spending on energy & infrastructure

Protecting people, equipment and data
The strategic rationale for this acquisition is compelling -

I
17

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Aligns with our customer segment focus in oil & gas, mining,
energy efficiency and alternative energy

Adds breadth to our global geographic exposure

Attractive business in EMEA

Strong oil & gas industry positioning globally

Complementary component and utility business in APAC

Offers improved cash management flexibility for the corporation

The strategic rationale for this acquisition is compelling -

II
18

Our integrated operating company capabilities
(EBS)
will
drive
significant
synergies
(1)

(\$M)

2013

2014

2015

2016

Pre-tax operating synergies

Sales synergies

10

35

70

115

Cost-out synergies

65

140

240

260

Total operating synergies

75

175

310

375

Global cash management and resultant tax benefits

160

160

160

160

Acquisition integration costs, pre-tax

90

75

35

-

\$260M in cost out synergies with over 90% complete by 2015

\$200M in acquisition integration charges with ~80% incurred through 2014

Integration plans

Synergies

(1)

The financial benefits statements have been reported on in accordance with the Irish Takeover Code. Please see the offer announcement dated May 21, 2012 for further details.

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The
acquisition
is
accretive
to

earnings

(1)

(\$)

2013

2014

2015

2016

Operating EPS Accretion

(1)

(0.10)

0.35

0.45

0.55

Cash Operating EPS Accretion

(1,2)

0.40

0.65

0.75

0.85

Accretion

(1)

EPS accretion numbers do not represent a profit forecast as defined in the Irish Takeover Code

(2)

Cash Operating EPS excludes incremental amortization of intangibles arising from purchase accounting

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A balanced power management company

Eaton's acquisition of Cooper Industries

2012 outlook
Eaton Corporation
A Premier Diversified Power
Management Company
21

©
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2012E
Total
2012E
U.S.
Non

U.S.
Electrical Americas Index
8
9
5
Electrical ROW Index
(3)
n/a
(3)
Hydraulics Index
3
8
(1)
Aerospace Index
4
1
8
Truck Index
2
11
(4)
Automotive Index
3
10
1
Eaton Consolidated Index
3.5%
8%
(1)%
We project growth of 3% -
4% in our markets in 2012
22

23

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2011

2012E

2015 Target

Electrical Americas

14.6%

16.5%

17%

Electrical ROW

9.4%

9.0%

14%

Hydraulics

15.6%

16.0%

17%

Aerospace

14.8%

15.0%

17%

Truck

18.4%

19.0%

20%

Automotive

12.0%

12.0%

13%

Eaton Consolidated

14.2%

14.5% -

15.0%

16% -

17%

leading to another year of record margins

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January
Guidance
February
Guidance
April

Guidance

July

Guidance

Market Growth of 3.5%

\$800M

\$800M

\$800M

\$560M

Market Outgrowth of 40%

\$320M

\$320M

\$320M

\$225M

Net Acquisition Revenue

\$90M

\$315M

\$365M

\$365M

Sales Decrease from FOREX

\$(550)M

\$(550)M

\$(300)M

\$(500)M

Incremental Margin

28%

28%

28%

29%

Tax Rate

17% -

19%

17% -

19%

16% -

18%

14% -

16%

Operating EPS

\$4.15 -

\$4.55

\$4.20 -

\$4.60

\$4.30 -

\$4.70

\$4.20 -

\$4.50

Fully Diluted EPS

\$4.10 -

\$4.50

\$4.13 -

\$4.53

\$4.23 -

\$4.63

\$4.09 -

\$4.39

Operating Cash Flow

\$1.7B to \$1.8B

\$1.7B to \$1.8B

\$1.7B to \$1.8B

\$1.7B to \$1.8B

Free Cash Flow

\$1.1B to \$1.2B

\$1.1B to \$1.2B

\$1.1B to \$1.2B

\$1.1B to \$1.2B

The operating EPS and Fully Diluted EPS guidance provided in July constitute a profit forecast for the purposes of the Irish Takeover Code and reports on those forecasts as required by the Irish Takeover Code will be mailed to Cooper shareholders with the joint proxy statement / prospectus.

2012 Guidance

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S-4 under review by SEC

U.S. HSR approval in early July

Revolving finance facilities upsized to \$2B, and
\$600 million of term debt issued
25

Our acquisition of Cooper Industries
remains on track

Eaton Corporation
Reconciliation of Non-GAAP Financial Information
2Q
2012
All numbers \$M except per share numbers
Reconciliation of net income to operating earnings
2003

2004
2005
2006
2007
2008
2009
2010
2011
1Q 2012
2Q 2012
Low
High
Net income from continuing operations
356
\$
626
\$
783
\$
897
\$
959
\$
1,055
\$
383
\$
929
\$
1,350
\$
311
\$
382
\$
Net income from discontinued operations
30

22

22

53

35

3

-

-

-

-

-

Net Income

386

648

805

950

994

1,058

383

929

1,350

311

382

Acquisition integration charges (after-tax)

24

27

24

27

42

51

54

27

10

2

10

Operating earnings

410

\$

675

\$

829

\$

977
\$
1,036
\$
1,109
\$
437
\$
956
\$
1,360
\$
313
\$
392
\$
Net income per share - diluted
1.28
\$
2.07
\$
2.62
\$
3.11
\$
3.31
\$
3.26
\$
1.14
\$
2.73
\$
3.93
\$
0.91
\$
1.12
\$
4.09
\$
4.39
\$
Per share impact of unusual items (after tax)
0.08

0.08

0.07

0.09

0.14

0.16

0.16

0.08

0.03

0.01

0.03

0.11

0.11

Operating earnings per common share

1.36

\$

2.15

\$

2.69

\$

3.20

\$

3.45

\$

3.42

\$

1.30

\$

2.81

\$

3.96

\$

0.92

\$

1.15

\$

4.20

\$

4.50

\$

Reconciliation of segment operating profit to segment operating profit excluding restructuring charges

2003

2004

2005

2006

2007

2008

2009

2010

2011

1Q 2012

2Q 2012

Segment operating profit

763

\$

1,123

\$

1,374

\$

1,468

\$

1,668

\$

1,805

\$

950

\$

1,700

\$

2,260

\$

544

\$

592

\$

Acquisition integration charges (pre-tax)

36

41

36

40

64

76

80

40

14

3

8

Segment operating profit excluding restructuring

799

\$

1,164

\$

1,410

\$

1,508

\$

1,732

\$

1,881

\$

1,030

\$

1,740

\$

2,274

\$

547

\$

600

\$

Reconciliation of segment operating margin to segment operating margin excluding restructuring charges

Segment operating margin

9.8%

11.8%

12.7%

12.0%

12.8%

11.7%

8.0%

12.4%

14.1%

13.7%

14.6%

Acquisition integration charges

0.4%

0.4%

0.3%

0.3%

0.5%

0.5%

0.7%

0.3%

0.1%

0.1%

0.1%

Segment operating margin excluding restructuring

10.2%

12.2%

13.0%

12.3%

13.3%

12.2%

8.7%

12.7%

14.2%

13.8%

14.7%

Reconciliation of net income margin to after tax operating margin

Net income margin

5.0%

6.8%

7.4%

7.8%

7.6%

6.9%

3.2%

6.8%

8.4%

7.9%

9.4%

Acquisition integration charges

0.3%

0.3%

0.2%

0.2%

0.3%

0.3%

0.5%

0.2%

0.1%

0.1%

0.2%

After tax operating margin

5.3%

7.1%

7.6%

8.0%

7.9%

7.2%

3.7%

7.0%

8.5%

8.0%

9.6%

2012 Guidance

Reconciliation of net income to EBIT and EBITDA

2003
2004
2005
2006
2007
2008

2009
2010
2011
1Q 2012
2Q 2012
Net income from continuing operations
356
\$
626
\$
783
\$
897
\$
959
\$
1,055
\$
383
\$
929
\$
1,350
\$
311
\$
382
\$
Net income from discontinued operations
30

22

22

53

35

3

-

-

-

-

-

Net income

386

648

805

950

994

1,058

383

929

1,350

311

382

Income tax

122

133

191

77

97

73

(82)

99

201

57

37

Net interest expense

87

78

90

104

146

157

150

136

118

28

30

Other expense (income)

(5)

28

(27)

(72)

(43)

(30)

(9)

(1)

(38)

3

8

EBIT (including acquisition integration)

590

\$

887

\$

1,059

\$

1,059

\$

1,194

\$

1,258

\$

442

\$

1,163

\$

1,631

\$
399
\$
457
\$
Depreciation & amortization
394

400

409

434

439

571

573

551

556

140

138

EBITDA (including acquisition integration)

984

\$

1,287

\$

1,468

\$

1,493

\$

1,633

\$

1,829

\$

1,015

\$

1,714

\$

2,187

\$

539

\$

595

\$	
Reconciliation of EBIT and EBITDA to EBIT excluding restructuring and EBITDA excluding restructuring	
2003	
2004	
2005	
2006	
2007	
2008	
2009	
2010	
2011	
1Q 2012	
2Q 2012	
EBIT (including acquisition integration)	
590	
\$	
887	
\$	
1,059	
\$	
1,059	
\$	
1,194	
\$	
1,258	
\$	
442	
\$	
1,163	
\$	
1,631	
\$	
399	
\$	
457	
\$	
Acquisition integration charges (pre-tax)	
37	
41	
36	
40	
64	
77	
82	

40

14

3

8

EBIT (excluding restructuring)

627

\$

928

\$

1,095

\$

1,099

\$

1,258

\$

1,335

\$

524

\$

1,203

\$

1,645

\$

402

\$

465

\$

EBITDA (including acquisition integration)

984

\$

1,287

\$

1,468

\$

1,493

\$

1,633

\$

1,829

\$

1,015

\$

1,714

\$

2,187

\$
539
\$
595
\$
Acquisition integration charges (pre-tax)
37

41

36

40

64

77

82

40

14

3

8

EBITDA (excluding restructuring)
1,021
\$
1,328
\$
1,504
\$
1,533
\$
1,697
\$
1,906
\$
1,097
\$
1,754
\$
2,201
\$
542
\$
603

\$

Reconciliation of operating cash flow to free cash flow

2003

2004

2005

2006

2007

2008

2009

2010

2011

1Q 2012

2Q 2012

Operating cash flow

874

\$

838

\$

1,135

\$

1,431

\$

1,158

\$

1,441

\$

1,408

\$

1,282

\$

1,248

\$

(98)

\$

469

\$

1,700

\$

1,800

\$

Capital expenditures

273

330

363

360

354

448

195

394

568

105

126

600

600

Free cash flow

601

\$

508

\$

772

\$

1,071

\$

804

\$

993

\$

1,213

\$

888

\$

680

\$

(203)

\$

343

\$

1,100

\$

1,200

\$

2012 Guidance

Reconciliation of Eaton Electrical Americas operating profit to operating profit excluding restructuring

2006

2007

2008

2009

2010

2011

1Q 2012

2Q 2012

Electrical operating profit (including restructuring)

448

\$

534

\$

630

\$

518

\$

529

\$

605

\$

162

\$

190

\$

Acquisition integration charges (pre-tax)

2

-

4

4

2

8

1

2

Electrical operating profit (excluding restructuring)

450

\$

534

\$

634

\$

522

\$

531

\$

613

\$

163

\$	
192	
\$	
Reconciliation of Eaton Electrical Rest of World operating profit to operating profit excluding restructuring	
2006	
2007	
2008	
2009	
2010	
2011	
1Q 2012	
2Q 2012	
Electrical operating profit (including restructuring)	
26	
\$	
45	
\$	
233	
\$	
107	
\$	
264	
\$	
278	
\$	
53	
\$	
52	
\$	
Acquisition integration charges (pre-tax)	
5	
12	
43	
60	
33	
2	
1	
3	
Electrical operating profit (excluding restructuring)	
31	
\$	
57	

\$
276
\$
167
\$
297
\$
280
\$
54
\$
55
\$
Reconciliation of Eaton Hydraulics operating profit to operating profit excluding restructuring
2005
2006
2007
2008
2009
2010
2011
1Q 2012
2Q 2012
Hydraulic operating profit (including restructuring)
153
\$
221
\$
265
\$
285
\$
51
\$
279
\$
438
\$
109
\$
123
\$
Acquisition integration charges (pre-tax)
6

11

12

6

3

1

4

1

3

Hydraulic operating profit (excluding restructuring)

159

\$

232

\$

277

\$

291

\$

54

\$

280

\$

442

\$

110

\$

126

\$

Reconciliation of Eaton Aerospace operating profit to operating profit excluding restructuring

2005

2006

2007

2008

2009

2010

2011

1Q 2012

2Q 2012

Aerospace operating profit (including restructuring)

157

\$

182

\$

233

\$

283

\$

245

\$
220
\$
244
\$
60
\$
59
\$
Acquisition integration charges (pre-tax)
1

12

39

20

12

4

-

-

-

Aerospace operating profit (excluding restructuring)
158
\$
194
\$
272
\$
303
\$
257
\$
224
\$
244
\$
60
\$
59
\$

Reconciliation of Eaton Truck operating profit to operating profit excluding restructuring
2005
2006

2007

2008

2009

2010

2011

1Q 2012

2Q 2012

Truck operating profit (including restructuring)

453

\$

448

\$

357

\$

315

\$

39

\$

245

\$

486

\$

116

\$

120

\$

Acquisition integration charges (pre-tax)

4

5

-

-

-

-

-

Truck operating profit (excluding restructuring)

457

\$

453

\$

357

\$

315

\$

39

\$

245

\$

486

\$

116

\$

120

\$

Reconciliation of Eaton Automotive operating profit to operating profit excluding restructuring

2005

2006

2007

2008

2009

2010

2011

1Q 2012

2Q 2012

Automotive operating profit (including restructuring)

236

\$

143

\$

234

\$

59

\$

(10)

\$

163

\$

209

\$

44

\$

48

\$

Acquisition integration charges (pre-tax)

4

5

1

3

1

-

-

-

-

Automotive operating profit (excluding restructuring)

240

\$

148

\$

235

\$

62

\$

(9)

\$

163

\$

209

\$

44

\$

48

\$

Methodology for calculations used in the presentations

Return on equity = trailing 4 quarters net income / average trailing 5 quarters shareholder's equity

Return on invested capital = (EBIT - taxes) / average (total debt + equity)

Return on sales = net income / sales

Total return = stock price appreciation + dividend yield

Net debt to total capital = (total debt - cash & equivalents) / (total debt - cash & equivalents + equity)

Cash flow coverage ratio = (pre-tax income + depreciation + amortization + interest expense) / interest expense

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Segment net working capital (including acquisitions) = accounts receivable + inventory - accounts payable. All amounts averaged

DSO = average of quarterly DSO; quarterly DSO = quarter end accounts receivable / quarter sales * 90 days

DOH = average of quarterly DOH; quarterly DOH = quarter end inventory / quarter COGS * 90 days

DPO = average of quarterly DPO; quarterly DPO = quarter end accounts payable / quarter COGS * 90days

Cash conversion cycle = DSO + DOH - DPO

Free cash flow = cash flow from operations - capital expenditures