

Annual investor conference

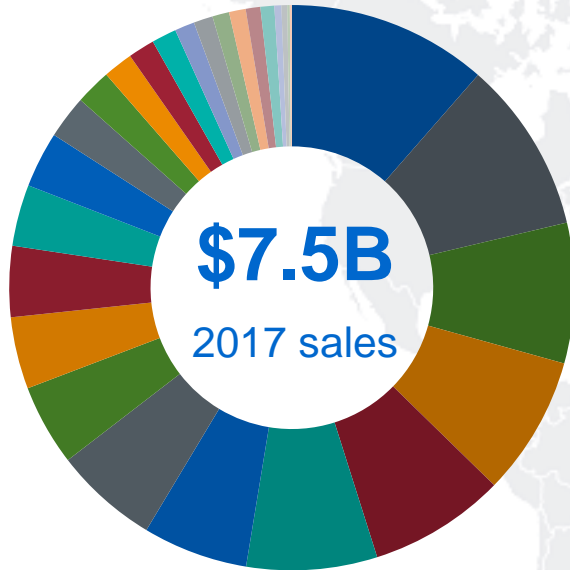
Uday Yadav, Chief Operating Officer - Industrial Sector
March 2, 2018

Today's themes

- Unique enterprise-wide capabilities position us to grow from electrification
 - *Today's focus is Eaton's vehicle electrification opportunity and strategy*
- Our competitive, industry-leading portfolio is creating new growth opportunities
 - *Investments and portfolio repositioning enabling share gain*
 - *Winning and growing content on future platforms*
 - *Discovering new applications with proven technology*
- Asia Pacific growth strategy well underway
 - *Gaining share with our footprint investments*
 - *Expanding with distribution channel and strategic partnerships*

The Industrial Sector serves a diverse set of end markets

End-market mix



Hydraulics

- Construction & mining
- Agriculture
- Oil & gas
- Commercial vehicles
- Industrial machining
- Material handling
- Industrial processing
- Recreation
- Filtration
- Hydraulics aftermarket

Vehicle

- Commercial vehicles
- Passenger vehicles
- Medium-duty trucks
- Off-highway

Aerospace

- Commercial transports
- Regional jets
- Business jets
- General aviation
- Civil rotorcraft
- Commercial aftermarket
- Military transports
- Military fighters
- Military rotorcraft
- Military aftermarket
- Light-duty trucks
- Agriculture
- Construction & material handling
- Vehicle aftermarket

Geographic mix

Rest of
World
42%

United
States
58%

Industrial Sector overview

Aerospace

\$1.7B
2017
sales



- Commercial aircraft (70%)
- Military aircraft (30%)

Hydraulics

\$2.5B
2017
sales



- Mobile equipment (70%)
- Stationary equipment (30%)

Vehicle

\$3.3B
2017
sales



- Commercial vehicles (50%)
- Passenger cars (50%)

Key
applications

Industry-
leading
portfolio

Megatrends



Global
demographics



Environmental
concerns



Energy
efficiency



Intelligent &
connected



Demand for superior
value solutions

Dynamic industry shifts are creating opportunities for growth

Intelligent and connected, autonomous

- Cloud enabled products in the field
- Investing in portfolio shift over next decade

Electrification / blended power

- Expanding electrification portfolio
- Leveraging enterprise-wide capabilities

Additive manufacturing

- Active customer engagement
- Center of excellence investment



Tiered-product offering

- Expanding addressable market
- Delivering superior customer value

Regional growth

- Localization of products
- Customer tailored solutions

Restructuring and repositioning

- World-class manufacturing footprint
- Improving customers' supply chain

Strategic partnerships

- Gaining scale & competitiveness
- Product & geographic adjacencies

Driving organic growth by continuing to invest in our core capabilities

Today's topics

1

Vehicle electrification opportunity & strategy

2

Competitive, industry-leading portfolio

3

Asia Pacific growth strategy

Electrification is impacting all industrial markets at varying rates of adoption



Hydraulics

Mobile markets transitioning



Aerospace

Migration to More Electric Aircraft



Vehicle

Shift towards electric vehicles

Eaton has the unique capabilities and pedigree to provide blended power solutions

By 2030, Eaton is targeting to be a leading global player in vehicle electrification

- xEV adoption is gaining momentum
- As voltages increase, power management becomes critical
- New addressable market of **\$33B**
- Invest **~\$500M** over ~5 years
- Current revenues of **~\$275M**
- Increased content per vehicle up to **10x**
- Leveraging enterprise and purchasing scale

Eaton's deep expertise makes us a trusted partner to customers



Vehicle domain knowledge
Understand vehicle dynamics



Electric power capabilities
Managing electrical power



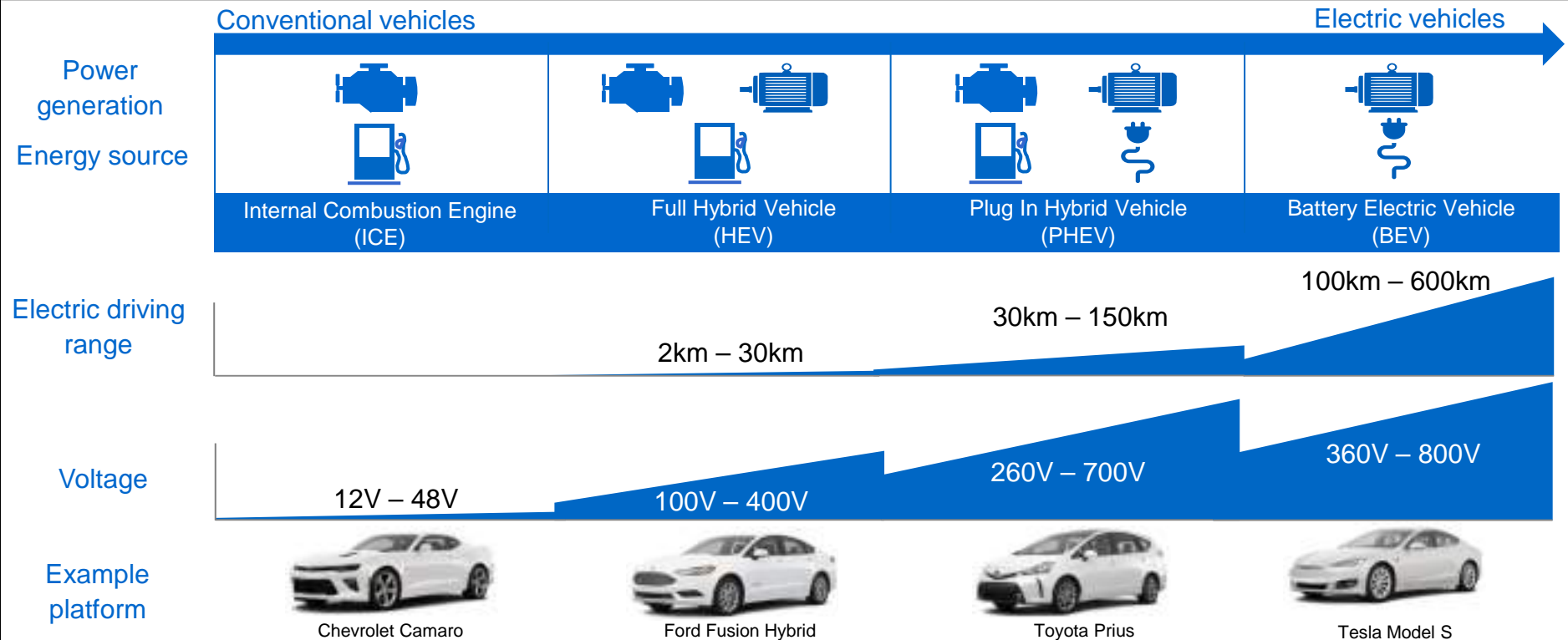
Power electronics & conversion



Power distribution & protection

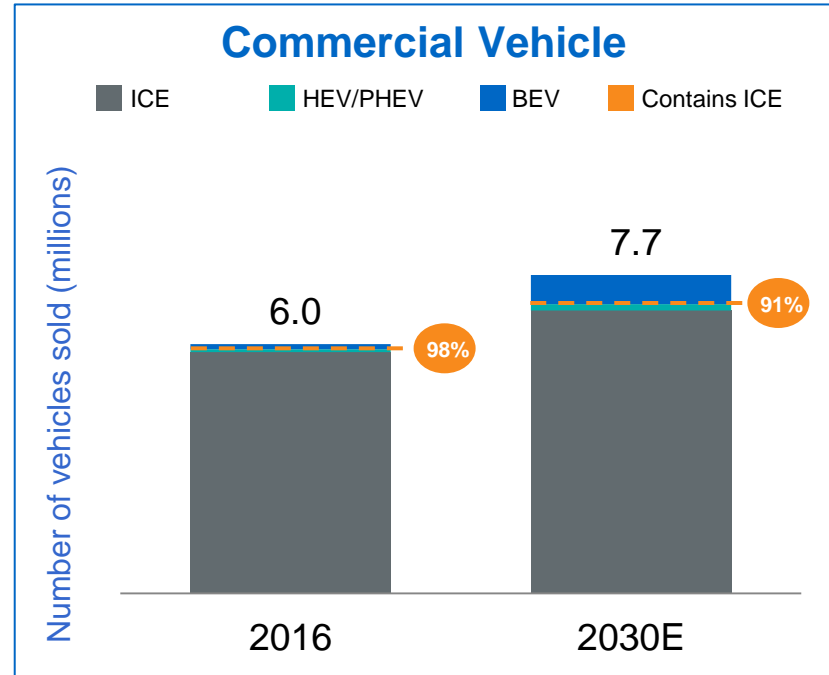
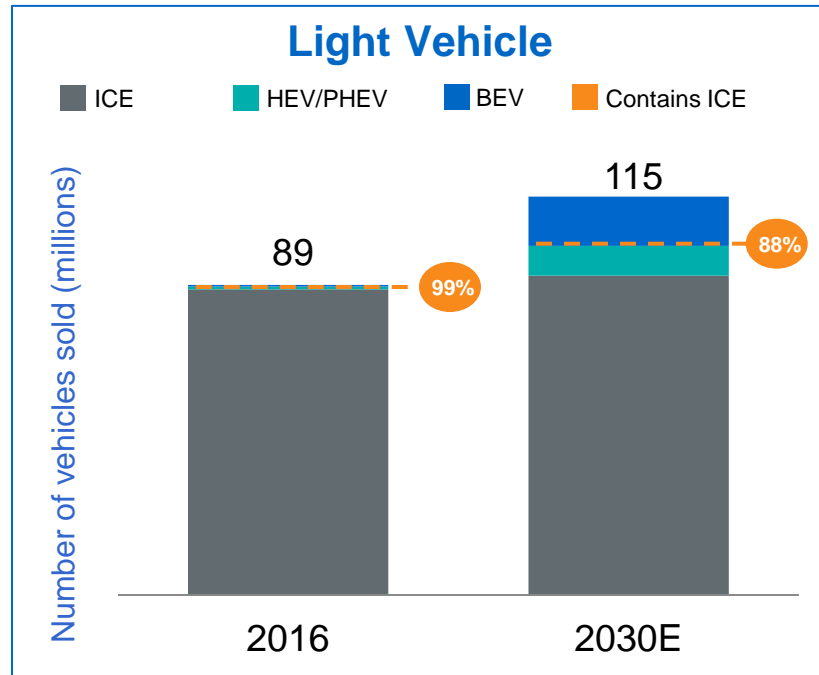
Launching new eMobility segment and targeting additional revenue of **\$2 - \$4 Billion** by 2030

Range of electric vehicle architectures



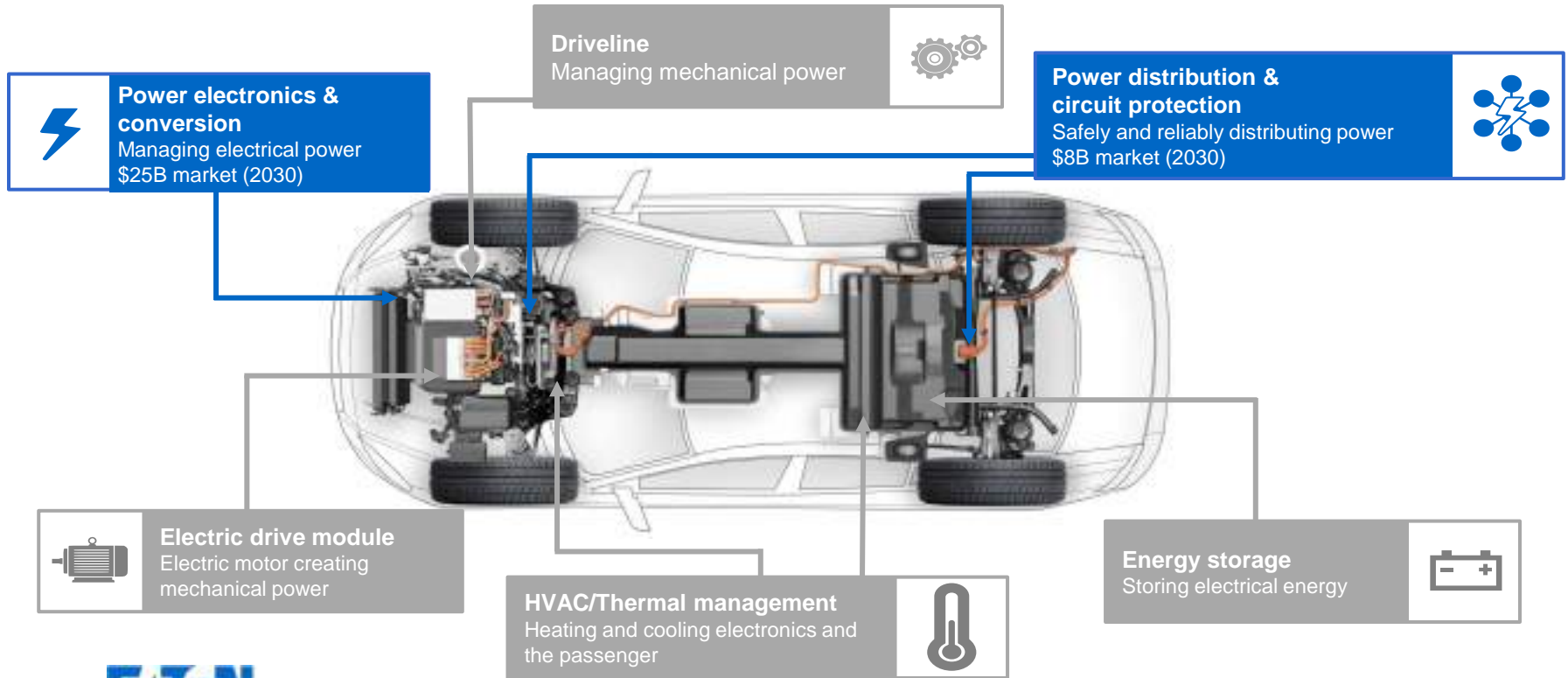
Uniquely positioned with expertise in vehicle dynamics and managing high-voltage power

We expect growth in all electric vehicle platform architectures by 2030

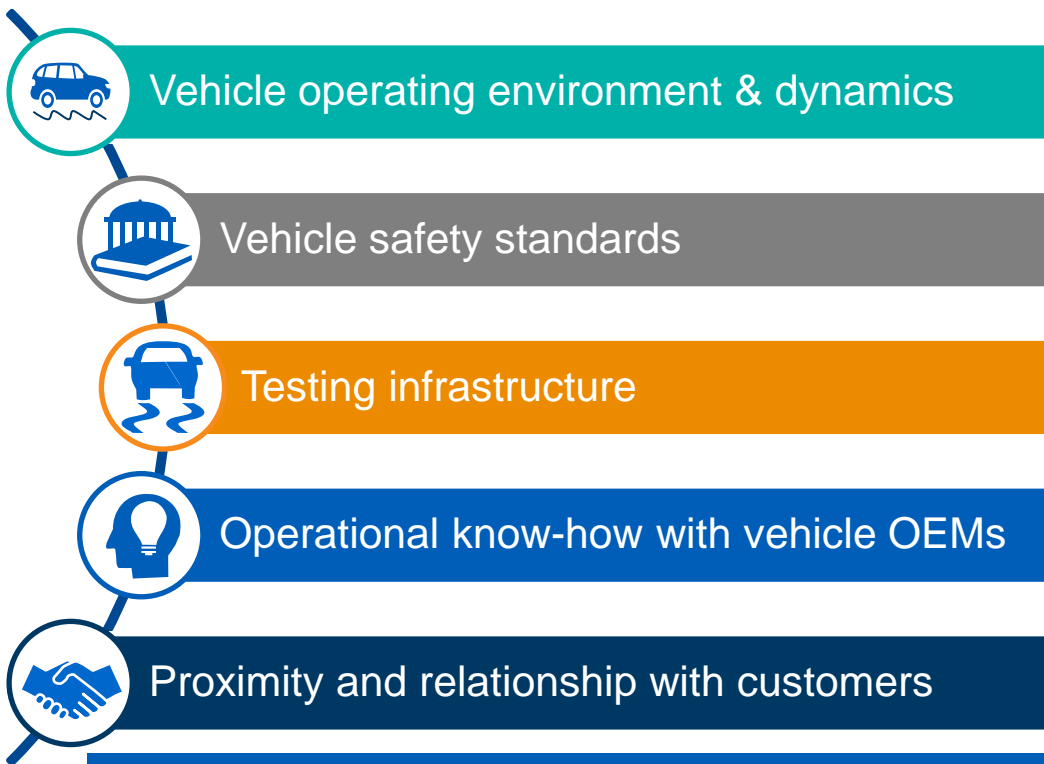


Projecting modest ICE growth with new 23M¹ xEV opportunity by 2030

Electric vehicle passenger car systems at a glance



Eaton has the vehicle domain expertise, integration knowledge and infrastructure in place today



Supply **100%** of global vehicle OEMs

28 new product launches in 2017

30 vehicle manufacturing plants globally

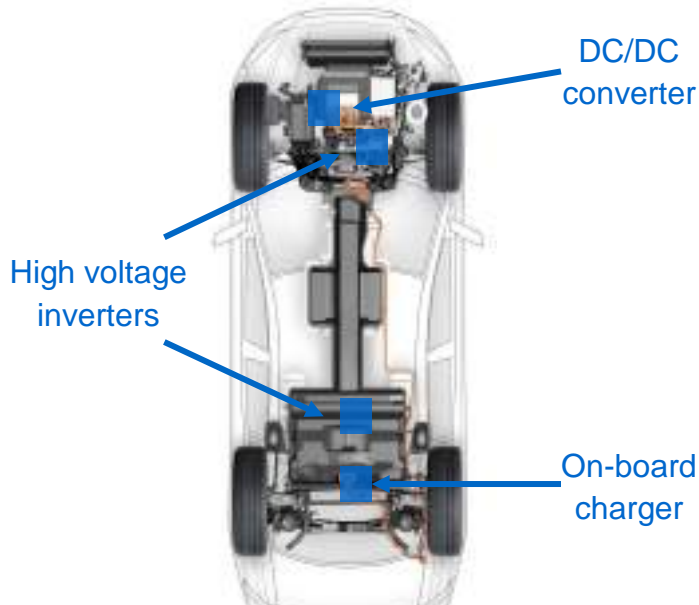
43 TB of test data
collected & analyzed annually

Pedigree earned from being a reliable supplier to the vehicle industry for decades

We have a comprehensive power electronics portfolio...



Power electronics & conversion



Efficiently inverts and converts power and controls energy flow

Customer needs:

- Converting power from the grid, to battery, to vehicle
- Managing high-quality power to traction and auxiliary motors
- Packaging high-power density components

Eaton competencies:

- Recognized as a global leader in power conversion
- Deep expertise in industrial power electronics
- Transferable future technology from Electrical Sector
- Strong innovation pipeline in intelligent power management

...and the expertise to optimize vehicle performance, driving dynamics and range

High-quality power distribution and circuit protection technologies...



Power distribution & circuit protection

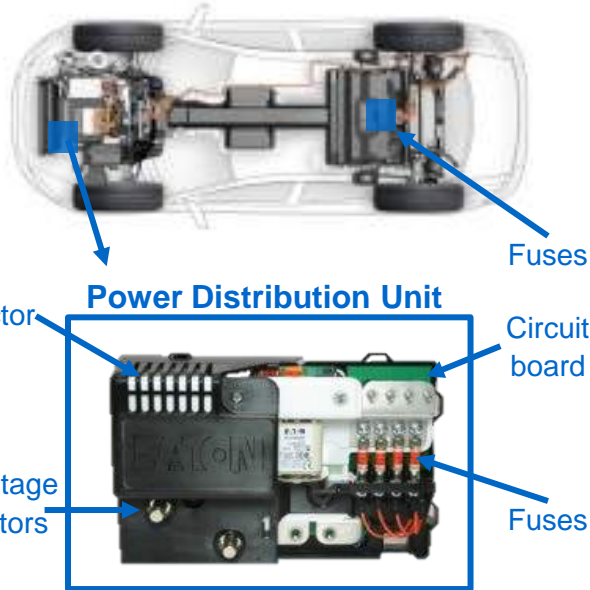
Intelligently distributes power to multiple sources and provides circuit protection

Customer needs:

- Protection of expensive electronics and energy storage
- Efficient distribution of electric power
- Preventive health monitoring

Eaton competencies:

- Deep expertise in compact circuit protection devices
- Wide range of power distribution and protection solutions
- Intelligent and predictive health monitoring technology



...that enhance safety and circuit protection and enable smart diagnostics

Today, across Eaton, we sell ~\$275M of electrical products into mobile markets

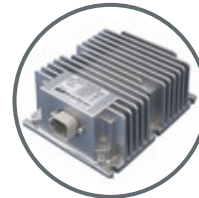
On platforms today



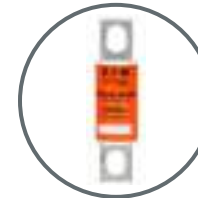
On-board charger



Inverters



DC/DC converter



High voltage fuses

In development

High voltage power distribution unit *Passenger Vehicles*



- Distributes high-voltage power to traction motor and other systems

Mild 48V hybrid *Commercial Vehicles*



- Engine off coast provides 1.5% fuel savings
- Regenerative braking adds an additional 1.5% fuel savings

Eaton has the core competencies in areas considered critical by OEMs

Eaton's addressable content per vehicle grows as vehicle electrification increases

HEV

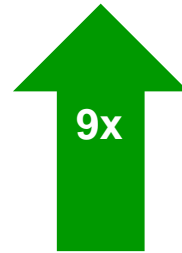


- HV fuses
- HV inverter
- DC/DC converter
- HV PDU



Ford Fusion Hybrid

PHEV

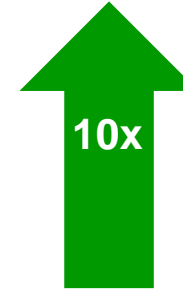


- HV fuses
- HV inverter
- DC/DC converter
- HV PDU
- On-board charger



Toyota Prius

BEV



- HV fuses
- HV inverter
- DC/DC converter
- HV PDU
- On-board charger



Tesla Model S

Eaton's existing vehicle portfolio serves as the foundation to build and capture additional growth as electrification intensifies

Newly planned electrification segment will leverage enterprise-wide scale

Industrial Sector

eMobility

Vehicle

Aerospace

Hydraulics

Newly planned reported segment

- Combining businesses across enterprise
- Target end markets: Passenger car, commercial vehicle, and off-highway vehicles
- 2018 revenue of \$280M to \$300M
- 2018 R&D spend of ~\$30M
- Expecting \$2B to \$4B in revenue by 2030
- ~1,250 people
- Leveraging centers of excellences

Electrical Sector

Electrical Products

Electrical Systems & Services

Why
eMobility
segment?



Faster speed
to market



Established
front-end
resources



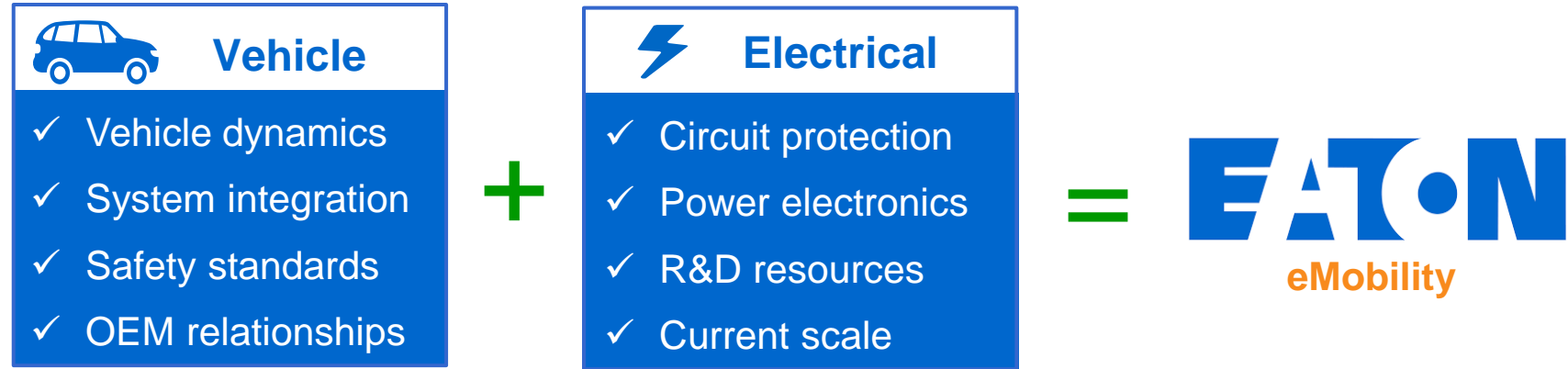
World-class
manufacturing



Technology
transfer



Providing **both vehicle domain and electrical expertise** makes Eaton a trusted partner to customers



\$500M
Electrification
Investment



- Stage-gated investment tied to defined milestones
- Key platform targets identified
- Expected spending over ~5 years
- \$50 to \$100M annual R&D investment

Today's topics

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Vehicle electrification opportunity & strategy

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Competitive, industry-leading portfolio

3

Asia Pacific growth strategy

Competitive, industry-leading portfolio creating new growth opportunities



Hydraulics

Investments and portfolio repositioning enabling share gain



Aerospace

Winning and growing content on future platforms



Vehicle

New applications with proven technology

Strategic actions are enabling profitable growth with new wins

Significant investments made across our Hydraulics portfolio



Manufacturing excellence

- ~2M sq. feet of world-class manufacturing
- Leveraging center of excellence locations
- Adoption of 3D printing technology for castings tools



Reducing complexity

- Executing portfolio rationalization
- >60% reduction in part numbers
- Moving customers to core products

Improved competitiveness



Heavy duty pumps

- 76% reduction in assemblies
- 23% reduction in components



Braided hose

- 49% reduction in constructions
- 38% reduction in part numbers

Markets have quickly strengthened and we are well positioned to gain share

Repositioning with superior value products to expand our addressable market

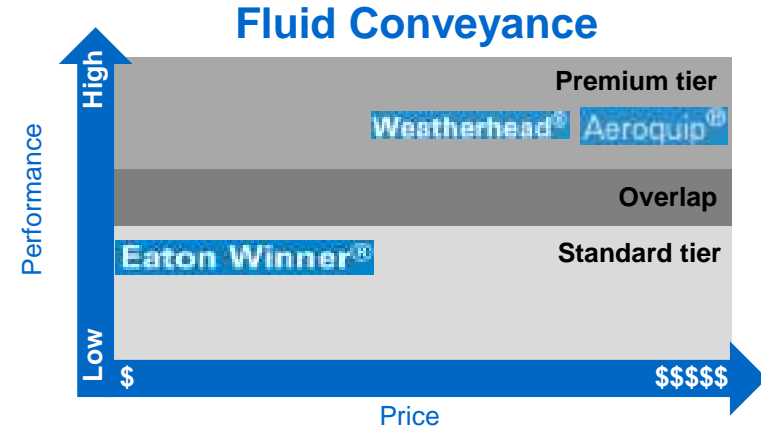


Emergence of two tiered markets

- Standard tier product demand growing
- Advancing technology in premium tier products

Repositioning portfolio

- Investing in intelligent and connected products
- Introducing standard tier offerings across multiple product lines
- Multiple recent new business wins



- New Eaton Winner® brand has best-in-class performance in standard tier
- Investing in premium tier Aeroquip® and Weatherhead® brands
- Leveraging our world-class hose facility

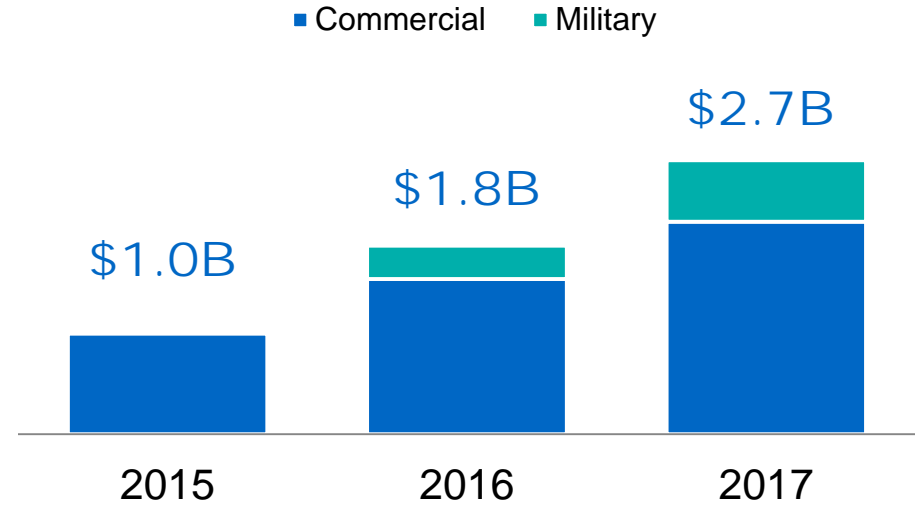
Increased addressable market by \$1.6B with new superior value products

Industry-leading Aerospace technology supports long-term growth



- **Winning** on commercial and military platforms with strong **technology** offering
 - Highest pressure main fuel engine pump in the industry
- Expanding **China** presence
 - MA700 fuel distribution and inerting system wins
- Engaging with **military** customers on multiple classified programs

Cumulative life of program wins



New wins in the past three years represent \$2.7B in life of program value

Securing content on key next generation commercial platforms...777X

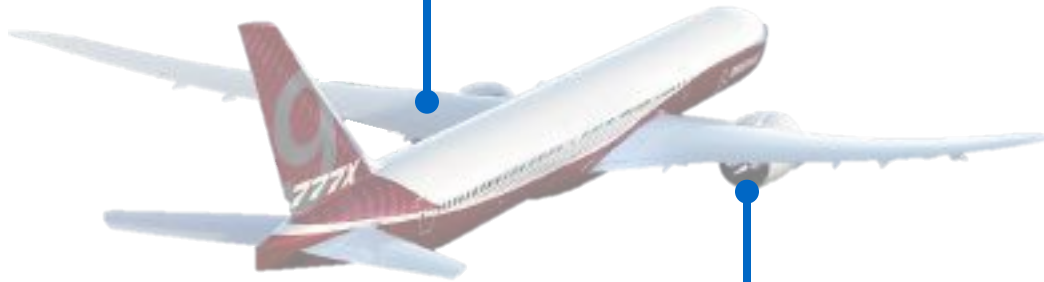


Airframe fuel system content

Integrating fuel system components with composite wing aircraft

\$350M

Life of program



\$620M

Life of program

GE9X main engine fuel pump

Industry-leading product with unprecedented levels of pressure & flow

Eaton shipset

1.5x



Legacy 777 777X target

Targeting **1.7x**
content growth

Awarded over \$1B in life of program wins to date...more content in play

Discovering new applications with our proven vehicle technology...



\$265M

Life of programs

Decompression Engine Brake

- Advanced valvetrain technology
- Increased fuel & braking effectiveness



\$250M

Life of program

Advanced Combustion Technology

- Roots-based boosting system
- Enabling 25% fuel economy improvement

Internal Exhaust Gas Recirculation System

- Electro-mechanical thermal management system
- ~15% NO_x reduction

\$150M

Life of program

Well positioned to capture internal combustion engine growth over the near term

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Competitive, industry-leading portfolio

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Asia Pacific growth strategy

Eaton has been investing in Asia Pacific footprint



37

Manufacturing plants

7

R&D centers

58

**Sales & service
offices**

Localized manufacturing – Channel strength – Strategic partnerships

Our China localization strategy drives our competitiveness

Local manufacturing enables growth through:

- Competitive costs
- Faster lead times
- Local support and customization

Hydraulics – Last two years:

- Local manufacturing increased to **84%**
- Local trade sales increased 47%

Vehicle – Last five years:

- Local manufacturing now over **90%**
- Enabling passenger car valve share gain

Jining City campus



- Vehicle and hydraulics product lines
- World-class manufacturing facility
- Well-positioned footprint for China's growing xEV market

Penetrating new applications



- Marine oil and gas platform
- Complete system solution with cylinder, hydraulics power unit and electric controls
- Strategic wins in 2017

Growing share with large OEMs and penetrating new applications

Our distribution strategy is enabling us to expand into new end markets

Excellent regional coverage across APAC, providing:

- Right products
- Quick response
- Customer support

Over the last five years:

- Increased distribution partners by **50%**
- Increased distribution sales mix by **400** basis points

Expanding our distribution partners by ~30% over the next 5 years

Key distribution channel wins

China Railway Construction Group



- Tunnel boring machine
- Strong distributor service capability

Australia Department of Defense



- Refueling applications
- Leveraging distributors strong reputation

Delivering growth with diversified penetration wins

Partnerships are key to our growth strategy

Vehicle - Multiple Joint Ventures across the portfolio



- SFGW JV develops, manufactures, assembles, tests, sells and services clutches and clutch components
- Serves China's commercial vehicle end market
- **SFGW JV increased our market share in China from 2% to ~17% in under 3 years**

Aerospace - Joint Venture with SAMC



- Design, development, manufacturing and support of fuel and hydraulic conveyance systems
- Serves the global civil aviation end market
- **C919 conveyance systems Life of Program estimated at \$1.4B**

Driving market penetration of our proven technology through strategic partnerships



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Powering Business Worldwide

Annual investor conference



Revathi Advaiti, Chief Operating Officer - Electrical Sector
March 2, 2018

Key themes

- Eaton's electrical business serves key customer end markets around the world with its industry-leading electrical portfolio
- The world's electrical infrastructure is rapidly evolving, offering new ways to deliver value to our customers
- We are focused on a number of strategic initiatives to drive future growth, including:
 - *Intelligent & connected solutions*
 - *Expanding core markets*
 - *Accelerating project productivity*

The Electrical Sector has two reporting segments serving customers in six key end markets

Electrical Products



Electrical Systems & Services



Industry-leading portfolio

- Residential & non-residential products
- Industrial controls
- Power quality (1-phase)
- Lighting

- Bussmann series
- B-Line series
- Wiring devices
- Life safety

- Power distribution & assemblies
- Power quality (3-Phase)
- Power systems
- Crouse-Hinds series
- Software & services

Industrial

Facilities



Machine builders



Commercial



Residential



Utility



Data centers

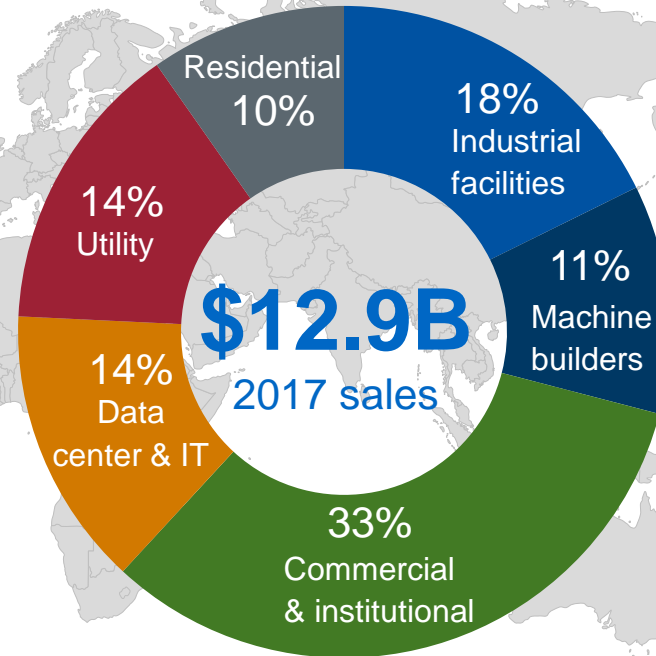


Our business has breadth across both geographies and end markets

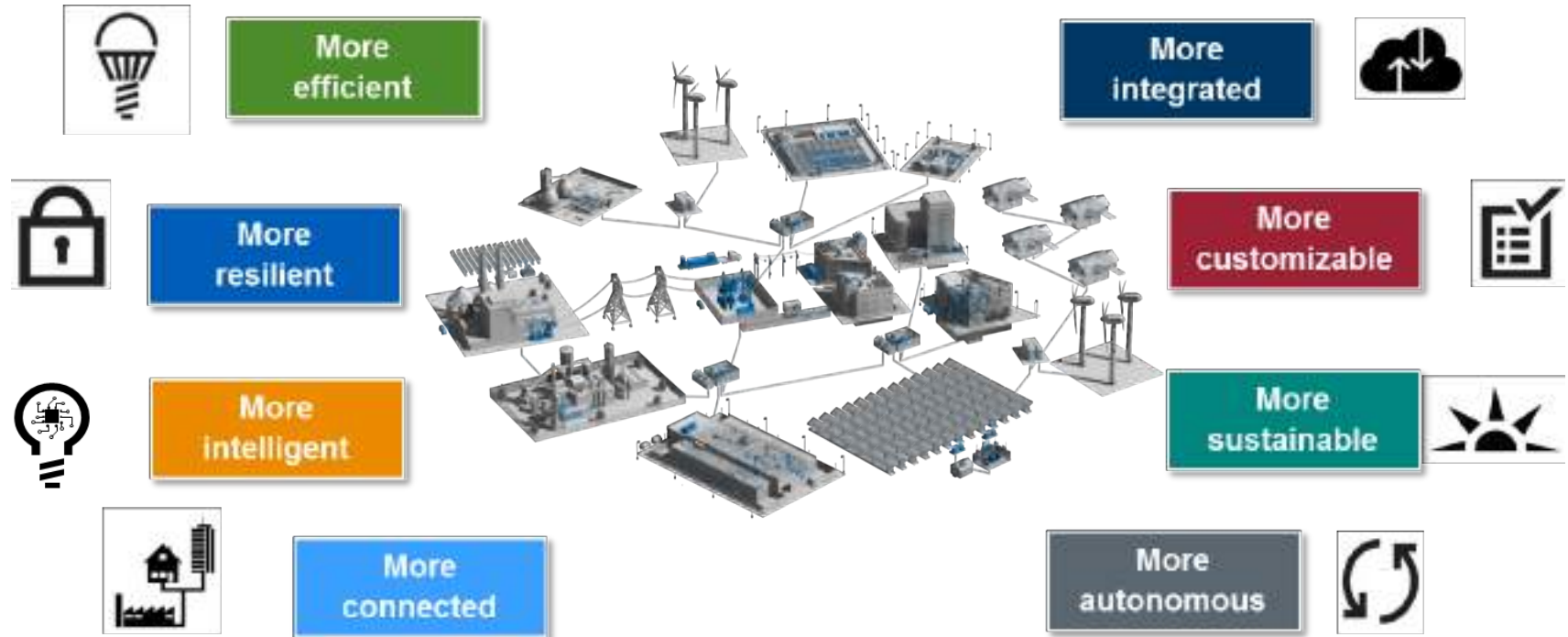
Geographic mix



End market mix



Rapidly evolving electrical infrastructure offers new opportunities to deliver customer value



Electrical Sector strategic growth initiatives

Accelerating project productivity

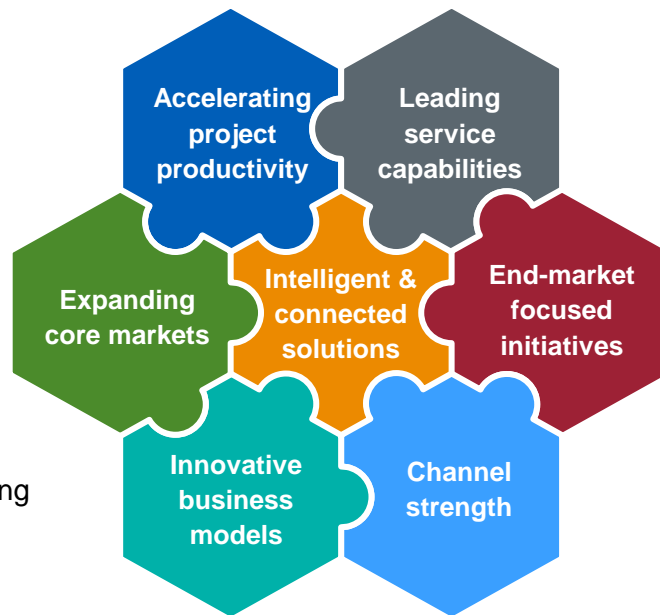
- Enhanced collaboration tools
- Prefabricated & modular products
- Automated designs

Expanding core markets

- Energy storage
- Microgrids
- Compact gas insulated switchgear

Innovative business models

- PredictPulse™ data center monitoring
- Power management as a service



Leading service capabilities

- Turnkey project management
- Power systems engineering

End-market focused initiatives

- Broad utility solution offering
- Comprehensive portfolio for data centers

Intelligent & connected solutions

- Intelligent circuit protection
- Arc quenching switchgear
- Digital factory

Channel strength

- Eaton Distributor Advantage Program
- Contractor programs

Topics for today's discussion

- 1 Intelligent & connected solutions
- 2 Expanding core markets
- 3 Accelerating project productivity

A man with dark, curly hair and a goatee is looking intently at a green circuit board he is holding with both hands. He is wearing a dark watch on his left wrist. In the background, a computer monitor displays some data or code. The scene is brightly lit, possibly by natural light from a window, creating a soft glow around the man and the board.

Intelligent & connected solutions

The world is becoming more digital



By the year 2020, the average home will have more than 35 connected devices



As of 2016, 77% of Americans own smartphones, up from 35% in 2011

An estimated 31 billion 'things' will be connected to the internet by 2020



Businesses spent an estimated \$964 billion on connected hardware in 2017



The electrical industry IoT opportunity is large

\$40B

by 2021

**Eaton IoT
addressable
opportunity**



Integrated sensing

- Smart sensors
- Asset & people management, security, employee engagement, labor productivity, space utilization



Predictive services

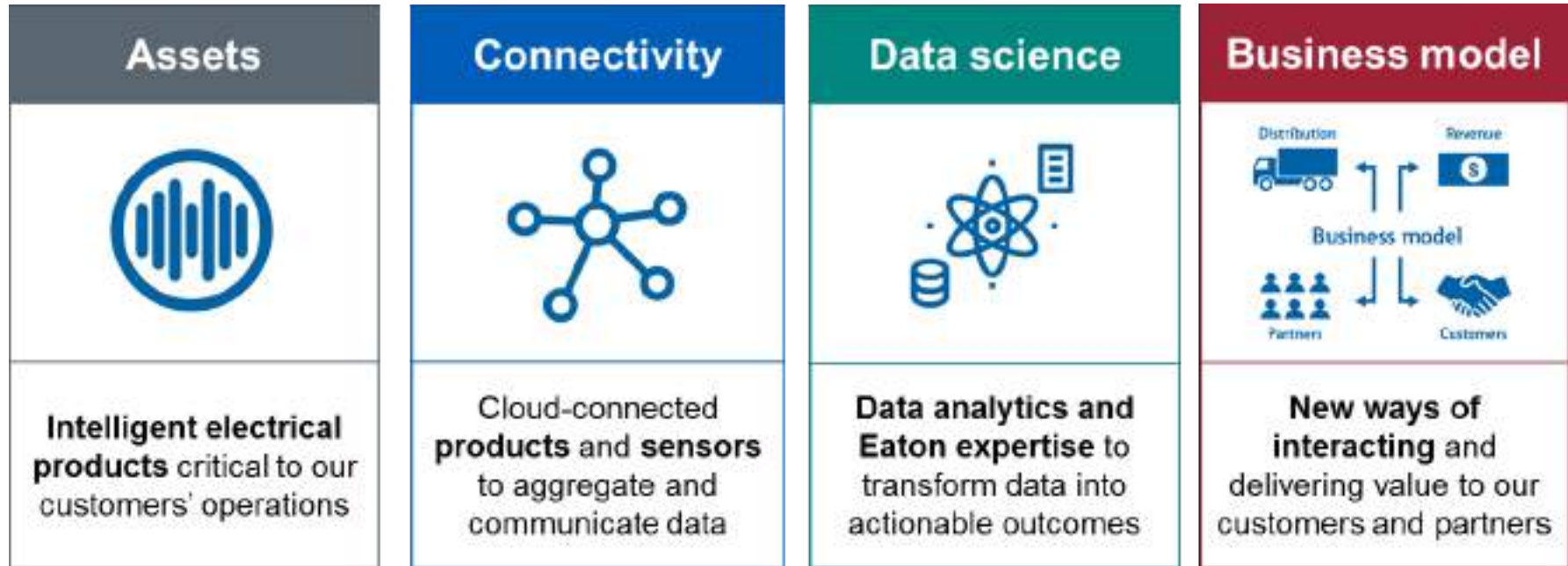
- Real predictive maintenance and diagnostics
- Data-based automation and configuration



Power management as a service

- Distribution network / system level management
- Analysis, automation, and response based on operating parameters from connected Eaton and 3rd party devices

Eaton combines deep application expertise with ownership of the electrical real estate



Intelligent Power: Driving digital innovation


Our CoE investments have resulted in significant accomplishments over the past year



- Deployed a common **cloud platform** across the Eaton enterprise
- **Increased** number of **IoT product development** engagements by **85% YoY**
- Reduced IoT product **development time** by approximately **40%**
- Established **industry's first lab** for UL program for cybersecurity testing of intelligent products

User experience 

Cloud and IoT 

Embedded systems 

Cybersecurity 

Intelligent & connected solutions

Intelligent circuit protection



Daily cost of an
unexpected hospital
shutdown

\$0.8-\$1.0M



Portion of hospital
facilities budget spent
on electricity

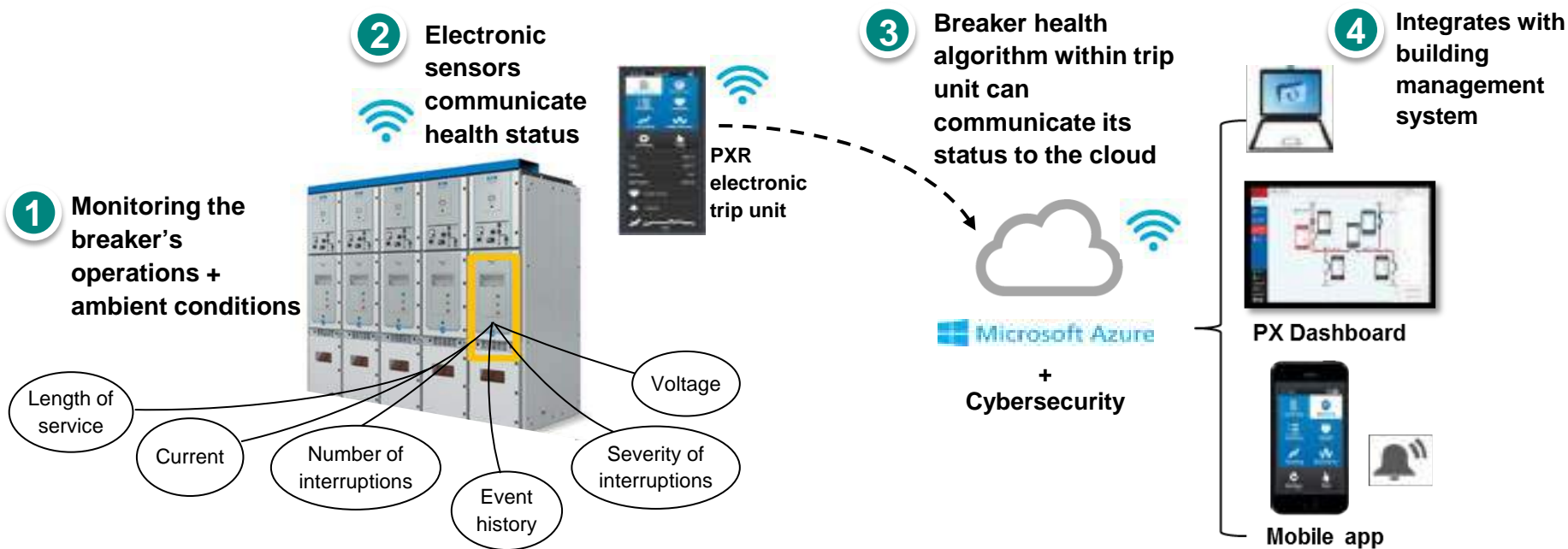
36%

Hospitals that experienced
an electronic health
record disruption due to
power failure

19%

Traditional circuit protection protects personnel & equipment but does not provide
higher-level system visibility or predictive diagnostics

Embedded intelligence in our breakers provides an accurate picture of breaker health and system status



90% of our eligible air circuit breakers now include the PXR electronic trip unit

Intelligent circuit protection allows hospital operators to work more safely and efficiently

	Past	Today
Maintenance	<ul style="list-style-type: none">Maintenance work could impact critical hospital operations	<ul style="list-style-type: none">Full system visibility makes it easier to shift critical loads
Electricity consumption	<ul style="list-style-type: none">Many inefficient loads throughout the system	<ul style="list-style-type: none">Full system visibility makes it easier to target inefficiencies
Regulatory compliance	<ul style="list-style-type: none">Meeting requirements is time consuming	<ul style="list-style-type: none">Real-time data access simplifies compliance
Outage restoration	<ul style="list-style-type: none">Source of fault difficult to detect	<ul style="list-style-type: none">System shows source, allowing rapid power restoration
New equipment installation	<ul style="list-style-type: none">Frequently requires full electrical system study	<ul style="list-style-type: none">Capacity and capability of electrical system readily available

Future: 100% fail-safe hospital

Electrical systems fully integrated and automated with all hospital systems



Eaton's incremental growth opportunity from intelligent circuit protection: \$150-\$200M by 2023

Intelligent & connected solutions

Digital factory



Annual cost of industrial
manufacturers
unplanned downtime

\$50B

Energy as a portion of
manufacturing cost for
an auto manufacturer

9-12%

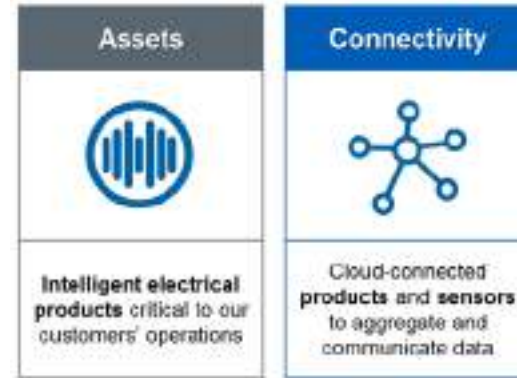
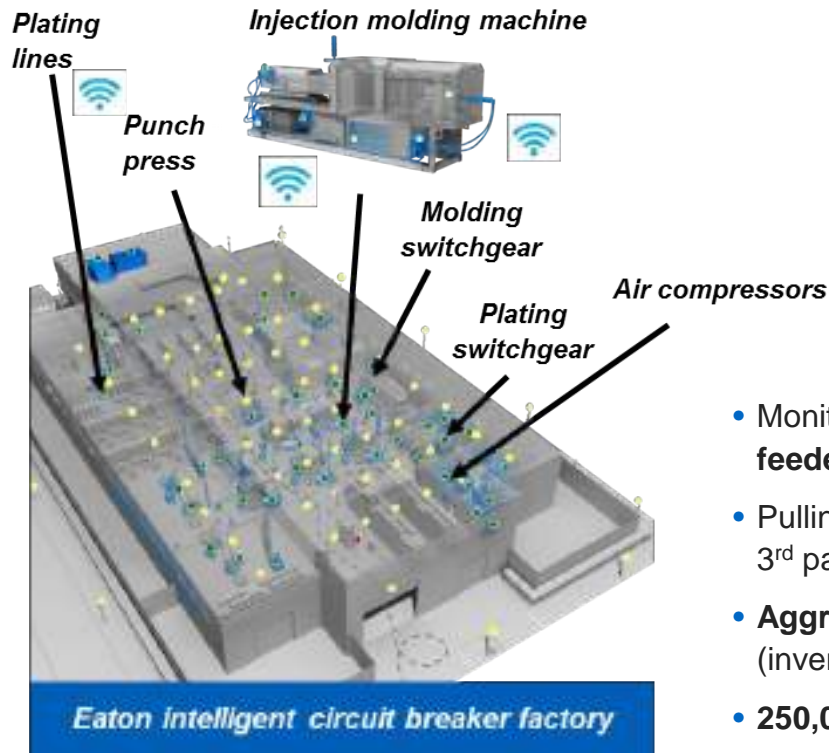
Number of disparate
systems and processes
in a discrete
manufacturing facility

100s



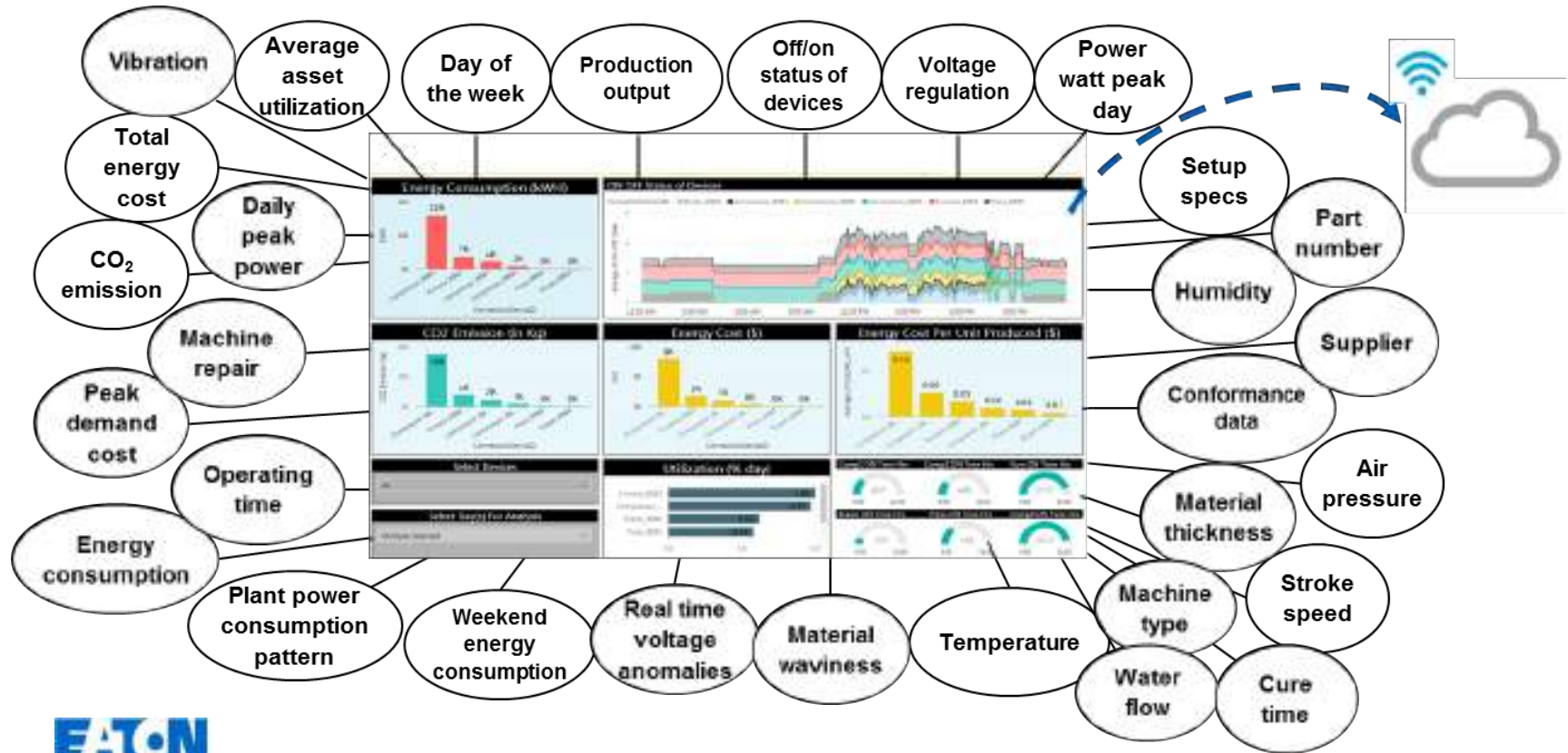
Intelligent power management mitigates unplanned downtime & manufacturing inefficiencies

Digitizing factories to create a network of intelligent and connected devices

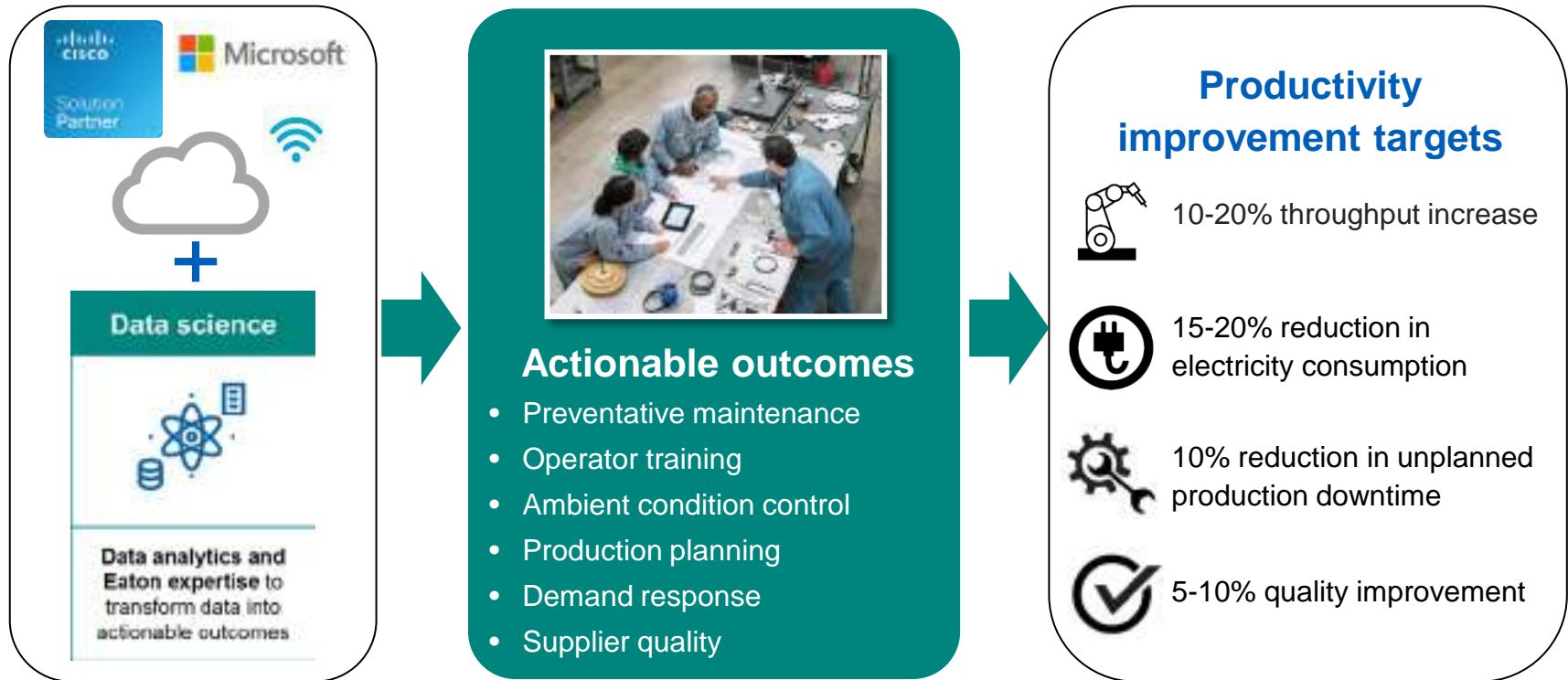


- Monitoring over **500 devices on 214 machines, switchgear and power feeders** at our largest circuit breaker plant
- Pulling data from circuit breakers, variable frequency drives, meters, 3rd party controllers, PLCs, relays, and soft starters
- **Aggregating device sensor data with 13 different facility systems** (inventory, production schedule, purchasing, invoicing, maintenance, etc.)
- **250,000 streams of data** at various measurement rates – every 5 seconds to 5 minutes

We are gathering thousands of streams of data from our machines, power sources and systems



Driving actionable outcomes to improve manufacturing efficiency and reduce costs



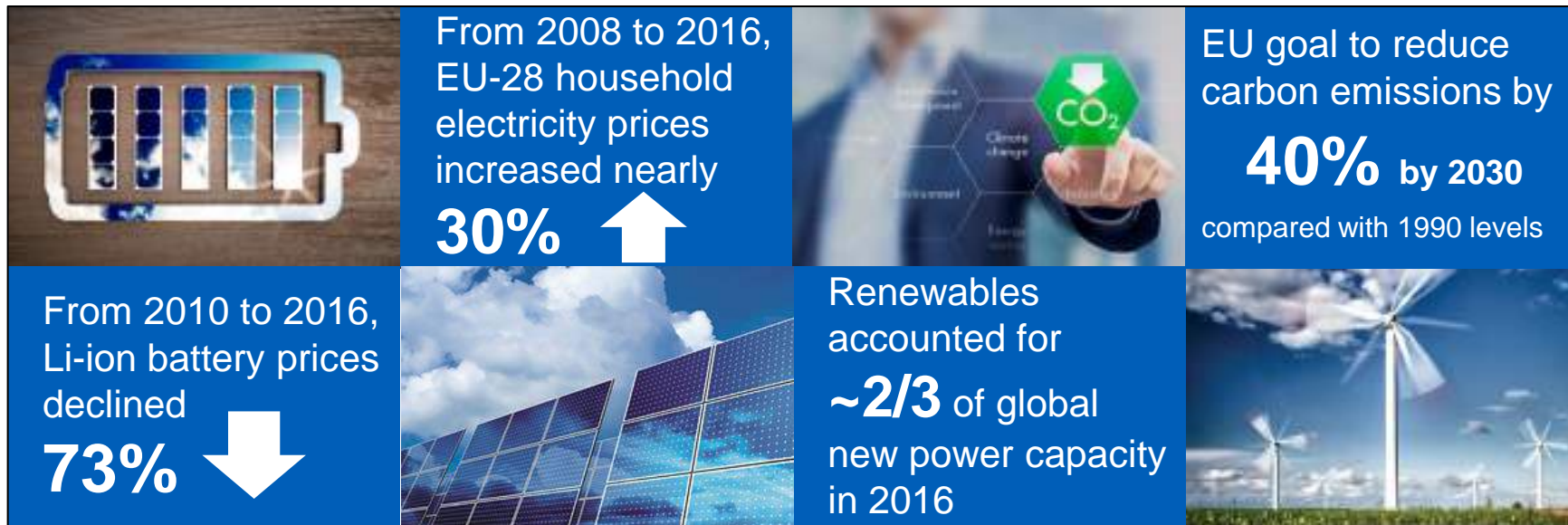
Our digital factory solutions will allow us to expand our U.S. addressable market by \$2-\$4B



Expanding core markets

Expanding core markets

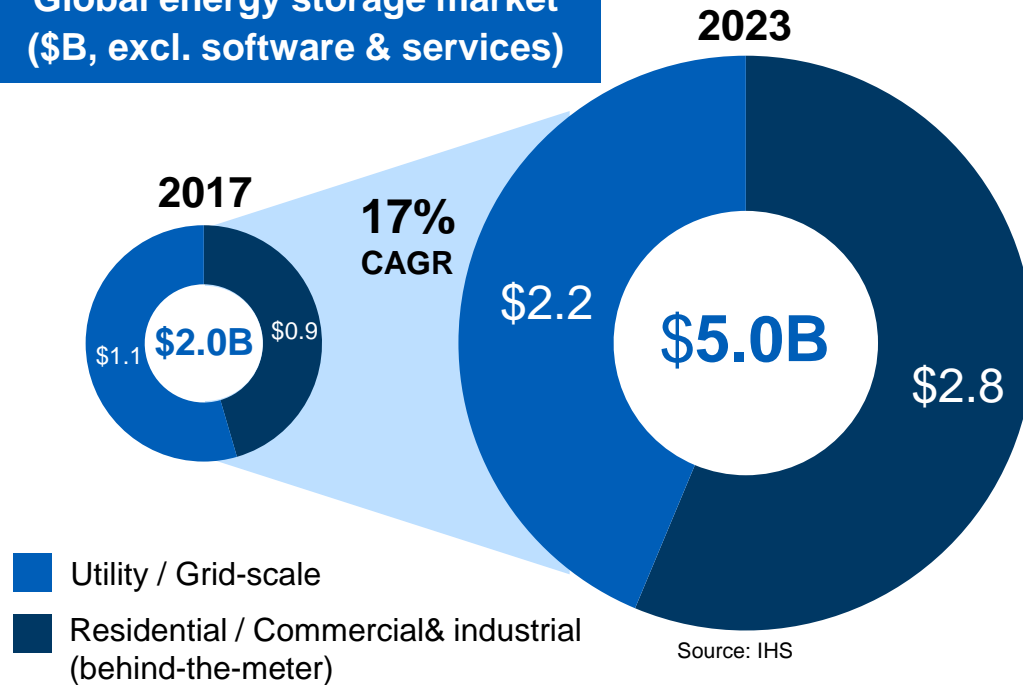
Energy storage



Several important trends are fueling the growth in energy storage markets

The energy storage market is large and is expected to expand rapidly

Global energy storage market
(\$B, excl. software & services)



Residential / C&I (behind-the-meter)

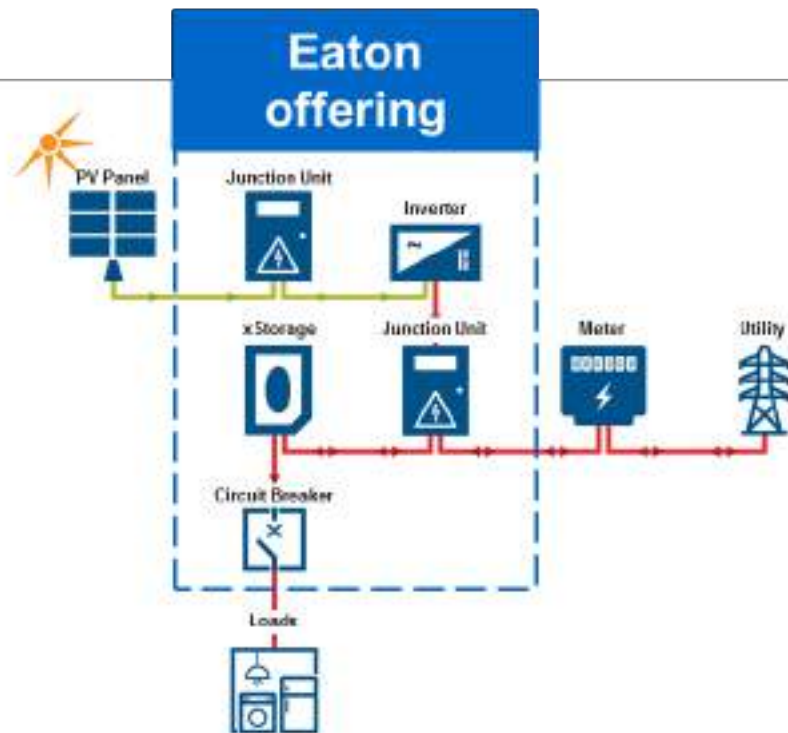
- Significant follow-on software and services opportunities
- Lower ratio of low-margin battery content
- Greatest opportunity for balance of electrical systems pull-through

Initial focus area

Utility / Grid-scale

- Fewer opportunities for follow-on software and services
- Higher ratio of low-margin battery content
- Utilities internally develop software and control platforms

Our energy storage offering includes our *xStorage* system and other parts of the electrical package



Residential



xStorage Home

- ✓ Battery pack
- ✓ 1ph inverter
- ✓ Cloud integration & remote monitoring
- ✓ User interface
- ✓ Software & control
- ✓ Services

Commercial & industrial



xStorage Buildings

- ✓ Battery pack
- ✓ 3ph UPS & inverters
- ✓ Rack enclosure
- ✓ Cloud integration & remote monitoring
- ✓ Software & control
- ✓ Services

We are initially focused on the European market

First focus: Europe

- Large solar PV installed base
- Reduced feed-in tariffs promotes electricity self-consumption
- Significant electric vehicle (EV) penetration in certain countries
- Strong culture of environmental stewardship
- High cost of electricity

Large existing market for energy storage systems

Key wins

Amsterdam Arena



- Significant Eaton content, including non-storage product pull-through
- Using new and 2nd life Nissan Leaf batteries

Residential



- Key wins in Germany, France and Italy
- Working with key distributors to train local installers

Energy storage is a \$200-300M incremental revenue opportunity by 2023

Expanding core markets

Microgrid update

Expanding
core markets

Energy storage complements our microgrid strategy

U.S. Government

- **Tyndall Air Force Base** delivery of 2MW system for testing and validation of Air Force conservation technologies
- **Fort Custer** turnkey microgrid system to manage distributed generation and to power adjacent government facilities



Utility

- Major **investor owned utility**– turnkey microgrid

Commercial

- Large **pharmaceutical company** facility in Puerto Rico – microgrid controls, design, power studies



Department of Energy National Renewable Energy Lab Partnership (NREL)

- Eaton engineering team collocated at NREL in Colorado
- Enables both organizations to collaborate more closely on microgrid, grid intelligence and energy storage

Expanding core markets

Medium voltage gas insulated switchgear

Gas insulated switchgear (GIS)

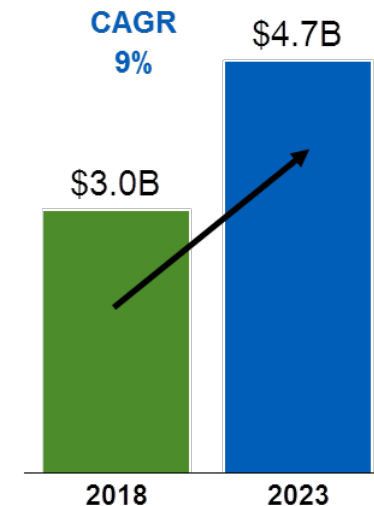
Uses gas-filled tanks to achieve safe electrical clearances in smaller spaces than with traditional switchgear



Fixed
breaker

Eaton Power Xpert XGIS

MV GIS global market



Source: Markets & Markets

Gas insulated switchgear represents a large and growing portion of the MV market

Customers value GIS for its small footprint, low cost of maintenance and inherent safety

Utilities



Utilities are the biggest users of GIS worldwide

Oil & gas



O&G firms buy GIS for its smaller footprint and lower risk of electrical hazards

Data center



Many large data center customers are moving to GIS due to its smaller footprint

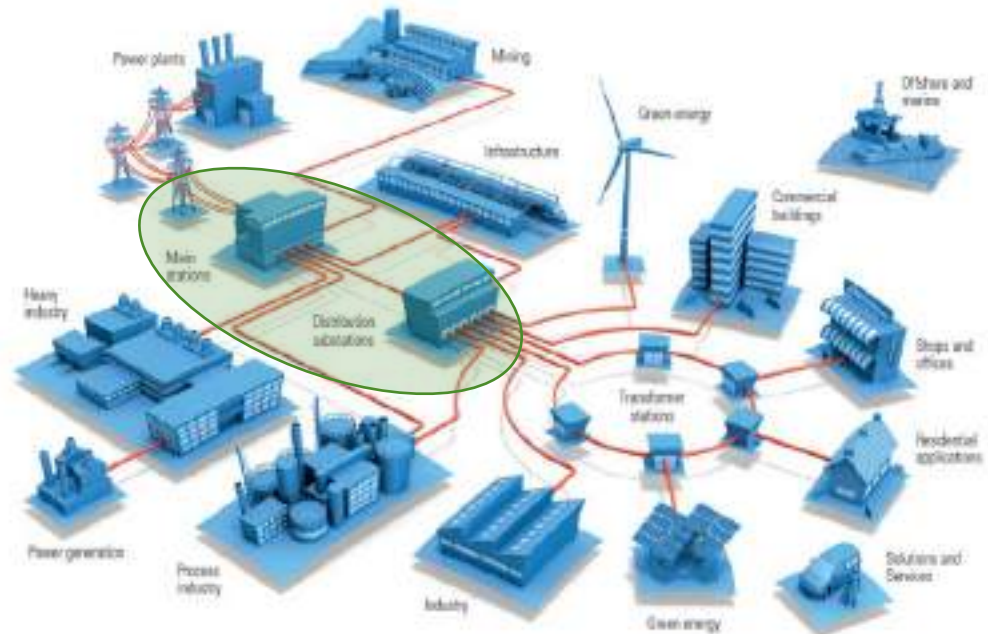
Gas insulated switchgear typically occupies 1/3 of the volume of air insulated switchgear

Eaton sells to these projects today but cannot supply the MV solution if GIS is specified

Key parts of the electrical system



- MV switchgear – gas insulated ☐
- MV switchgear – air insulated ☒
- Transformer ☒
- LV switchgear ☒
- LV switchboard ☒
- LV panelboards ☒
- MV and LV drives ☒
- Air circuit breakers ☒
- Molded case and miniature circuit breakers ☒
- Motor control centers ☒
- Fuses ☒
- Switches ☒
- Surge protection devices ☒



MV switchgear is often specified first in greenfield and expansion projects

We are launching two solutions for different types of GIS customers

Value-focused solution

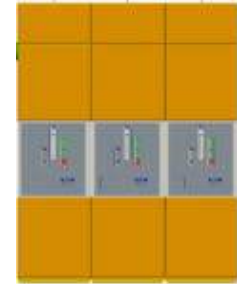
- Will meet IEC/ANSI/GB standards
- Provides superior value to customers who require a MV gas insulated switchgear solution

Differentiated solution

- Will meet IEC/ANSI standards
- Enhanced ratings
- Plug and play solution eliminates errors and cost associated with complicated installation
- Premium solution with market-leading features and performance



Power Xpert XGIS



***Next generation
Power Xpert XGIS***

Eaton's MV GIS solutions target a \$500M potential market with their voltage ratings



Accelerating project productivity

Construction is a large, global market and a significant part of Eaton's electrical business



The global construction industry is expected to grow at a **3.4% CAGR** from 2015-2025



Construction megaprojects (>\$1B) are **more than 20%** of global construction spend

Global construction-related spending is an estimated **\$10 Trillion** per year



Non-residential construction makes up **over 55%** of Eaton's electrical business



Source: McKinsey & Company Feb 2017 study "Reinventing Construction: A route to higher productivity"

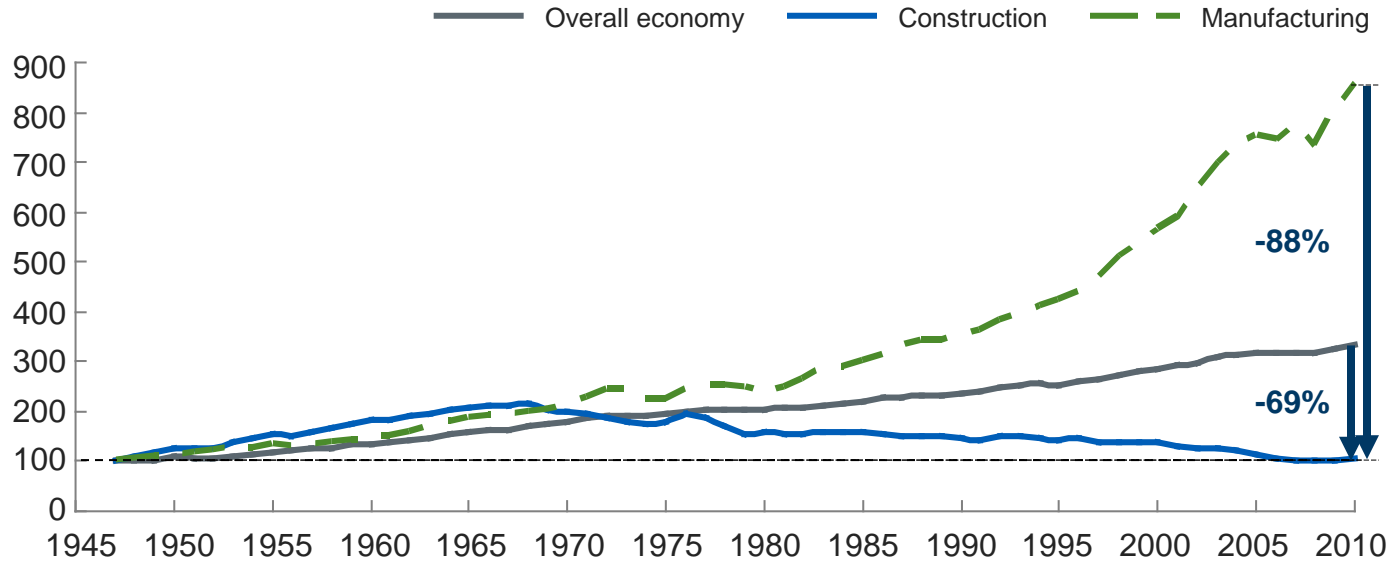
The U.S. construction industry has not benefited from the productivity gains seen in other industries

Gross value added per hour worked, constant prices (U.S.)

Index 1947 = 100

Compound annual growth rate %, 1947-2010

%, 1947-2010



3.5%

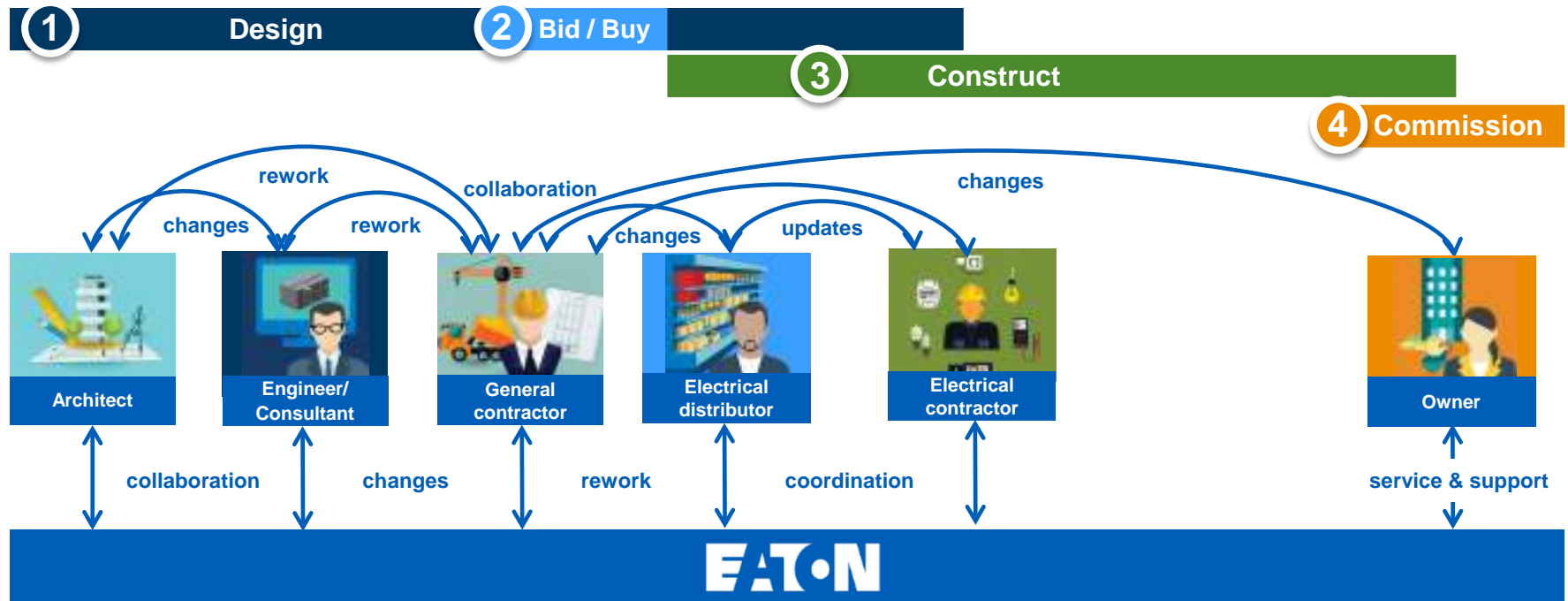
1.9%

0.1%

Source: McKinsey Global Institute Analysis; US Bureau of Labor Statistics; US Bureau of Economic Analysis; World KLEMS

Construction projects are complex and include many stakeholders

Typical construction project timeline:



Note: project timeline representative only; cycle times vary by project

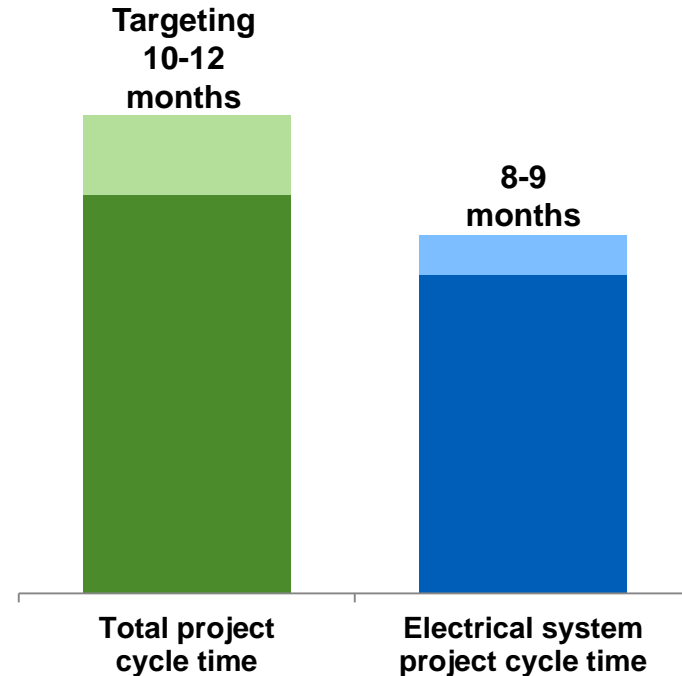
Customer project cycle times are being compressed

Large data center example



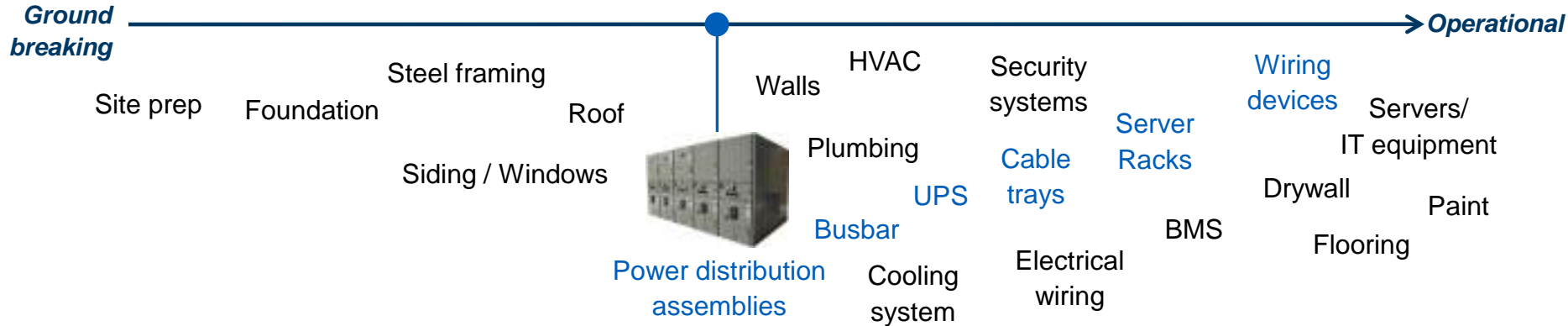
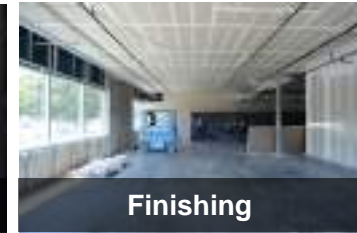
- Electrical infrastructure makes up 30-35% of the dollar value in a large data center
- Total project cycle times have compressed significantly since 2012
- Pressure on all suppliers to accelerate equipment delivery and commissioning

Large data center project cycle times



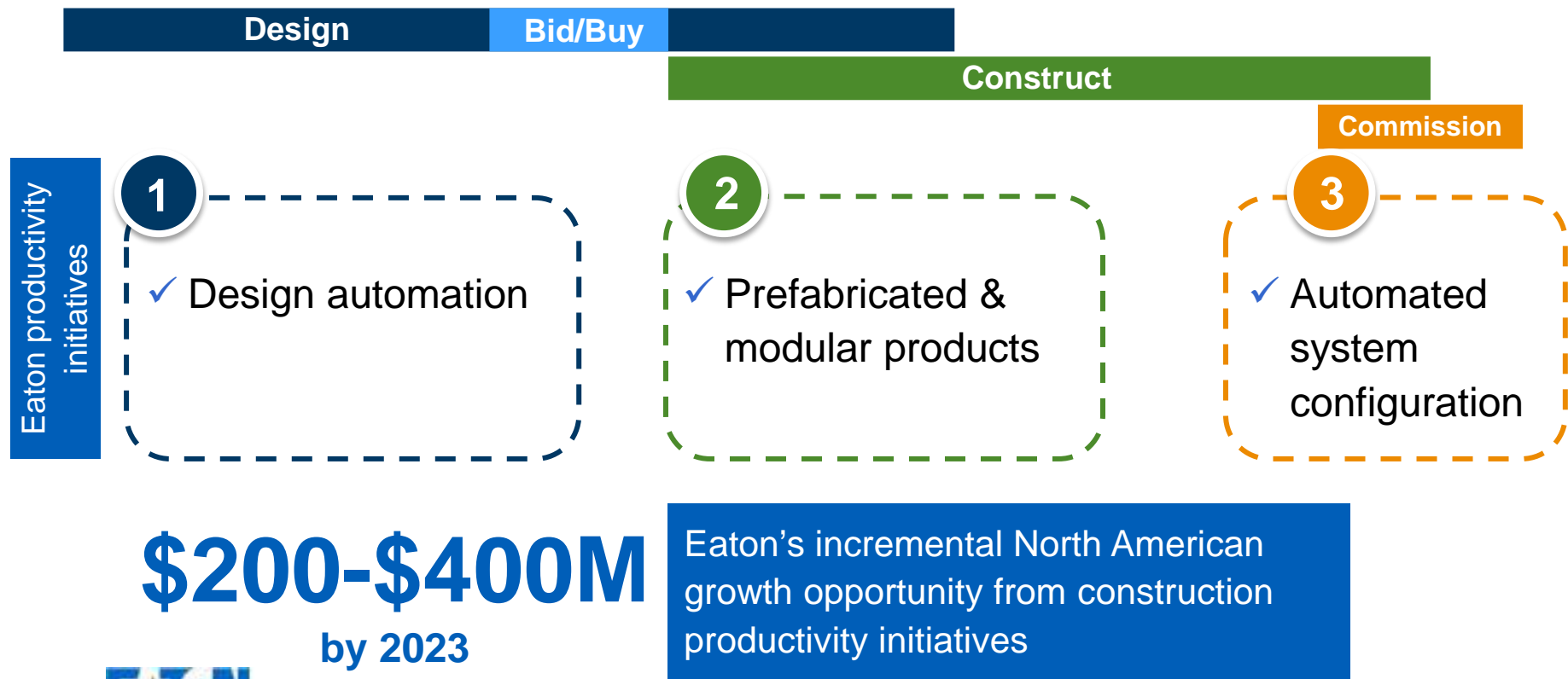
Electrical systems are often the critical path in large construction projects

Data center example:



There is an opportunity to **differentiate with speed-of-delivery**, as other systems are often dependent on long lead time items like power distribution assemblies

As a key electrical supplier, Eaton is well positioned to help accelerate construction productivity



Reducing engineering and manufacturing cycle times by creating standard designs as a starting point for customization

Accelerating
project
productivity

1

Design

Design automation

We are advancing our **design automation capabilities** to significantly reduce design and manufacturing times for complex, engineer-to-order products like assemblies



Power distribution
assembly

Why it matters:



Owner

- Accelerating our internal cycle times on custom designs differentiates us from competitors with **much faster speed-of-delivery**
- Grow our business with customers demanding reduced lead times



Targeting a
reduction in **50%**
design & manufacturing
time on engineer-to-order
products

Reducing costs and contractor installation time with prefabricated products

2

Construct

PRE-formance™ prefabricated assemblies

Contractors use our pre-engineered and pre-assembled products to simplify branch wiring installation on commercial construction projects that have many rooms of the same type



Why it matters:



Electrical
contractor

- Pre-kitted material is available in the appropriate work areas which significantly **reduces on-site material handling time**
- With the current **shortage of skilled labor**, pre-built products simplify installation and help close the capability gap

Prefab products can
increase worker
productivity **25%**
by reducing material
handling on the job site

Leveraging our intelligent & connected products to automate the configuration of large assemblies

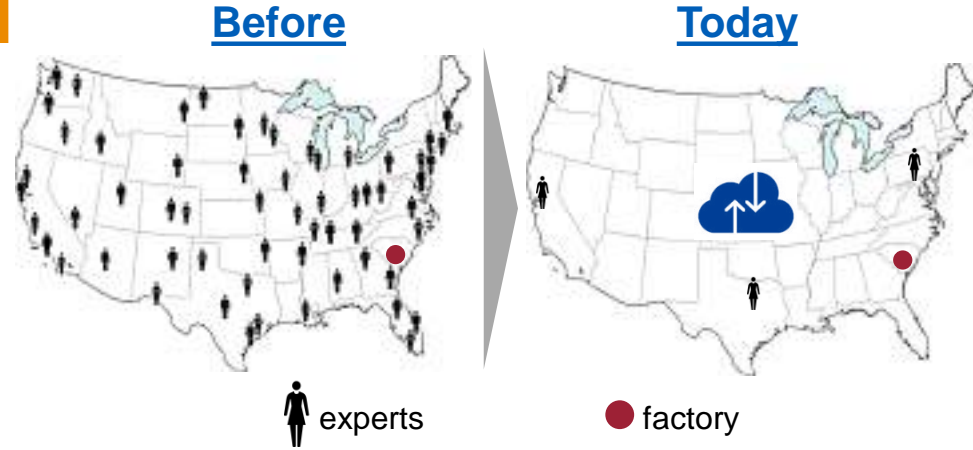
Accelerating
project
productivity

3

Commission

Automated system configuration

Streamline the end-to-end device configuration process for engineer-to-order electrical assemblies using our intelligent products and cloud connectivity



Why it matters:

- Step function improvement in the time it takes to configure base and customer-specific settings
- Reduced risk of start up delays with early validation
- Improved order accuracy with connected data flow
- Meets cybersecurity data traceability requirements



Owner

Reducing
commissioning time by
3-4 weeks
on a large data center
customer project

Key themes

- Eaton's electrical business serves key customer end markets around the world with its industry-leading electrical portfolio
- The world's electrical infrastructure is rapidly evolving, offering new ways to deliver value to our customers
- We are focused on a number of strategic initiatives to drive future growth, including:
 - *Intelligent & connected solutions*
 - *Expanding core markets*
 - *Accelerating project productivity*



Powering Business Worldwide

Annual investor conference

A wide-angle, high-angle aerial photograph of a city skyline at night. The city is densely packed with skyscrapers, many of which are brightly lit with yellow and white lights. The city extends to the horizon, where a body of water is visible under a dark blue sky. The overall scene is vibrant and captures the energy of a major metropolitan area.

Craig Arnold, Chairman and Chief Executive Officer
March 2, 2018

Key takeaways for today...

- Our culture, willingness to change, and focus on customers have led to superior performance over our long history
- Today's Eaton is made of five leading franchises...which are stronger together
- We laid out our five-year financial goals in 2015, and we're on track to deliver
- 2017 was another year of solid progress, and we have good momentum heading into 2018
- We are generating significant cash flow and have increased cash optionality
- Our strategy is working; we're investing for organic growth, delivering solid margin improvements, and effectively redeploying capital
- We're making big investments in areas that have secular growth, where we have strategic advantages that will allow us to win
 - *intelligent and connected devices, electrification in vehicle and mobile markets*
 - *customer productivity, new products/new partnerships, expanding in emerging markets*



Agenda

- Building on our heritage
- Eaton today
- Our strategy and future
- How we execute as One Eaton

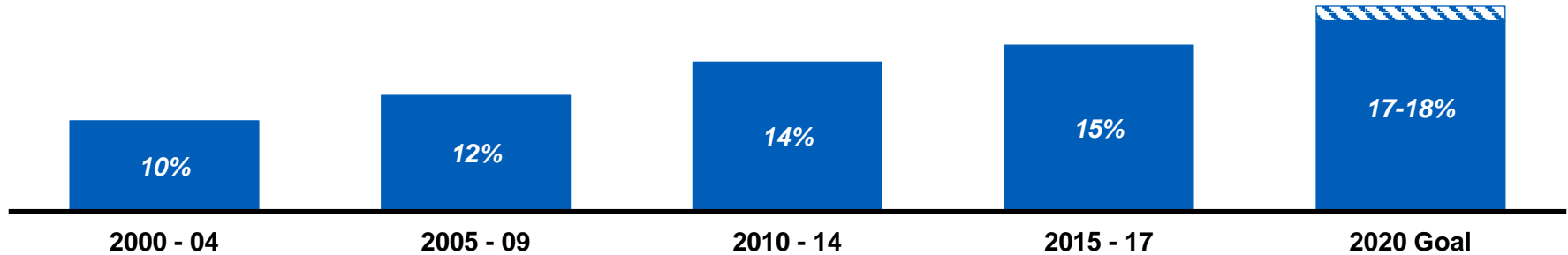


Remarkable **107-year** heritage characterized by

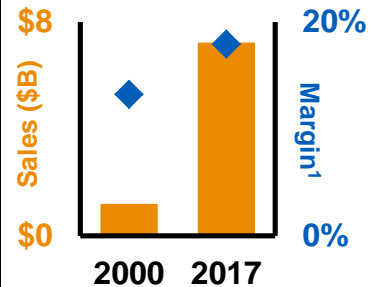
- Values-based culture
- Anticipation, adaptation and change
- Customer focus and unique innovation

Which has allowed us to continuously improve...

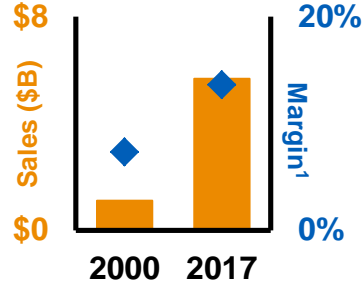
Segment Operating Margin¹



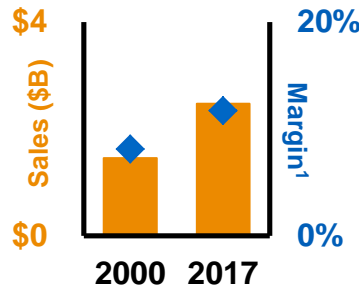
Elec Products



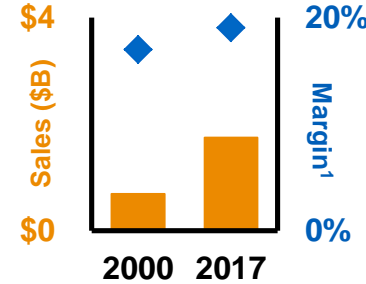
Elec S&S



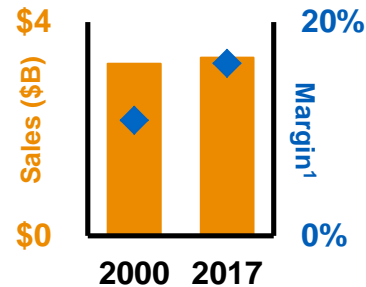
Hydraulics



Aerospace



Vehicle

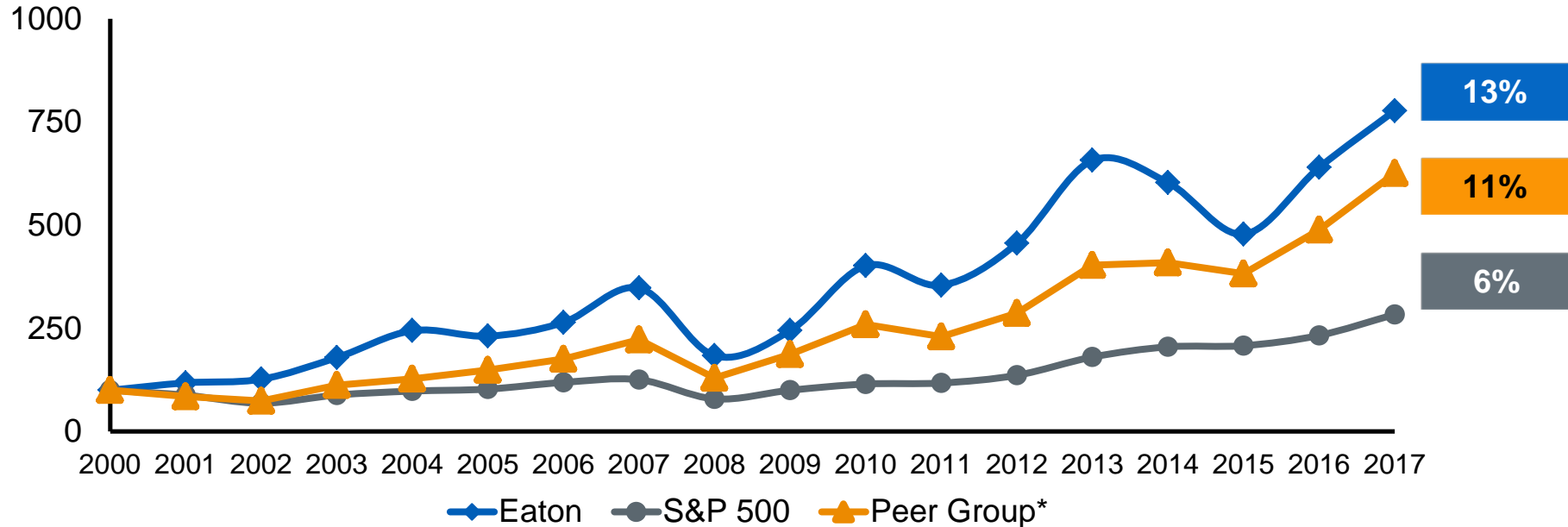


¹ Segment margins exclude acquisition integration charges

...and generate strong returns for shareholders...

Cumulative Shareholder Returns

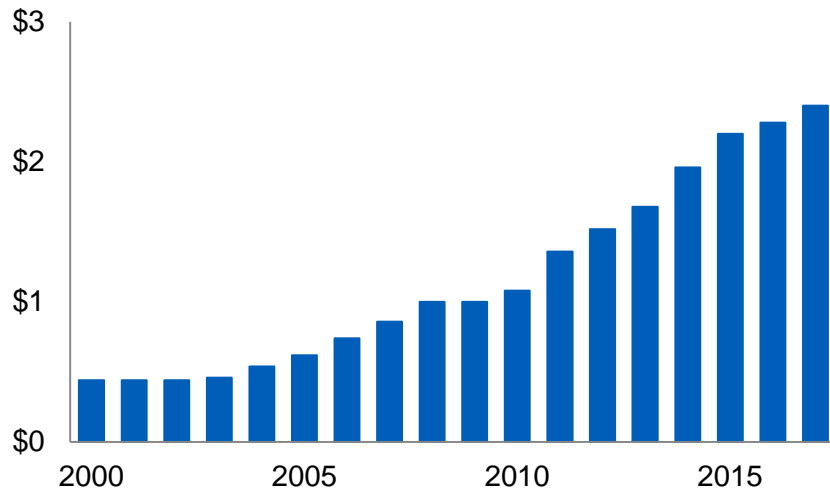
2000 – 2017 CAGR



* Peer group represents an equal weighted index of ABB, DOV, EMR, HON, IR, ITW, LR, PH, ROK, SIE, SU, UTX
Source Data: Capital IQ, Eaton analysis

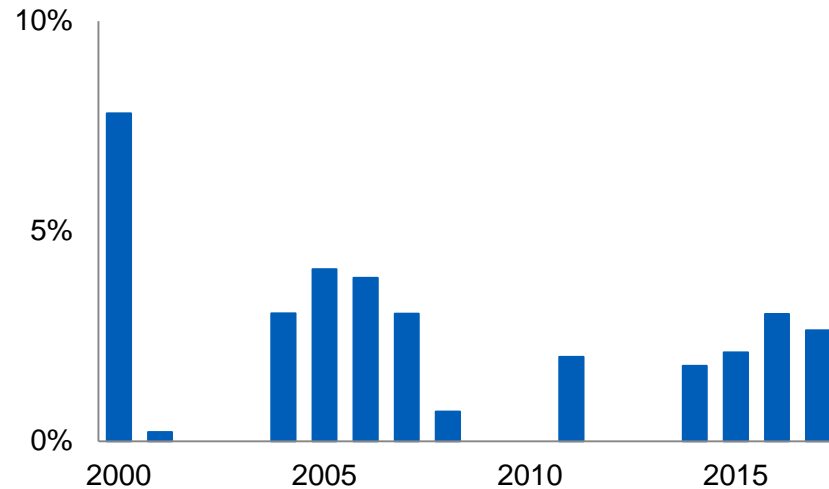
...including consistently returning capital to shareholders through dividends and repurchases

**Split Adjusted
Cash Dividend / Share**



Dividend yield of ~3%

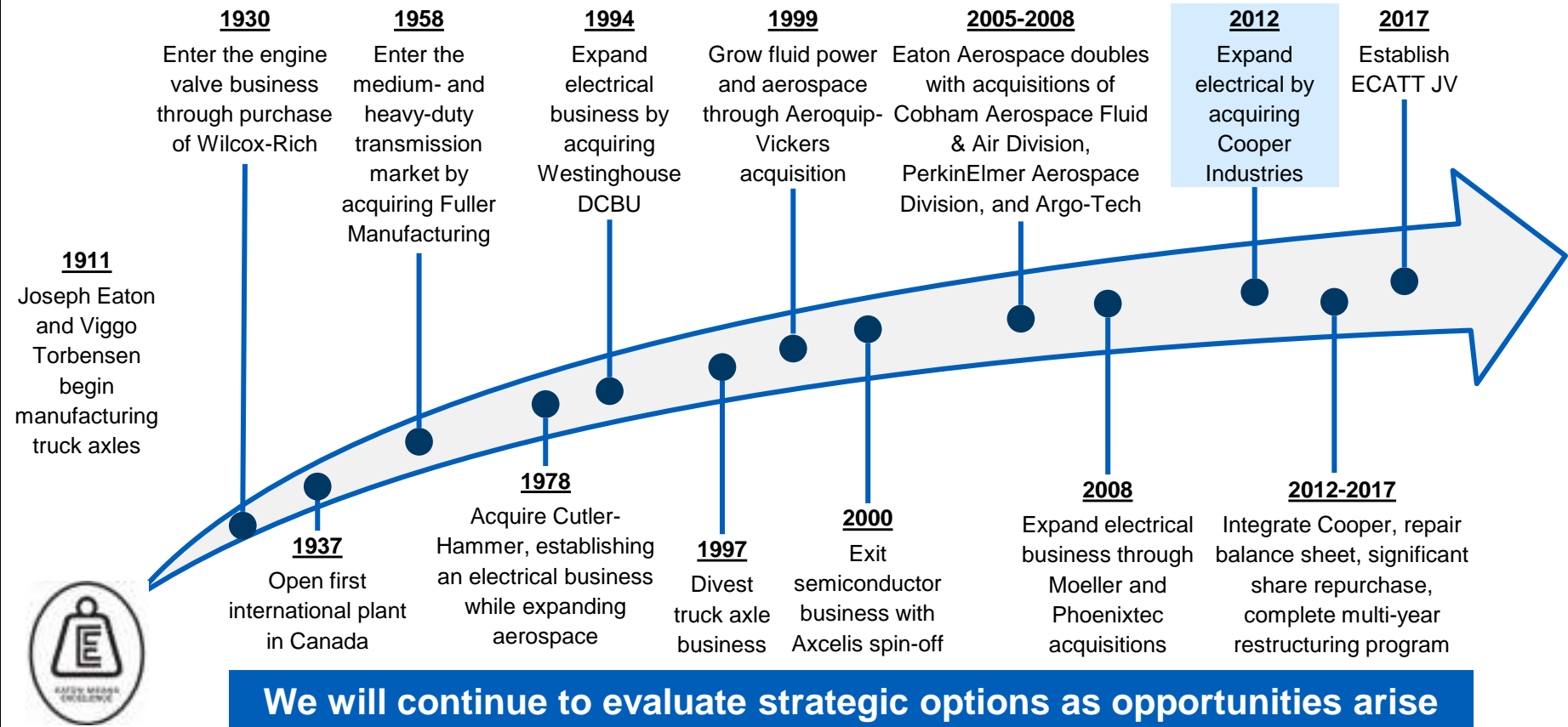
**Share Repurchases / Market Cap
on Jan 1 each year**



Annual repurchases represent ~2% of market cap



All while building a better company through strategic acquisitions and divestitures

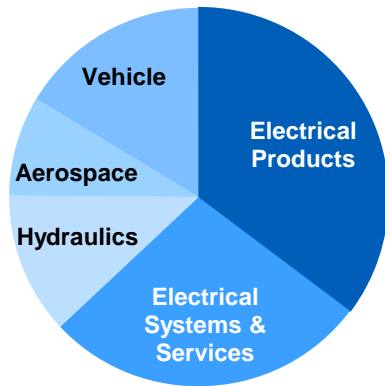


Agenda

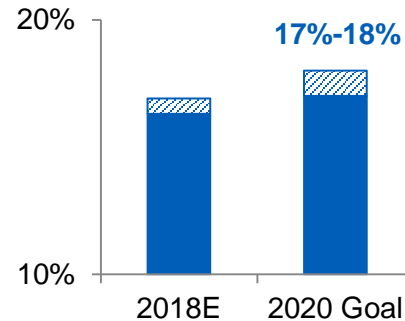
- Building on our heritage
- Eaton today
- Our strategy and future
- How we execute as One Eaton

Eaton is a leading power management company in difficult to disrupt industries

2017 Sales Mix



Operating Margin

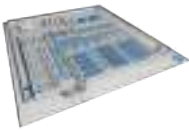


What We Like

- Leading businesses in large, global markets selling well-recognized brands
- Doing mission critical work that protects people and assets, while improving productivity
- Highly engineered products in markets where application expertise matters
- Aligned with secular, long-term growth drivers
- Occupying valuable real estate that positions us to grow in a connected and intelligent IoT world
- Significant scale, providing an attractive cost position



Electrical Products



Electrical Systems & Services



Hydraulics



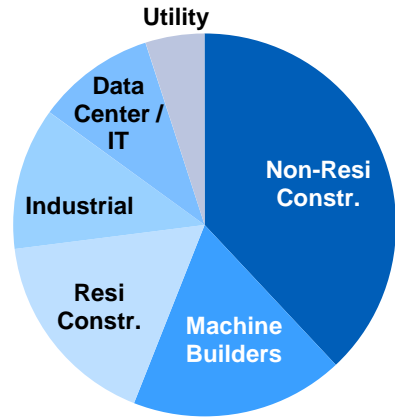
Aerospace



Vehicle

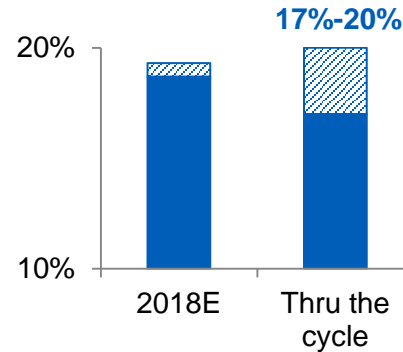
Electrical Products is a leading global player in low- / medium-voltage products

2017 End Market Mix



57% US, 43% RoW

Operating Margin



What We Like

- Growth driven by focus on innovative products and ability to provide efficiency gains for our customers
- #1 or #2 position in numerous markets including NA circuit protection, single phase UPS, NA lighting, and NA structural support systems
- Strongest distribution network in NA
- Innovator in connected and intelligent solutions
- Strong margins driven by a portfolio of trusted brands, differentiated products, and a leading channel position



Intelligent circuit protection



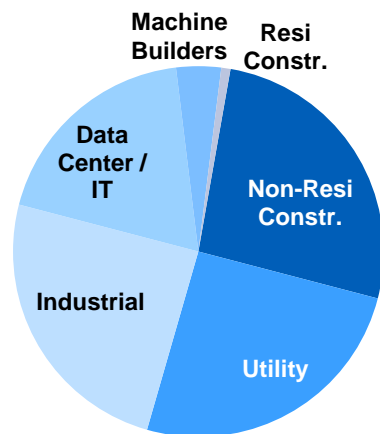
Arc fault / ground fault circuit interrupters



1-phase uninterruptible power supply

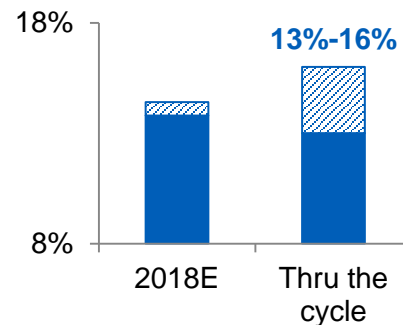
Electrical Systems and Services is also a leading global player in low- / medium-voltage solutions

2017 End Market Mix



64% US, 36% RoW

Operating Margin



What We Like

- Deep application expertise with proven ability to solve our customers' toughest challenges
- #1 or #2 position in numerous markets including harsh & hazardous, NA low- and medium-voltage power distribution, and NA three phase UPS
- Well-positioned to participate in connected and intelligent solutions
- Leading NA services organization able to deliver value-added services to our customers
- Strong margins driven by differentiated solutions and the ability to manage complex customer projects



3-phase uninterruptible power supply



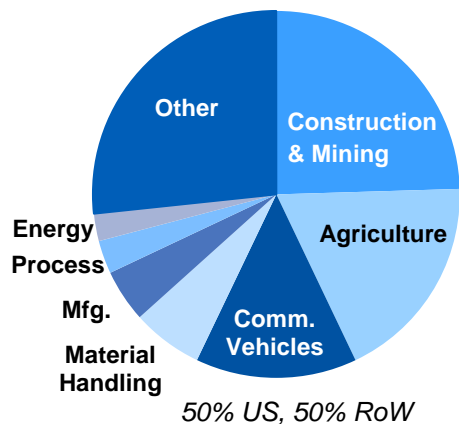
Power distribution and controls



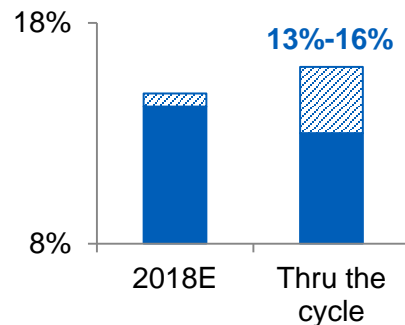
Harsh & hazardous

Hydraulics is among the 4 largest players serving a diverse set of end markets

2017 End Market Mix



Operating Margin



What We Like

- In the early stage of a cyclical expansion where we expect strong market growth through 2020
- Serving the world's most challenging applications where power density matters
- One of the broadest product offerings in the industry
- Among strongest distribution networks in North America, with 55% of our sales through distribution
- Large installed base driving aftermarket business, which accounts for ~1/3 of sales
- Significant restructuring program has improved our cost position and growth prospects



Hydraulic hose and fittings



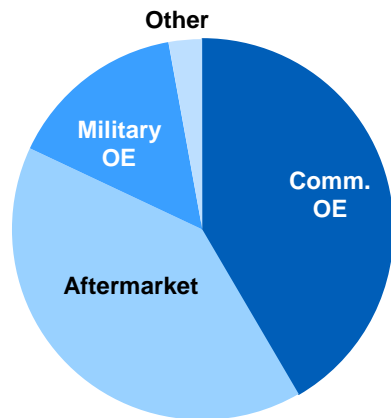
Hydraulic pump



Hydraulic valves

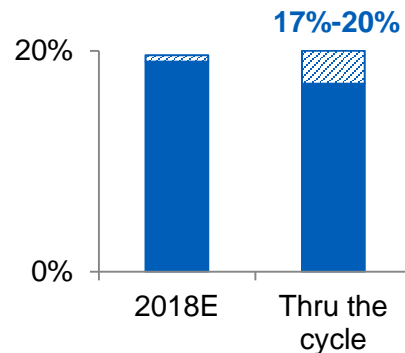
Aerospace is a leader in motion control, air frame, fuel, and engine solutions

2017 End Market Mix



75% US, 25% RoW

Operating Margin



What We Like

- Long-term growth underpinned by increasing passenger and freight air traffic
- Risk averse and highly regulated industry where pedigree matters – difficult to displace
- Strong intellectual property and patent protection
- Large installed base and strong aftermarket position create predictable, high-margin revenue streams
- Market leader in hydraulic, conveyance, and fuel systems



Air frame fuel pump



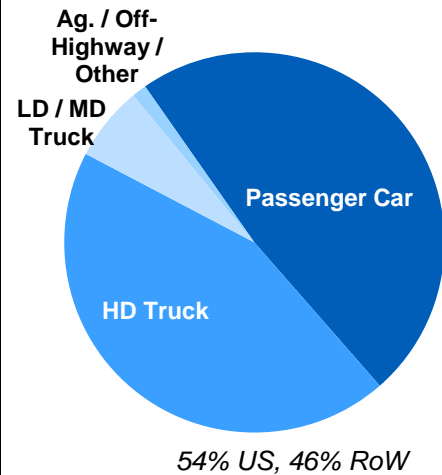
Hydraulic pump



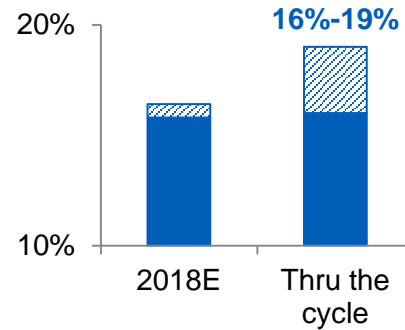
Motion control
Secondary flight controls

Vehicle is a leading supplier of powertrain and engine air management products

2017 End Market Mix



Operating Margin



What We Like

- Need for better fuel economy and emission regulations driving long-term growth
- Industry leader in valves and advanced valve actuation – expect market growth over next 10 years
- Newly formed Eaton-Cummins JV provides increased access to global markets for automated transmissions
- Established relationships with all global OEMs with local manufacturing and customer support
- Long-term investments in manufacturing footprint drive best-in-class scale and cost competitiveness
- Uniquely positioned to be a global leader in growing electric vehicle market



Clutches and transmissions

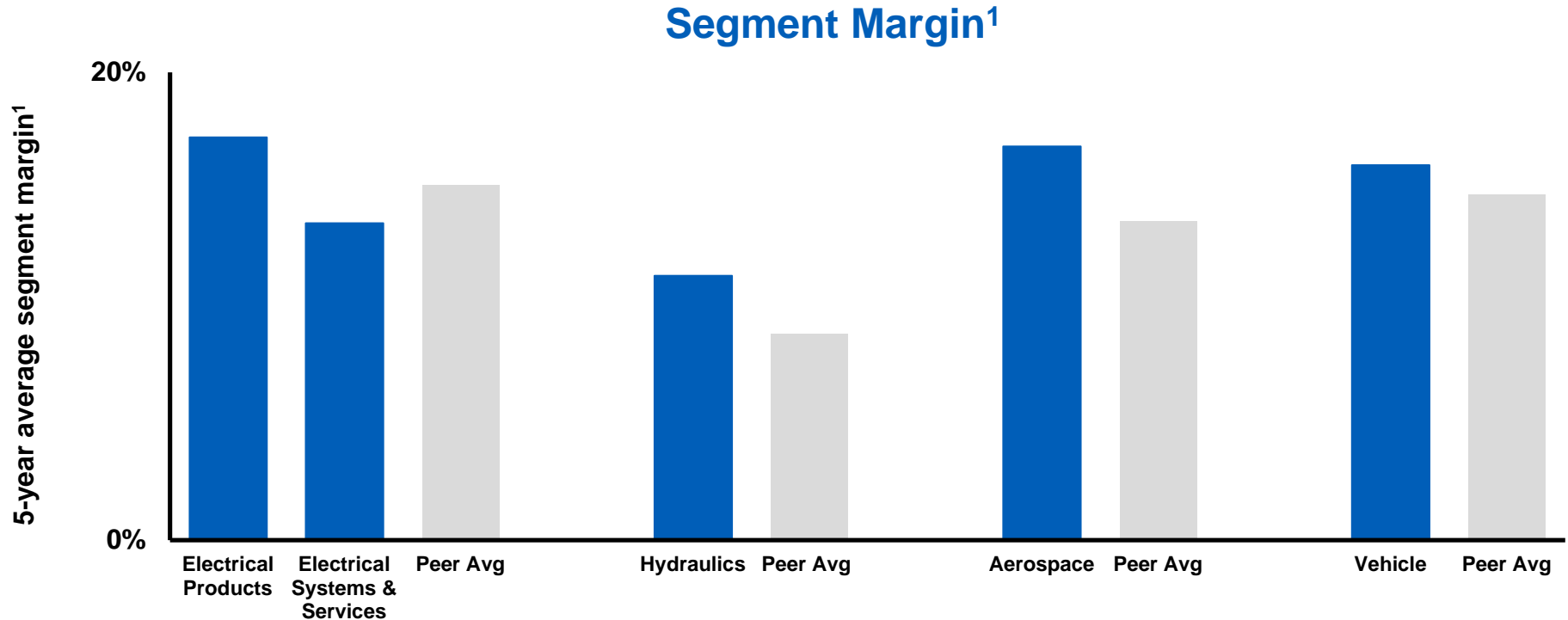


Valve actuation



Torque controls

Our businesses perform well compared to peers



Electrical Peers: ABB, EMR, HUBB, LR, ROK, SU, Siemens-Industrial; Hydraulics Peers: Bosch-Industrial Technologies, Danfoss-Power Solutions, Moog-Industrial Systems, Parker Hannifin-Diversified Industrial; Aerospace Peers: Moog-Aircraft Controls, Parker Hannifin-Aerospace Systems, Woodward-Aerospace; Vehicle Peers: ALSN, AXL, BWA, CMI

Source: Capital IQ, Eaton analysis, CY '13 thru CY '17

¹Eaton segment margins exclude acquisition integration charges

And we will continue to evaluate them against the criteria that we have established

Ability to lead in large global markets ➤ Addressable market >\$2B

Above average growth potential ➤ Long-term growth > real GDP

High margin potential ➤ Segment operating margin in mid- to high-teens

High returns ➤ Return on tangible assets mid-twenties or above

Consistent profitability ➤ Minimum of low-teens margin at the trough

We like our mix of businesses and are driving significant improvement

Agenda

- Building on our heritage
- Eaton today
- Our strategy and future
- How we execute as One Eaton

At Eaton, we make what matters work*



*Our vision

To improve the quality of life and the environment through the use of power management technologies and services.



By making power safe, reliable, and more efficient

While doing so, we seek to make a positive impact on stakeholders...



***Delight our
customers***



***Develop and engage
our employees***

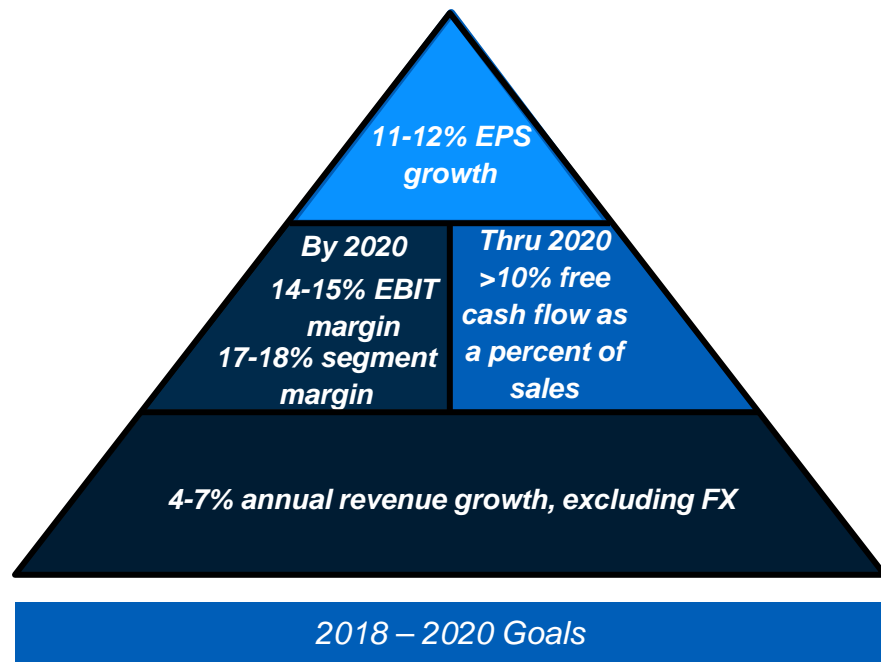


***Support our
communities***

...while delivering superior returns to shareholders



We're on track to achieving our 2020 financial goals



2018 – 2020 goals

- ~3-4% organic revenue growth
- ~1-3% acquisition revenue growth
- ~170 bps segment margin expansion
 - ~80 bps in 2018E at the mid-point
 - ~90 bps from 2019-20
- ~210 bps EBIT margin expansion
- 10%+ free cash flow as a percent of sales
- ~\$8B free cash flow

Note: EPS, margin, and cash flow metrics exclude acquisition integration charges, 2017 gain on Eaton-Cummins JV formation, and 2017 impact of U.S. Tax Reform

But financial goals are not enough, we aspire to have a broader impact on society



- *Be the preferred supplier to customers and channel partners*



- *Make work exciting, engaging and meaningful for our employees*



- *Ensure the safety, health and wellness of our employees*



- *Be a model of inclusion and diversity in our industry*



- *Make our communities stronger*



- *Be active stewards of the environment*

And we are making solid progress toward these goals

Our corporate strategy is working



Strategic Growth Initiatives – Develop technology leadership (*safe, reliable, efficient, connected, and intelligent*), convert on our channel and service strength, deliver superior value



Expand Margins – Accelerate our operational excellence, implement multi-year productivity plans, focus on outliers (*fix the tail, grow the head*)



Disciplined Capital Allocation – Invest to win, consistently return cash to shareholders (*dividends, share buybacks*), criteria-based product and business evaluation

Our growth is supported by secular growth trends



Global demographics – Greater urbanization and growing middle classes require increased infrastructure and investment for housing, work space, food, electricity, and transport



Environmental concerns and increased regulation – Climate change, air and water quality, and waste disposal necessitate more innovation and less reliance on fossil fuels



Increased demand for superior value solutions – Increasingly, customers are turning to alternatives providing superior value

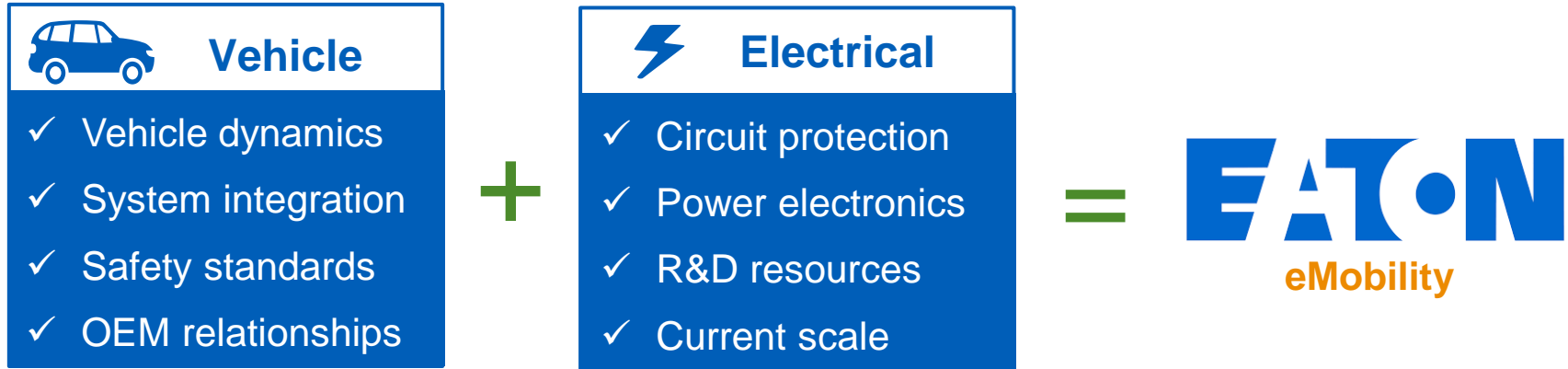


Intelligent products and connectivity – Value creation to be driven by the interconnectivity of products and systems and new business models



Energy efficiency – Highly influenced by environmental factors, energy efficiency and increased electrification will continue to be major drivers of growth

Our planned eMobility segment is at the intersection of secular trends and our capabilities



Positioned to win in a new \$33 billion market

And we have increased focus on organic growth...



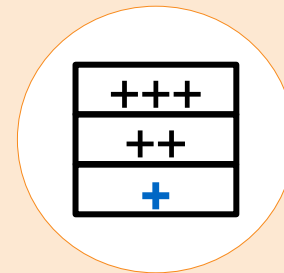
Technology leadership

- Industry-leading high pressure fuel pump for aerospace
- Leveraging existing vehicle technologies for new applications
- IoT investments delivering results in data centers and factories



Channel conversion

- Investments in Hydraulics APAC channel is delivering results
- Partnering in China to gain market access
- Software as a Service (SaaS) for data centers



Superior value

- Two-tiered hydraulic hose offering expands addressable market
- Expanded localized electrical components in China from 30% to 70%
- Two-tiered suite of hydraulic motors provides different capabilities targeted at varied applications

...while running the business better

Operational excellence



- 50% increase in world-class plants in 2017
- Over 400 employees achieved higher Six Sigma Belt certification
- As Operating Assessment results improved, a Mexican plant's manufacturing margins improved by >20 percentage points

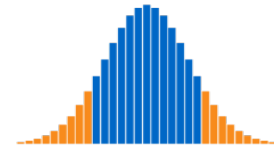


Productivity plans



- Digital factory solution driving savings in our factories
- Completed 3-year restructuring program with \$518M of mature year savings
- ~8% increase in employees in BCCs

Focus on outliers



- Leveraging Engine Air Management expertise to penetrate new markets
- Improved a transformer's margin by 500 bps through pricing, product development, and manufacturing changes
- 7,000+ SKU reduction in Hydraulics

And we remain disciplined in allocating capital

- 1 *Reinvest in the business to drive organic growth*
- 2 *Return cash to shareholders with a growing dividend*
- 3 *Repurchase shares of 1% - 2% of market cap annually*
- 4 *Pursue strategic acquisitions while maintaining price discipline*



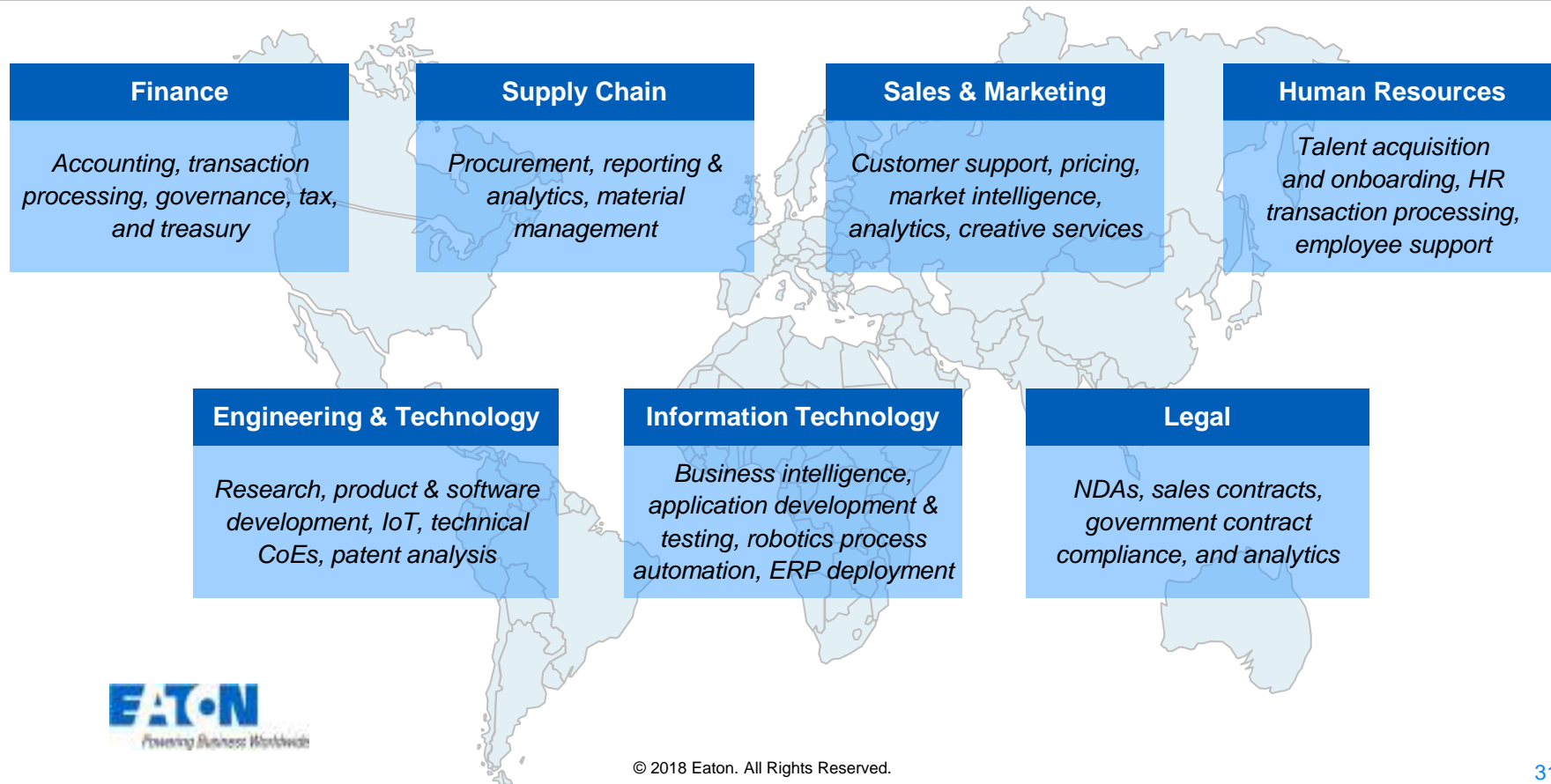
Agenda

- Building on our heritage
- Eaton today
- Our strategy and future
- How we execute as One Eaton

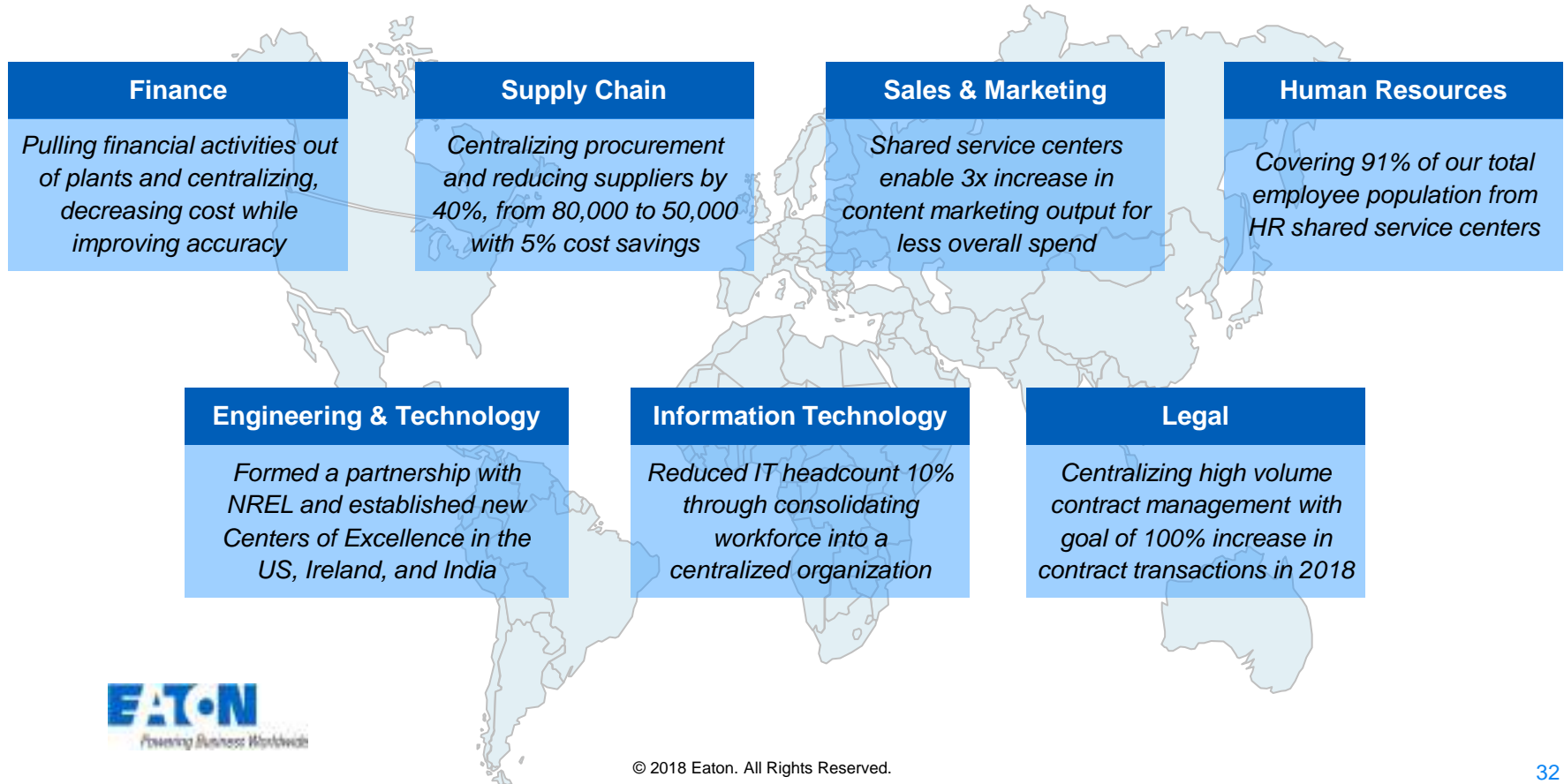
EBS is the foundation of our execution strategy and how we achieve scale benefits



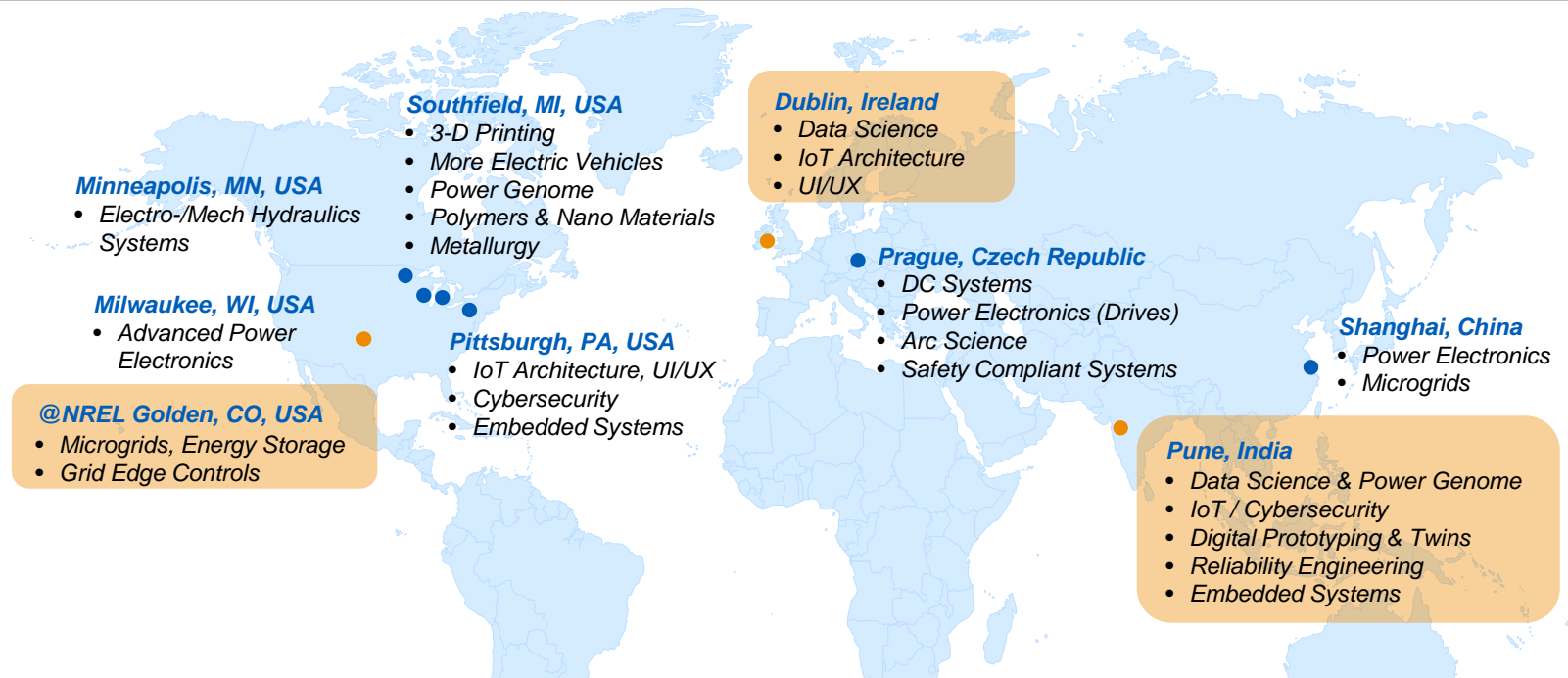
Scale has enabled us to optimize our support functions across our global network of shared service centers...



...and we continue to find opportunity to drive efficiency



Our network of global innovation centers gives all businesses access to cutting-edge technology



Creating a more efficient and effective team from innovation thru execution



We have a consistent formula for how we create value and deliver superior returns to shareholders

Aspirational Goals

Our customers' and channel partners' preferred choice

An engaged workforce doing meaningful work

A diverse and inclusive organization

A safe and healthy work environment

Supporting our communities

Active stewards of the environment

Leadership Expectations

Leaders must be ethical, passionate, accountable, efficient, transparent, learners...make good decisions

EBS Processes

Standard set of processes thru which we run the company...teachable point of view and a continuous learning mindset

Leverage Scale

Leverage scale by centralizing common needs...driving efficiency across the organization

Accelerate Growth

Accelerating growth thru focused efforts on technology, channel and service, superior value...the right to win

Margin Expansion

Driving productivity improvements, optimizing manufacturing and support costs...managing the outliers in our businesses

Capital Deployment

Investing in organic growth, returning cash to shareholders, acquisitions that strengthen the portfolio...maintaining a disciplined approach



Execution of our strategy will help grow EPS by 11% to 12% through 2020

EPS growth drivers (CAGR)

Contribution to EPS growth:	2018 - 2020	Comments
Organic growth	4 points	Markets are accelerating
Restructuring and OpEx	4 points	Restructuring program proceeding as planned
Share repurchases	2 points	On track for \$3B of repurchases from 2015-2018
Acquisitions	1 - 2 points	Expect activity to pick up in 2018
Total	11% - 12%	On track

Key takeaways for today...

- Our culture, willingness to change, and focus on customers have led to superior performance over our long history
- Today's Eaton is made of five leading franchises...which are stronger together
- We laid out our five-year financial goals in 2015, and we're on track to deliver
- 2017 was another year of solid progress, and we have good momentum heading into 2018
- We are generating significant cash flow and have increased cash optionality
- Our strategy is working; we're investing for organic growth, delivering solid margin improvements, and effectively redeploying capital
- We're making big investments in areas that have secular growth, where we have strategic advantages that will allow us to win
 - *intelligent and connected devices, electrification in vehicle and mobile markets*
 - *customer productivity, new products/new partnerships, expanding in emerging markets*





Powering Business Worldwide

2018 guidance and financial overview

Rick Fearon, Chief Financial and Planning Officer
March 2, 2018

Key takeaways for today

- Organic revenue growth is accelerating
 - *2017 was a transition year, as our markets broadly returned to growth*
 - *We expect organic revenues will grow 4% in 2018*
- We are aggressively reducing our cost structure
 - *Completed our 2015 - 2017 restructuring program*
 - *Segment margins in 2018 are forecasted to expand by 80 bps*
 - *We are offsetting commodity cost increases over time*
 - *Leveraging the power of One Eaton to gain efficiency in our global shared service centers*
- We are closely managing our tax and pension expenses
 - *\$62M gain in Q4 as a result of new U.S. tax law*
 - *2018 effective tax rate estimated to be 13% - 15%, and long-term rate stabilized at 14% - 16%*
 - *U.S. qualified pension plan funded at ~95%*
- We continue to generate record amounts of cash
 - *Driven by strong margins and tight working capital management*
 - *Cash conversion solidly above 100%*
 - *Adjusted cash EPS of \$5.42 in 2017, \$0.77 greater than Adjusted EPS excluding one-time items*
- Our consistently strong cash flow allows us to soften economic downturns through continued share repurchases
- We are using our cash flow to invest in growth, while expecting to return 5% - 6% of our market cap to shareholders through dividends and repurchases in 2018

2017 was a solid year

Beat initial expectations

- Net income and adjusted earnings per share of \$6.68
- Adjusted EPS excluding \$2.03 of one-time items¹ was \$4.65
 - \$0.20 above original midpoint of guidance
 - Up 10% over 2016
- Driven by improving markets, execution of strategic initiatives, and restructuring benefits

Record segment operating margins

- Record total segment margins of 15.8%
- 100+ bps margin expansion in Electrical Systems & Services, Hydraulics, and Vehicle

Record cash flow

- Record operating cash flow of \$2.7B, including \$350M pension contribution in the year
- Cash conversion² of 120%

Pension funding

- Contributed \$350M to U.S. qualified pension plan
- U.S. qualified pension plan ~95% funded, driving lower pension expense

Strategic partnership

- Closed Eaton Cummins Automated Transmission Technologies JV, generating \$600M in cash



¹One-time items include gain on Eaton-Cummins JV formation and impact of U.S. tax reform

²Cash conversion = Free cash flow adjusted for \$350M U.S. qualified pension contribution divided by net income adjusted for gain from Eaton-Cummins JV formation and impact of U.S. tax reform

2018 market outlook



US	2018 growth	% of total*
GDP	2.7%	23%
Mfg. IP	2.4%	17%



Brazil	2018 growth	% of total*
GDP	1.9%	3%
Mfg. IP	3.3%	2%

Global	2018 growth
GDP	3.1%
Mfg. IP	3.2%



India	2018 growth	% of total*
GDP	6.7%	3%
Mfg. IP	3.8%	3%

Europe (EU 28)	2018 growth	% of total*
GDP	2.3%	26%
Mfg. IP	3.6%	19%



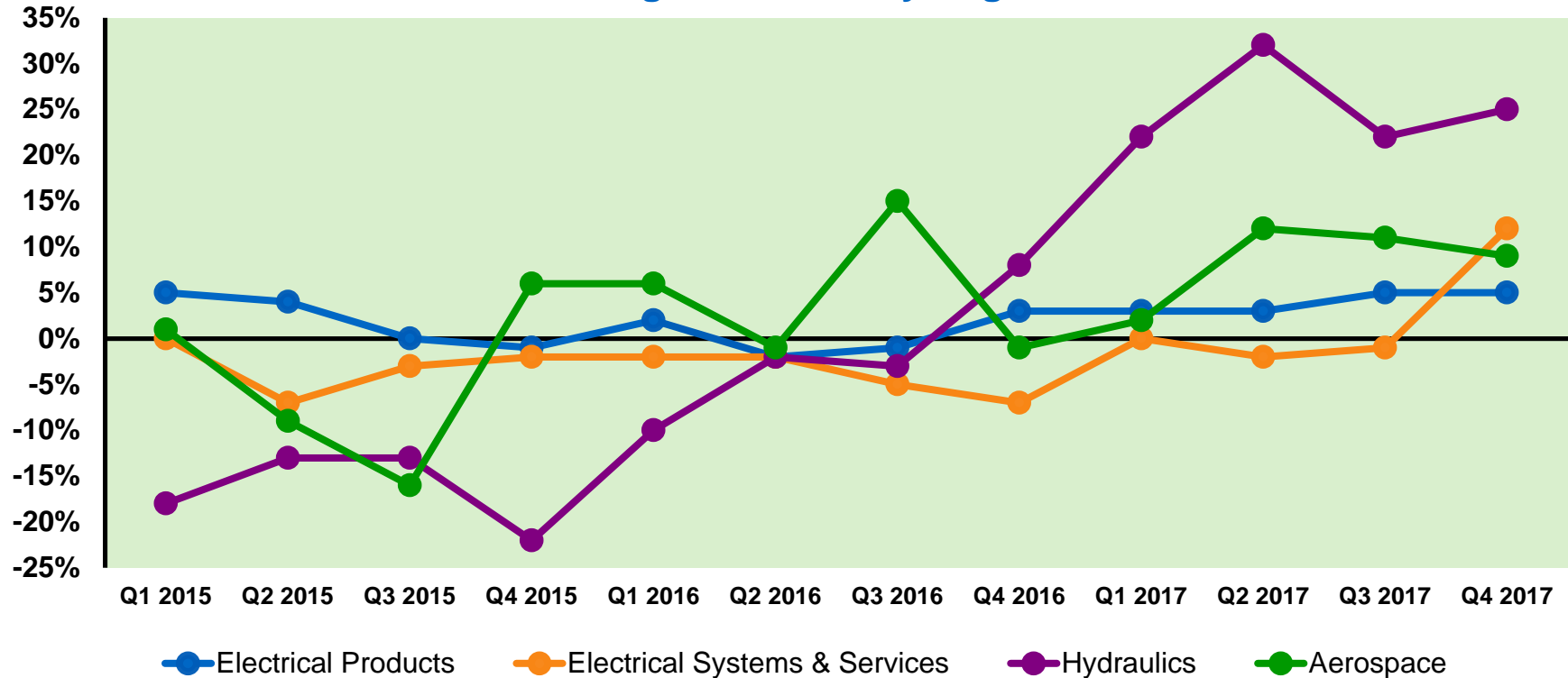
China	2018 growth	% of total*
GDP	6.5%	13%
Mfg. IP	4.6%	25%

2018 organic growth is expected to be ~4%

Segment	2018 organic revenue growth	Key market drivers
Electrical Products	~3%	<ul style="list-style-type: none"> ++ Industrial markets and large commercial applications up mid-single digits + Small commercial applications show modest growth + Single-phase power quality to grow low-single digits - Lighting flat to down slightly
Electrical Systems and Services	~4%	<ul style="list-style-type: none"> ++ Power distribution assemblies in the Americas show strong growth ++ Harsh and hazardous markets grow mid-single digits + 3-phase UPS to grow low- to mid-single digits + Utilities markets up low-single digits
Hydraulics	~10%	<ul style="list-style-type: none"> ++ Mobile equipment markets showing continued strength globally
Aerospace	~3%	<ul style="list-style-type: none"> ++ Commercial OEM markets showing continued growth ++ Commercial aftermarket growth continues at solid pace + Military OEM markets to grow modestly
Vehicle	~1%	<ul style="list-style-type: none"> ++ NAFTA class 8 truck market up to 290k units in 2018 ++ Growth in Brazil truck markets + Global light vehicle market up modestly
Eaton	~4%	

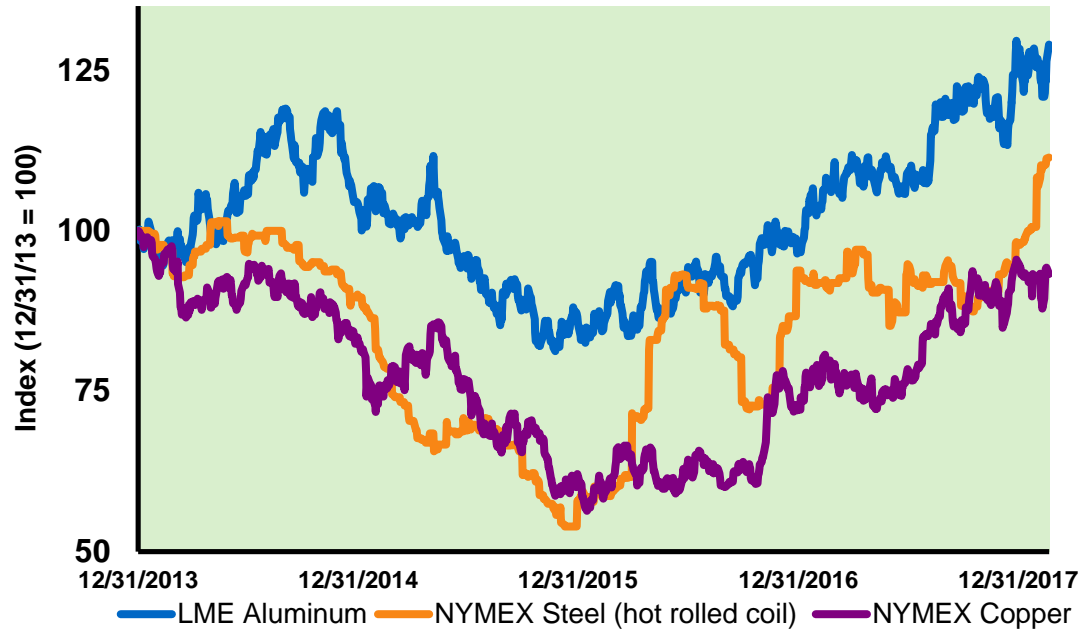
Orders are trending up in all segments

YoY Change in Orders by Segment¹



¹Vehicle segment orders not reported

We expect to offset rising commodity prices...



- In 2018, we expect prices to rise less and be less volatile than in 2017
- We have programs in place to offset price increases
- New FASB hedge rules allowing for economic hedging should reduce volatility

...however Section 232 restrictions on imports of steel and aluminum would adversely impact Eaton

- It appears that the administration intends to put in place tariffs of 25% on steel and 10% on aluminum under Section 232
 - We anticipate such tariffs would create incremental costs for us from imports of ~\$50M
 - There could be additional costs if domestic producers increase prices
- We would expect to offset any incremental costs through commercial actions

We have made structural changes that position us for long-term cost competitiveness

Total restructuring program

- 3-year program 2015 – 2017
- \$456M total costs
- **\$518M total mature year benefit**

Plant consolidation

- 21 manufacturing locations consolidated
- Consolidations distributed among all segments
 - Electrical Sector = 12
 - Industrial Sector = 9

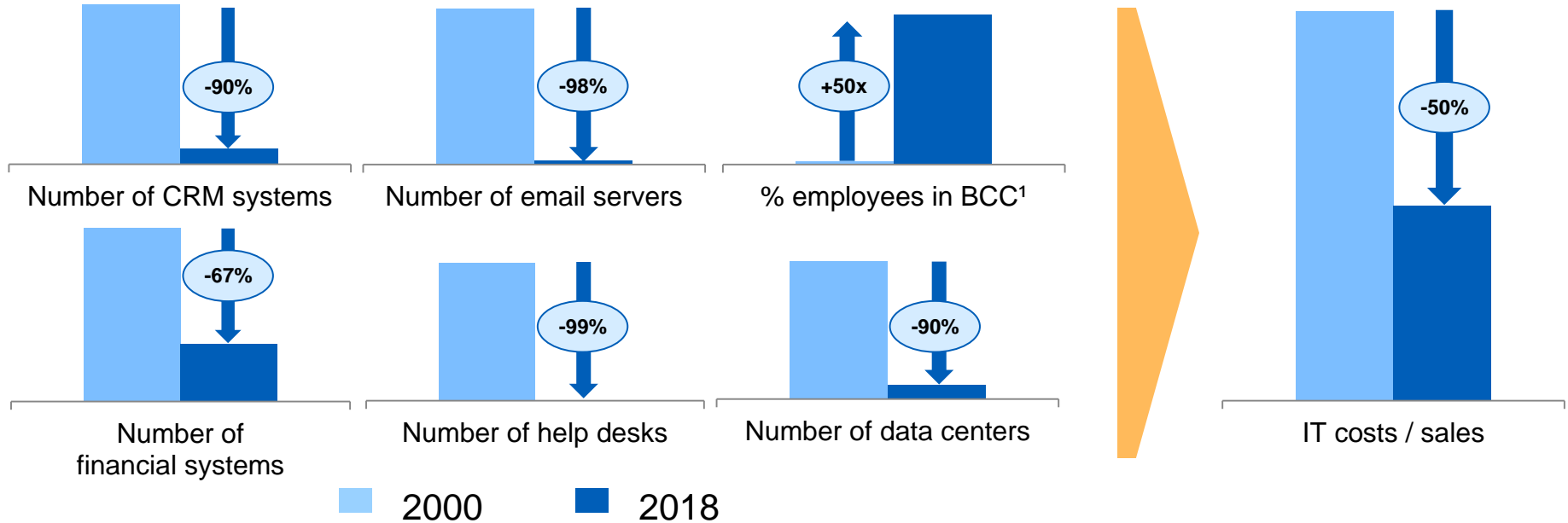
Headcount reduction

- Approximately 6,000 employees reduced
- Reductions primarily in high cost countries
- Structural changes eliminated 4% of corporate headcount

Emerging market localization

- Expanded production in 8 best cost countries
- Added more than 800,000 square feet to emerging market footprint
- Opened 3 new facilities in Mexico and the Philippines

Functionalizing IT has yielded significant scale benefits, which has notably reduced costs



Simplify

Standardize

Virtualize

Automate

Functionalize

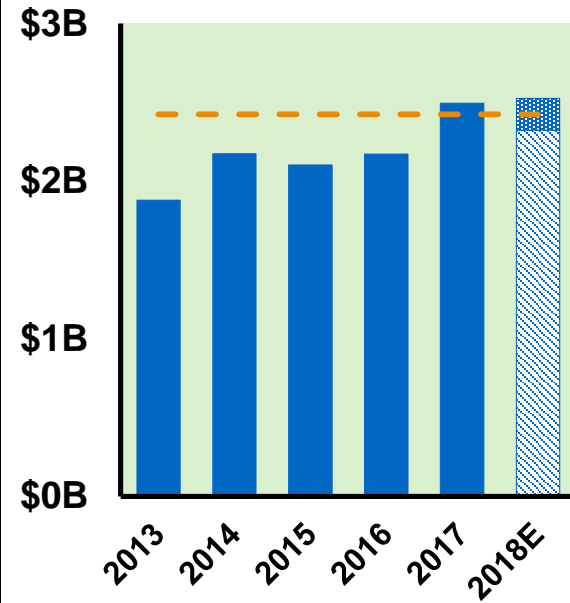
¹BCC – best cost countries

Segment margins are expected to continue to expand

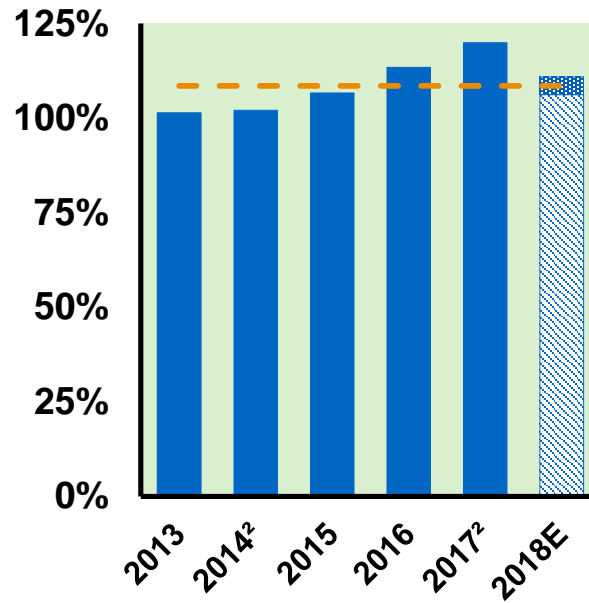
Segment	2016 segment margin ¹	2017 segment margin ¹	2018E segment margin	Margin improvement by 2020
Electrical Products	17.9%	17.9%	18.7% - 19.3%	+
Electrical Systems & Services	12.6%	13.6%	13.8% - 14.4%	++
Hydraulics	8.9%	11.7%	14.2% - 14.8%	+++
Aerospace	19.1%	19.0%	19.0% - 19.6%	+
Vehicle	15.0%	16.1%	15.8% - 16.4%	+
Total Eaton	15.0%	15.8%	16.3% - 16.9%	++

For 2018, we expect strong free cash flow, cash conversion above 100%, and FCF margin above 11%

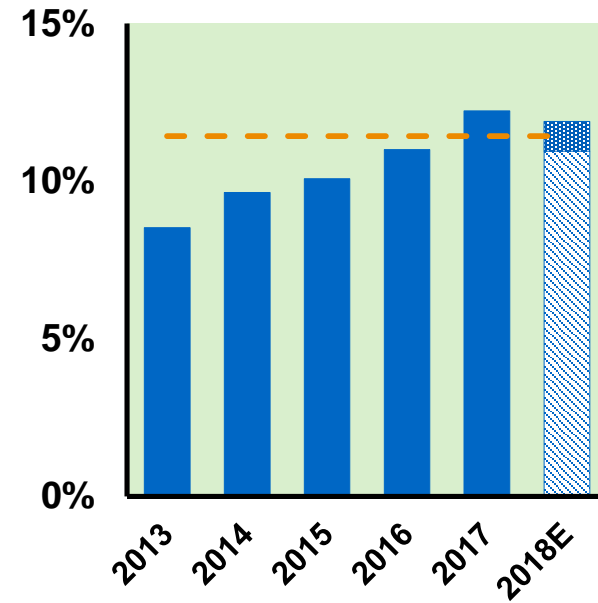
Adj. free cash flow¹



Adj. free cash flow¹ as a % of adj. net income



Adj. free cash flow¹ as a % of sales



2018 guidance range



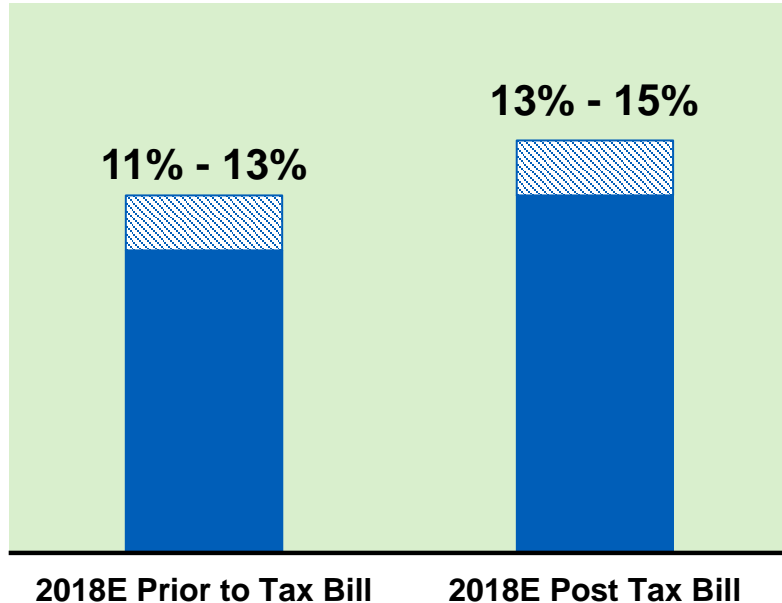
Midpoint of 2018 guidance

¹ Adj. free cash flow excludes U.S. qualified pension contributions and certain 2014 legal settlements

² Net income adjusted for 2017 gain on Cummins JV, 2017 impact of U.S. tax reform, certain 2014 legal settlements, and 2014 gain on Aerospace divestitures

Our tax rate for 2018 is forecast to be between 13% and 15%

Effective Tax Rate



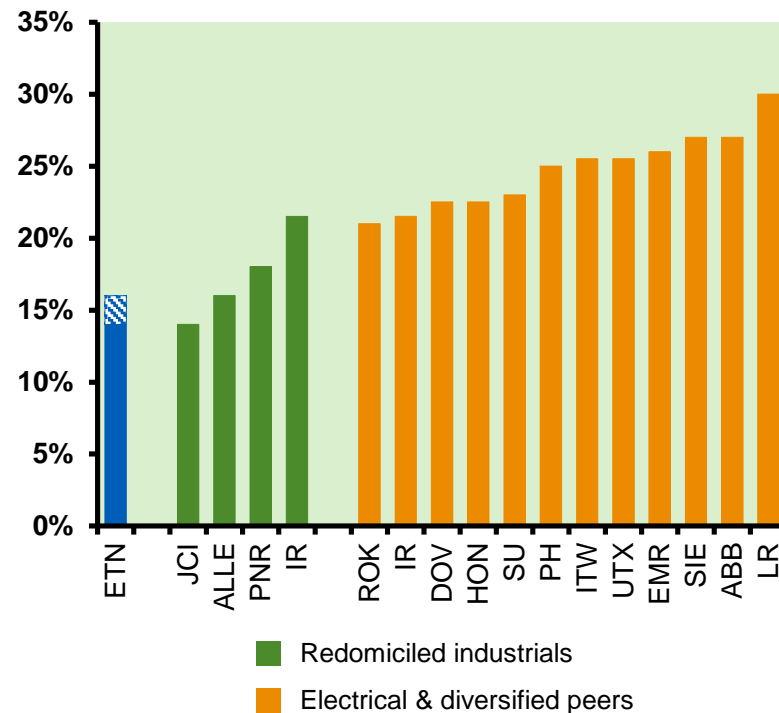
Key tax considerations

- U.S. tax reform resulted in \$62M of income in Q4
 - \$79M of income as a result of marking our deferred tax assets and liabilities to the lower tax rate
 - (\$17M) charge from mandatory repatriation tax
- We expect a 2018 effective tax rate between 13% - 15%, an increase of 2 percentage points over our prior estimate of 11% - 13% before the impact of U.S. tax reform

We expect our long term tax rate to stabilize between 14% - 16%

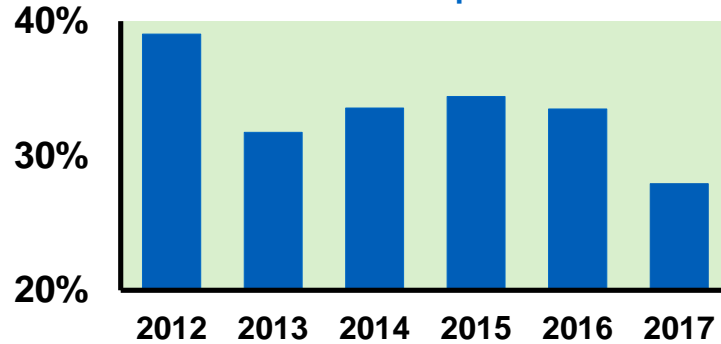
- The Tax Cuts and Jobs Act was a wholesale reset of the U.S. tax system
- With TCJA being adopted, almost all uncertainties about the direction of U.S. tax reform are now settled
- We expect our tax rate to stay in the range of 14% - 16% post 2018

Peer Tax Rate Guidance for 2018
(midpoint where range provided)

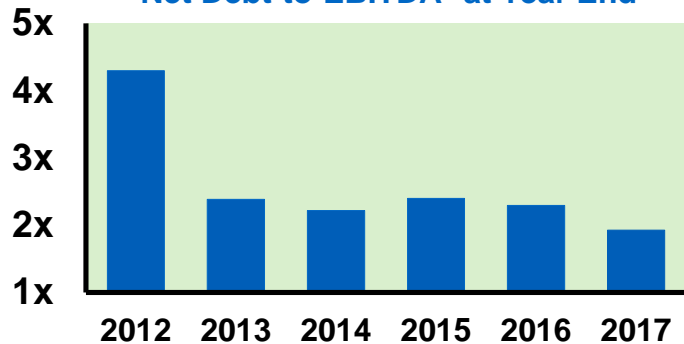


Our balance sheet is strong

Net Debt-to-Total Capital at Year End



Net Debt-to-EBITDA¹ at Year End



- Refinanced \$1B of debt which matured in November 2017
 - \$700M 10 year bond at 3.1%
 - \$300M 30 year bond at 3.9%
- Modest 2018 - 2020 maturities
 - Total 2018 maturities of \$578M, with \$450M in Q2, providing us refinancing flexibility
 - \$340M in 2019
 - \$241M in 2020

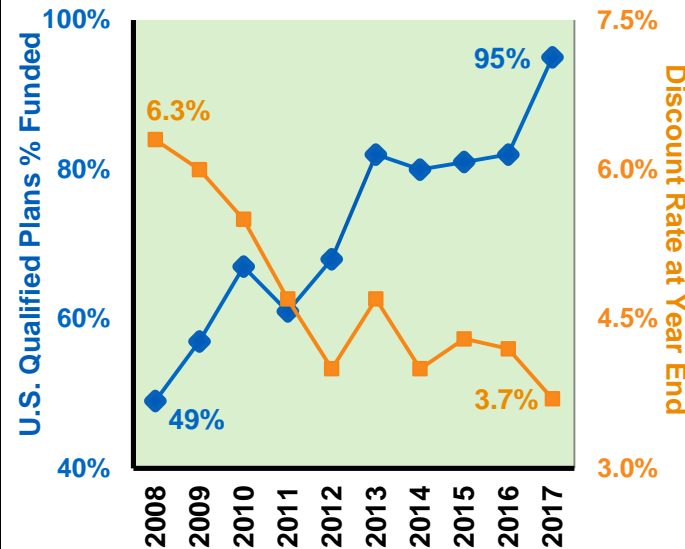


¹Excludes acquisition integration charges, certain 2014 legal settlements, 2014 gain on Aerospace divestitures, and 2017 gain on Cummins JV

Our U.S. qualified pension plan is almost fully funded, driving lower pension expense

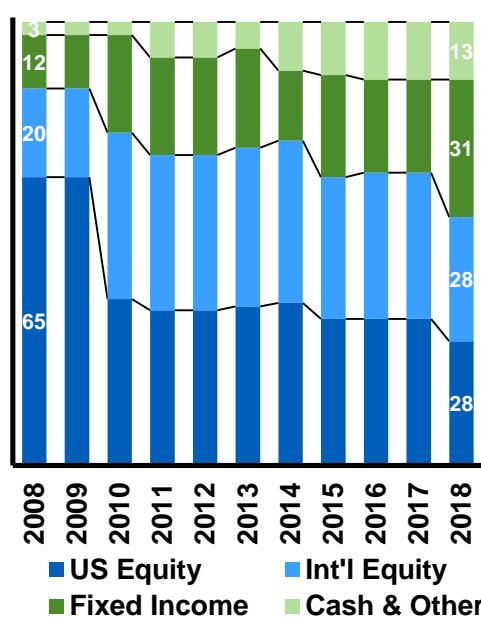
Funded Status

U.S. Qualified Plans



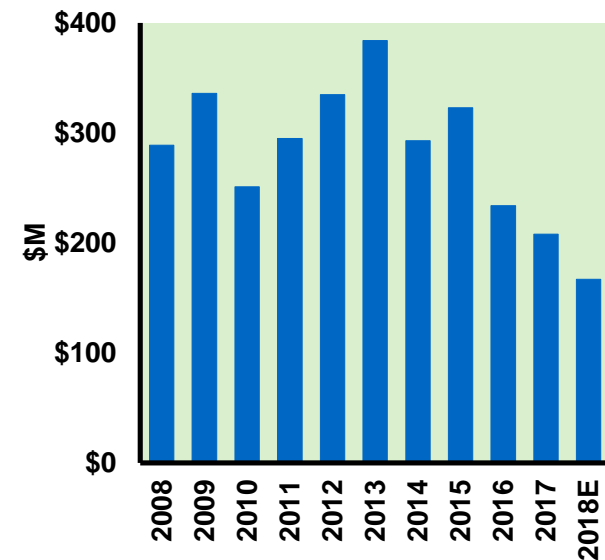
Pension Allocation

U.S. Qualified Plans



Pension Expense

U.S. & International Plans



Since 2008, we have contributed \$2.2B to U.S. qualified pension plans

Our capital allocation strategy is focused on growth and returning capital to shareholders

1

Reinvest in the business to drive organic growth

Capital expenditures plus R&D > 5.5% of sales since 2010

2

Return cash to shareholders with a growing dividend

Over the last 10 years, dividend CAGR of 11%

3

Repurchase shares equal to 1% - 2% of our market capitalization

In 2018, completing last year of our 2015 – 2018 \$3B repurchase program

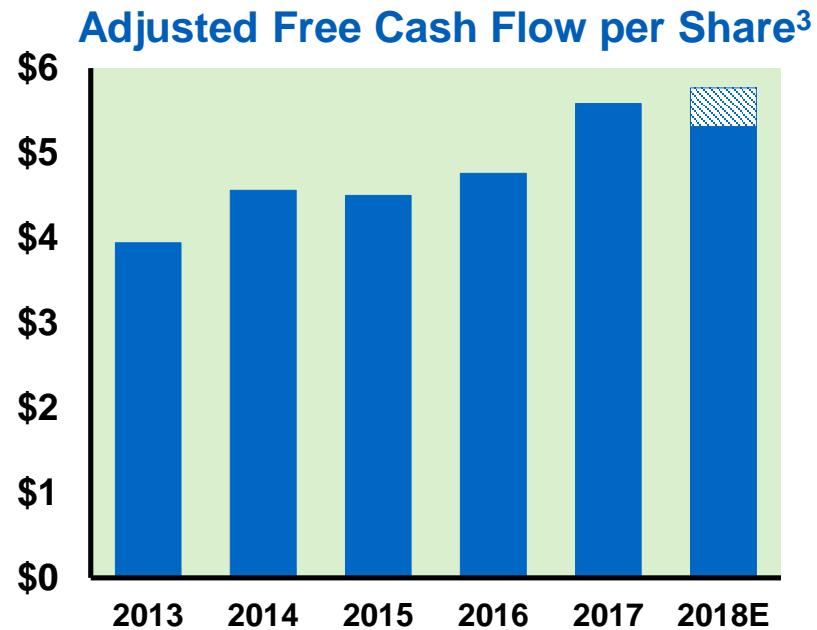
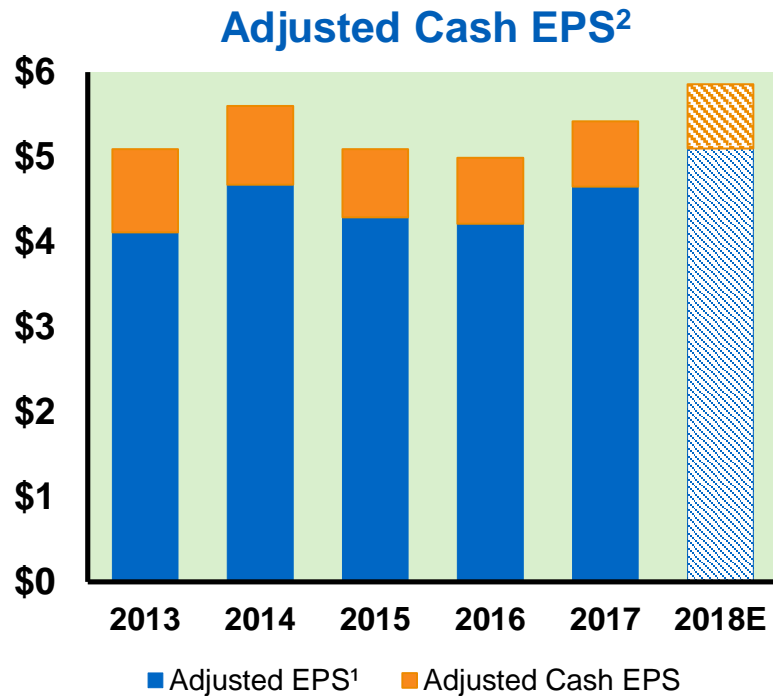
4

Pursue acquisitions

Increased focus on acquisitions, while retaining our discipline

We expect ~\$8B of FCF through 2020, average FCF conversion of >100%, and cash available post dividends of ~\$4.5B

On a per share basis, we generate strong and growing cash flow



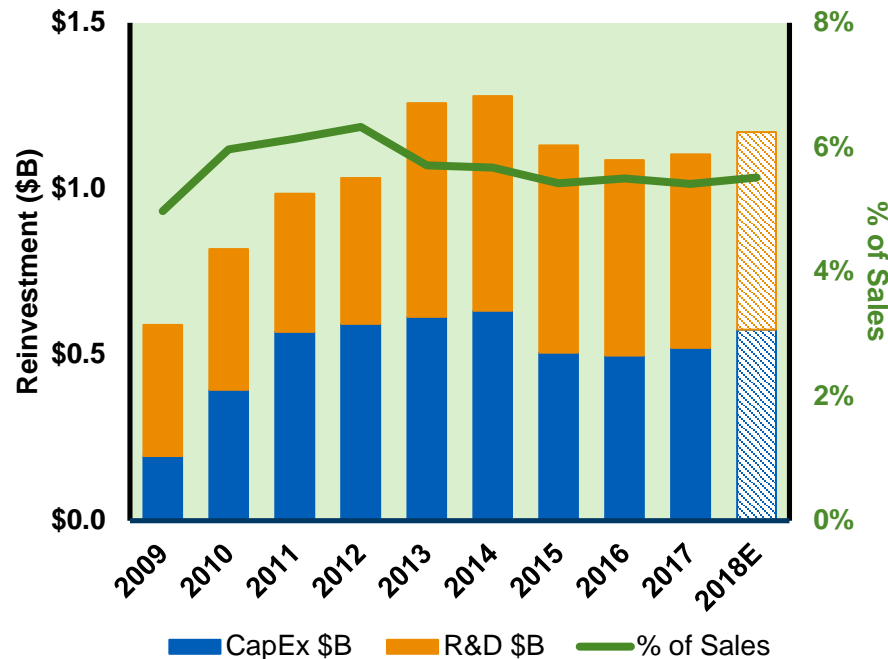
¹ Adjusted EPS excludes 2017 gain on Cummins JV, 2017 impact of U.S. tax reform, certain 2014 legal settlements, and 2014 gain from Aerospace divestitures

² Adjusted Cash EPS is Adjusted EPS plus per share after-tax corporate amortization and inventory step-up

³ Adjusted free cash flow per share is free cash flow plus U.S. qualified pension contribution per share and excludes certain 2014 legal settlements

We will have invested over \$10B in capex and R&D in the ten years through 2018

Annual Capex + R&D Reinvestment



- Reinvestment has been between \$1.1B and \$1.3B annually since the acquisition of Cooper
- Expect to reinvest 5.5% - 6% of sales going forward
 - ~3% in R&D
 - ~2.5% – 3% in CapEx

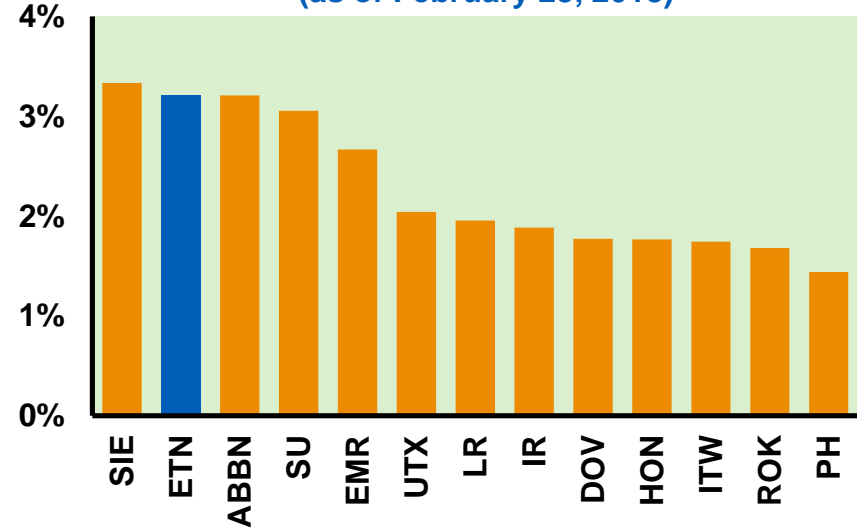
Our dividend has grown rapidly

Dividend per Share
(2009 – 2018E)



**11% dividend per share CAGR,
2009 - 2018E**

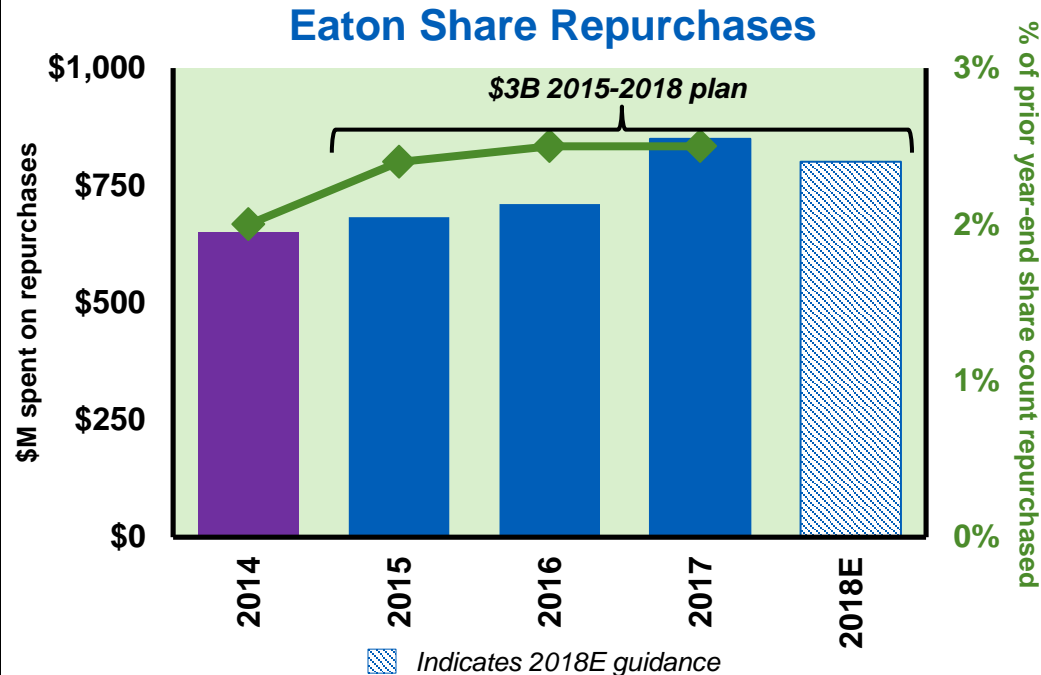
Dividend Yield
(as of February 23, 2018)



**3.2% dividend yield,
top quartile among peers**

For U.S. residents, our dividend over the medium term is expected to be treated as return of capital

We are approaching the completion of our multi-year repurchase program

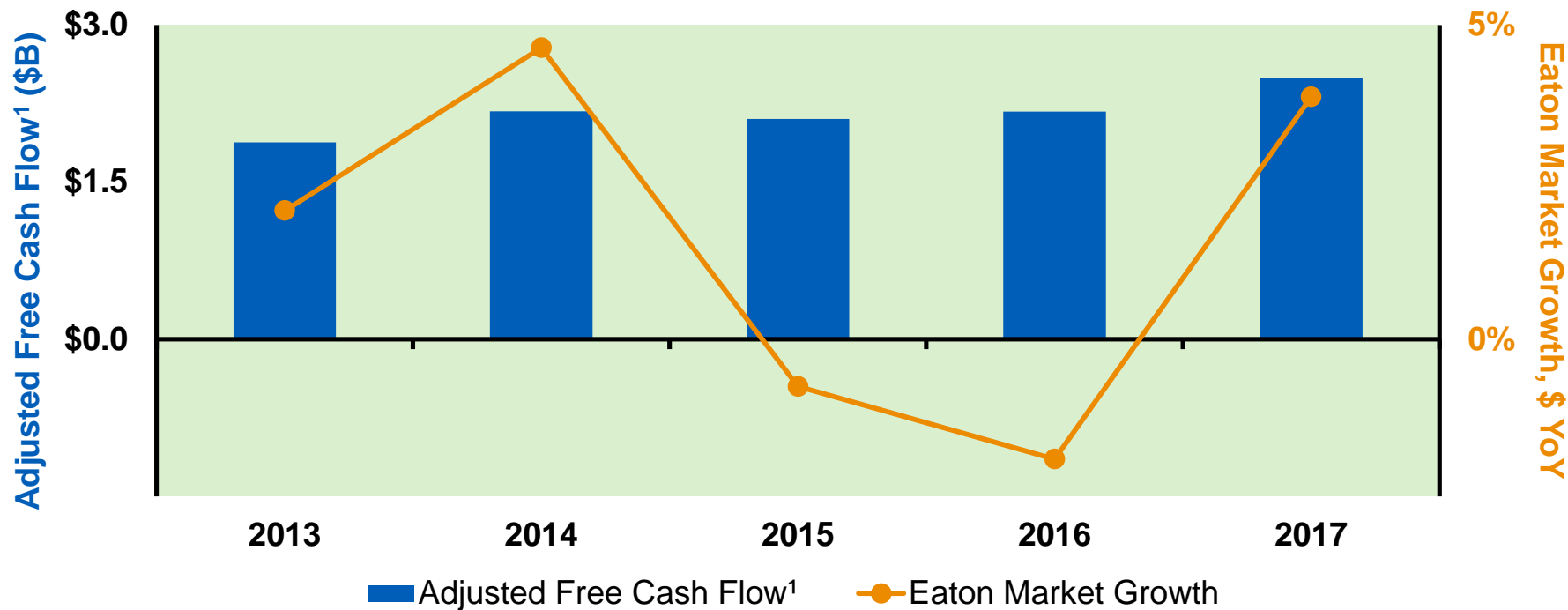


- \$2.3B of the \$3.0B 2015 – 2018 plan has been repurchased
- On track for successful 2018 program completion
- Post 2018, anticipate continuing repurchases of 1% - 2% per year
 - \$350M - \$700M per year



We have repurchased 9% of shares since 2014

Our steady cash flow gives us the ability to maintain share repurchases during market declines



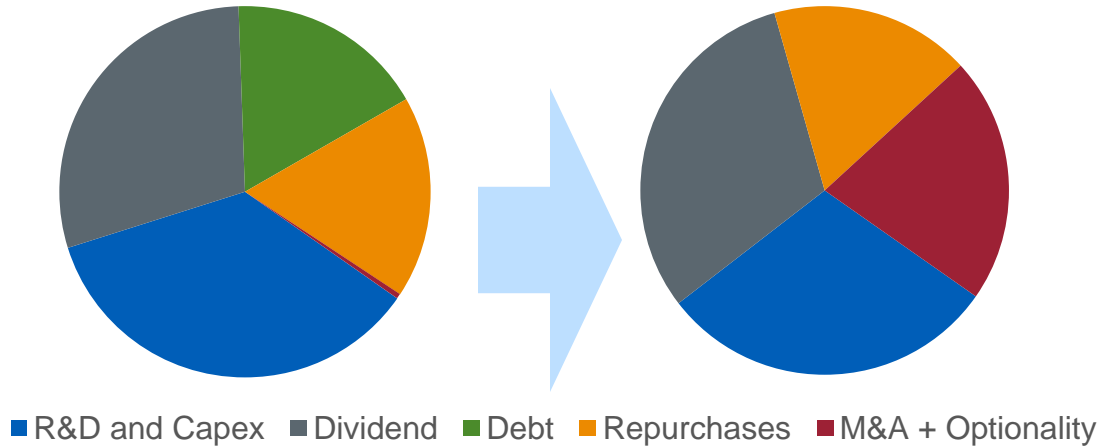
¹ Adjusted free cash flow is free cash flow plus US qualified pension contribution per share and excludes certain 2014 legal settlements

We are targeting an increase in M&A spend

Use of Cash

2013 – 2017

2018E – 2020E



- Remaining cash optionality focused on acquisitions which advance our strategy
- Dividend policy remains unchanged

We expect to have ~\$4.5B available for repurchases and M&A between 2018 - 2020

We have a disciplined M&A process and a clear set of target criteria for evaluating future acquisitions

Areas of focus

- Electrical
- Aerospace
- eMobility
- Core technologies
- Geographic expansion
- Product gaps
- Channel coverage and service

Qualitative criteria

- Leadership in a key strategic market or region
- Attractive opportunities for growth and profitability
- Proprietary content in products and services
- Aligned with secular growth drivers

Financial criteria

- Target minimum returns of at least 300 bps above cost of capital
- Earnings accretive after 2 years
- Ability to drive sustainable top and bottom line synergies

We have completed 67 acquisitions since 2000 utilizing a disciplined evaluation and execution process

2018 financial guidance summary

2018 full year outlook	
\$5.00 - \$5.20 adjusted EPS / net income per share	10% growth at midpoint ¹
Organic Revenue Growth	4%
Revenue impact from JVs	\$(150)M
Forex	\$150M
Segment Operating Margins	16.3% - 16.9%
Corporate Expenses (interest, pension, other corporate)	Flat with 2017 levels
Tax Rate	13% - 15%
Operating Cash Flow	\$2.9B - \$3.1B
Free Cash Flow	\$2.3B - \$2.5B
Capex	\$575M
Share Repurchases	~\$800M
Restructuring Costs	\$90M

¹ Excluding \$1.89 gain from formation of Cummins JV and \$0.14 from U.S. tax reform, both in 2017



Powering Business Worldwide