



# Improving Settlement efficiency at EATON through Global Netting

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# Eaton Global Netting

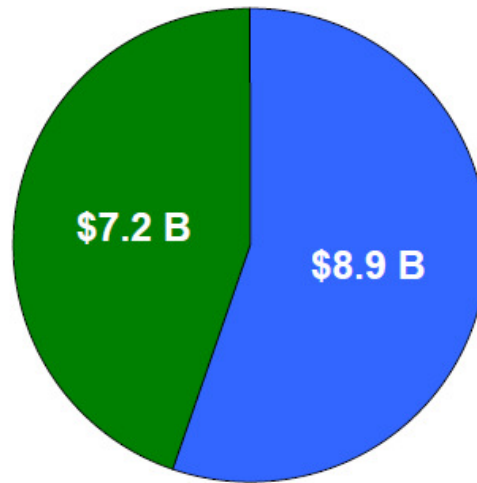
## Eaton Group

2011 Sales by Sector

**Electrical Sector**

**Electrical Americas**

**Electrical Rest of World**



**Industrial Sector**

**Aerospace**

**Hydraulics**

**Vehicle**



# Eaton Global Netting

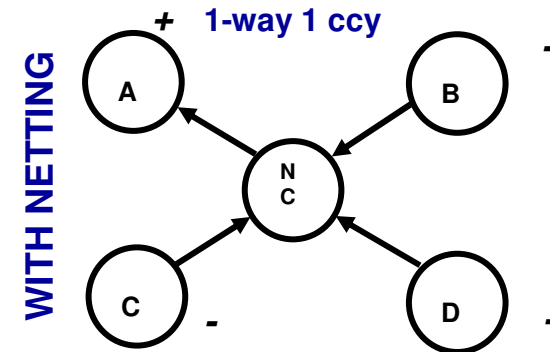
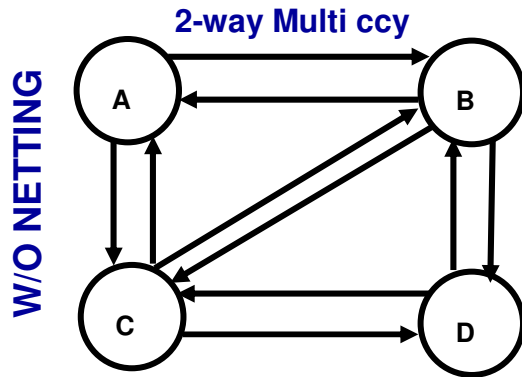
## Current Netting Platform

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- Coprocess client since more than 10 years
- Upgraded Netting Platform implemented in May 2011:
  - New functionalities
    - Capacity to switch to receivables based setup
    - Flexible reporting distribution & functionalities
    - Simplified setup management
  - ASP setup also enables
    - Optimized interaction between Eaton and Coprocess teams
    - Platform always up-to-date (upgrades & fixes)

# Eaton Global Netting

## Current Setup



### CURRENT PROCESS

- Payables-based via Coprocess Netweb
  - Each Unit states payable amount per month and to whom
- Netting Centre works out preliminary position and reports this to the units
  - Netting Centre nets foreign exchange (FX), manages position
  - Final position reported and settlement occurs on fixed day

### Payables-based Netting

#### PROS

- Undisputed invoices
- Payments match the declared intercompany invoices

#### CONS

- Non-declared intercompany invoices
- Less motivation to participate

vs.

### Receivables-based Netting

#### PROS

- Higher motivation to participate
- All intercompany invoices are in the system

#### CONS

- Volume of disputes
- Payments differ from declared invoices

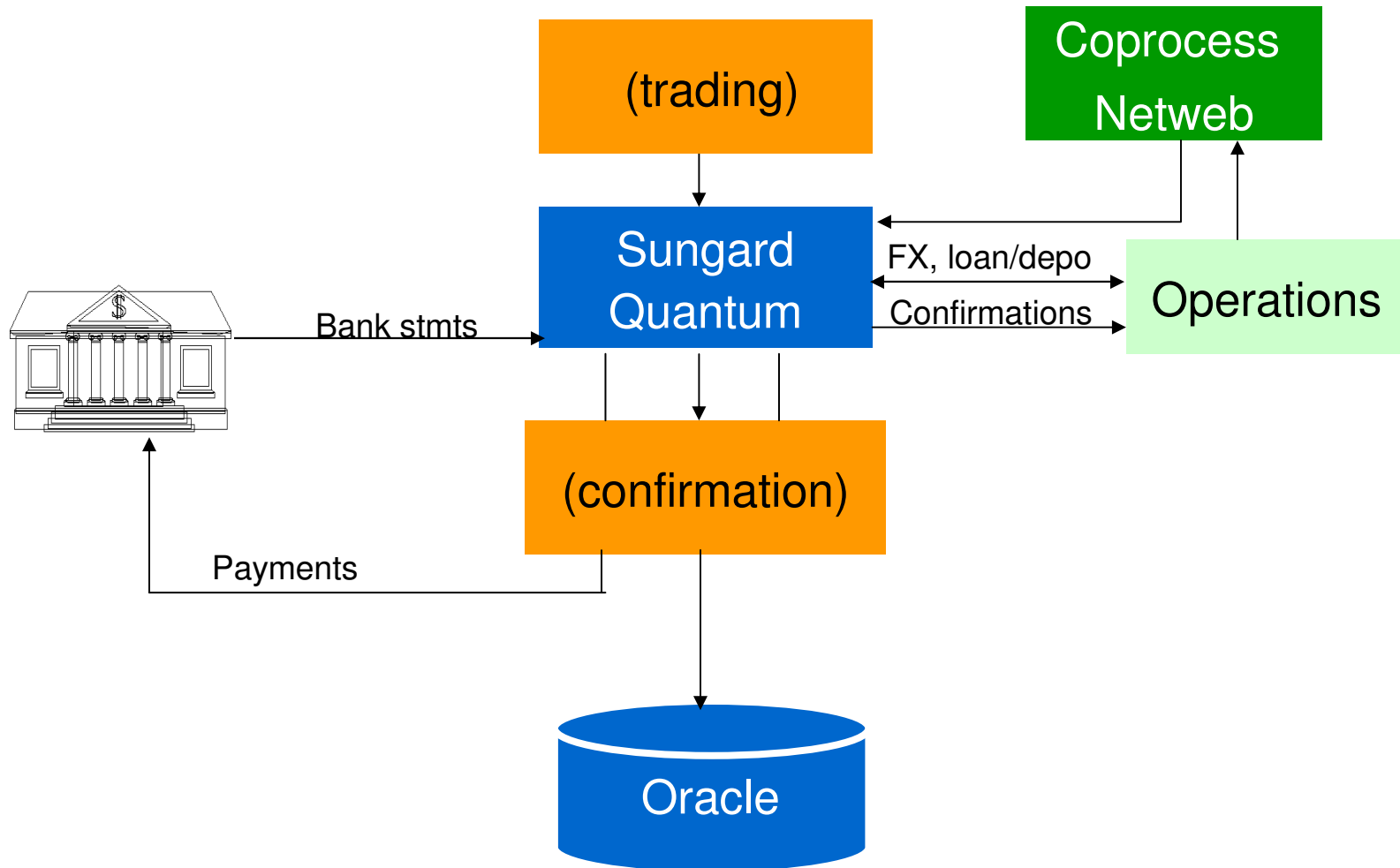
# Eaton Global Netting

## Key Figures

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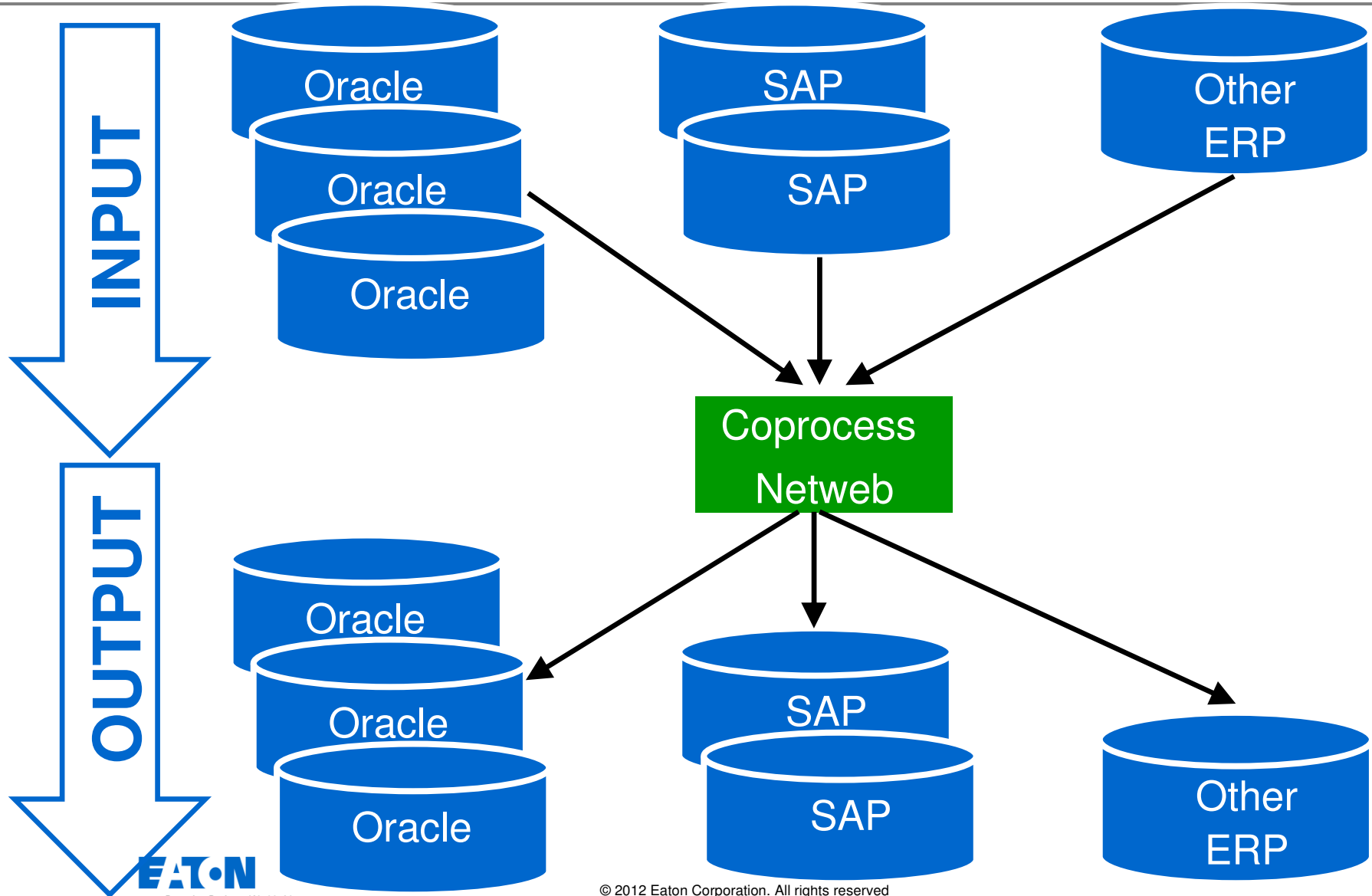
- 600+ participating ledgers
- 15 Pools
- 350+ users
- 45 countries
- 16 currencies
- 75,000 invoices in Mar 2012

# Eaton Global Netting Treasury Systems Map



# Eaton Global Netting

## Netting Platform Interfaces



# Eaton Global Netting

## Netting platform Setup at Eaton

Settlement Setup	Settlement Payment	FX Setup
NET IN FUNCTIONAL CURRENCY	INHOUSE BANK	MANAGED BY EMEA TREASURY
NET IN EACH CURRENCY	POOL SETTLEMENT	MANAGED BY ANOTHER TREASURY
GROSS IN FUNCTIONAL CURRENCY	PARTICIPANT SETTLEMENT	SPOT
GROSS IN EACH CURRENCY		



# Eaton Global Netting

## Process management effort and savings

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- Process management (Treasury)
  - = 1.5 mandays per month
    - Back Office team and FX Management
    - Report publication and payments
- Process savings estimate = 50k USD per month
  - Settlement processing savings (fees and efficiency)
  - FX savings are excluded (as we have a FX Risk Management programs for A/P & A/R)

# Eaton Global Netting

## Next Steps

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- Additional countries
  - India
  - China
  - Regular review of restricted countries
- Receivables based-payables matching
  - Discussion & Dispute Management period in Netting Timetable
  - Agree on new process with participants
  - Build A/R interface files

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