

Q2 – 2014 EARNINGS RELEASE July 25, 2014



JACQUES ESCULIER

Chairman & Chief Executive Officer

PRASHANTH MAHENDRA-RAJAH

Chief Financial Officer

Forward Looking Statements

Comments in this document contain certain forward-looking statements, which are based on management's good faith expectations and beliefs concerning future developments. Actual results may differ materially from these expectations as a result of many factors. These factors include, but are not limited to, the risks and uncertainties described in the "Risk Factors" section and the "Forward Looking Statements" section of WABCO's Form 10-K, as well as in the "Management's Discussion and Analysis of Financial Condition and Results of Operations - Information Concerning Forward Looking Statements" section of WABCO's Form 10-Q Quarterly Reports. WABCO does not undertake any obligation to update such forward-looking statements. All market and industry data are based on Company estimates.

This presentation contains certain non-GAAP financial measures as that term is defined by the SEC. EBIT and sales excluding the effects of foreign exchange are non-GAAP financial measures. Additionally, gross profit, gross profit margin, operating income, operating income margin, EBIT, EBIT margin, net income attributable to company and net income attributable to company per diluted share on a "performance basis" are non-GAAP financial measures that exclude separation and streamlining items, the European Commission fine reimbursement, acquisition related expenses and one-time and discrete tax items, as applicable. Free cash flow presents our net cash provided by operating activities less net purchases of property, plant, equipment and computer software. These measures should be considered in addition to, not as a substitute for, GAAP measures. Management believes that presenting these non-GAAP measures is useful to shareholders because it enhances their understanding of how management assesses the operating performance of the Company's business. Certain non-GAAP measures may be used, in part, to determine incentive compensation for current employees. Reconciliations of the non-GAAP financial measures to the most comparable GAAP measures are available in WABCO's quarterly results presentations posted on the company's website.

Q2 2014 Performance Summary

- Second Quarter Sales of \$735.0 Million; up 5.9% in local currencies and up 8.4% Reported
- Performance Gross Profit Margin⁽¹⁾ at 31.6% vs. 30.5% in Q2 '13; Reported Gross Profit Margin of 31.3% vs. 30.5% in Q2 '13
- Performance Operating Income⁽¹⁾ of \$98.2 Million vs. \$91.7 Million in Q2 '13; Reported Operating Income of \$90.4 Million vs. \$86.4 Million in Q2 '13
- Performance EPS⁽²⁾ \$1.42 vs. \$1.30 in Q2 '13, Reported EPS \$1.23 vs. \$1.31 in Q2 '13
- Free Cash Flow⁽³⁾ of \$93.5 Million, excluding payments associated with streamlining, separation and acquisition activities in the quarter
- Returned \$100 Million to shareholders; repurchased 934k shares
- Updates Full Year 2014 Guidance

Refer to Slide #14 for Footnotes

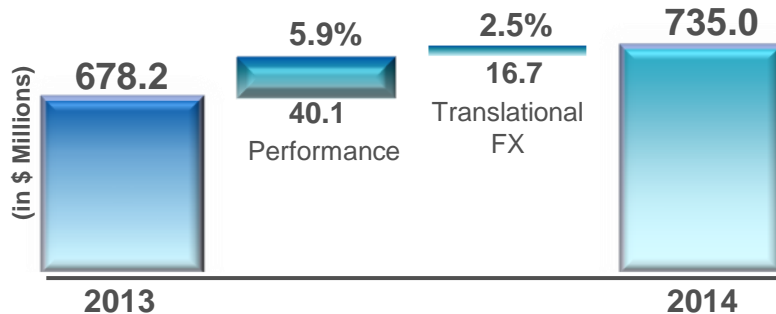
Strongly outperforms a continued volatile market

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Q2 '14 Sales Performance & Market Trends

Q2 '14 Sales Bridge



Q2 '14 YoY Sales Growth ⁽⁴⁾ By Channel

Channel	YoY Sales Growth	Comments
OE	1%	<ul style="list-style-type: none"> OE T&B market down 5% YoY Increased content per vehicle and share of market
Aftermarket	14%	<ul style="list-style-type: none"> Transics contributed 10% Lower activity from Eastern Europe and Middle East
Sales to JVs	27%	<ul style="list-style-type: none"> Strong market growth in US Higher T&B and Trailer content per vehicle

Q2 '14 YoY T&B Sales Growth ⁽⁴⁾ vs. Estimated Production Growth By Region

Region	WABCO	Estimated Production	Comments
Europe	(5%)	(6%)	•Europe: Increased SOM and penetration (ESC and AMT)
North America	25%	10%	•N.America: Higher content per vehicle (OnGuard™ and AMT)
South America	(29%)	(31%)	•S.America: Abrupt sequential drop in production of 17%
Japan/Korea	10%	3%	•Favorable vehicle mix and higher hydraulic ABS content in Korea
China	21%	(6%)	•China: SOM increase and favorable vehicle model mix
India	13%	(2%)	•India: New products introductions and favorable vehicle mix

Refer to Slide #14 for Footnotes

Continued strong outperformance; every region contributing

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Financial Performance Q2 2014

(in \$ Millions except per share data)

Profit and Loss Statement Highlights

	Q2 Reported	(1),(2) Q2 Performance	(5) Performance vs 2013 in local curr.	Performance Drivers
Sales	\$735.0	\$735.0	5.9%	<ul style="list-style-type: none"> +0.3% vs. Q1 '14, order book flattish vs. March '14 Price: (\$8.6) or (1.2%)
Gross Profit	229.7 31.3%	232.1 31.6%	9.1% 90bps	<ul style="list-style-type: none"> Volume, mix and absorption: \$14.7 Materials productivity: \$12.2 (5.2% gross, 5.3% net) Conversion productivity: \$6.8 (6.4%) Labor inflation: (\$6.9) R&D investments (\$5.5) and Transics opex (\$9.7) Other favorable opex \$4.2 Transactional FX negatively impacts margin by 20bps
OPEX & Other	(139.3) (19.0%)	(133.9) (18.2%)	12.1% -99 bps	
Operating Income	90.4 12.3%	98.2 13.4%	5.2% -10 bps	
Equity Income Non-controlling Int. Exp.	5.8 (2.9)	5.8 (2.9)		<ul style="list-style-type: none"> Equity Income up from \$5.3 in Q2 '13 Non-controlling Int. up from (\$2.6) in Q2 '13
EBIT	\$92.8 12.6%	\$100.7 13.7%		<ul style="list-style-type: none"> Streamlining (\$3.9) vs. (\$4.7) in '13 Separation & other perf. adj. (\$4.0) vs. \$2.8 in '13
Taxes	(17.9)	(14.2)		<ul style="list-style-type: none"> Q2 Perf. Tax rate ~14% bringing to 14.5% for full year
Net Income*	\$75.0	\$86.6		<ul style="list-style-type: none"> Perf. Net Income up from \$82.4 in '13
EPS	\$1.23	\$1.42		<ul style="list-style-type: none"> Versus '13 Performance of \$1.30 and Reported of \$1.31

Refer to Slide #14 for Footnotes

~16% Incremental Margin ⁽⁶⁾ excl. Transaction FX at ~6% sales growth

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Cash Flow Summary Q2 2014

(in \$ Millions)

Free Cash Flow

Cash Provided by Operating Activities:

- | | |
|---|-------|
| • Net Income including non-controlling interest | 77.9 |
| • Depreciation & amortization | 25.3 |
| • Working capital | 15.6 |
| • Changes in other assets & liabilities | (2.1) |

Net Cash Provided by Operating Activities 116.7

Purchases of PP&E, Tooling & Computer Software (27.9)

Free Cash Flow⁽³⁾ 88.8

- | | |
|--------------------------------------|-----|
| • Streamlining & separation payments | 4.0 |
| • Transics acquisition-related costs | 0.7 |

Free Cash Flow⁽³⁾ excl. streamlining, separation & acquisition payments 93.5

- Maintaining DSO while improving inventory turns vs. 2Q13
- Capex investments include continued capacity expansion in Best Cost Countries
- Repurchased 934k shares in Q2 at a cost of ~\$100M

Refer to Slide #14 for Footnotes

108% FCF conversion rate of Performance Net Income

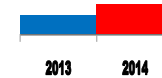
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Market Dynamics

% of WABCO Sales

Q2 '14 Global T&B Production

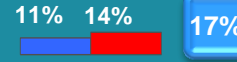


Europe



- May YTD New registrations of heavy trucks up 7% vs. '13
- Q2 T&B production down 6% versus 2013 and up 9% vs. Q1
- 2014 new HDT registrations expected to be down 4%
- **2014 T&B production outlook: -5 to -10% impacted by lower demand in Eastern Europe**

North America



- Production up 10% in Q2 vs. 2013 and up 13% vs. Q1
- **2014 T&B production outlook: up 10 to 15% of which class 8 expected to grow stronger**

China



- Q2 '14 production down 6% YoY and down 4% vs. Q1
- **2014 T&B production outlook: flat to -5% with H1 stronger than H2 driven by pre-buy activities**

India





- Q2 '14 T&B production down 2% YoY or up 4% vs. Q1 thanks to increased confidence in the economy
- **2014 T&B production outlook: up 10 to 15%**

Continued strength in US market and softness in European demand


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Market Dynamics

6% 6% **9%** **Japan & Korea**  

- Q2 '14 T&B production up 3% YoY and up 1% vs. Q1
- Full year production expected to be flattish in Japan and to grow in Korea
- **2014 T&B production outlook: down -2% to +3%**

8% 6% **6%** **Brazil** 

- Q2 '14 T&B production down 31% YoY and down 17% vs. Q1
- Q2 production impacted by high inventories at the end of Q1
- **2014 T&B production outlook: down -15 to -20% due to weak economy**

24% 24% **Aftermarket** 

- Q2 sales affected by tensions in Eastern Europe and high European inventory level at the end of Q1 due to mild winter
- Still delivered 14% growth with a contribution of 10% from Transics acquisition
- **2014 outlook up ~15% including acquisition**

9% 10% **Trailer** 

- Q2 '14 global production flat YoY and sequentially; driven by NAFTA up 6%, EU down 2%, and Brazil down 25%
- **2014 global production outlook: flat to +5% with major positive impact from North America**

Focusing on Core Strategies

Globalization

- **Expansion of Fleet Management Solutions into Saudi Arabia:** Ground-breaking contract with major dairy company Almarai to equip entire long-haul fleet of over 1,300 trucks and trailers.
- **New Assembly Lines for Anti-Lock Braking Systems (ABS) at Factory in Sumaré, Brazil, to Support Increased Customer Demand:** Legislation now mandates ABS on 100% of commercial vehicles built in or imported into Brazil as WABCO serves all major truck, bus and trailer makers.
- **Application Engineering Center Opened in Pune, India:** New facility – WABCO’s second of its kind in India – further enables local engineers and customers to jointly develop tailored products.

New Technologies & Products

- **WABCO Launches Industry-First Modular Braking System Platform (mBSP):** Major contracts won for this breakthrough technology from 2 global commercial vehicle makers based in Europe. New mBSP enables interchangeability of ABS and EBS to equip vehicle platforms per region.
- **TailGUARD™ Expands as an Industry-First for Waste Management Vehicles:** Improves vehicle and operator safety by combining rear blind-spot detection and automatic braking of ABS.

Execution

- **WABCO India Wins Award for Managerial Excellence in Manufacturing:** Madras Management Association recognizes financial performance, product innovation and major customer accolades.
- **WABCO Rounds Off 2013 in China with a Record 15 Awards from Customers and Industry**
- **WABCO Operating System Continues to Deliver Strong Results in Q2 2014:**
 - Generated productivity gain of \$19.0 million, another significant quarterly result
 - Generated gross materials productivity of 5.2%, a continued robust gain
 - Generated conversion productivity of 6.4%, yet another robust gain

Executive Team Developments

- **WABCO continues to anticipate commercial vehicle industry evolution**
 - Accelerated globalization
 - Intensifying competition among OEMs globally
 - Increasing demand for systems integration capability
- **Consolidated product business units into two divisions**



Dr. Leon Liu

- President, Truck, Bus & Car Original Equipment Manufacturers (OEMs) Division
- Ten years with WABCO, building our success in Asia



Nick Rens

- President, Trailer Systems, Aftermarket & Off-Highway Division
- 25 years with WABCO, “reinventing” the Aftermarket and Trailer businesses

- **WABCO welcomes**



Prashanth Mahendra-Rajah

- Chief Financial Officer
- Over 20 years in senior international roles

FY 2014 Guidance

(\$ Millions, except per share data)

Guidance as of July 25, 2014

	Prior	Updated
Sales Growth ⁽⁴⁾	6% - 11% (in local currencies)	6% - 9% (in local currencies)
Reported Sales	\$2,920 - \$3,055 1 Euro = 1.36 USD	\$2,925 - \$3,015 1 Euro = 1.36 USD
Performance Op Margin ⁽¹⁾	12.8% - 13.6%	12.9% - 13.3%
Performance EPS ⁽²⁾	\$5.30 - \$5.80	\$5.45 - \$5.75
Free Cash Flow Conversion ⁽³⁾	80% - 90% (excl. Stream., Separ. and acquisition items)	80% - 90% (excl. Stream., Separ. and acquisition items)

Key Inputs

- Annual price erosion: 1.0% to 1.5%
- Raw material inflation: <0.5% of material costs
- Productivity levels in line with past performance
- Transactional FX at 2013 YE rates adversely affecting profits by ~\$7M YoY
- Performance tax rate ~14.5%
- Average diluted shares ~61M

Refer to Slide #14 for Footnotes

Tightening full year guidance

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Summary

- Continuing to solidly outperform volatile global markets
- Sustaining robust incremental margin within committed framework
- Record quarterly performance EPS ⁽²⁾ of \$1.42
- Generated \$93.5M of Free Cash Flow ⁽³⁾ excluding streamlining, separation and acquisition payments representing 108% conversion
- Mild global production erosion expected for full year
- Updated full year 2014 guidance
- Share buy-back program ongoing

Refer to Slide #14 for Footnotes

Continuing to generate and return strong value to shareholders

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APPENDIX

RECONCILIATIONS OF NON-GAAP MEASURES TO GAAP MEASURES

Footnotes, Tables & Definitions

Footnotes

1. Adjusted for streamlining and separation costs, EC fine reimbursement and acquisition related expenses
2. Adjusted for streamlining, separation, one-time tax & discrete tax items and '13 EC fine reimbursement and acquisition related expenses
3. Net cash provided by operating activities less net purchases of property, plant, equipment and computer software
4. Adjusted for currency translation
5. Adjusted for currency translation, streamlining, separation costs and acquisition related expenses
6. Adjusted for currency translation, transactional FX and streamlining, separation costs and acquisition related expenses

Tables

The tables that follow provide the reconciliations of the non-GAAP financial measures to the most comparable US GAAP measures.

Definitions

- **Separation costs** include all the incremental costs to establish WABCO as a stand-alone separate independent company. It also includes the costs associated with certain liabilities, including contingent liabilities, that have been assumed by WABCO from Trane, formerly American Standard, in the separation but are not related to the Vehicle Controls Business. These costs would include the (i) periodic adjustments to the carrying values of the liability, (ii) interest on certain liabilities and (iii) costs to defend certain of these assumed liabilities.
- **Streamlining costs** are those costs that help adjust the company's workforce and other resources to changing market requirements.
- **Acquisition related expenses:** covers costs related to acquiring a business and non-cash expenses associated with purchase accounting including amortization of identifiable intangible assets

WABCO HOLDINGS INC.
Three months ended June 30, 2014 Data Supplement Sheet (Unaudited)

(Amounts in millions, except per share data)

	Three Months Ended June 30,					
	2014	% of Sales/ Adj Sales	2013	% of Sales/ Adj Sales	Chg vs. 2013	% Chg vs. 2013
Sales						
Reported	\$ 735.0		\$ 678.2		\$ 56.8	8.4%
Foreign exchange translational effects	(16.7)		-		(16.7)	
Adjusted Sales	\$ 718.3		\$ 678.2		\$ 40.1	5.9%
Gross Profit						
Reported	\$ 229.7	31.3%	\$ 206.6	30.5%	\$ 23.1	11.2%
Streamlining costs	2.3		0.3		2.0	
Separation costs	0.1		0.2		(0.1)	
Performance Gross Profit	\$ 232.1	31.6%	\$ 207.1	30.5%	\$ 25.0	12.1%
Foreign exchange translational effects	(6.2)		-		(6.2)	
Adjusted Gross Profit	\$ 225.9	31.4%	\$ 207.1	30.5%	\$ 18.8	9.1%
Selling, Administrative, Product Engineering Expenses and Other						
Reported	\$ 139.3	19.0%	\$ 120.2	17.7%	\$ 19.1	15.9%
Streamlining costs	(1.7)		(4.3)		2.6	
Separation costs	(0.9)		(0.5)		(0.4)	
Acquisition related items	(2.8)		-		(2.8)	
Performance Selling, Administrative, Product Engineering Expenses and Other	\$ 133.9	18.2%	\$ 115.4	17.0%	\$ 18.5	16.0%
Foreign exchange translational effects	(4.5)		-		(4.5)	
Adjusted Selling, Administrative, Product Engineering Expenses and Other	\$ 129.4	18.0%	\$ 115.4	17.0%	\$ 14.0	12.1%
Operating Income						
Reported	\$ 90.4	12.3%	\$ 86.4	12.7%	\$ 4.0	4.6%
Streamlining costs	4.0		4.6		(0.6)	
Separation costs	1.0		0.7		0.3	
Acquisition related items	2.8		-		2.8	
Performance Operating Income	\$ 98.2	13.4%	\$ 91.7	13.5%	\$ 6.5	7.1%
Foreign exchange translational effects	(1.7)		-		(1.7)	
Adjusted Operating Income	\$ 96.5	13.4%	\$ 91.7	13.5%	\$ 4.8	5.2%

WABCO HOLDINGS INC.
Three months ended June 30, 2014 Data Supplement Sheet (Unaudited)

	Three Months Ended June 30,					
	2014	% of Sales/ Adj Sales	2013	% of Sales/ Adj Sales	Chg vs. 2013	% Chg vs. 2013
<i>(Amounts in millions, except per share data)</i>						
EBIT (Earnings Before Interest and Taxes)						
Reported Net Income Attributable to Company	\$ 75.0		\$ 83.2		\$ (8.2)	
Income tax expense	17.9		9.7		8.2	
Interest (expense)/income, net	0.1		(0.2)		0.3	
EBIT	\$ 92.8	12.6%	\$ 93.1	13.7%	\$ (0.3)	-0.3%
Streamlining costs	4.0		4.6		(0.6)	
Separation costs	1.0		(2.8)		3.8	
Acquisition related items	2.9		-		2.9	
Performance EBIT (Earnings Before Interest and Taxes)	\$ 100.7	13.7%	\$ 94.9	14.0%	\$ 5.8	6.1%
Pre-Tax Income						
EBIT	\$ 92.8		\$ 93.1		\$ (0.3)	
Interest (expense)/income, net	0.1		(0.2)		0.3	
Pre-Tax Income	\$ 92.9		\$ 92.9		\$ -	
Streamlining costs	4.0		4.6		(0.6)	
Separation costs	1.0		(2.8)		3.8	
Acquisition related items	2.9		-		2.9	
Performance Pre-Tax Income	\$ 100.8		\$ 94.7		\$ 6.1	
Tax rate on a performance basis	14.1%		13.0%			
Net Income Attributable to Company						
Reported Net Income Attributable to Company	\$ 75.0		\$ 83.2		\$ (8.2)	
Streamlining cost, net of tax	0.4		3.1		(2.7)	
Separation costs, net of tax	0.8		(3.0)		3.8	
Acquisition related items, net of tax	1.9		-		1.9	
Tax items	8.5		(0.9)		9.4	
Performance Net Income Attributable to Company	\$ 86.6		\$ 82.4		\$ 4.2	
Performance Net Income Attributable to Company per Diluted Common Share	\$ 1.42		\$ 1.30			
Common Shares Outstanding - Diluted	61.0		63.5			

	Gross Profit	Operating Income
Increase in adjusted sales from '13	40.1	40.1
Increase in adjusted income from '13	18.8	4.8
Incremental Income as a % of Sales	46.9%	12.0%
YoY Transactional Foreign Exchange (FX) Impact		1.5
Increase in adjusted income from '13 excluding transactional FX impact		6.3
Incremental income excluding transactional FX as a % of Sales		15.7%

Note: The presentation of the performance measures above are not in conformity with generally accepted accounting principles (GAAP). These measures may not be comparable to similar measures of other companies as not all companies calculate these measures in the same manner.

WABCO HOLDINGS INC.
Six months ended June 30, 2014 Data Supplement Sheet (Unaudited)

(Amounts in millions, except per share data)

	Six Months Ended June 30,					
	2014	% of Sales/ Adj Sales	2013	% of Sales/ Adj Sales	Chg vs. 2013	% Chg vs. 2013
Sales						
Reported	\$ 1,464.5		\$ 1,322.9		\$ 141.6	10.7%
Foreign exchange translational effects	(19.9)		-		(19.9)	
Adjusted Sales	\$ 1,444.6		\$ 1,322.9		\$ 121.7	9.2%
Gross Profit						
Reported	\$ 447.5	30.6%	\$ 404.3	30.6%	\$ 43.2	10.7%
Streamlining costs	5.3		3.3		2.0	
Separation costs	0.4		0.5		(0.1)	
Performance Gross Profit	\$ 453.2	30.9%	\$ 408.1	30.8%	\$ 45.1	11.1%
Foreign exchange translational effects	(9.1)		-		(9.1)	
Adjusted Gross Profit	\$ 444.1	30.7%	\$ 408.1	30.8%	\$ 36.0	8.8%
Selling, Administrative, Product Engineering Expenses and Other						
Reported	\$ 272.9	18.6%	\$ 236.1	17.8%	\$ 36.8	15.6%
Streamlining costs	(2.3)		(6.6)		4.3	
Separation costs	(1.7)		(0.9)		(0.8)	
Acquisition related items	(3.8)		-		(3.8)	
Performance Selling, Administrative, Product Engineering Expenses and Other	\$ 265.1	18.1%	\$ 228.6	17.3%	\$ 36.5	16.0%
Foreign exchange translational effects	(7.0)		-		(7.0)	
Adjusted Selling, Administrative, Product Engineering Expenses and Other	\$ 258.1	17.9%	\$ 228.6	17.3%	\$ 29.5	12.9%
Operating Income						
Reported	\$ 174.6	11.9%	\$ 168.2	12.7%	\$ 6.4	3.8%
Streamlining costs	7.6		9.9		(2.3)	
Separation costs	2.1		1.4		0.7	
Acquisition related items	3.8		-		3.8	
Performance Operating Income	\$ 188.1	12.8%	\$ 179.5	13.6%	\$ 8.6	4.8%
Foreign exchange translational effects	(2.1)		-		(2.1)	
Adjusted Operating Income	\$ 186.0	12.9%	\$ 179.5	13.6%	\$ 6.5	3.6%

WABCO HOLDINGS INC.
Six months ended June 30, 2014 Data Supplement Sheet (Unaudited)

(Amounts in millions, except per share data)

	Six Months Ended June 30,					
	2014	% of Sales/ Adj Sales	2013	% of Sales/ Adj Sales	Chg vs. 2013	% Chg vs. 2013
<u>EBIT (Earnings Before Interest and Taxes)</u>						
Reported Net Income Attributable to Company	\$ 144.4		\$ 156.9		\$ (12.5)	
Income tax expense	33.7		17.8		15.9	
Interest (expense)/income, net	0.2		(0.5)		0.7	
EBIT	\$ 177.9	12.1%	\$ 175.2	13.2%	\$ 2.7	1.5%
Streamlining costs	7.6		9.9		(2.3)	
Separation costs	2.9		(1.7)		4.6	
Acquisition related items	5.4		-		5.4	
Performance EBIT (Earnings Before Interest and Taxes)	\$ 193.8	13.2%	\$ 183.4	13.9%	\$ 10.4	5.7%
<u>Pre-Tax Income</u>						
EBIT	\$ 177.9		\$ 175.2		\$ 2.7	
Interest (expense)/income, net	0.2		(0.5)		0.7	
Pre-Tax Income	\$ 178.1		\$ 174.7		\$ 3.4	
Streamlining costs	7.6		9.9		(2.3)	
Separation costs	2.9		(1.7)		4.6	
Acquisition related items	5.4		-		5.4	
Performance Pre-Tax Income	\$ 194.0		\$ 182.9		\$ 11.1	
Tax rate on a performance basis	14.5%		14.0%			
<u>Net Income Attributable to Company</u>						
Reported Net Income Attributable to Company	\$ 144.4		\$ 156.9		\$ (12.5)	
Streamlining cost, net of tax	2.9		7.4		(4.5)	
Separation costs, net of tax	2.3		(2.2)		4.5	
Acquisition related items, net of tax	3.8		-		3.8	
Tax items	12.5		(4.8)		17.3	
Performance Net Income Attributable to Company	\$ 165.9		\$ 157.3		\$ 8.6	
Performance Net Income Attributable to Company per Diluted Common Share	\$ 2.70		\$ 2.47			
Common Shares Outstanding - Diluted	61.5		63.8			

Note: The presentation of the performance measures above are not in conformity with generally accepted accounting principles (GAAP). These measures may not be comparable to similar measures of other companies as not all companies calculate these measures in the same manner.

WABCO HOLDINGS INC.
Reconciliation of Net Cash Provided
By Operating Activities to Free Cash Flow
(Unaudited)

(Amounts in millions)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Net Cash Provided by Operating Activities	\$ 116.7	\$ 92.1	\$ 162.7	\$ 156.1
Deductions or Additions to Reconcile to Free Cash Flow:				
Net purchases of property, plant, equipment and computer software	<u>(27.9)</u>	<u>(20.6)</u>	<u>(51.1)</u>	<u>(41.0)</u>
Free Cash Flow	<u>\$ 88.8</u>	<u>\$ 71.5</u>	<u>\$ 111.6</u>	<u>\$ 115.1</u>
Less: Streamlining & separation payments	(4.0)	(6.5)	(8.7)	(12.4)
Less: Acquisition related payments	<u>(0.7)</u>	<u>-</u>	<u>(1.2)</u>	<u>-</u>
Free Cash Flow excluding streamlining, separation & acquisition related payments	<u>\$ 93.5</u>	<u>\$ 78.0</u>	<u>\$ 121.5</u>	<u>\$ 127.5</u>

Note: This statement reconciles net cash provided by operating activities to free cash flow. Management uses free cash flow, which is not defined by US GAAP, to measure the Company's operating performance. Free cash flow is also one of the several measures used to determine incentive compensation for certain employees.

**Reconciliation of GAAP to Non-GAAP Financial Measures for Full Year 2014 Guidance
(Unaudited)**

(Amounts in millions, except per share data)

	<u>Previous Full Year 2014 Guidance</u>	<u>Updated Full Year 2014 Guidance</u>
<u>Operating Income</u>		
Reported Operating Income Margin	12.4% - 13.2%	12.2% - 12.6%
Streamlining cost, impact to margin	0.2%	0.2%
Separation costs, impact to margin	0.2%	0.2%
Acquisition related items, impact to margin	-	0.3%
Performance Operating Income Margin	<u>12.8% - 13.6%</u>	<u>12.9% - 13.3%</u>
<u>Net Income Attributable to Company</u>		
Reported Net Income Attributable to Company	\$291.5 - \$322.0	\$290.7 - \$309.0
Streamlining cost, net of tax	12.8	10.9
Tax items	18.0	19.1
Acquisition related items, net of tax	-	7.0
Separation costs, net of tax and separation related taxes	1.0	4.8
Performance Net Income Attributable to Company	<u>\$323.3 - \$353.8</u>	<u>\$332.5 - \$350.8</u>
Reported Net Income Attributable to Company per Diluted Common Share	\$4.78 - \$5.28	\$4.77 - \$5.07
Performance Net Income Attributable to Company per Diluted Common Share	\$5.30 - \$5.80	\$5.45 - \$5.75
Diluted common shares outstanding	~61	~61

Note: The presentation of the performance measures above are not in conformity with generally accepted accounting principles (GAAP). These measures may not be comparable to similar measures of other companies as not all companies calculate these measures in the same manner.



A WORLD OF DIFFERENCE