

Second Quarter 2016 Earnings Conference Call

May 3, 2016

Safe Harbor Statement

Our commentary and responses to your questions may contain forward-looking statements, including our outlook for the remainder of the year, and Emerson undertakes no obligation to update any such statements to reflect later developments. Factors that could cause actual results to vary materially from those discussed today include our ability to successfully complete on the terms and conditions contemplated, and the financial impact of, our strategic repositioning actions, as well as those provided in our most recent Annual Report on Form 10-K and subsequent reports as filed with the SEC.

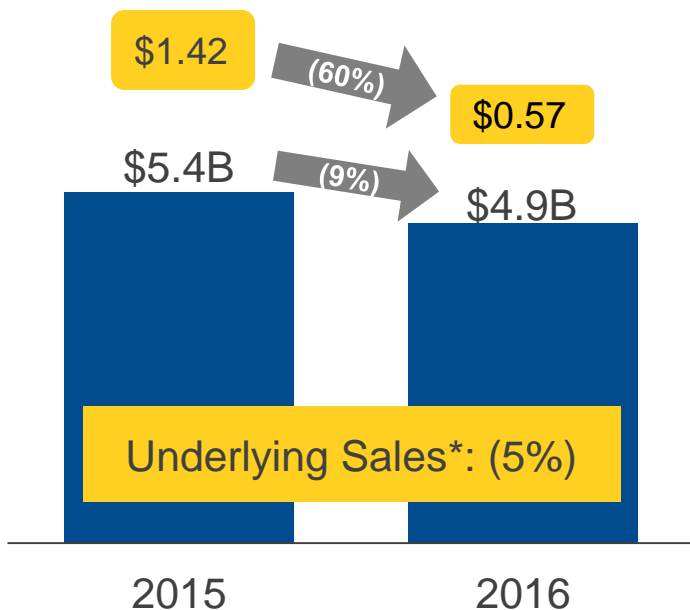
Non-GAAP Measures

In this call we will discuss some non-GAAP measures (denoted with *) in talking about our company's performance, and the reconciliation of those measures to the most comparable GAAP measures is contained within this presentation or available at our website www.Emerson.com under Investor Relations.



Second Quarter 2016

Revenue and EPS



T3M Orders

January	-10 to -5%
February	-10 to -5%
March	-5 to 0%

Summary

- Served markets mixed
 - Oil and gas and industrial markets remained under pressure - - tougher conditions in North American market
 - Favorable HVAC and U.S. construction
 - Data center and Telcom spending improving
- Adjusted earnings per share* of \$0.66 excludes total separation costs of \$56M in the quarter
- Restructuring benefits and solid operational performance improved profitability
- Strong operating cash flow generation of \$719M -
 - liquidity is stronger

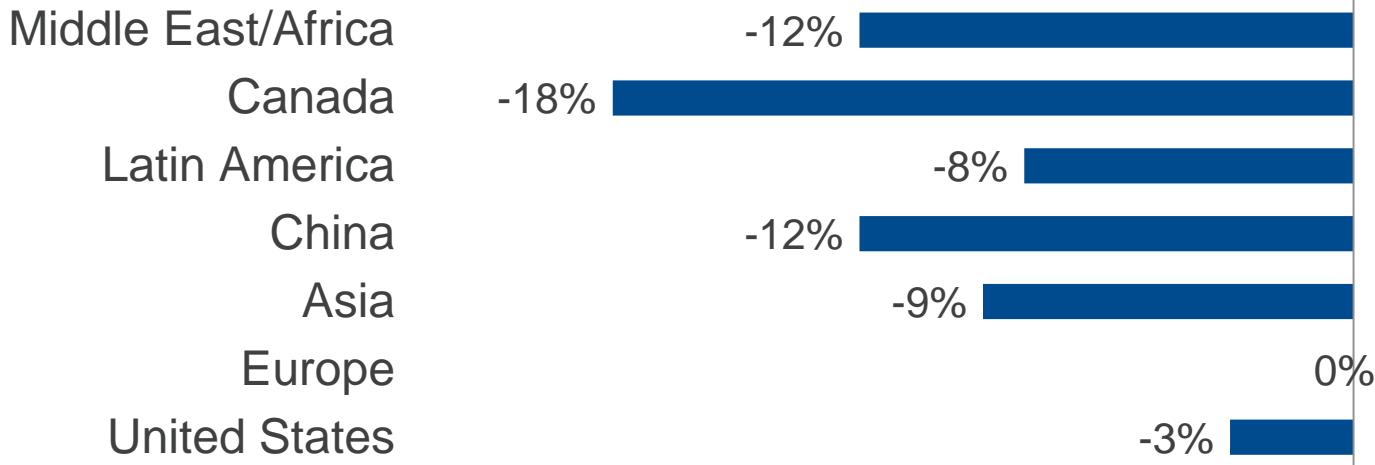
**Second Quarter Results Exceeded the Company's EPS Expectations
 Driven by Restructuring Actions in the Second Half of 2015**

Second Quarter 2016 P&L Summary

<u>(\$M excl. EPS)</u>	<u>2015</u>	<u>2016</u>	<u>Chg.</u>	
Sales	\$5,400	\$4,928	(9%)	→ Underlying sales* down (5%)
Gross profit	\$2,166	\$1,994	(8%)	→ Solid operational performance --cost reductions and containment actions
% of sales	40.1%	40.5%	40 bps	
SG&A expense	(\$1,318)	(\$1,218)		→ Benefit of restructuring actions in SG&A
Other deductions, net	<u>\$796</u>	<u>(\$122)</u>		→ Pretax separation costs (\$31M), 2015 includes \$932M divestiture gain
EBIT*	\$1,644	\$654	(60%)	
% of sales*	30.4%	13.3%	(1710) bps	
Excl. gain on sale and separation costs*	13.2%	13.9%	70 bps	
Shares	684.1	644.7		
EPS	\$1.42	\$0.57	(60%)	
Adjusted EPS*	\$0.65	\$0.66	2%	→ Better than expected range of \$0.60-\$0.65

Second Quarter 2016

Underlying Sales Change



Underlying Sales Q1

-9%
-18%
-17%
-13%
-9%
0%
-10%

Underlying sales*	(5%)
Acq/Div (Power Transmission Solutions and InterMetro businesses)	(2) pts
FX impact	(2) pts
Net sales	(9%)

**Underlying Sales Decreased in all Regions Except Europe
Global Economies are not Showing Much Core Strength**

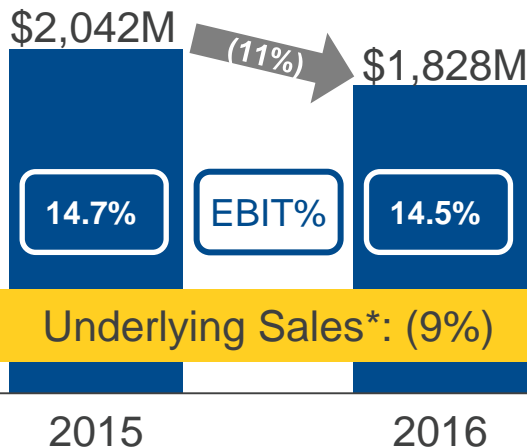
Second Quarter 2016

Business Segment Earnings & Cash Flow

<u>(\$M)</u>	<u>2015</u>	<u>2016</u>	<u>Chg.</u>	
Business segment EBIT*	\$738	\$744	1%	→ Savings from 2015 restructuring actions and lower restructuring expense in current year
% of sales*	13.2%	14.6%	140 bps	
Accounting methods	\$53	\$58		→ Stock compensation (\$46M) from share price appreciation, pretax separation costs (\$31M) and \$932M divestiture gain in 2015
Corporate & other	\$853	(\$148)		
Interest expense, net	<u>(\$40)</u>	<u>(\$46)</u>		
Pretax earnings	\$1,604	\$608	(62%)	
% of sales	29.7%	12.4%	(1730) bps	
Operating cash flow	\$358	\$719	101%	→ Improved working capital performance
Capital expenditures	<u>(\$152)</u>	<u>(\$102)</u>	(33%)	→ Reduced capital spending
Free cash flow*	\$206	\$617	199%	
Trade working capital	\$3,999	\$3,684		
% of sales	18.7%	18.7%	- bps	

Second Quarter 2016 Process Management

Reported Sales



T3M Orders

January	-15%
February	-15 to -10%
March	-10 to -5%

Sales % Chg. vs. PY

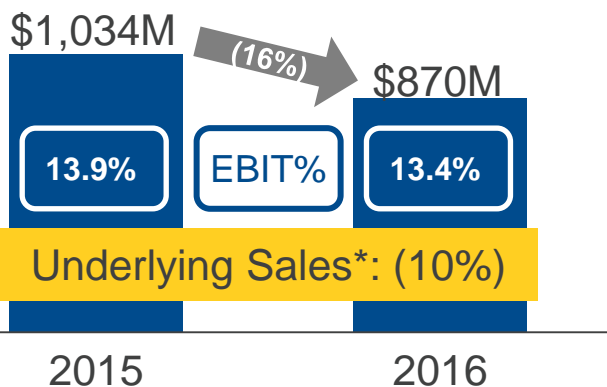
NA	(10%)
Asia	(13%)
<i>China</i>	(18%)
Europe	(1%)
LAM	(10%)
MEA	(12%)
FX Impact	(2%)

- Oil and gas customer spending remains a headwind, more pronounced in certain markets - - Canadian oil sands and U.S.
- Efficiency and productivity projects gaining traction across the energy sector
- Power markets favorable in multiple regions - U.S., Asia, Europe and MEA
- Chemical markets continue to be an opportunity
- Segment margin decreased from volume deleverage and mix, partially offset by savings from restructuring actions

**Lower-for-Longer Oil Prices Driving Customer Engagement Towards Efficiency and Productivity - - An Emerson Core Strength
Restructuring Actions to Improve Profitability are Getting Done!**

Second Quarter 2016 Industrial Automation

Reported Sales



Sales % Chg. vs. PY

NA	(15%)
Asia	(9%)
<i>China</i>	(12%)
Europe	Flat
LAM	(1%)
MEA	(22%)
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FX Impact	(2%)
Divestiture –	
Power Transmission	(4%)
Solutions	

T3M Orders

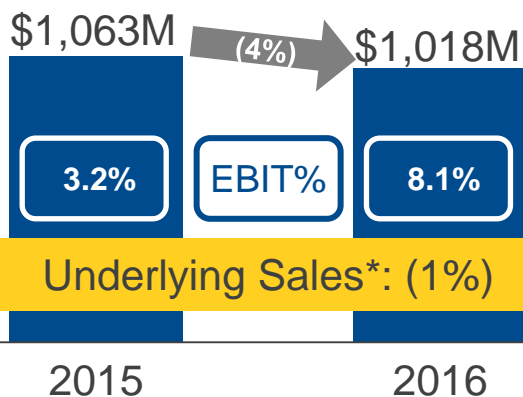
January	-20 to -15%
February	-15 to -10%
March	-15 to -10%

- Continued weakness in industrial spending and upstream oil and gas - - Power generating alternator sales at a ten year low
- Slight growth in western mature European markets a positive for region
- Alternative energy wind projects a bright spot for drives business
- Segment margin decreased primarily due to volume deleverage, unfavorable mix, and price partially offset by savings from restructuring actions and materials cost containment

**Slightly Better Market Conditions and Easier Comparisons are Expected to Improve Both Underlying Growth and Profitability
Restructuring Actions for 2016 are Nearing Completion**

Second Quarter 2016 Network Power

Reported Sales



T3M Orders

January	-5 to 0%
February	5%
March	10 to 15%

Sales % Chg. vs. PY

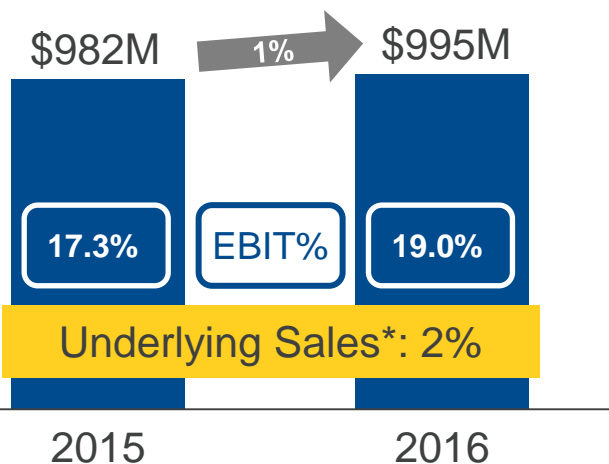
NA	2%
Asia	(1%)
<i>China</i>	(5%)
Europe	Flat
LAM	(23%)
MEA	(20%)
FX Impact	(3%)

- Global demand for data center and telcom spending improving
- Strong growth in North American telecommunications infrastructure
- Asia had mixed demand across the region with China down 5%
- Europe flat supported by large project
- Segment margin improved 490 bps benefitting from restructuring actions
- New product programs and global repositioning are starting to flow through to both sales and profitability

Order Trends Have Turned Positive Reflecting Improving Conditions in Both Data Center and Telecommunications Investment – Driving Positive Third Quarter Sales Growth and Improved Margin

Second Quarter 2016 Climate Technologies

Reported Sales



Sales % Chg. vs. PY

NA	7%
Asia	(9%)
<i>China</i>	(14%)
Europe	3%
LAM	10%
MEA	Flat
FX Impact	(1%)

T3M Orders

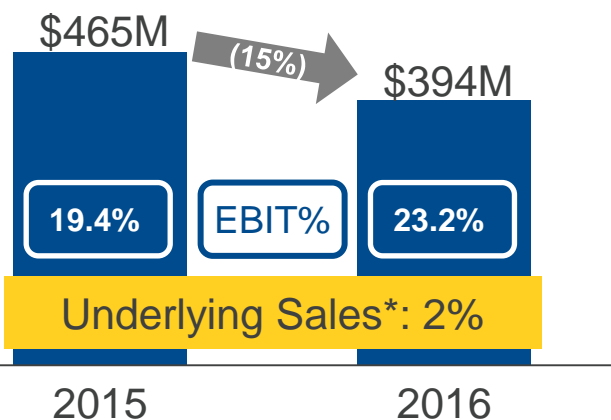
January	0 to 5%
February	0%
March	5%

- U.S. residential and commercial air conditioning up 10%, strong market growth should continue in the third quarter
- Europe reflected solid growth across the region, refrigeration a bright spot up high-single-digits
- Latin America up 10% with Mexico up mid-teens
- Segment margin increased 170 bps primarily due to significant savings from restructuring actions and materials cost containment

Global Demand in Air Conditioning and Refrigeration Markets Remains Favorable Supporting the Expectation for Continued Improvement in Underlying Growth

Second Quarter 2016 Commercial & Residential Solutions

Reported Sales



T3M Orders

January	-5 to 0%
February	-5 to 0%
March	-5 to 0%

Sales % Chg. vs. PY

NA	1%
Asia	2%
<i>China</i>	2%
Europe	9%
LAM	(11%)
MEA	Flat
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FX Impact	(1%)
Divestiture - InterMetro	(16%)

- Favorable conditions in U.S. construction markets
- Divestiture of commercial storage business impacted year-over-year sales comparison by (16%), but had a positive impact on segment margin
- Segment margin improved 380 bps from favorable mix and restructuring actions

Favorable Trends in U.S. Residential Construction are Expected to Continue, Supporting Outlook for Modest Levels of Underlying Growth and Margin Improvement

Fiscal Year 2016 Outlook

- Conditions to remain challenging, but demand has begun to stabilize or improve in certain markets
- Affirming our February fiscal year guidance
 - Underlying sales* of (2%) to (5%)
 - Foreign currency headwinds of ~(1%)
 - Deduction for completed divestitures of ~(2%)
 - Adjusted* earnings per share of \$3.05 to \$3.25
 - Excluding ~\$250-\$300M of estimated separation costs (\$0.37 to \$0.44)
- Expectations for the third quarter
 - Underlying sales* approximately flat
 - Foreign currency headwinds of ~(1%)
 - Deduction for completed divestitures of ~(1%)
 - Adjusted* earnings per share ~\$0.85
 - Excluding ~\$145M of estimated separation costs (\$0.22)
- Operating cash flow of \$3+B* for total fiscal year excluding impact of separation costs

Reconciliation of Non-GAAP Measures & Other

This information reconciles non-GAAP measures (denoted with a *) with the most directly comparable GAAP measure (\$M except per share amounts).

	Process Mgmt	Industrial Auto	Network Power	Climate Tech	Comm & Res Solns	Total
Q2 2016 Sales Growth						
Underlying*	(9)%	(10)%	(1)%	2 %	2 %	(5)%
Acq/Div	-	(4)%	-	-	(16)%	(2)%
FX	(2)%	(2)%	(3)%	(1)%	(1)%	(2)%
Reported	(11)%	(16)%	(4)%	1 %	(15)%	(9)%

	Q3 2016E	2016E
Sales Growth		
Underlying*	~0 %	(5) - (2)%
Acq/Div	~(1)%	~(2)%
FX	~(1)%	~(1)%
Reported	~(2)%	(8) - (5)%

	Q2 2015	Q2 2016	Change	Q3 2016E	2016E
Earnings Per Share					
Adjusted*	\$0.65	\$0.66	2 %	~\$0.85	\$3.05 - \$3.25
Gain on sale of power transmission solutions	\$0.77	-		-	-
Separation costs	-	(\$0.09)		~(\$0.22)	(\$0.44) - (\$0.37)
Reported	\$1.42	\$0.57	(60)%	~\$0.63	\$2.61 - \$2.88

	Q2 2015	Q2 2016	% Change	% of Sales
EBIT*				
EBIT excl. gain on sale and separation costs*	\$ 712	685	(4)%	
% of sales excl. gain on sale and separation costs*	13.2%	13.9%		70 bps
Gain on sale of power transmission solutions	932	-		
Separation costs	-	(31)		
EBIT*	\$ 1,644	654	(60)%	
% of sales*	30.4%	13.3%		(1710) bps
Interest expense, net	(40)	(46)		
Pretax earnings	\$ 1,604	608	(62)%	
% of sales	29.7%	12.4%		(1730) bps

	2016E
Operating Cash Flow	
Adjusted*	\$3B+
Separation costs	~(\$0.3B)
Reported	~\$2.8B

Note: Underlying sales and orders exclude the impact of acquisitions, divestitures and currency translation.

^ The outlook represents the Company's expectations for its consolidated results including the expected full year results for the businesses that are subject of the Company's portfolio repositioning actions, and does not assume any gains or losses on the ultimate disposition of these businesses.