Second Quarter 2015 Earnings Conference Call

May 5, 2015

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. Information on factors that could cause actual results to vary materially from those discussed today is available 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.

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Second Quarter 2015 Highlights

- **Net sales decreased 7% to $5.4 billion, with underlying sales* flat**
  - As a result of lower oil prices, capital spending reductions by global customers in oil and gas markets, particularly upstream, were faster and more significant than expected
  - Slowdown in industrial spending, particularly in North America and China and more pronounced in energy-related markets
  - Strength of the U.S. dollar
- **Order rates reflected difficult economic conditions in the quarter, beyond oil and gas**
  - Weakness in European short-cycle spending. Beginning to show signs of recovery benefiting from weaker euro along with increased European competition
  - Weakness in global telecommunications infrastructure investment
  - Effect of U.S. residential air conditioning customer pre-build in previous two quarters

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Second Quarter 2015 Highlights

- **Gross profit margin declined 110 basis points to 40.1% driven by:**
  - Volume deleverage from sudden drop to flat underlying growth after moderate growth in the previous six months, specifically in the U.S. which turned negative after two quarters of 8 percent underlying sales growth
  - Unfavorable business mix
  - Higher costs related to increased strategic investment in 2014

- **Reported earnings per share increased 84 percent to $1.42. Adjusted earnings per share* decreased 16 percent to $0.65, excluding a $0.77 gain on the sale of the power transmission solutions business**

Market conditions require more focus on execution of strategic programs

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Second Quarter 2015 P&L Summary

($M excl. EPS)	2014	2015	Chg.
Sales	$5,812	$5,400	(7%)
Gross Profit	$2,395	$2,166	(10%)
% of Sales	41.2%	40.1%	(110 bps)
SG&A Expense	($1,394)	($1,318)	
Rationalization	($21)	($44)	
Gain on Sale of Business	–	$932	
Artesyn Equity Loss	($34)	–	
Other Deductions, Net	($82)	($92)	
EBIT*	$864	$1,644	90%
% of Sales*	14.9%	30.4%	1550 bps
*Excl. Equity Loss and Gain on Sale**	*15.5%*	*13.2%*	*(230 bps)*
Shares	705.2	684.1	
EPS	$0.77	$1.42	84%
EPS *Excl Gain on Sale**	$0.77	$0.65	(16%)

- Underlying sales* flat
- GP margin decreased from volume deleverage and unfavorable business mix
- Accelerated restructuring costs
- Gain on sale of power transmission solutions business
- Repurchased 15M shares for $869M

Second Quarter 2015
Underlying Sales Change

United States	(3%)
Europe	2%
Asia	1%
China	*(5%)*
Latin America	(7%)
Canada	13%
Middle East/Africa	8%
Underlying Sales*	-%
Divestitures	(2) pts
FX	(5) pts
Net Sales	(7%)

Solid growth in Middle East/Africa with mixed trends in other regions

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Second Quarter 2015
Business Segment Earnings & Cash Flow

($M)	2014	2015	Chg.
Business Segment EBIT*	$951	$738	(22%)
% of Sales*	15.8%	13.2%	(260) bps
Accounting Methods	$60	$53	
Corporate & Other	($147)	$853	
Interest Expense, Net	($47)	($40)	
Pretax Earnings	$817	$1,604	96%
% of Sales	14.1%	29.7%	1560 bps
Operating Cash Flow	$575	$358	(38%)
Capital Expenditures	($161)	($152)	
Free Cash Flow*	$414	$206	(50%)
Trade Working Capital	$4,274	$3,999	
% of Sales	18.4%	18.7%	30 bps

- ➔ Volume deleverage and unfavorable mix
- ➔ 2015 includes $932M gain on sale of power transmission solutions business
- ➔ Decreased cash flow due to lower operating results and investment in working capital, will take a couple of quarters to recover
- ➔ Trade working capital decline affected by business slowdown

Second Quarter 2015
Process Management

Sales % Chg. vs. PY	
NA	(1%)
Asia	6%
China	*(1%)*
Europe	7%
LAM	(5%)
MEA	3%
Underlying*	2%
Acq/FX	(5%)
Net	(3%)

Segment Results

($M)	2014	2015	Chg.
Sales	$2,108	$2,042	(3%)
EBIT	$383	$299	(22%)
% of Sales	18.2%	14.7%	(350) bps
Restructuring	$5	$22	
EBIT excl. Rest.*	$388	$321	(17%)
% of Sales*	18.4%	15.8%	(260) bps

- Upstream oil and gas activity slowed as a result of industry capital budget reductions while downstream activity continued to be favorable, particularly in power and chemical/petrochemical markets
- Demand in Asia was up 6 percent with strong growth in India and other emerging markets offsetting a slight decline in China
- Europe was up 7 percent with double digit growth in emerging markets; Middle East/Africa was up 3 percent reflecting favorable activity levels across the region
- Margins were down 350 basis points due to unfavorable mix, impact of stronger dollar on operations, investment spending, and increased restructuring

Demand is expected to remain weak for the next 12 months

Second Quarter 2015
Industrial Automation

Sales % Chg. vs. PY	
NA	(1%)
Asia	1%
China	–
Europe	(2%)
LAM	(17%)
MEA	(13%)
Underlying*	(2%)
Div/FX	(14%)
Net	(16%)

Segment Results			
($M)	2014	2015	Chg.
Sales	$1,232	$1,034	(16%)
EBIT	$187	$144	(23%)
% of Sales	15.2%	13.9%	(130) bps
Restructuring	$3	$2	
EBIT excl. Rest.*	$190	$146	(23%)
% of Sales*	15.4%	14.2%	(120) bps

- Second quarter results were affected by weakness in short-cycle European demand, upstream oil and gas, and industrial spending in energy-related markets
- Geographic demand was mixed with North America down 1, Europe down 2 percent and Asia up 1 percent
- Reductions in upstream oil and gas spending negatively affected order rates in the power generating alternators and electrical distribution businesses
- Margins decreased 130 bps, reflecting volume deleverage, unfavorable mix, and (40) bps impact from divestitures

Market conditions to remain mixed, with some improvement in Europe and continued weakness in energy-related markets

Second Quarter 2015
Network Power

Sales % Chg. vs. PY	
NA	(7%)
Asia	(5%)
China	*(6%)*
Europe	4%
LAM	7%
MEA	19%
Underlying*	(3%)
Div/FX	(6%)
Net	(9%)

Segment Results			
($M)	2014	2015	Chg.
Sales	$1,171	$1,063	(9%)
EBIT	$96	$34	(65%)
% of Sales	8.2%	3.2%	(500) bps
Restructuring	$6	$13	
EBIT excl. Rest.*	$102	$47	(54%)
% of Sales*	8.7%	4.4%	(430) bps

- Decreased global demand for telecommunications power business
- Data center business decreased moderately reflecting continued weakness in infrastructure investment
- Geographic results varied with Europe up 4 percent benefitting from hyperscale data center project revenues in Sweden, North America down 7 percent, and Asia down 5 percent
- Decreased margins reflect volume deleverage, unfavorable mix and increased restructuring

Improving data center markets with continued weakness in telecommunications power markets

Second Quarter 2015
Climate Technologies

Sales % Chg. vs. PY	
NA	(5%)
Asia	(2%)
China	*(12%)*
Europe	1%
LAM	(19%)
MEA	35%
Underlying*	(3%)
FX	(3%)
Net	(6%)

Segment Results			
($M)	2014	2015	Chg.
Sales	$1,041	$982	(6%)
EBIT	$186	$170	(9%)
% of Sales	17.9%	17.3%	(60) bps
Restructuring	$7	$4	
EBIT excl. Rest.*	$193	$174	(11%)
% of Sales*	18.6%	17.7%	(90) bps

- Net sales decreased 6 percent as U.S. air conditioning customers work through pre-built inventory from the previous two quarters
- Asia was down 2 percent as growth in the India, Australia, and southeast Asia air conditioning and refrigeration businesses was more than offset by slowing demand in China.
- Europe had slight growth up 1 percent, Middle East/Africa up 35 percent, and Latin America down 19 percent

Modest underlying growth in the second half of the year will be driven by HVAC and refrigeration businesses

Second Quarter 2015
Commercial & Residential Solutions

Sales % Chg. vs. PY	
NA	5%
Asia	(4%)
China	*(12%)*
Europe	(9%)
LAM	(9%)
MEA	9%
Underlying*	3%
FX	(2%)
Net	1%

Segment Results

($M)	2014	2015	Chg.
Sales	$460	$465	1%
EBIT	$99	$91	(8%)
% of Sales	21.4%	19.4%	(200) bps
Restructuring	$0	$3	
EBIT excl. Rest.*	$99	$94	(6%)
% of Sales*	21.5%	20.1%	(140) bps

- Growth was led by favorable market conditions in the U.S.
- Growth in food waste disposers, storage, and wet/dry vacuums more than offset declines in the professional tools business
- Recent softness in the professional tools business reflects reduced oil and gas related spending

Favorable trends in U.S. construction markets are expected to continue, supporting moderate growth in second half

Fiscal Year 2015 Outlook

- **Macroeconomic environment will continue to be a challenge in the second half of the year**
  - Oil and gas industry capital spending reductions affecting upstream activity
  - Broad slowdown in industrial spending, particularly North America and China
  - Europe beginning to show signs of improvement, emerging markets mixed
- **Profitability affected by volume deleverage on rapid decline to lower underlying growth expectations**
- **Restructuring accelerated further to exceed $140 million for the year**
- **Based on current market conditions, the revised 2015 outlook is as follows:**
  - Reported sales change (7) to (5)%, reflecting approximately 5% deduction from currency translation and 2% deduction from divestiture
  - Underlying sales* growth 0 to 2%
  - Reported earnings per share are expected to be $4.17 to $4.32, including a significant reduction from currency translation, divestiture gain of $0.77 per share, and accelerated restructuring costs of $0.09 per share

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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).

Q2 2015 Sales Growth	Process Mgmt	Industrial Auto	Network Power	Climate Tech	Comm & Res Solns	Total
Underlying*	2%	(2)%	(3)%	(3)%	3%	-
Acq/Div	-	(8)%	(1)%	-	-	(2)%
FX	(5)%	(6)%	(5)%	(3)%	(2)%	(5)%
Reported	(3)%	(16)%	(9)%	(6)%	1%	(7)%

Sales Growth	Q4 FY14	Q1 FY15	Q2 FY15	2015E
Underlying*	4%	6%	-	~ 0 - 2%
Acq/Div	(3)%	(3)%	(2)%	~ (2)%
FX	(1)%	(3)%	(5)%	~(5)%
Reported	-	-	(7)%	~ (7) - (5)%

EBIT*	Q2 FY14	Q2 FY15	% Change	% of Sales
Pretax earnings	$ 817	1,604	96%	
% of sales	14.1%	29.7%		1560 bps
Interest expense, net	47	40	(6)%	(10) bps
EBIT*	$ 864	1,644	90%	
% of sales*	14.9%	30.4%		1550 bps
Artesyn equity loss/gain on sale of business	34	(932)	(111)%	(1780) bps
EBIT excl. equity loss and gain on sale of business*	$ 898	712	(21)%	
% of sales*	15.5%	13.2%		(230) bps

	Q2 FY14	Q2 FY15	% Change
Reported	$ 0.77	$ 1.42	84%
Gain on sale of power transmission solutions	-	$ (0.77)	(100)%
Adjusted*	$ 0.77	$ 0.65	(16)%

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

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