

2016 Investor Conference Emerging Markets Update

Ed Monser

President

February 11, 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 statement 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

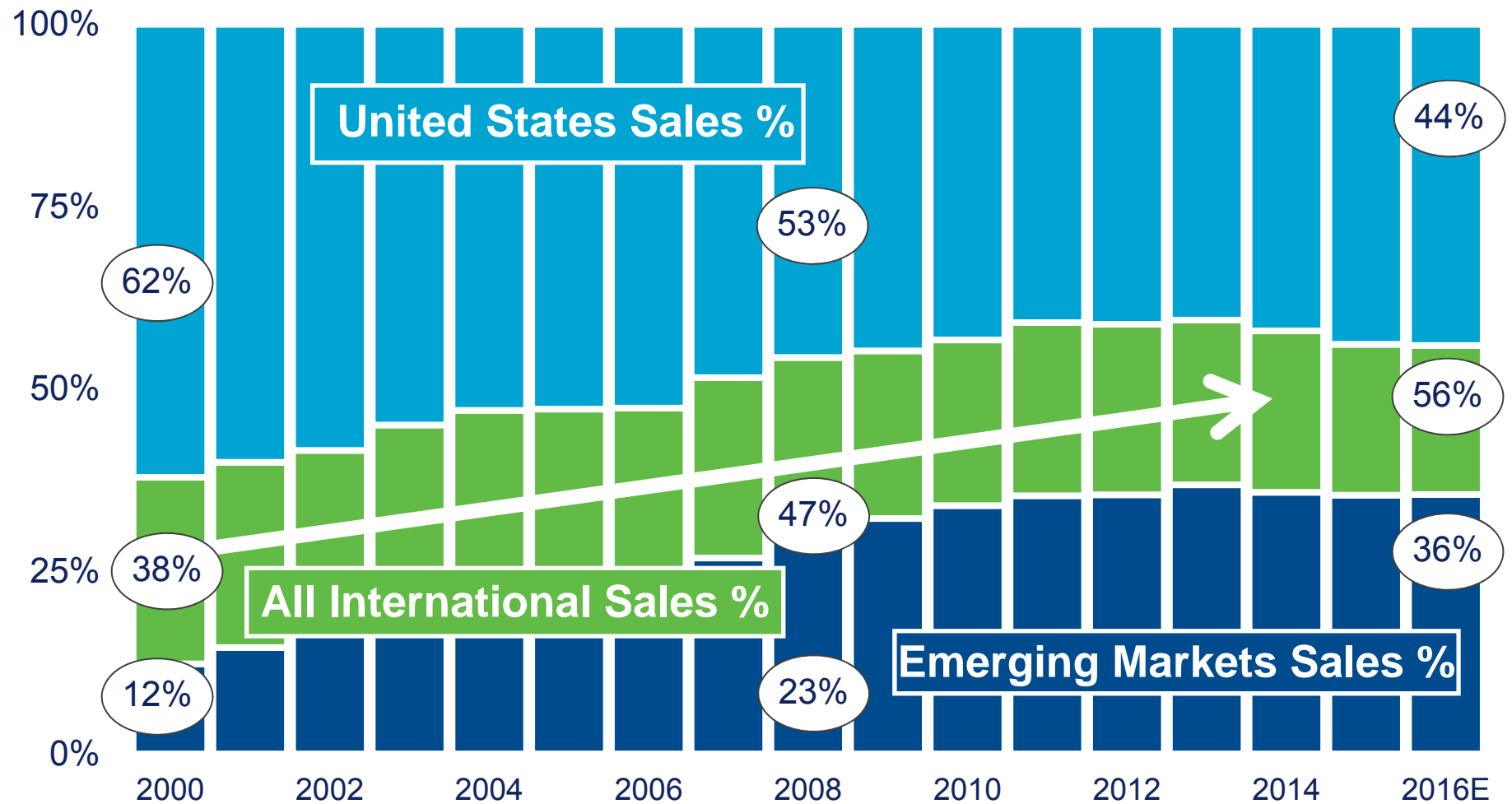
In this presentation we will discuss some non-GAAP measures (denoted with an *) in talking about our company's performance, and the reconciliation of those measures to the most comparable GAAP measures is contained within this presentation or is available at our website www.emerson.com under the investor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

Pro Forma Results

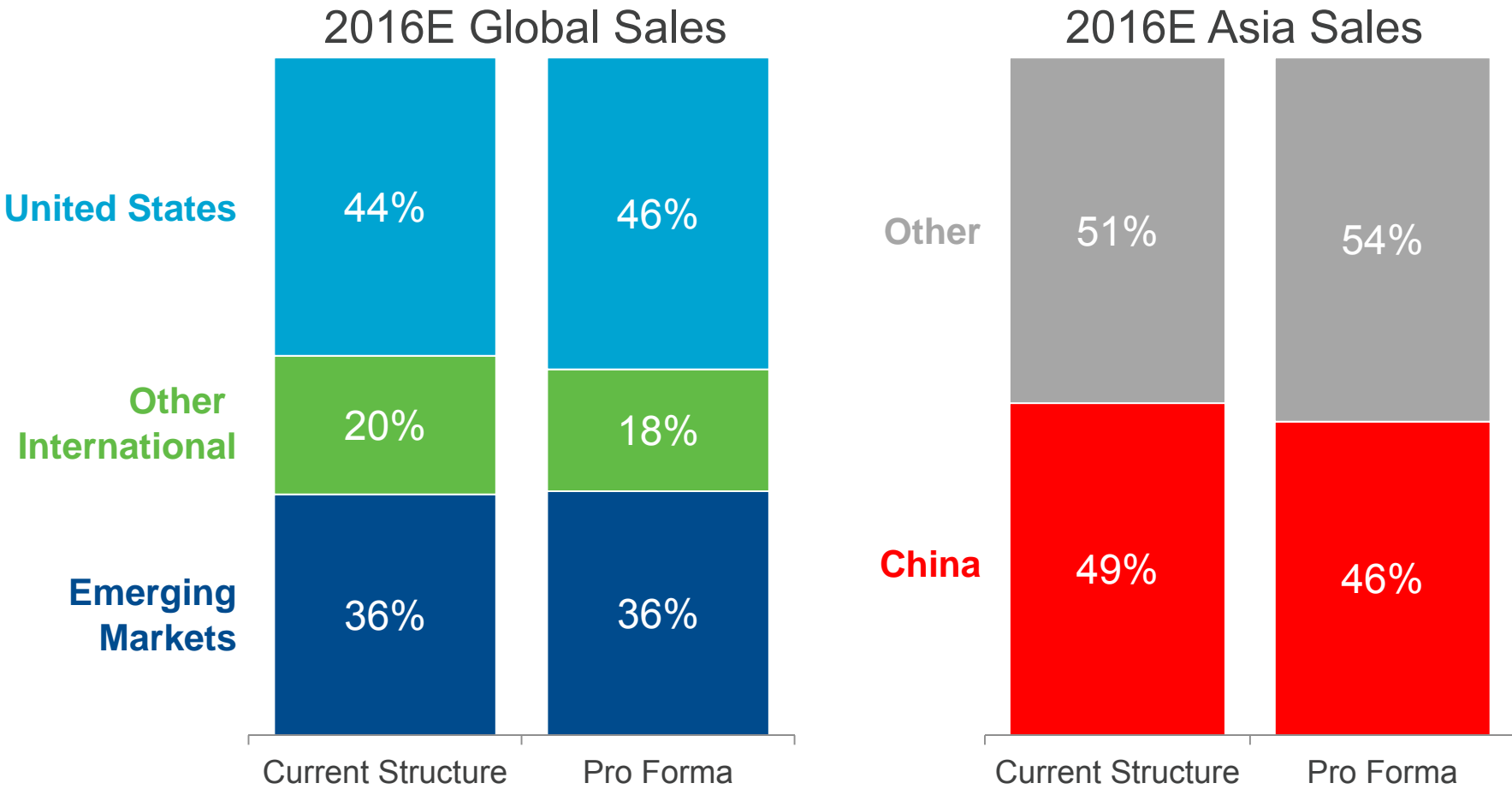
The financial measures contained in this presentation for the rebased Emerson and the Automation Solutions and Commercial & Residential Solutions businesses represent the businesses that are expected to remain a part of Emerson and to comprise these business groups after completion of Emerson's portfolio repositioning actions.



We Continue to Increase Our Emerging Markets Presence



Strategic Actions Impact on 2016 International Sales Sources



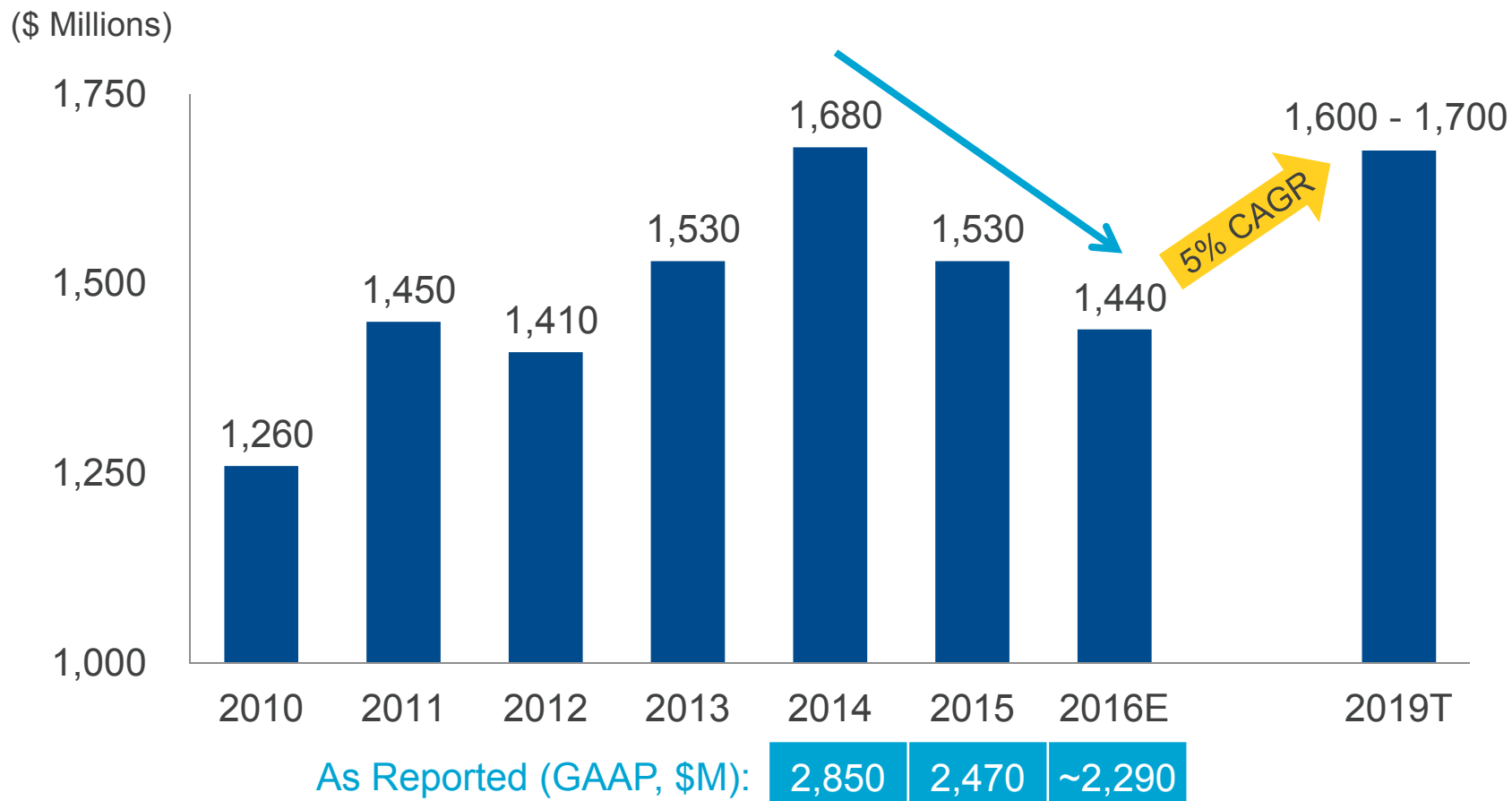
Fixed rate at September 30, 2015
 Pro Forma assumes all strategic actions have been completed

Proportion of Revenue in Emerging Markets Remains Solid
 in Pro Forma Emerson

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China Pro Forma Sales Performance



Pro Forma assumes all strategic actions have been completed; All years presented at September 30, 2015 exchange rates
As Reported reflects consolidated Emerson before separation of businesses subject to portfolio repositioning actions

We May Have Found a Trough in China as We End 2016
-- Ample Room for Market Penetration and Acquisitions

China 2016 Market Outlook



Tailwinds

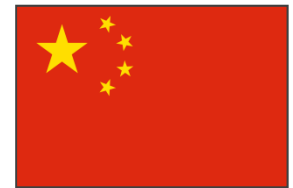
- Focus on **innovation-driven strategy** and **mass entrepreneurship** creates new opportunities for “Made in China” products
- Efficient **climate control** solutions to gain traction as China combats **pollution**
- **One Belt / One Road** initiative is driving investment across all parts of Asia
- **Outbound Foreign Direct Investment** – Increasing trend of Chinese investments in U.S. greenfield projects
- Low oil prices generate **~\$460 billion in annual savings** versus 2014 prices

Headwinds

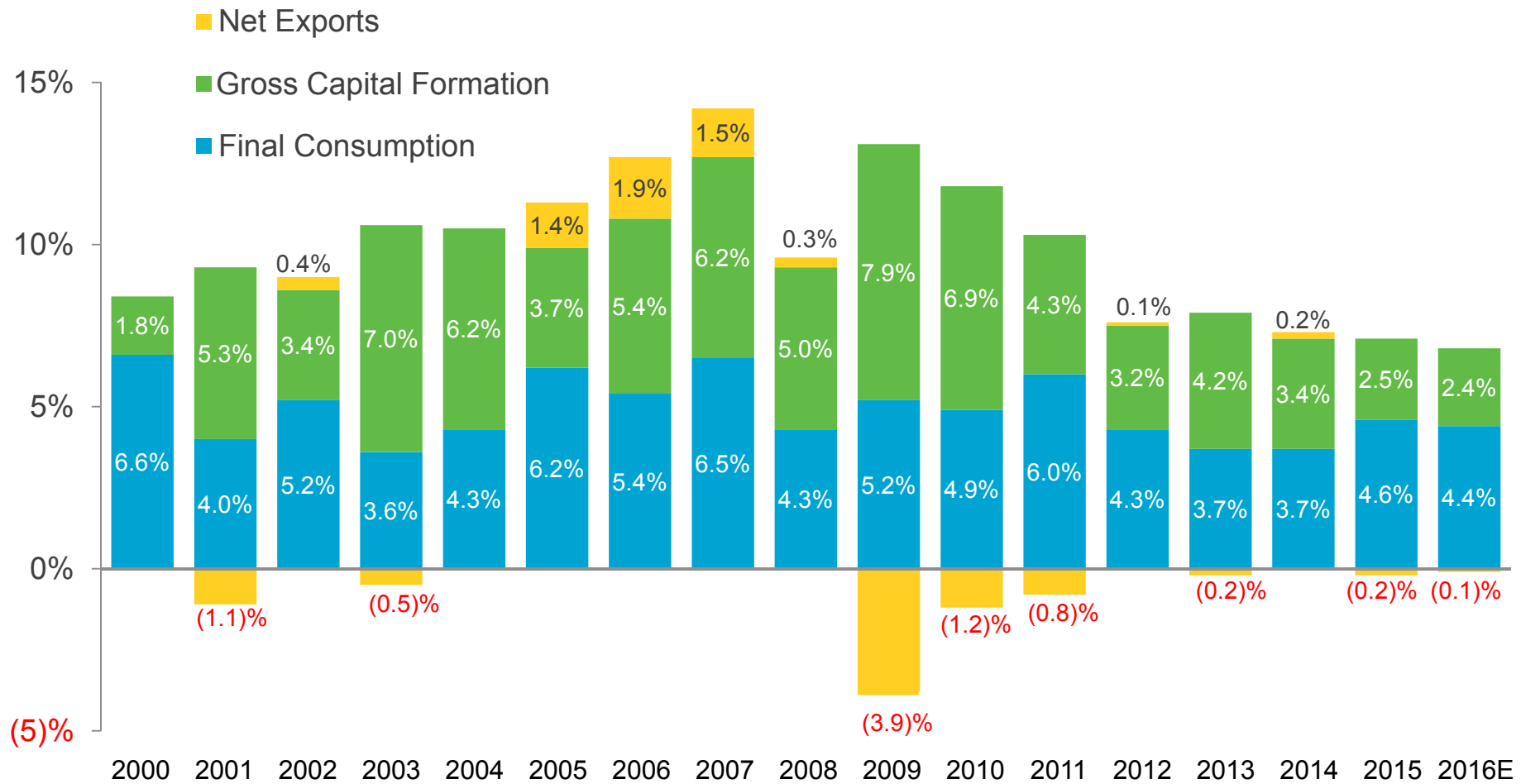
- China is running a **trade surplus** with all regions of the world, limiting any incremental net export growth in 2016
- **Limited credit** for investment in private sector as ~2/3 of high-growth cities have reduced capital stock in 2015
- **Capital flight** creating continued uncertainty in financial markets
- **Gross capital formation** is slowing to ~2.5% and adding to excess capacity in heavy industries
- Cybersecurity and other threats act as leverage to support **indigenous “secured / controlled” technology**

Source: IHS Economics and Emerson Management Commentary, Starfort Investment Holdings

China Has Been Reducing Its Industrial Investments
as It Focuses on Building Out Its Consumer Economy



China's GDP Growth by Expenditure

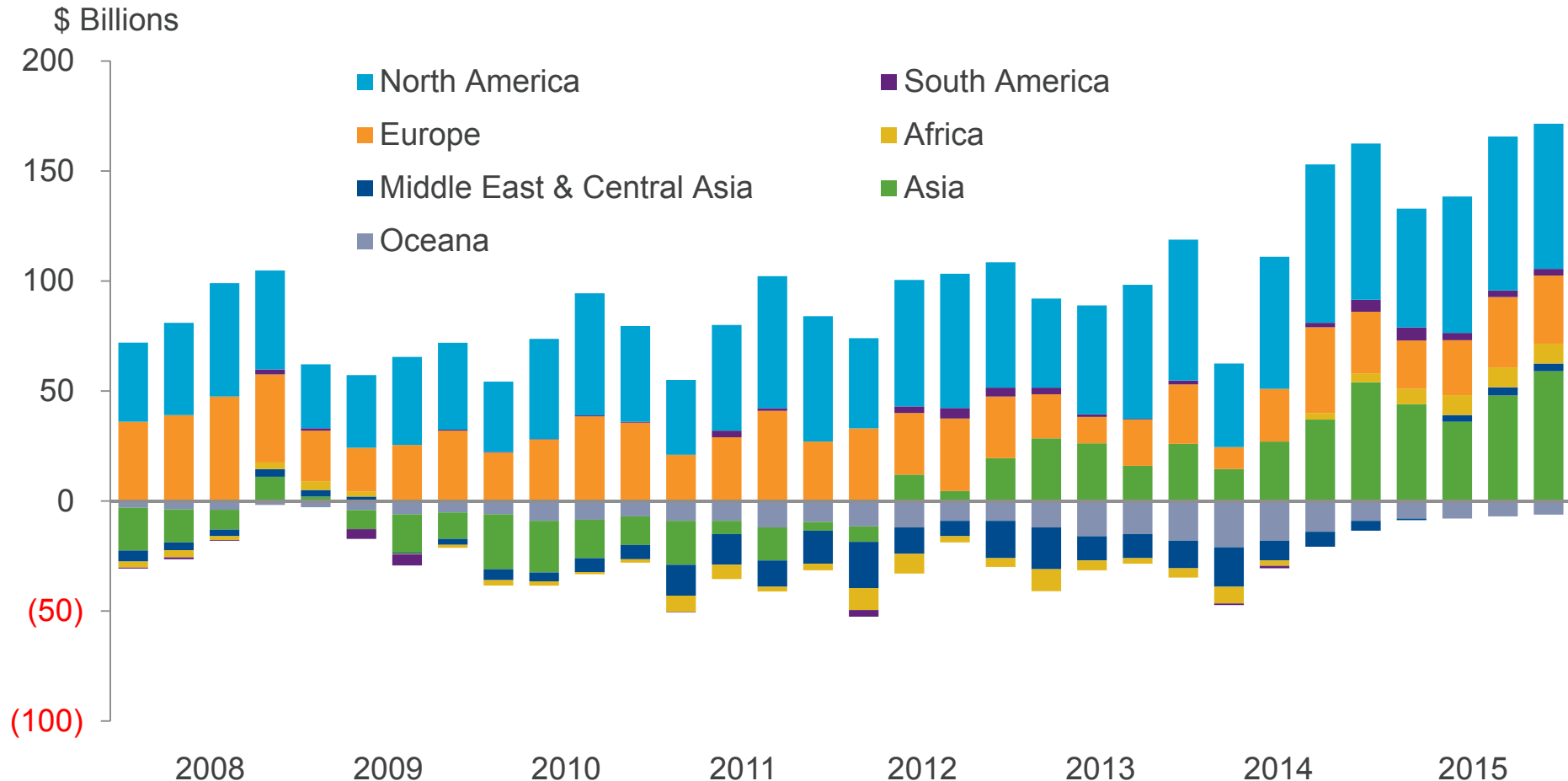


Source: National Bureau of Statistics, CEIC, Rhodium Group

Gross Capital Formation Slowing and Adding to Excess Capacity



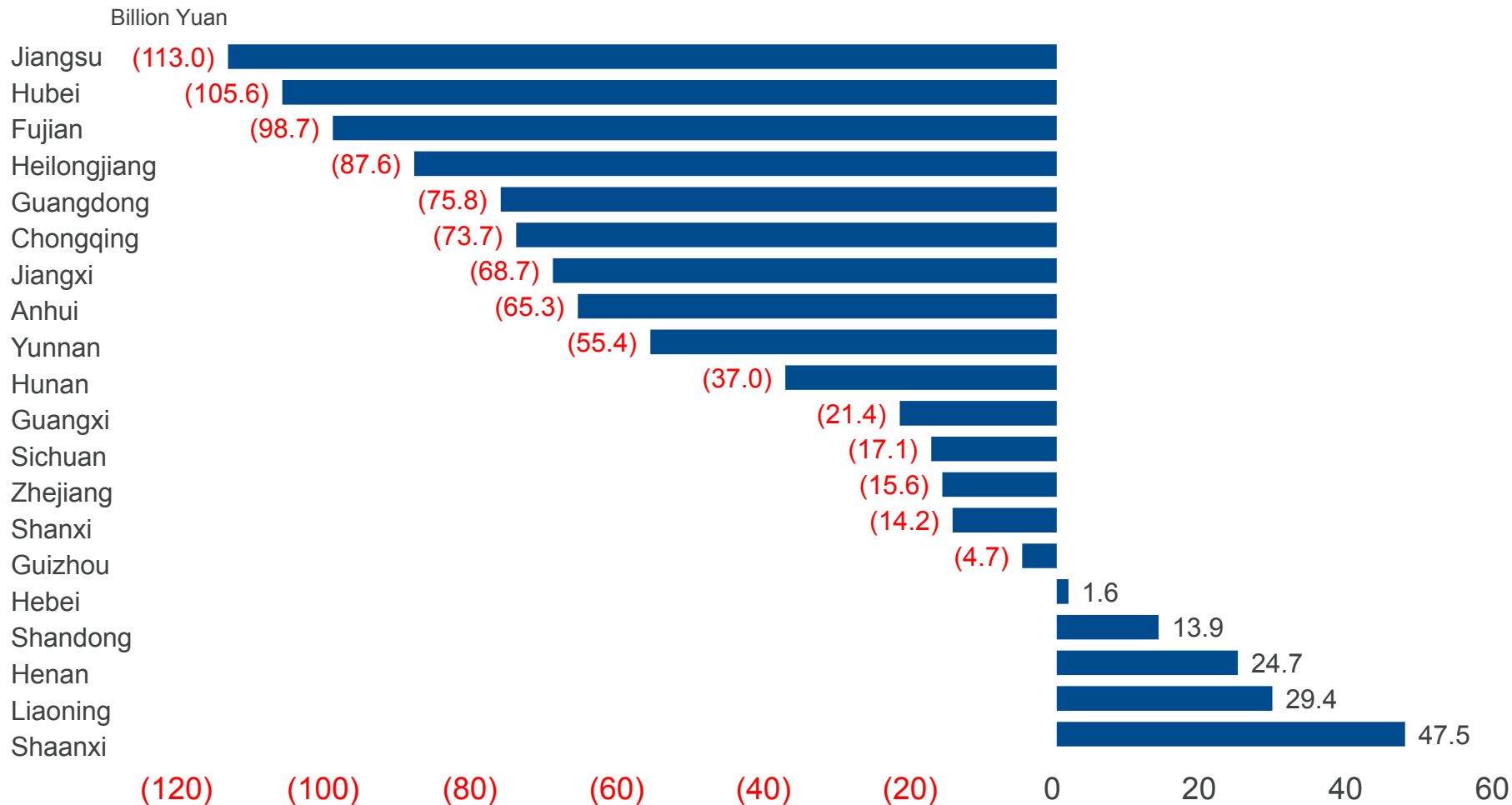
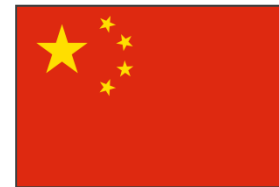
Quarterly Trade Balance by Region



Source: General Administration of Customs, data in calendar quarters.

Trade Surplus Limits Incremental Net Export Growth

Change, Acceptances and Trust Loans, January - September 2015

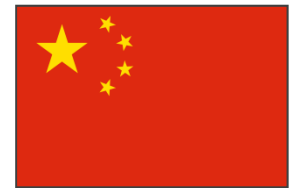


Source: People's Bank of China, Rhodium Group

~2/3 of High Growth Provinces Running Reduced Capital Stock in 2015,
Limiting Credit for Investment

Made in China Overview

Internal Market Research Report



Customers

- **9 out of 10** of Emerson's **top customers** in China are **domestic companies**
- **Customers see room for improvement** in Emerson China

Market Dynamics

- **Declining GFI¹ growth**, yet still forecasted between 4 - 6% (2016 – 2020)
- Weak overseas markets
- Slow domestic consumption growth
- Overall **push for slower sustainable growth**

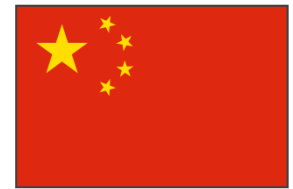
Competitors

- **Domestic companies** are increasingly **avored**
- **Multinationals** adapting an “**In China, For China**” strategy to remain competitive
- Despite challenges, **Emerson remains top-tier multinational competitor**

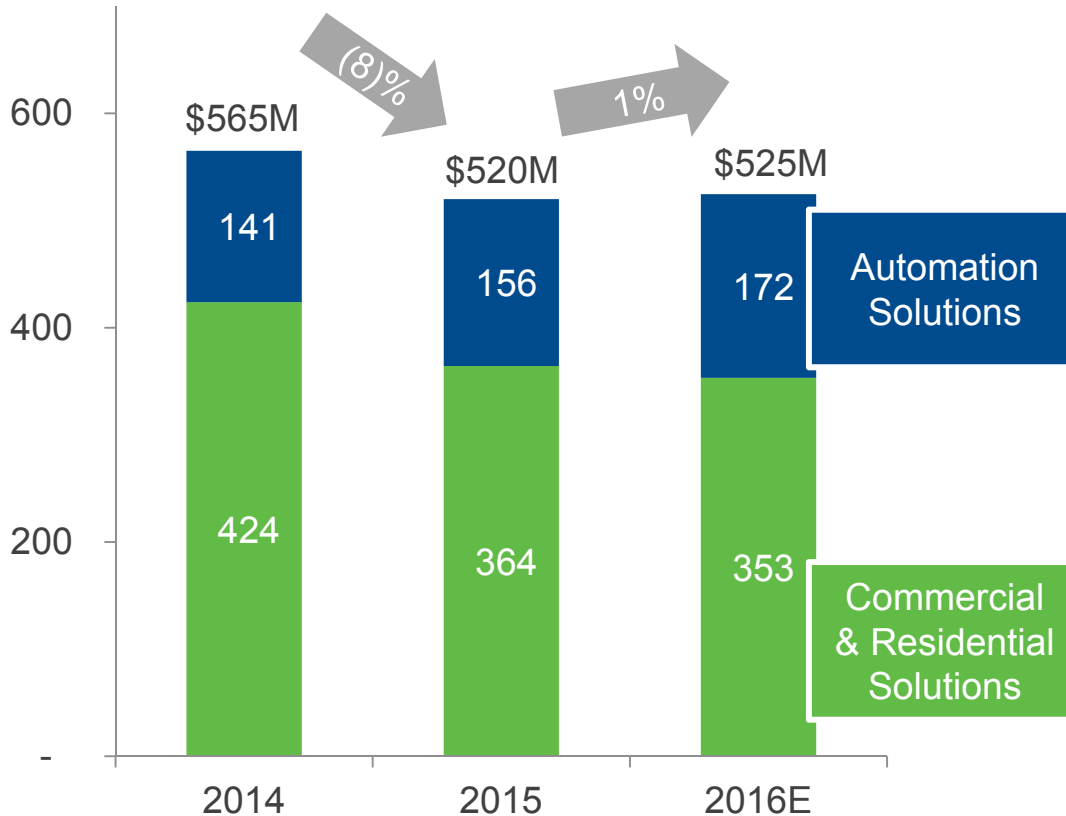
1: GFI – Gross Fixed Investment

The Definition of Made in China Continues to Expand and Deepen

Mid-Tier Strategy Is Keeping Emerson Relevant and Growing in China



China Mid-Tier Sales by Platform



Mid-Tier Key Initiatives

Automation Solutions

- Dedicated China **engineering and development teams** and localized **product marketing**
- Sales office **expansion** into Tier 2 & 3 cities

Commercial & Residential Solutions

- Residential and Commercial AC **scroll compressors**
- Expanding **distribution** and **service** center capabilities

84% of All Emerson Products Sold in China Are Made in China

Tiered Portfolios Unlock New Opportunities Automation Solutions



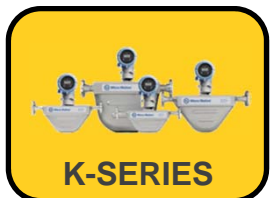
Ultimate Performance
Challenging Applications
(Multinational)



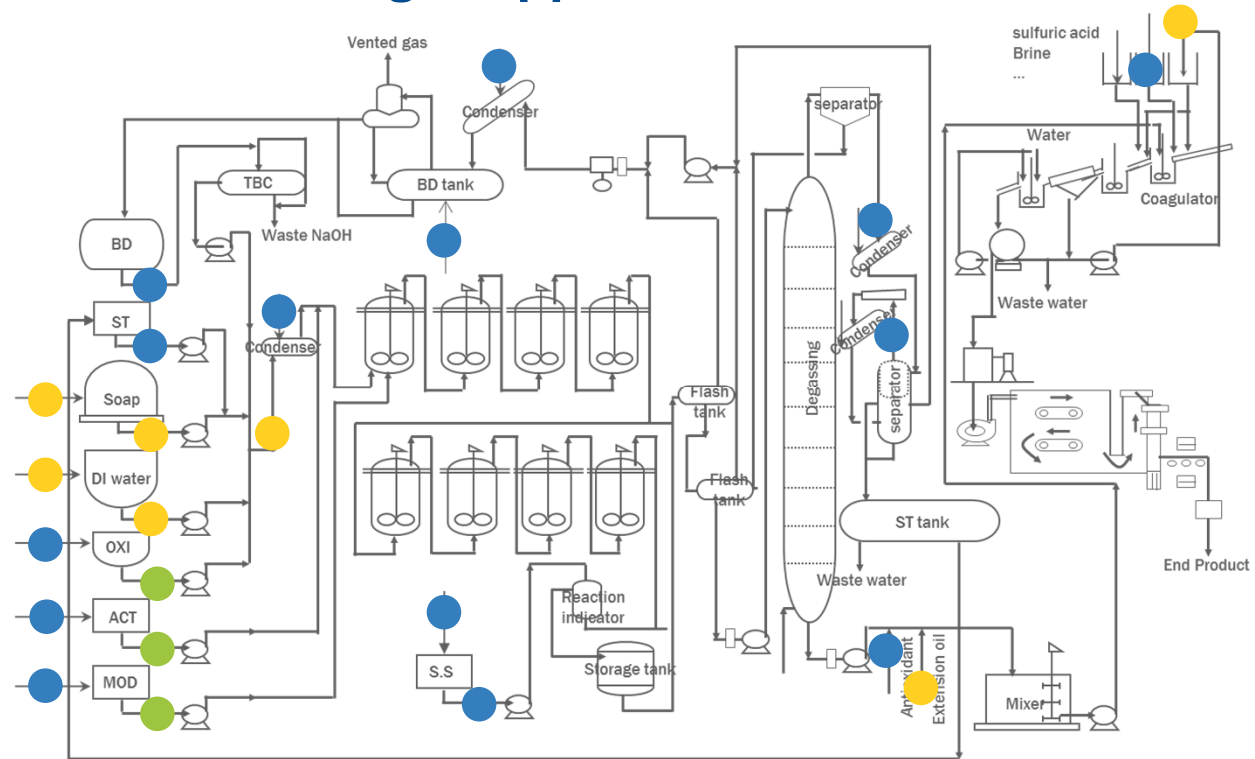
Basic Process Control
Applications
(Multinational)



General Utility
Applications
(Mid-Tier)



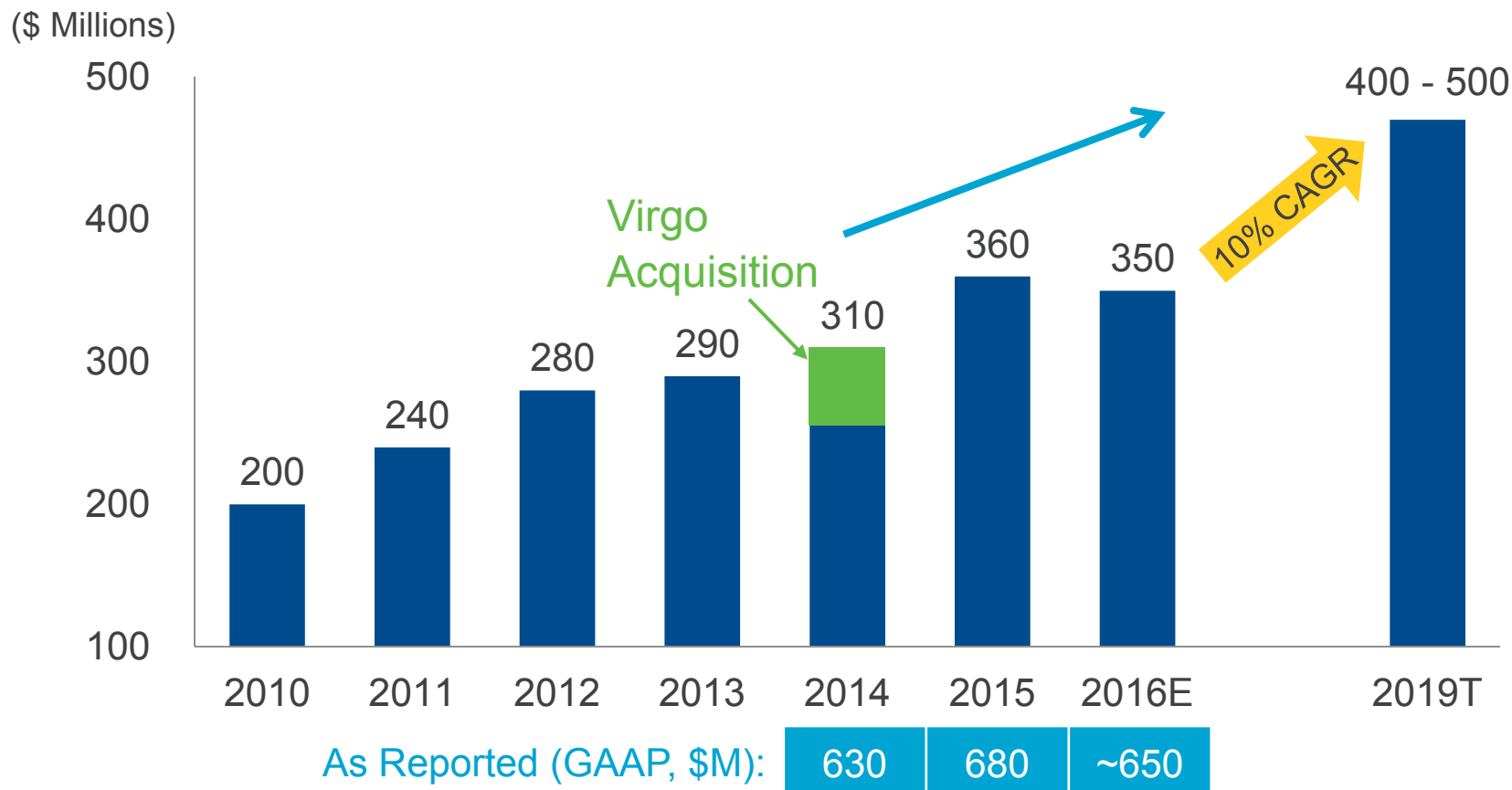
Chemical: Target Applications



- **ELITE** ➤ Key Feeding
- **F-SERIES** ➤ Key Blending, Non-key Feeding, Condenser
- **K-SERIES** ➤ Non-key Blending, Deionized Water

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India Pro Forma Sales Performance



Pro Forma assumes all strategic actions have been completed; All years presented at September 30, 2015 exchange rates
 As Reported reflects consolidated Emerson before separation of businesses subject to portfolio repositioning actions

India Continues to Be a Good Market for Us
 Ample Room for Market Penetration and Acquisitions

India 2016 Market Outlook



Tailwinds

- Strengthening **domestic demand** and reforms contribute to solid growth
- We should expect even higher growth with India's entry to **APEC**¹
- Government **investment in infrastructure rising**
- **Foreign direct investment (FDI) inflows** are picking up and should be sustained by Modi's recently-announced FDI reforms
- Government focused **on improving ease of doing business** and increasing transparency, access and governance

Headwinds

- In the near term, **industrial growth remains sluggish**, with both the manufacturing and infrastructure sectors struggling to gain momentum
- **Weak commodity prices and soft external demand** will keep India's industrial sector subdued through much of 2016
- Modi's **policy reforms** are expected to move forward, but **slowly**. Work remains to open the markets, upgrade the infrastructure and raise productivity
- **Continued complexity** of tax and incentive structures

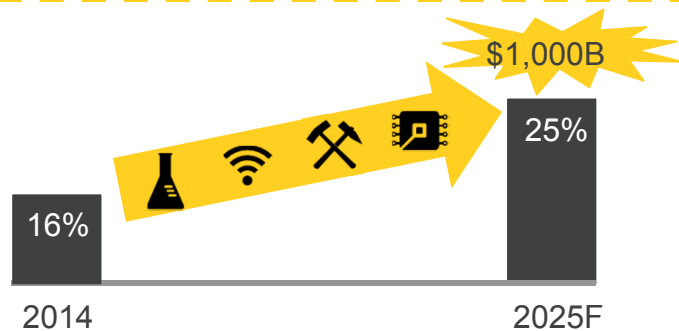
Source: IHS Economics and Emerson Management Commentary
1: APEC – Asia Pacific Economic Cooperation

Emerson Continues to Invest in India to Take Advantage
of the Growing Economy



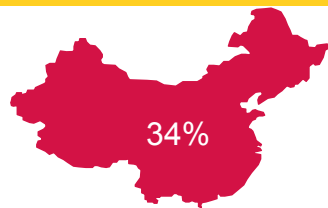
“Make in India” Overview

Make in India is an initiative launched by the Indian Government in September 2014 to encourage companies to manufacture products in India



India aims to increase manufacturing's GDP representation to 25% by 2025

Manufacturing % of GDP in Asia



China

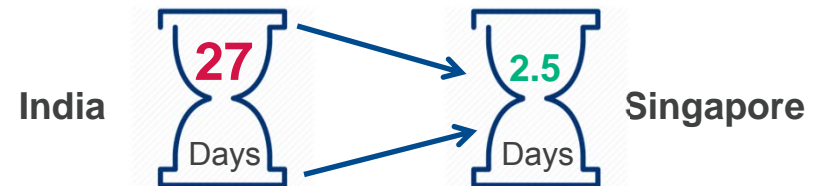


South Korea

- Fueled by 25 key sectors, including **Chemicals, IT, Mining, and Electronics**
- Attracting jobs from China due to China's increasing labor wages

Ease of Doing Business Ranking

- Currently ranked **134th out of 189 countries**
- Average **days to start a business is longer** than other Asian countries



Young Labor Force



- 65% of the population < 35 years old
- Average age in 2020 will be 29
- Projected to have the **largest available workforce in the world during the next decade**



Key Growth Sectors of “Make in India”

Oil & Gas

#4 for global oil consumption

~50% of global energy demand by 2040

Primary energy demand growth will reach **1,516M tons of oil equivalent by 2035**

Construction

~10% of GDP and valued at **~\$126B**

20% CAGR from 2011-14

509M people will live in India's cities by 2030

50% of the construction demand is from infrastructure development; projected to total **\$1,000B of investment in 2012-17**

Food Processing

127 agro-climate zones that net **89.9M hectares of crops**

42 mega food parks being created with an estimated investment of **\$1.6B**

Food processing sector ranks **5th in the world in exports, production, and consumption**

Tourism, Hospitality, & Wellness

Tourism **~6.8% of GDP**, valued at **~\$86B**

6% 2013-2014 growth in number of tourists

8% Projected CAGR of tourism growth between 2008-2016

100% FDI allowed in **tourism construction**

Wellness market **~\$8 Billion**

Railways & Mass Rapid Transit System (MRTS)

#3 Third-largest **rail network, 64,600 km**

100% FDI recently allowed in **railway infrastructure**

Projects worth **\$1,000B** to be awarded by Indian Railways through **public-private partnerships**

3X Share of **private investments** in MRTS Projects

Emerson “Make in India” Initiatives Automation Solutions



Major Growth Sectors Moving Forward



Pharmaceuticals



Oil & Gas



Thermal Power

Current Local Manufacturing



~50% of Line



~70% of Line



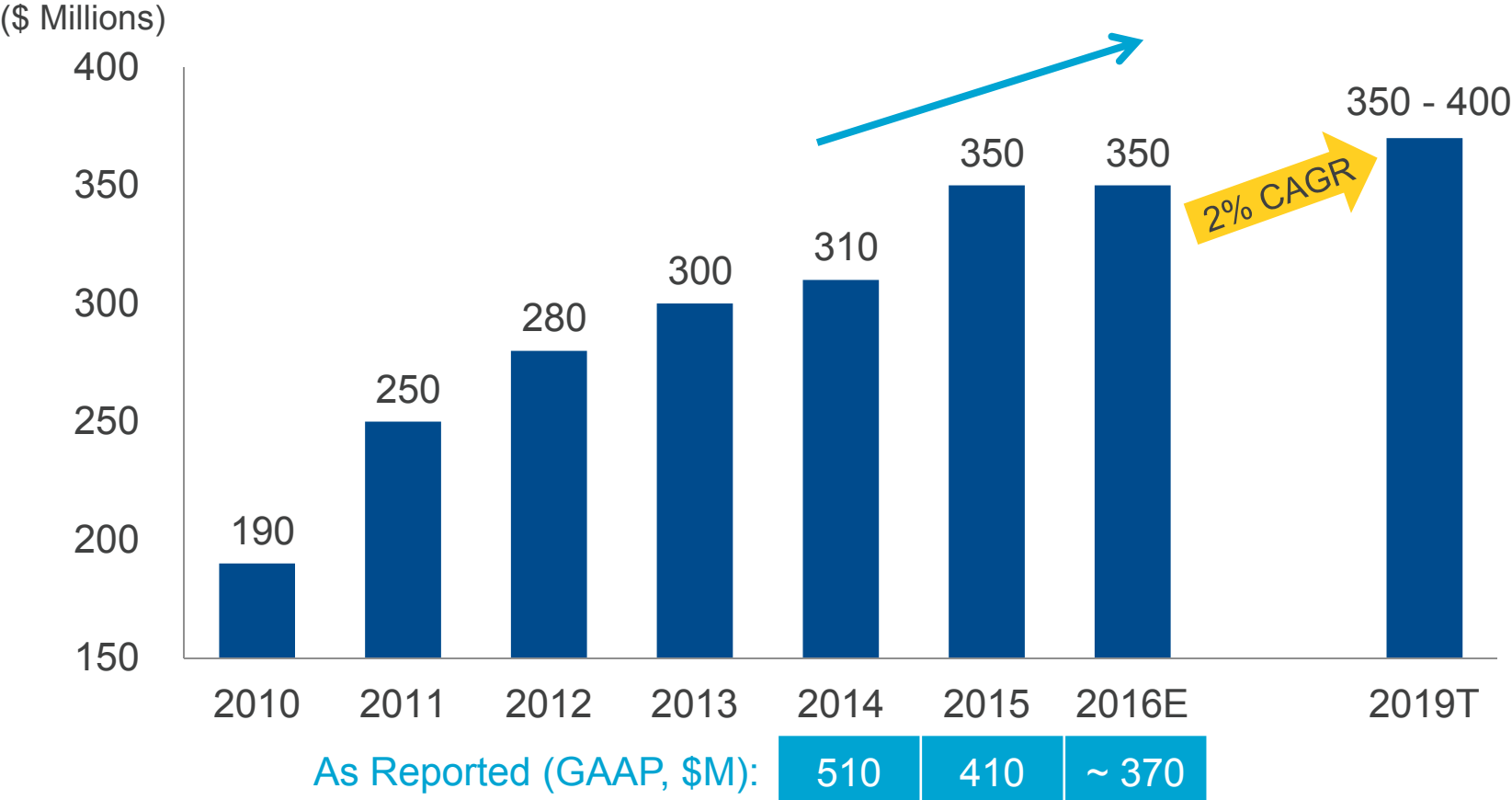
Goal is 90+%

Recent Developments

- **New manufacturing facility** approved for expansions in Chakan, Pune
- **Expansion of existing facilities** – Rosemount, one of our businesses in the Automation Solutions portfolio, now manufactures 83% of India sales in India
- **Acquired two local manufacturers** in the last year – Virgo Valves & Controls, and Ameya Transmission
- **Engagement with Engineers India Ltd.** (EIL) – a public-sector undertaking that is piloting the midstream and downstream sector for the ‘Make in India’ initiative

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Russia Pro Forma Sales Performance



Pro Forma assumes all strategic actions have been completed; All years presented at September 30, 2015 exchange rates
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Our Sales Continue to Strengthen on a Fixed-Rate Basis

Russia 2016 Market Outlook



Tailwinds

- Emerson's localization initiatives have allowed us to **gain market participation** at a higher rate than international and local competitors
- **Local manufacturing** reduces the impact of the weakened ruble
- The greater challenges of **developing new energy reserves** will require substantial investment

Headwinds

- **Economy remains weak** due to low oil prices, Western sanctions and the inability of the central bank to institute monetary easing
- A **slump in both industrial production and investment activity**, especially in the energy sector, is continuing
- **Ruble** remains historically weak versus US dollar
- Tight credit conditions and the erosion of business confidence is continuing to **limit fixed capital investment**

Source: IHS Economics and Emerson Management Commentary

The Russian Market Is Struggling, But We Are Gaining Market Participation Because of Strong Local Presence

Russia Localization Policies – Russia's Retaliation to Sanctions



Implementation of the 60 / 25% Localization Rule

- **Greater than 50% (target 60%) of a product's content to be Russian**, with less than **25% U.S. / EU content** (CIS¹ components considered local)
- Metran is on the way to achieving 60% Russian content



100% foreign owned company can manufacture a Russian Product if most content is Russian



A Russian company will not qualify if it only assembles 100% foreign imported components

1: CIS – Commonwealth of Independent States of the former Soviet Union

Localized Production Is Strongly Preferred and
Is Key to Success for Multinationals

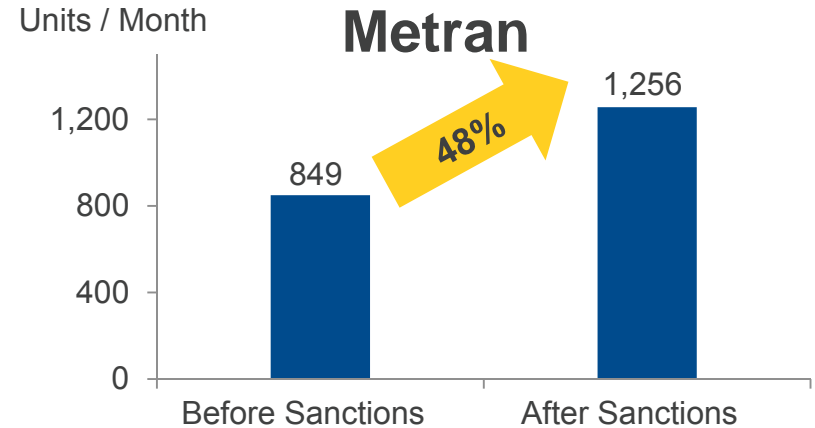
Automation Solutions Programs to Accelerate Localization Plans



Global Products Manufactured Locally



Global Products Manufactured Locally



- **100% of Software & Hardware Design for projects executed locally** in Russia Engineering Centers
- **100% of Final Cabinet Assembly for PlantWeb Solutions Projects** to be done within Metran facility in Chelyabinsk
- **Grand opening** of Metran's **Chelyabinsk office** and **manufacturing center** in 2015

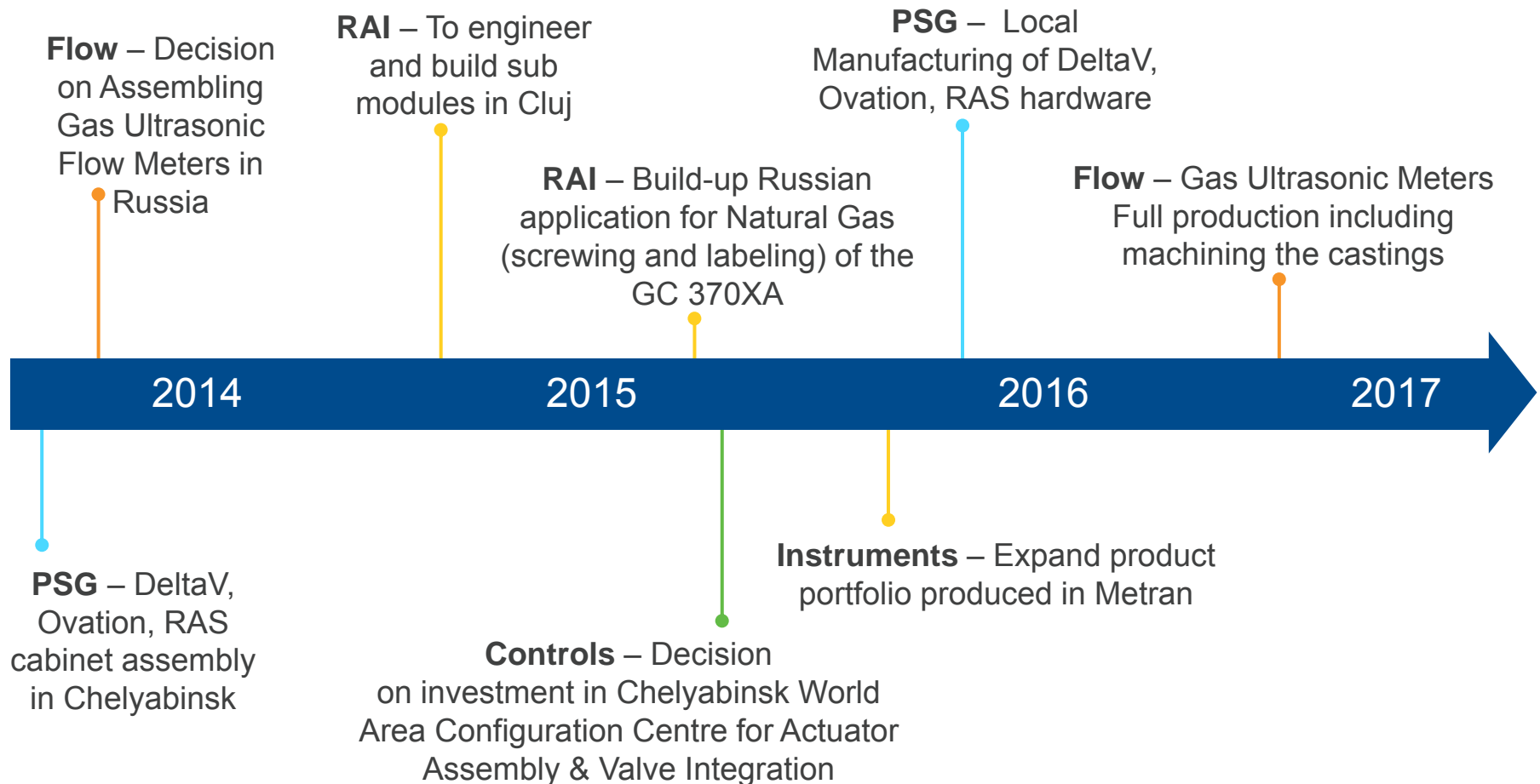


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Automation Solutions Programs to Accelerate Localization Plans



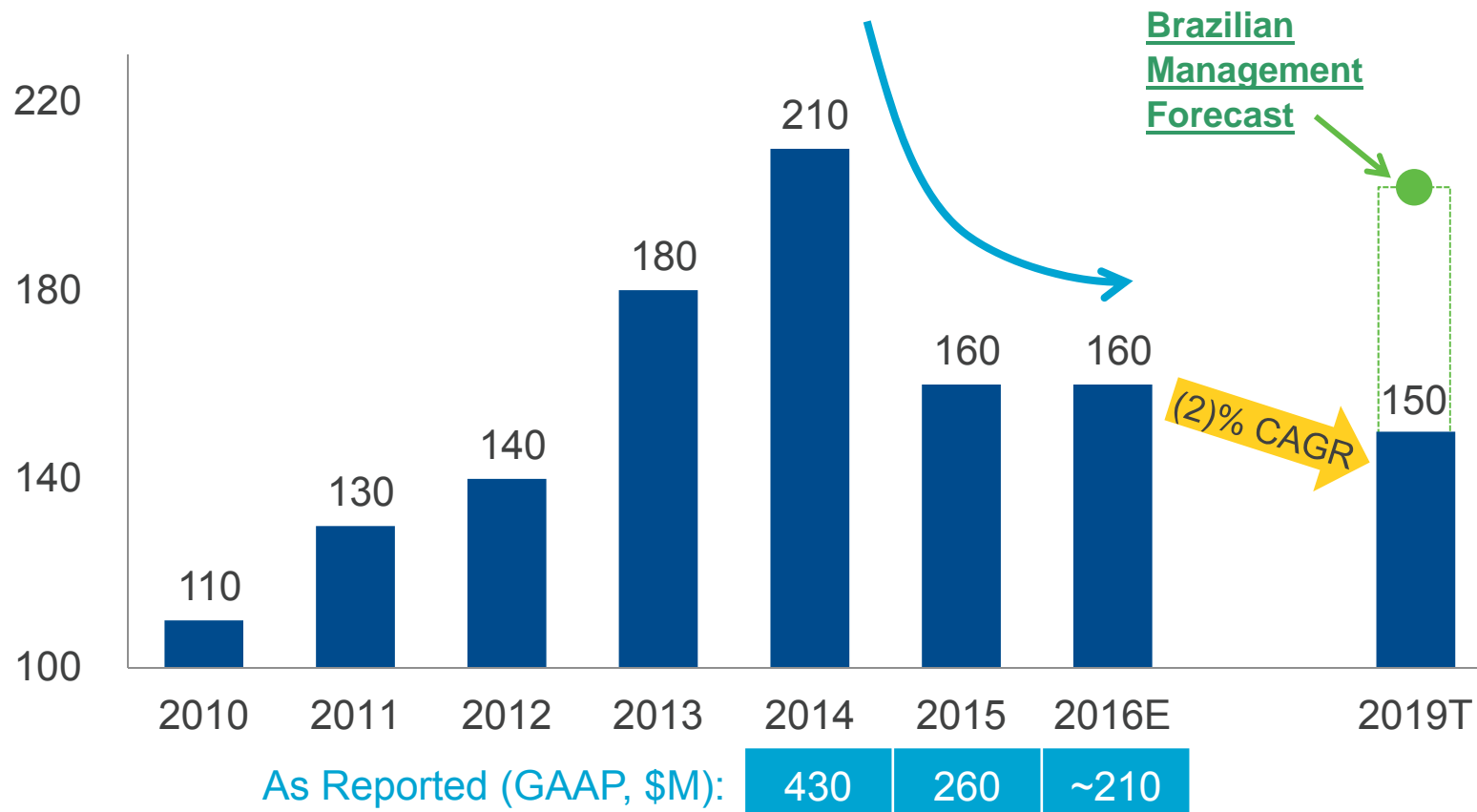
Other Localization Programs



Brazil Pro Forma Sales Performance



(\$ Millions)



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2016 May Be a Trough, but Recovery Is Sluggish and Long!

Brazil 2016 Market Outlook



Tailwinds

- **Strong installed base** and exploring opportunities related to safety, reliability and energy efficiency
- **Some CapEx opportunities** in the Power Generation, Food and Beverage, Pulp & Paper, and Upstream Oil & Gas
- Climate Technologies continues to gain participation with **solutions offering**

Headwinds

- Brazil's **recession will continue through 2016**, with declines across consumer spending, business investment, and imports
- **Low oil prices** and **corruption investigations** at Petrobras are impacting energy, construction, and financial markets
- High **labor** and **capital** costs, complex **tax policy**, and poor **infrastructure** are limiting international competitiveness
- Growth prospects are further hampered by continued **government instability** and inflation

Source: IHS Economics and Emerson Management Commentary

Brazil Is a Very, Very Challenging Market in 2016.
We Are Very Selective When Considering Projects

Mexico Pro Forma Sales Performance



(\$ Millions)



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Expecting a Strong Year in All Businesses,
Except Process Management Which Is Restrained by Oil Prices

Mexico 2016 Market Outlook



Tailwinds

- Mexico's **energy reforms** provide a historic opportunity to revitalize its ailing energy sector, bolster the overall economy¹, and bring new players
- The **Power** market grew 20%+ in 2015 and the **Midstream** market is expected to grow 40%+ in 2016
- The **60 years of presence** in Mexico of Emerson Automation Solutions resulted in a proven record of solutions and a **strong installed base**
- Mexican economy has benefitted from its **strong ties** to a vigorous U.S. economy

Headwinds

- **Security risks** and **corruption** are tempering business sentiment, investment, and economic growth
- Mexican **peso depreciated** around 40% against US Dollar during the last 20 months
- Higher **competition in Power** and **Midstream** markets; main automation vendors **driving prices down**
- **Private financing project schemes** are necessary to move projects forward due to deep reduction in government funded projects

Source: IHS Economics and Emerson Management Commentary
1: Goldman Sachs

The Mexican Market Is Starting to Recover, and Emerson Is Ready to Seize This Opportunity – Very Strong Operational and Sales Presence

Complete Natural Gas Pipeline Solution Automation Solutions



Opportunity

- **26 New Pipelines awarded to Private Operators via CFE Bids**
- **7,000 km** of new Pipelines by 2018 and investments of **\$16B**

Emerson Advantage

- **Emerson offers integrated solutions**, that help customers get to **First Transmission Faster** and **Operate** efficiently for sustained profitability
- These solutions include:
 - Measurement and Analytical Instruments
 - Final Control and Regulation
 - SCADA

SCADA Control Room

- SCADA Platform
- Leak Detection

Compression Stations

- Compressor Protection
- F&G Systems
- Control Systems
- Multi Phase Project to be Expanded to Nation

Shutdown Valves

- Valves
- Shutdown Actuators
- Remote Terminals
- SCADA Integration

Metering Stations

- Metering Skid
- Gas Analyzers
- Flow Computing
- SCADA Integration

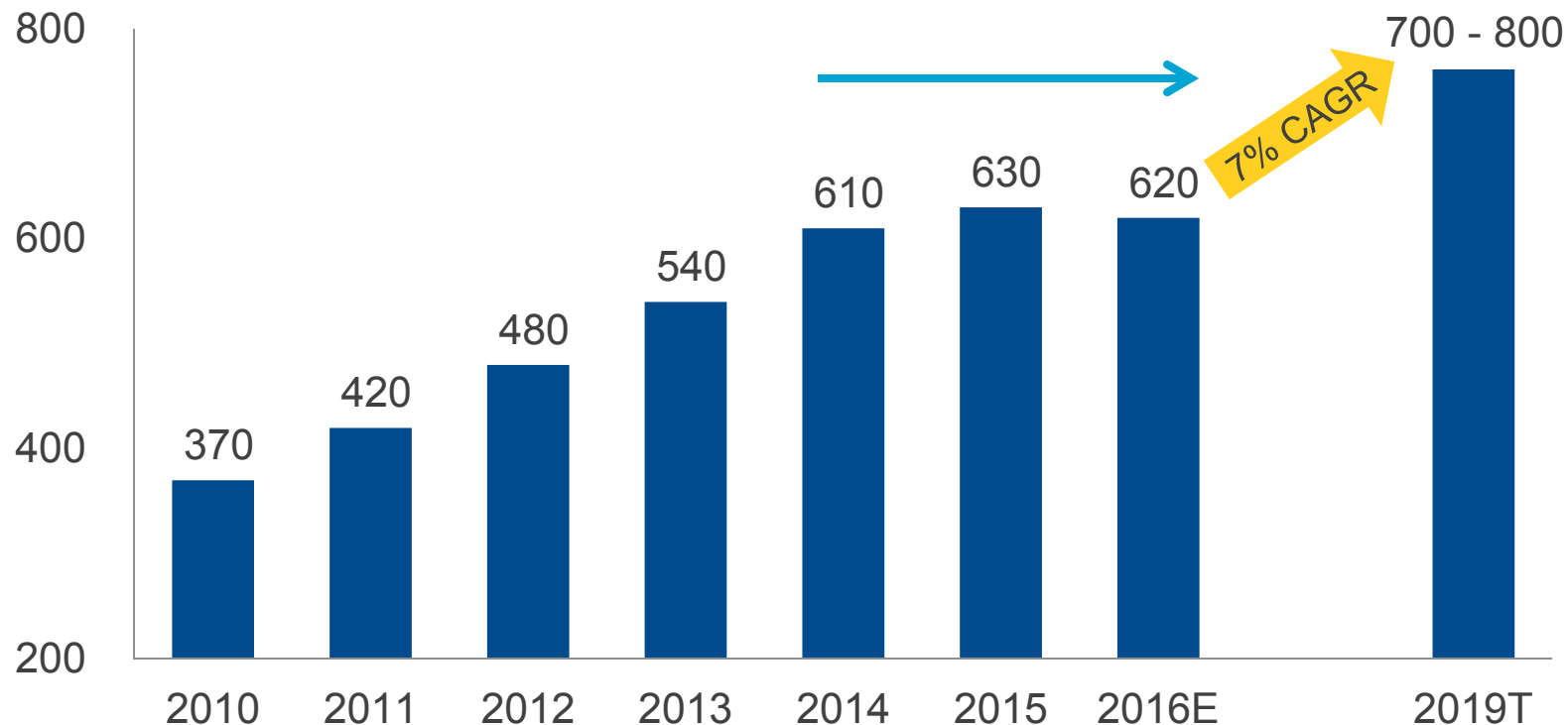
Terminal Automation

- Terminal Management
- F&G Systems
- ERP Integration

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Southeast Asia Pro Forma Sales Performance

(\$ Millions)



As Reported (GAAP, \$M):

890

830

~800

Pro Forma assumes all strategic actions have been completed; All years presented at September 30, 2015 exchange rates
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Southeast Asia Sales Have Flattened -- But Some Opportunities for Growth

Southeast Asia 2016 Market Outlook

Tailwinds

- **Growing middle class** in most Southeast Asian countries drives increased domestic consumption
- Launch of **ASEAN Economic Community** in December has resulted in positive reaction from investors
- Strong growth **momentum in Philippines and Vietnam**, driven by investments in infrastructure and manufacturing sectors
- Malaysia, and Vietnam will benefit from **Trans-Pacific Partnership**

Headwinds

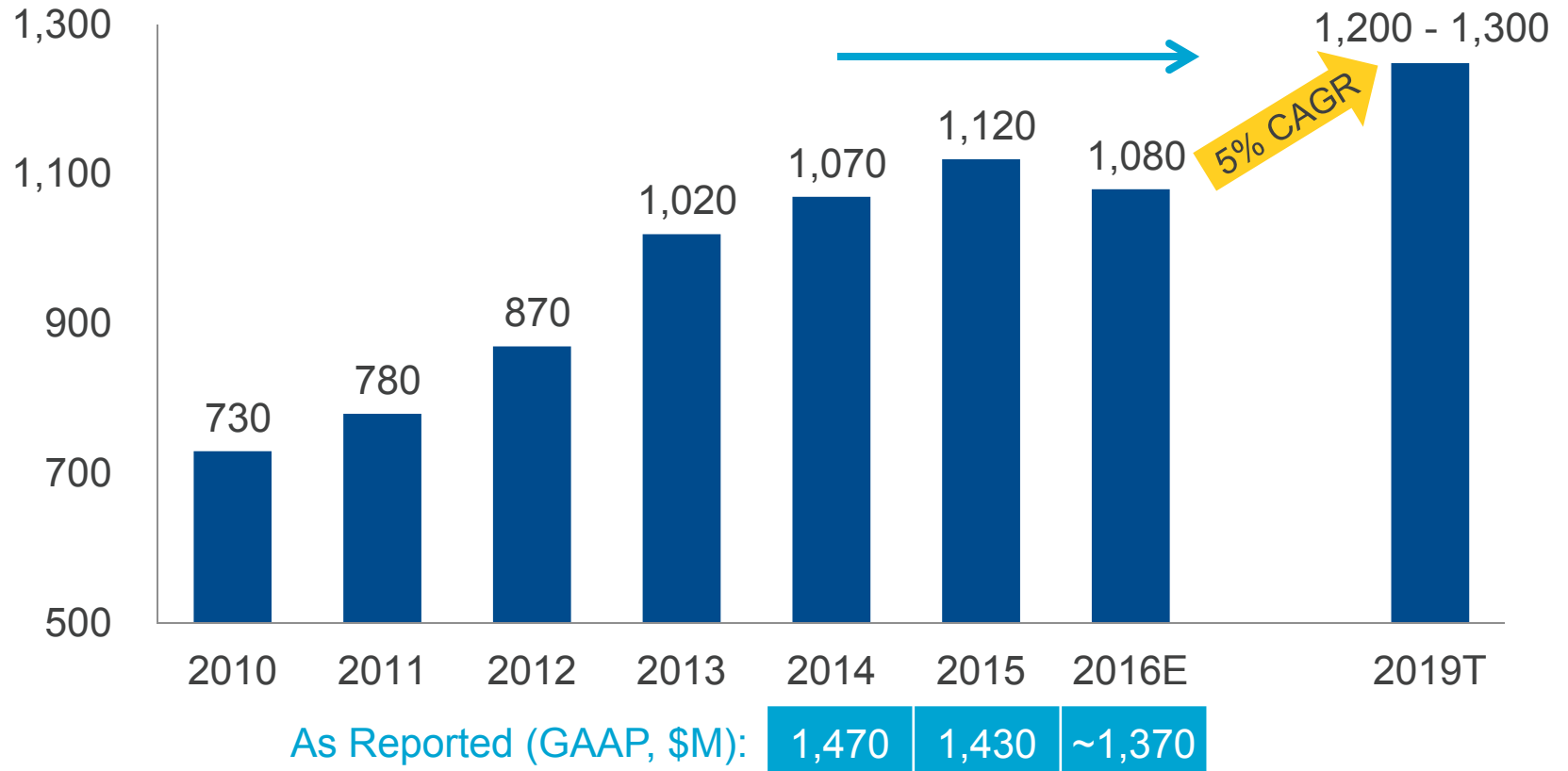
- Poor performance of the **Chinese market** may have spillover effects
- **Japanese investment**, a key catalyst for growth, has **stalled out**
- **Currency depreciation** has weakened regional attractiveness for investment
- **Political uncertainty** in Thailand and Malaysia causing economic slowdown
- **Disappointing growth in Indonesia** due to the lack of structural reforms
- Weakness in **prices of minerals and other commodities** will impact Indonesia, Australia, and Malaysia

Source: IHS Economics and Emerson Management Commentary

A Slowing China and Weakened Japan Leave the Region With Limited Growth

Middle East & Africa Pro Forma Sales Performance

(\$ Millions)



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As Reported reflects consolidated Emerson before separation of businesses subject to portfolio repositioning actions

Middle East and Africa Are Both Challenged in 2016 -- But Will Recover in 2017

Middle East & Africa 2016 Market Outlook

Tailwinds

- Emerson's **investment in the region has proven to be beneficial** in riding the region's slowdown
- **Non-oil sectors**, such as transportation and infrastructure, will **continue to grow** throughout Middle East
- While under financial constraints, national oil companies need to keep **pumping oil** and **continue investing in mid-stream and down-stream**

Headwinds

- Continued **oil price slump** is requiring reductions in energy investments and curbing government spending
- Ongoing **security risks** from regional unrest and the Islamic State may undermine domestic and foreign investor confidence
- Sluggish global **demand for commodity-related exports** puts pressure on mining and manufacturing sectors and further weakens currencies

Source: IHS Economics and Emerson Management Commentary

Middle East Has Bright Spots for Growth,
Africa Is Severely Impacted by the Fall in Commodity Prices

Key Messages

- Following our strategic actions, Emerson will **maintain its exposure in emerging markets**, supporting growth in the long term
- We are **not likely to obtain significant growth** out of emerging markets in 2016, as **contraction in China** negates gains in other markets
- It appears that a **sales trough is forming in 2nd half of 2016**, giving us encouragement for 2017
- **Demand for local content** is at an all-time high. We have and will continue to invest to ensure we are the premiere local supplier in these markets

Non-GAAP Reconciliations

- The 2016E financial measures contained herein represent the Company's expectations for its consolidated results including the expected full year results for the businesses that are the subject of the portfolio repositioning actions, and does not assume any gain or loss on the sale of those businesses.
- Any "pro forma" or "rebased" financial measures contained herein represent the businesses that are expected to remain part of Emerson and comprise the Automation Solutions and Commercial & Residential Solutions business groups after completion of Emerson's portfolio repositioning actions described herein.
- Operational tax rate excludes the impact of the costs associated with the planned spinoff or sale of the network power systems business and the other strategic repositioning actions being undertaken by the Company to provide additional insight into the tax rate applicable to the Company's ordinary on-going operations and facilitate period-to-period comparisons. Management believes that presenting operational tax rate may be more useful for investors (U.S. GAAP measures: *tax rate*).
- References to underlying orders in this presentation refer to the Company's trailing three-month average orders growth versus the prior year, excluding currency, acquisitions and divestitures.

Non-GAAP Reconciliations

Sales % chg. vs. PY

	2013				2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Underlying growth*	6%	2%	(1%)	2%	3%	2%	3%	4%
Acq/Div/FX	(1%)	(1%)	(1%)	0%	(2%)	(4%)	(4%)	(4%)
GAAP growth	5%	1%	(2%)	2%	1%	(2%)	(1%)	0%

Sales % chg. vs. PY

	2015				
	Q1	Q2	Q3	Q4	FY
Underlying growth*	5%	0%	(5%)	(7%)	(2%)
Acq/Div/FX	(6%)	(7%)	(8%)	(8%)	(7%)
GAAP growth	(1%)	(7%)	(13%)	(15%)	(9%)

2016E sales % chg. vs 2015

	Process Management	Industrial Automation	Network Power	Climate Technologies	Commercial & Residential Solutions	Total
Underlying growth*	~(9) - (7%)	~(6) - (3%)	~(2) - 0%	~0 - 3%	~1 - 4%	~(5) - (2%)
Acq/Div/FX	~(1%)	~(8%)	~(3%)	~(1%)	~(16%)	~(4%)
GAAP growth	~(10) - (8%)	~(14) - (11%)	~(5) - (3%)	~(1) - 2%	~(15) - (12%)	~(9) - (6%)

Sales % chg. vs. PY

	2016	2016E
	Q1	Q2
Underlying growth*	(9%)	~(6) - (4%)
Acq/Div/FX	(7%)	~(4%)
GAAP growth	(16%)	~(10) - (8%)

Sales % chg. vs. PY

High Mid-Range of (5) – (2)% Guidance

	2016E		
	Q3	Q4	FY
Underlying growth*	~0 - 2%	~0 - 2%	~(3%)
Acq/Div/FX	~(3%)	~(3%)	~(4%)
GAAP growth	~(3) - (1%)	~(3) - (1%)	~(7%)

Non-GAAP Reconciliations

EBIT

	Q1 2015	Q1 2016	Q1 '15 vs Q1 '16
EBIT*	\$ 811	549	(32%)
Interest expense, net	(46)	(46)	(2%)
Pretax earnings	\$ 765	503	(34%)

EBIT%

	1990	2000	2014	2015	2016E	14 vs '15	'15 vs '16E	Q1 2015	Q1 2016	Q1 '15 vs Q1 '16	2019T
Adjusted*, %	14.6%	15.9%	16.5%	14.8%	~15.4%	(170) bps	~60 bps	14.5%	11.7%	(280) bps	~18%
Goodwill impairment charges, divestiture gains, separation costs and interest expense, net, %	(1.5%)	(1.9%)	(2.9%)	3.9%	~(1.8%)	680 bps	~(570) bps	(0.8%)	(1.0%)	(20) bps	~(1%)
Pretax earnings, %	13.1%	14.0%	13.6%	18.7%	~13.6%	510 bps	~(510) bps	13.7%	10.7%	(300) bps	~17%

OP%

	2014	2015	2016E	14 vs '15	2019T
Operating margin, %	18.1%	17.3%	17%	(80) bps	~18 - 20%
Other deductions and interest expense, net, %	(4.5%)	1.4%	(3%)	590 bps	~(2%)
Pretax earnings, %	13.6%	18.7%	14%	510 bps	~16 - 18%

Non-GAAP Reconciliations

EPS

	2014	2015	2016E	'14 vs '15	'15 vs '16E	Q1 2015	Q1 2016	Q1 '15 vs Q1 '16
Adjusted*	\$ 3.75	\$ 3.17	~\$3.05 - \$3.25	(15%)	~(4) - 3%	\$ 0.75	\$ 0.56	(25%)
Goodwill impairment charges, divestiture gains and separation costs	(0.72)	0.82	~(0.50) - (0.35)	47%	~(32) - (30%)	-	(0.03)	(4%)
GAAP	\$ 3.03	\$ 3.99	~\$2.55 - \$2.90	32%	~(36) - (27%)	\$ 0.75	\$ 0.53	(29%)

ROTC

	2014	2015	2015 chg.
Adjusted*		20.2%	18.3%
Goodwill impairment charges, divestiture gains and separation costs		(2.7%)	4.5%
GAAP		17.5%	22.8%
			(190) bps
			720 bps
			530 bps

Operational Tax Rate

	2016E
Operational tax rate*	~31%
Separation costs	~3 - 6%
Effective tax rate	~34 - 37%

Free Cash Flow, % of Sales*

	2019T
Free cash flow*, %	~10 - 14%
Capital expenditures, %	~3%
Operating cash flow, %	~13 - 17%

Non-GAAP Reconciliations

Automation Solutions

	2016E
	Pro Forma
Underlying*	(8) - (6%)
Acq./Div./FX	<u>(2%)</u>
GAAP Reported	(10) - (8%)

Commercial & Residential Solutions

	2016E
	Pro Forma
Underlying*	1 - 3%
Acq./Div./FX	<u>(2%)</u>
GAAP Reported	(1) - 1%

Debt / EBITDA*

Debt / EBITDA, adjusted*

Impact of planned strategic actions, divestiture gains, separation costs, depreciation and amortization, interest expense, net and income taxes

Debt / Net earnings

	2015	2016PF
	1.7	1.3
	0.8	0.8
	<u>2.5</u>	<u>2.1</u>

2016 Pro forma (PF) assumes all strategic actions have been completed