

2016 Investor Conference Commercial & Residential Solutions Business Overview

Bob Sharp
Executive Vice 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.



Redefine and Focus the Emerson Portfolio for Higher Growth / Higher Value Built on Foundation of Proven Businesses



Brand

Automation Solutions

Commercial & Residential Solutions

Business Platforms

Industries Served:

Oil and Gas	Food and Bev
Refining	Metals and Mining
Chemical	Water
Power	Discrete Manuf.
Life Sciences	Fluid Automation

Customer Categories:

Construction	Transportation
Commercial Buildings	Contractors
Food Retail	Homeowners
Food Service	
Retail Service	

Markets and Customers

Includes:

- Systems and Solutions
- Final Control
- Measurement and Analytical
- Flow
- Discrete and Industrial

Includes:

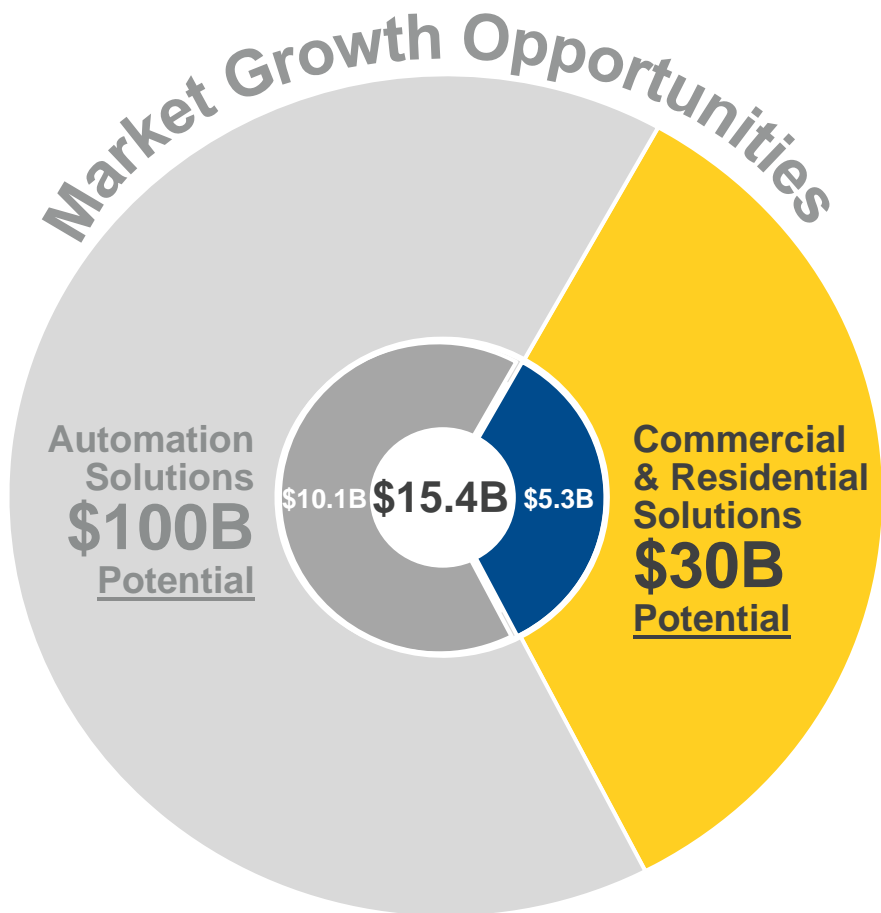
- Air Conditioning
- Refrigeration
- Electronics and Solutions
- Sensors and Controls
- Tools and Home Products

Product Lines

\$10+B

\$5+B

Emerson New Business Focus and Market Growth Opportunities



Near-Term Growth Drivers

Automation Solutions

- Lifecycle Services
- Hybrid and Discrete Automation
- Wireless Solutions
- Pipeline Management
- Integrated Coordination and Control
- Bolt-on Acquisitions

Commercial & Residential Solutions

- Retail Solutions
- Environmentally Friendly Refrigerants
- Sensors, Controls and Connectivity
- Global Disposer Adoption
- E-commerce
- Bolt-on Acquisitions

Transformational Opportunities

Automation Solutions

- Pervasive Sensing
- Digitalization of Installed Base
- Enriched Business Models to improve Energy Management, Reliability and Safety
- Strategic Acquisitions

Commercial & Residential Solutions

- Residential Solutions
- Commercial Solutions
- Transportation Solutions
- Food Waste to Energy
- Strategic Acquisitions

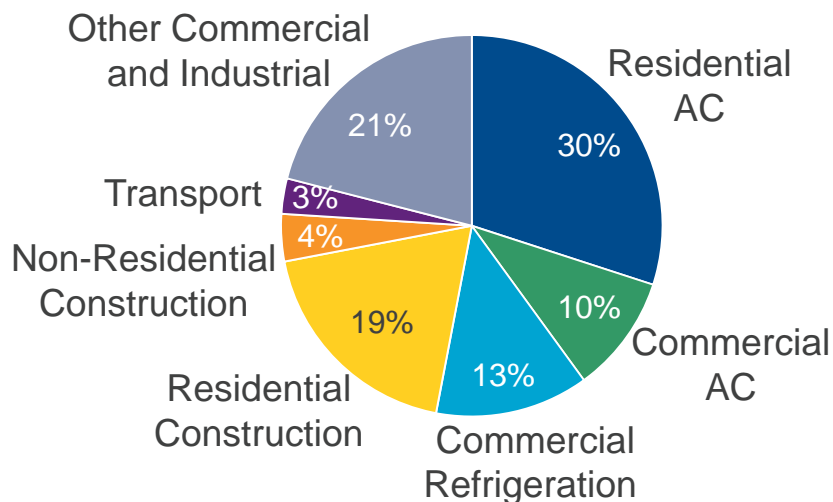
Commercial & Residential Solutions 2015 Summary

	<u>2014 Pro Forma</u>	<u>2015 Pro Forma</u>	<u>2014 – 2015 Change</u>
Sales	\$5.4B	\$5.3B	(1)%
EBIT	\$1.2B	\$1.2B ¹	(5)%
% of Sales	22.9%	22.1% ¹	(80) bps
ROTC	50%	45%	

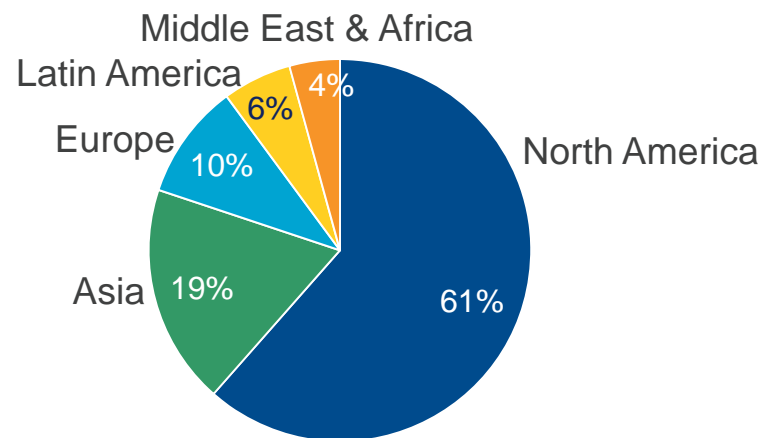
Note: Pro-Forma estimates assume the completion of all strategic portfolio repositioning actions

¹Includes \$30M of Restructuring

2015 Major Markets Served



2015 Sales by Geography



Commercial & Residential Solutions Business

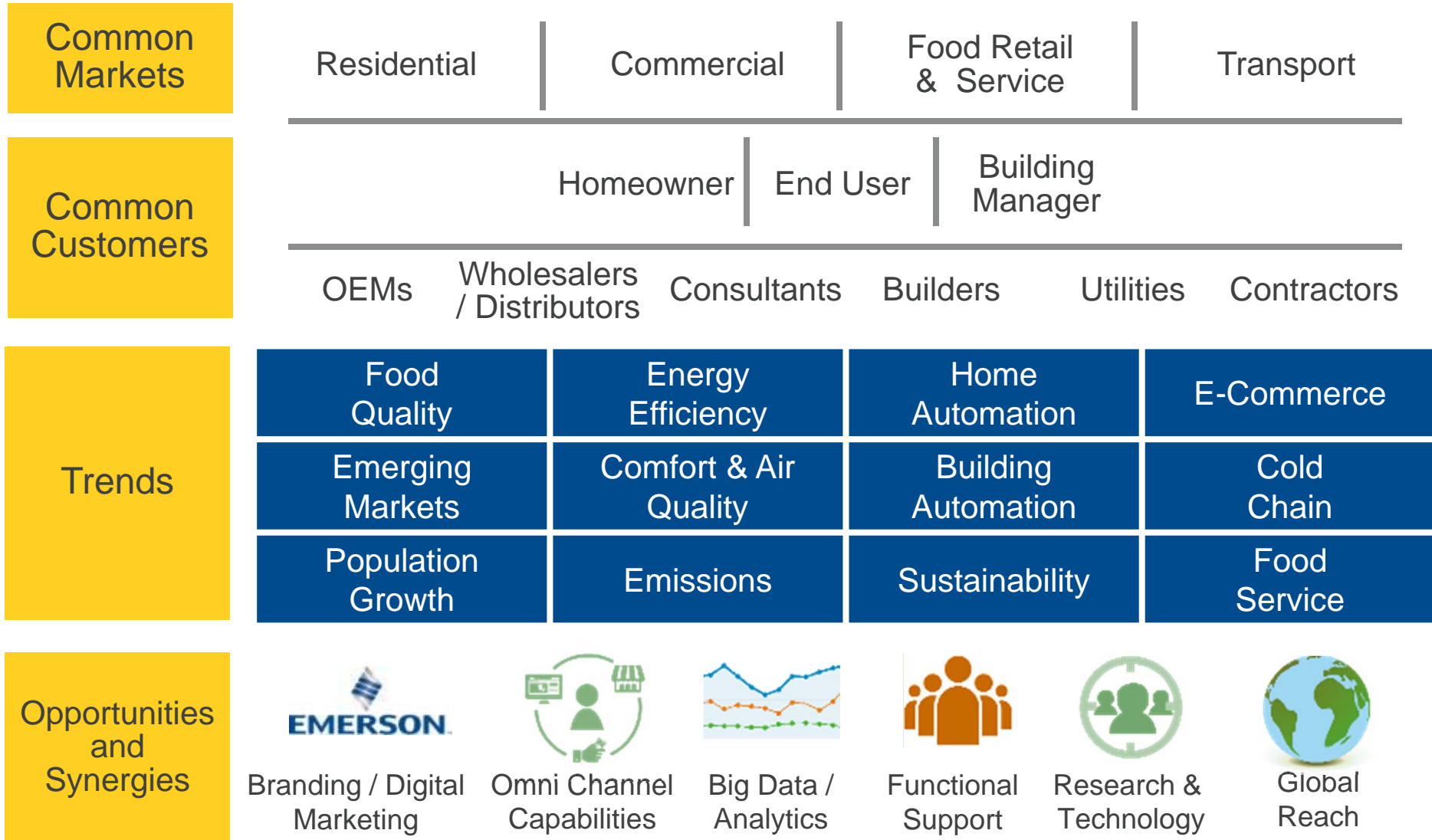
The Value Proposition and Strategic Growth Rationale

- The Commercial & Residential Solutions business has a **strong history of growth and profitability**, built upon our ability to lead the industry through change with technology and application expertise
- Four **end markets will drive our growth in the near term** – Residential, Commercial, Food Service / Retail, and Transport
- We have an **extensive portfolio** of products, services, and solutions that puts us in a unique position to deliver superior value to end customers
- We continue to invest in intelligent technologies, **integrated solutions and new business models to drive value-creating change** in our markets
- The new platform offers **acquisition growth opportunities** within the core market segments and in **new white-space adjacencies**

We Will Leverage Our Industry Shaping Technology and Deep Expertise to Keep People Comfortable and Healthy and Their Food and Water Safe in an Environmentally Responsible Way

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Increased Collaboration as Commercial & Residential Solutions Can Unleash Greater Value Creation



Our New Helix Center Creates Opportunity to Innovate From a Total System Perspective



\$35 MILLION
TOTAL INVESTMENT

NEARLY **40,000**
square foot
FACILITY

5 SIMULATED
REAL-WORLD
environments

Real World Environments for Total Ecosystem Innovations



Data Center
Thermal Management



Residential
Connected Home



Commercial
Building

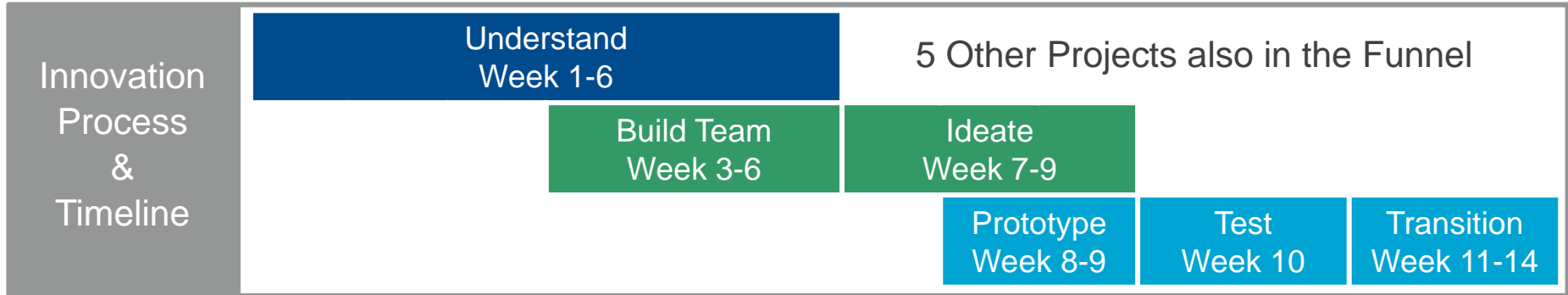


Supermarket Refrigeration



Food Service Operations

Ideation Example: Home Comfort



- Improve human comfort and its multiple dimensions, in non-uniform and dynamic environments of the home
- Force a new way of thinking about home comfort
- Diverse and outside perspectives critical to ideation



Commercial & Residential Solutions End Markets



Residential



Commercial



Food Retail & Service



Transport

Our End Markets Show Good Prospects for Growth Driven by Key Macro Trends

Residential

- **Air Conditioning & Heating** - Energy conservation, home automation / wireless, mobile control of home comfort
- **Construction** - Continued trend of housing starts and consumer spending on home repair, renovation, shifting home format in emerging markets



Commercial

- **Air Conditioning & Heating** - Emerging market growth, energy scarcity, indoor air quality, building automation
- **Construction** - Non-residential construction expansion modest in 2016, with growth expected in 2017



Food Retail & Service

- Sensors and real-time monitoring services
- Food safety modernization act and spoilage minimization
- Growing numbers of small format stores
- Cold chain development in emerging markets



Transport

- Growth in perishable shipments by marine container
- Food safety modernization act and spoilage minimization
- Public transportation growth in emerging markets



We Have an Extensive Presence in Vital Home Infrastructure



<p>Air Comfort Products</p> 	<p>Water Products</p> 	<p>Vent Controls</p> 	<p>Thermostats</p> 
<p>Compressors, Drives & Controls</p> 	<p>Sensors, Diagnostics, & Monitoring</p> 	<p>Gas Valves & Controls</p> 	
<p>Valves & System Protectors</p> 	<p>Wet/Dry Vacuums</p> 	<p>Waste Disposal</p> 	

Residential Market Trends and Opportunities

Key Statistics

134M+ Housing Units in U.S.

Temperature Control & Home Monitoring are Top Priorities

58% of Home Energy Consumed by HVACR & Water Heating

Home Automation Market to Reach \$21B by 2020

61% of U.S. Homes Wi-Fi Enabled; 25% of Global Internet Usage via Wi-Fi

+30% of All Food Produced is Lost / Wasted

Trends

Energy Efficiency

Sustainability

Population Growth

Comfort & Air Quality

Home Automation

E-Commerce

Emerson

New Refrigerants

Modulated Compression & Optimized Systems

Disposer Adoption

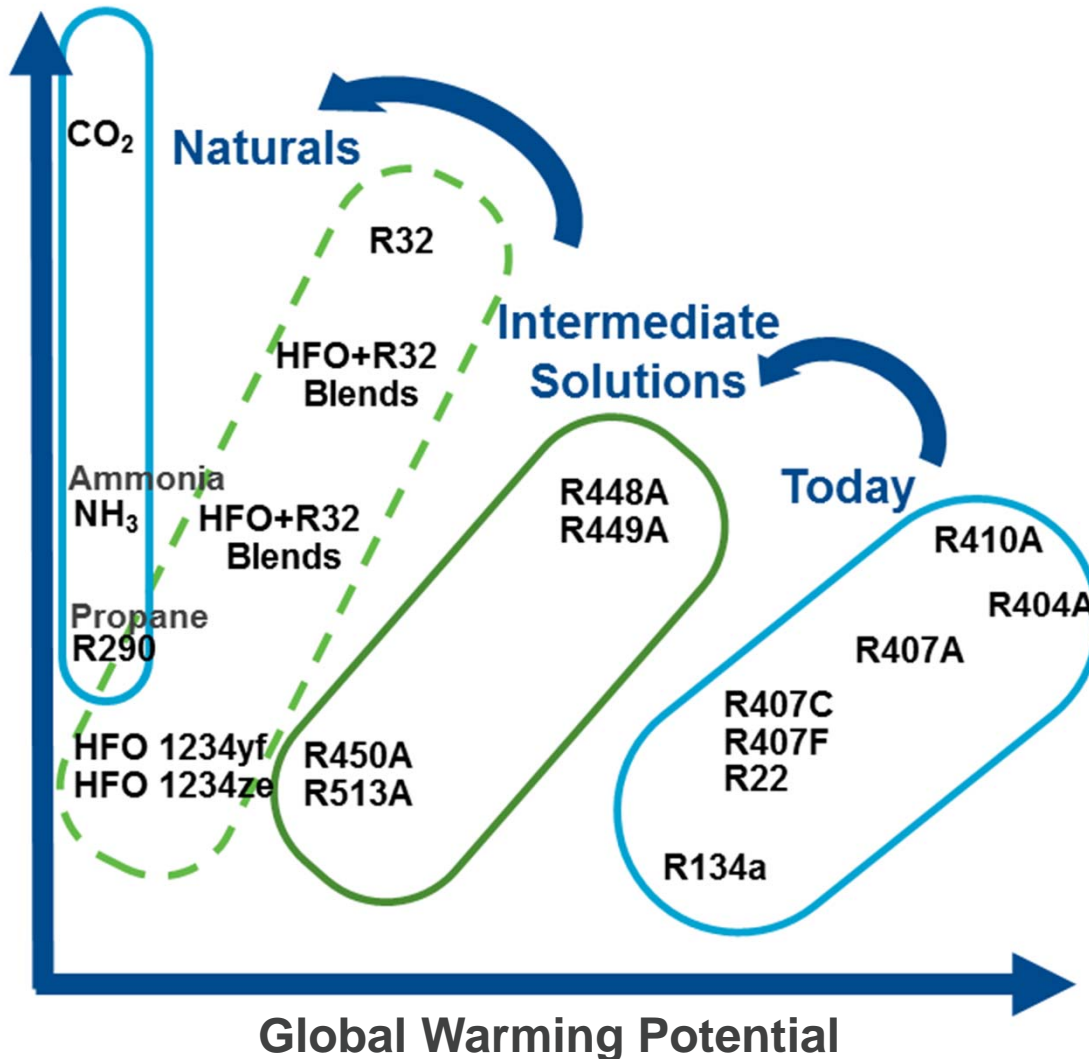
Connectivity & Monitoring Services

Omni Channel Presence

Zoning for Comfort

Changing Refrigerant Landscape Drives Significant Change in Residential Air Conditioning

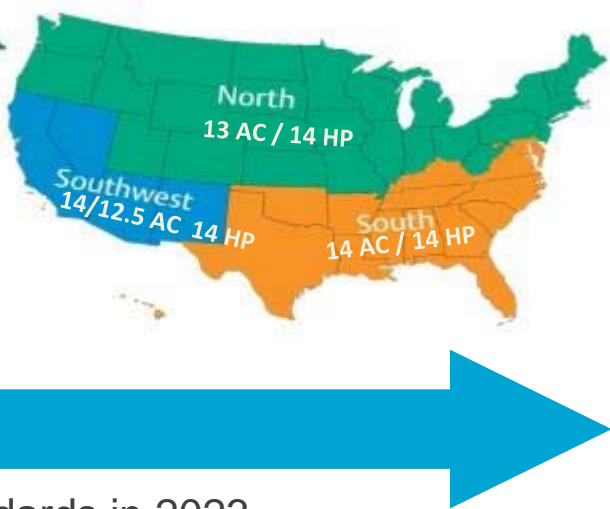
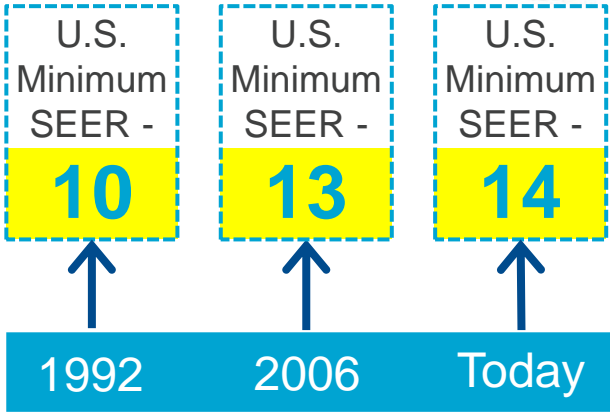
Pressure



Key Considerations for Refrigerant Adoption

- **Environment:** Stratospheric Ozone, Life Cycle Climate Performance
- **Performance:** Physical Properties, Energy
- **Economics:** Technology Changes, Total Cost of Ownership, Compatibility
- **Safety:** Toxicity, Flammability, Working Pressures

Our Energy-Efficient Solutions Help Homeowners Save Costs and Comply with Regulations



15 SEER New Standards in 2023
Not Yet Finalized

High Residential HVAC Lifecycle Costs & Home Automation



HVAC System Average Lifetime 15-Year; Total Cost \$24,000



Zoning, Sensors & Real-Time Monitoring Service



Home Automation Market Expanding



Mobile Connectivity for Control & Peace of Mind



Developing a Residential Solution Portfolio Around Comfort As A Service

Value

ecovent
sen|si



Improve Efficiency & Comfort Management

Comfort Guard G



Improve Existing System Performance & Provide Home Data

Comfort

Contractor Productivity + User Experience

- Wi-Fi Thermostats & Modulated Venting for Increased Comfort & Efficiency
- Comprehensive Residential HVAC Monitoring Service
 - 10 Sensors Quickly Installed
 - 50 Algorithms Provide Real-Time System Checks
 - Early Notification of Developing Problems Before Comfort Impacted

Building Foundation for Comfort As A Service Business. First Targets Are 15M Residential HVAC Service Agreements and Retail + Contractor Installations

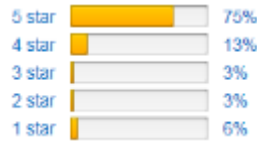
Omni-Channel Access to Residential Space

Retail Channel to Homeowners



Customer Reviews

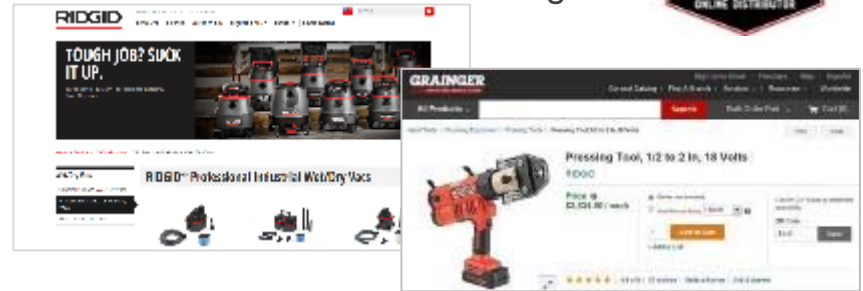
★★★★★ 700
4.5 out of 5 stars



Online Sales to Contractors



+250K Annual Click-Throughs



Residential Services via Contractors & Utility Programs



FOR EDUCATIONAL PURPOSES ONLY
COMFORT PROTECTION PACKAGES

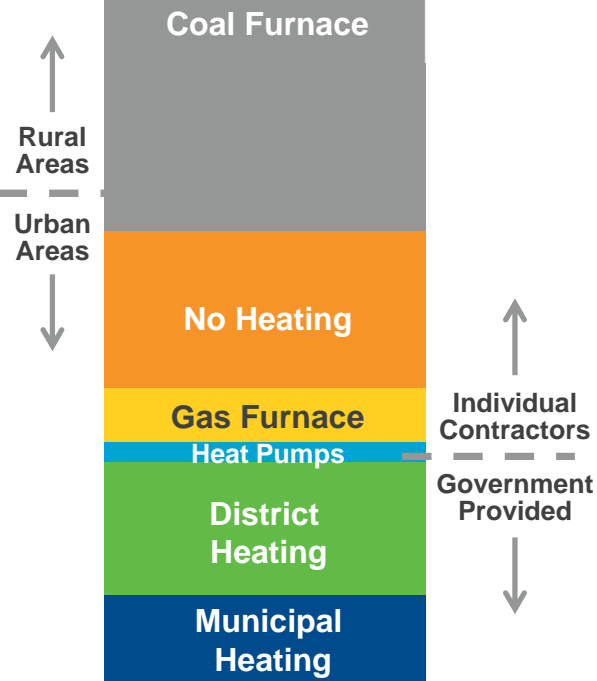
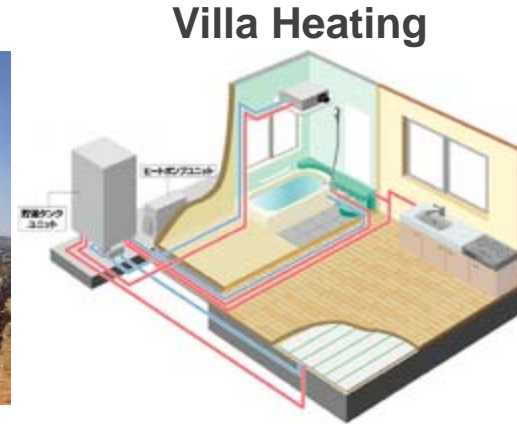
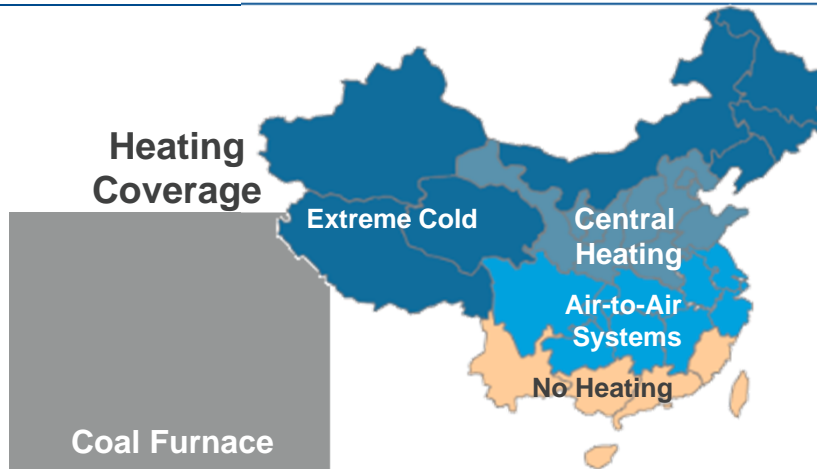
	BASIC	SMART	PREMIUM
On Site Maintenance Visit	2	1	2
Discounts and Priority Service	✓	✓	✓
24/7 PreCall Monitoring	✓	✓	✓
Monthly Insight Reports	✓	✓	✓
Equipment Problem Alerts	✓	✓	✓
Efficiency Loss Notifications	✓	✓	✓
Independent Repair Verification	✓	✓	✓

HVAC Systems Through OEM Partnerships

Global Engagement with Residential OEMs



China Clean Air Initiatives Support Emerson's Heat Pump Water Heating in Space Heating



Central Heating Market

- Urbanization Will Continue
- Significant Urban Living Space Without Heat
- China Clean Air Act Restricts Coal Boilers

Emerson Focus

- Dedicated Vapor Injection Water Heating Scrolls
- Scroll Based District Heating Solutions
- Contractor Engagement in Villa Heating

Accelerating Our Channel Activities to Support Heat Pump Water Heating Adoption in China

Sanitary Hot Water

Space Heating

Industry Stewardship



- China Refrigeration & AC Industry / Emerson Heat Pump Sub-Committee
- Drafting Member for Water Heat Test Methods & Standards
- Training Industry Contractor Base



Contractor & End-User Awareness



- Developer Technology Days
- Heat Pump Forum, Contractors Trainings
- Wiki & Mini-Site Education
- Social Media Campaigns

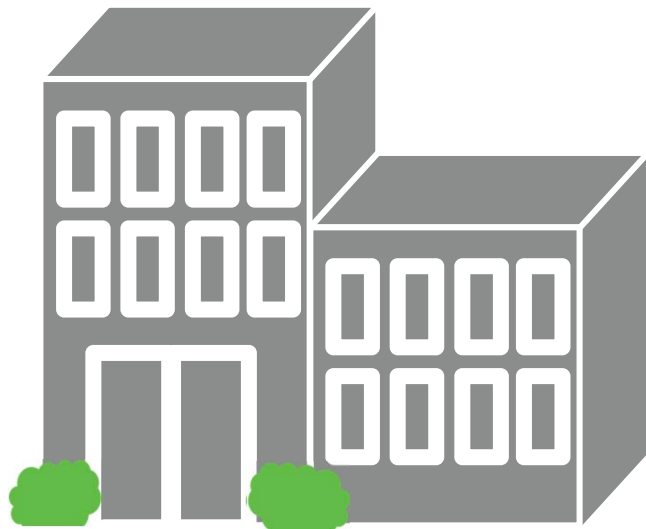


OEM Engagement

- Emerson Strategic Partners
- Powered by Copeland Scroll
- Vapor Injection Support
- OEM Heating Alliance
- Field Validation Cooperation
- Tier 2 / 3 Technical Support



Opportunity to Leverage Current Participation in Commercial Environment



Thermostats



Monitoring & Control



Food Waste Disposal



Professional Tools



Valves, Controls & System Protectors



Compressors, Drives & Controls



Commercial Market Trends and Opportunities

Key Statistics

36% Energy Consumption from HVACR Systems & 25% from Lighting

\$4B+ in Private Sector Investments Committed for Clean Energy Innovation

Construction of Zero Energy Buildings More than Doubled Since 2012

3% Worker Productivity Loss Due to Poor Indoor Air Quality

Trends

Emerging Markets

Population Growth

Energy Efficiency & Sustainability

Building Automation

Comfort & Air Quality

E-Commerce

Emerson

New Refrigerants

New Solutions for Net Zero Goals & Air Quality

Variable Speed & Modulation Technologies

Zoning for Comfort

Efficiency Retrofits

Advanced Diagnostics

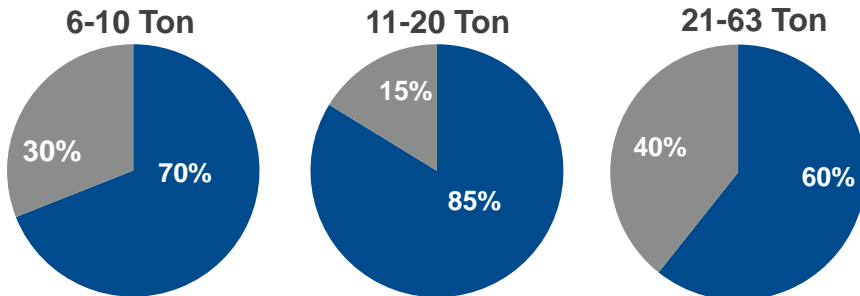
Pervasive Sensing & Facility Monitoring

Grind2Energy

New Standards and Refrigerants Driving Changes in Commercial HVAC Systems

New Efficiency Standards Changing HVAC Systems

Efficiency Standards	6-10 Ton	11-20 Ton	21-63 Ton
2018 vs Today	13.2%	10.7%	14.9%
2023 vs Today	29.8%	26.8%	30.7%



Low Global Warming Potential Refrigerants Emerging

Refrigerant Program	China	Japan	ROA	Europe	U.S.	MEA
Flammable Today	Red	White	White	Red	White	White
Mildly Flammable Today	Orange	Orange	Orange	Orange	Orange	Orange
Flammable Beyond 2021	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow

- Mildly flammable refrigerant programs active in all regions of the world
- China and Europe have active flammable programs in place
- Expect flammable programs globally in the next 5 years

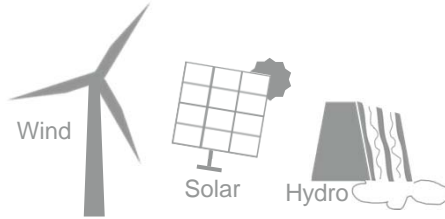
System Redesigns Underway to Address Efficiency Standards and New Refrigerants
 -- Emerson Taking a Stewardship Role, Working With All Major Players.
 Our Technologies Are Well Positioned to Address Market Changes

Scope of Commercial HVAC Expanding to Address Efficiency and Productivity

Green & Net Zero Buildings Further Driving Efficiency

Zero Energy Buildings

- Increase Energy Efficiency:
 - Construction
 - Systems & Appliances
 - Operations & Maintenance
 - User Behavior
- Address Remaining Needs with On-Site Renewable Energy Generation

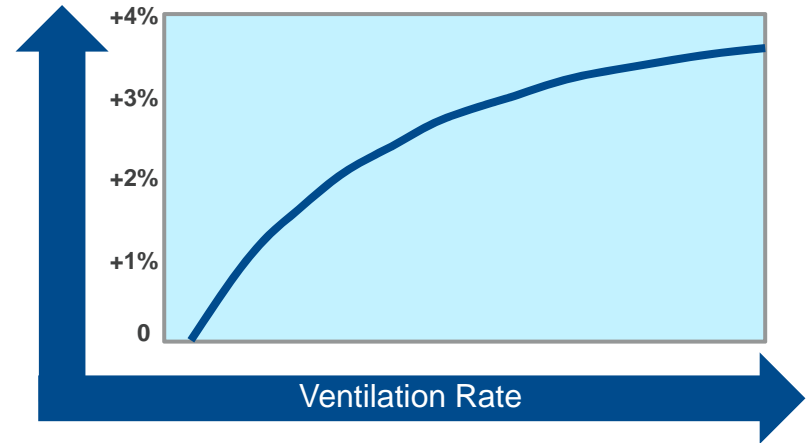


Driving High Efficiency in Existing Systems & New Technologies

- High Performance Envelopes
- Heat Pumps
- Humidification
- Combined Heat & Power
- Air Barrier Systems
- Ventilation

Indoor Air Quality and Ventilation Links to Worker Productivity

Relative Performance



Hillman Hall, Washington University
Designed With Health Mindfulness

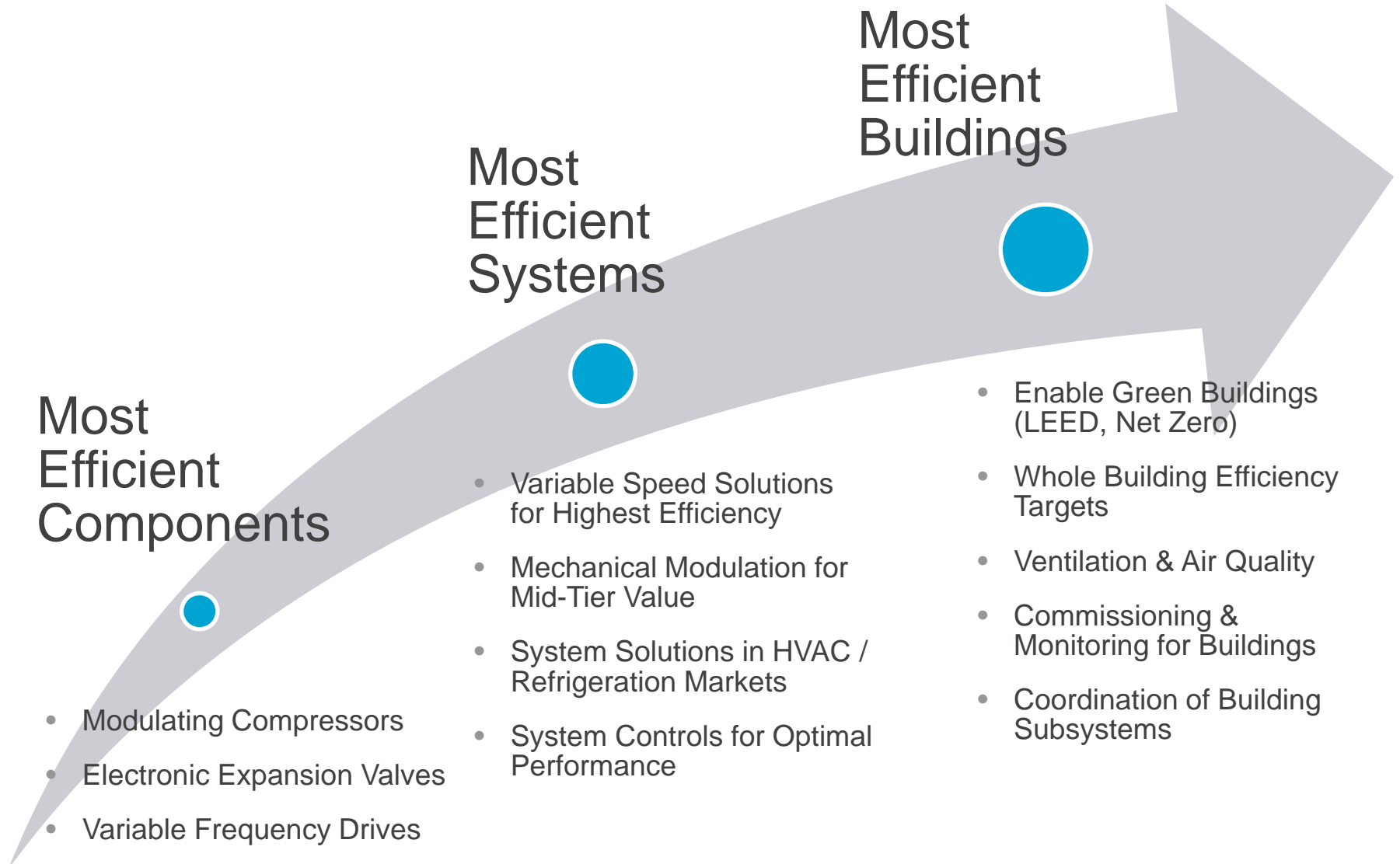


Syracuse University Research
Air Ventilation Impacts

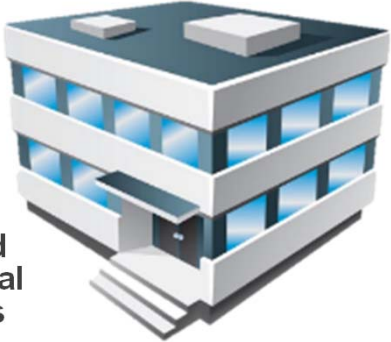
Source: USEPA, OSHA, US DOE

Expanded Commercial Market View Opens New Opportunities
in HVAC and Adjacent Spaces

Continuing to Expand Emerson's Solutions Offering for the Commercial Market



Many Opportunities to Expand Beyond Today's Core Business in Commercial Space

Components & Subsystems	HVAC Systems	Air Management
<p>Compressors Refrigerant Valves Controls Actuators / Water Valves Coils Heat Exchangers</p>	<p>Unitary Split Type Rooftop Systems Variable Refrigerant Flow (VRF) PTACS Chillers Mini-Chillers</p>	<p>Dedicated Outdoor Air Supply Desiccant Dehumidification Air Handlers Air Economizers</p>
Large Building Controls	 <p>Mid-Sized Commercial Buildings</p>	System Controls
<p>Lighting Security Building Management Safety Emergency Power Indoor Air Quality</p>	<p>OEM HVAC System Controls Small Building Controls Duct / Damper Controls</p>	
Contractor Tools	End User Services	Emerging Technology
<p>Contractor Services Software HVAC Hand Tools</p>	<p>Energy Management Commissioning Monitoring Software</p>	<p>Combined Heat & Power Solar Wind Waste Management</p>

Bold = Significant Emerson Presence

Strong Presence in Food Retail & Food Service With Additional Opportunities to Expand



Professional Tools



Food Waste Disposal



Condensing Units



Monitoring & Control



Case & Lighting Controls



Valves, Controls & System Protectors



Leak Detection



Compressors, Drives & Controls



Food Retail & Food Service Market Trends and Opportunities

Key Statistics

HVACR is 40-60% of Supermarket Energy

Food Retailers Consume 94M kWh / year to Protect Perishable Food

83% of Top 50 Retailers Testing New Refrigerants

37K+ U.S. Supermarkets Consume \$9.4B in Energy

Increasing Food Retail in Convenience Mart Formats

Trends

Energy Efficiency & Sustainability

Food Quality

Food Service

E-Commerce

Emerging Markets

Cold Chain Development

Emerson

New Refrigerants & Efficiency Solutions

Increased End User & Contractor Education

Infrastructure Monitoring & Connectivity

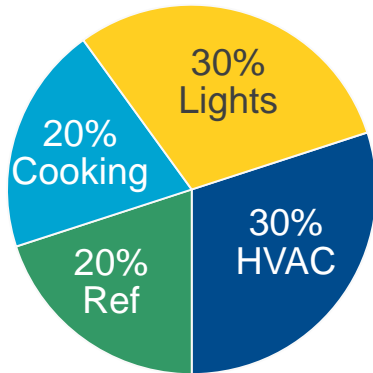
Efficiency Retrofits

Grind2Energy Waste Management

China & India Cold Chain Programs

Helping Customers Navigate Changing Efficiency and Refrigerant Regulations Creates Opportunities

Store Energy Consumption



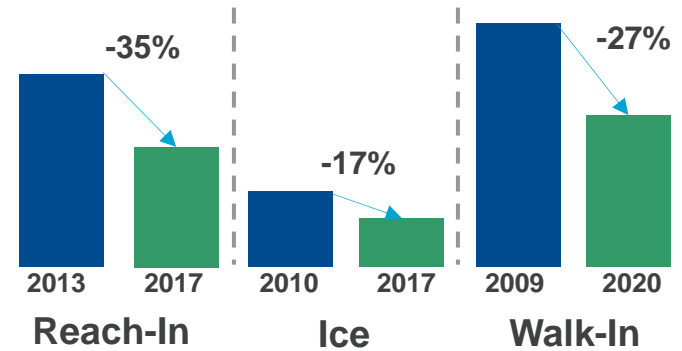
\$62K / Yr

Each 5,000 sq. ft. store spends \$62K / year on energy & maintenance

New Energy Regulations

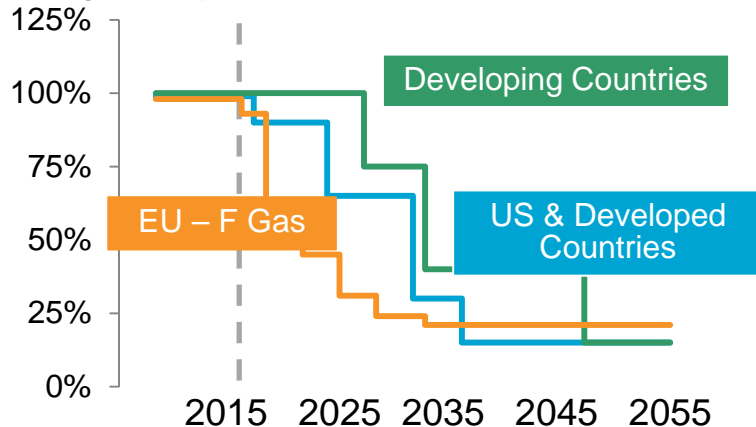
% Energy Reduction Required

DOE Federal Minimum



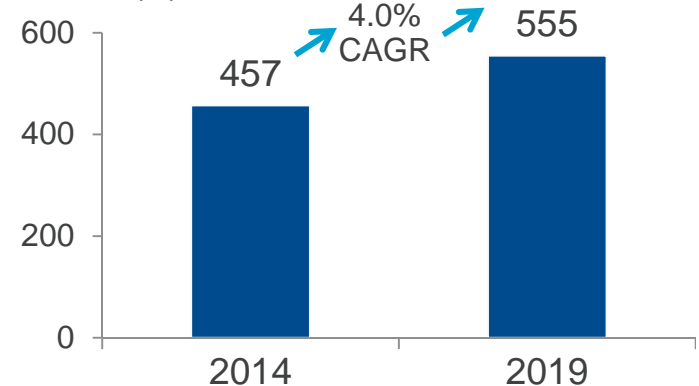
Refrigerants

Global Warming Potential Weighted Cap



Growth In Small Format

Site Count (K)



Strengthening Customer Reach by Being an Industry Steward and Creating Dialogue: E360



- E360 is a program to help customers look at a refrigerated system from every angle – a 360° view
- E360 provides a comprehensive look at the issues our customers face every day

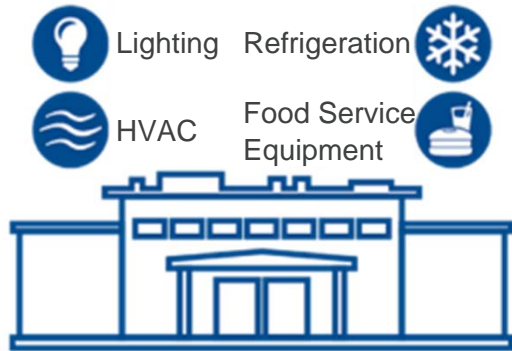


- 16 Making Sense webinars attended by 5K+ people
- Three E360 Forums attended by 345 people (1-day event)
- E360 Annual Users Conference attended by 154 people (3-day event)
- 86% rated overall satisfaction highly; 100% would recommend E360 Forum

We look at refrigerated systems from every angle —
energy, environment, equipment, economics.



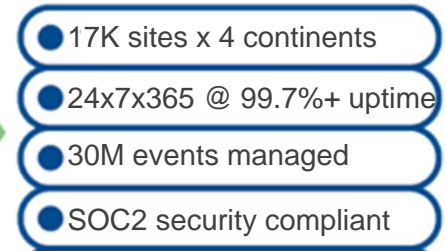
Driving Broad Emerson Solutions Across Food Retail Formats



Controls Infrastructure



Remote Services



IoT Capability

Connectivity = Ethernet / Private VPN



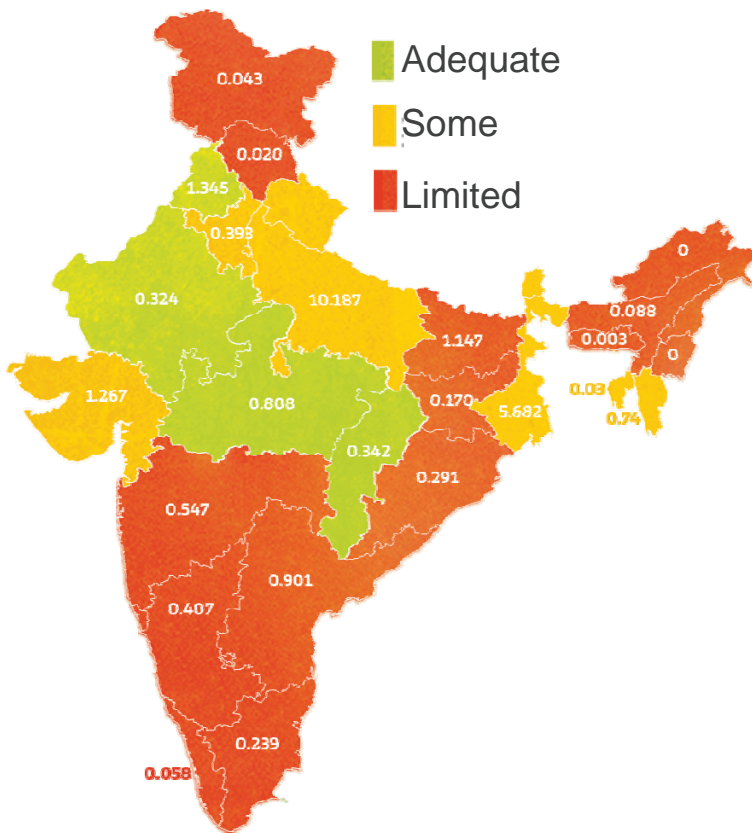
\$2B Food Inventory Monitored & Safeguarded. Annual \$7B Energy Monitoring & Optimization and \$1M Refrigerant Leak Avoidance

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India Cold Chain Development Is a Major Opportunity for Emerson

India 2015 Pro Forma Sales: ~\$80M

India Cold Storage Infrastructure



- Local Condensing Unit Assembly & Distribution
- Semi-Hermetic Repairs & Local Warranty
- Cold Room Design Software & Apps
- 530 Contractors Trained
- 215 Contractor Projects, 60% Hit Rate
- 80% Participation in Milk Tanks

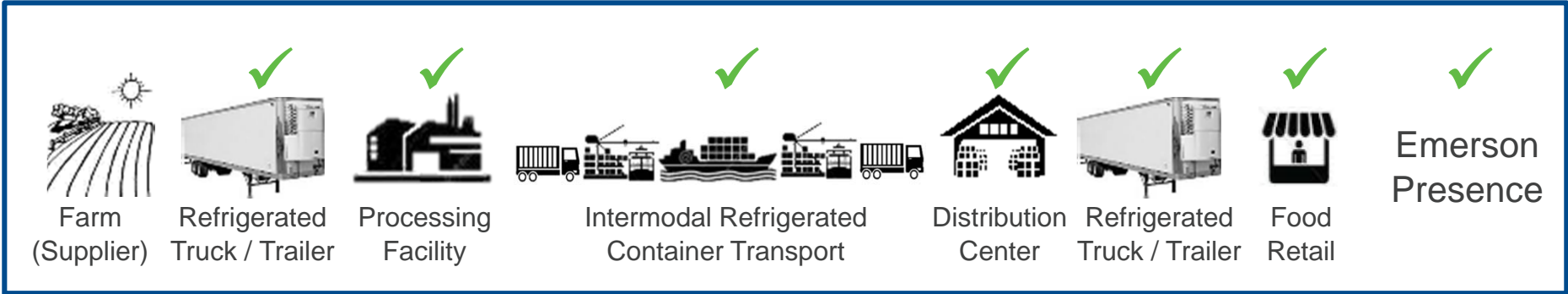
Focused on Solutions for the Evolving China Cold Chain

China 2015 Pro
Forma Sales: ~\$500M



Market Evolving From Cold Room Expansion to an Integrated Cold Chain Flow.
Aligning Strategy Towards End User & Contractor Engagement

Addressing Transport Solutions by Mode



Container Monitoring



Scroll Compressors



Valves & System Protectors



Remote Monitoring



Container



Truck / Trailer



Bus



Rail

Transportation Market Trends and Opportunities

Key Statistics

30+% Food Wasted During Processing, Transport, & Storage

Public Transport Growth in China & India

Food Safety Modernization Act (FSMA) Implementation Creates Mandatory Preventive Controls for Food Facilities

750K Refrigerated Trucks / Trailers in the U.S.; 28M Refrigerated Food Trucking Loads / Year

1.2M Refrigerated Containers Transported via Ships, Trucks, Rail

Trends

Emissions Standards

Comfort & Air Quality

Automation

Food Quality

Population Growth

Cold Chain

Emerson

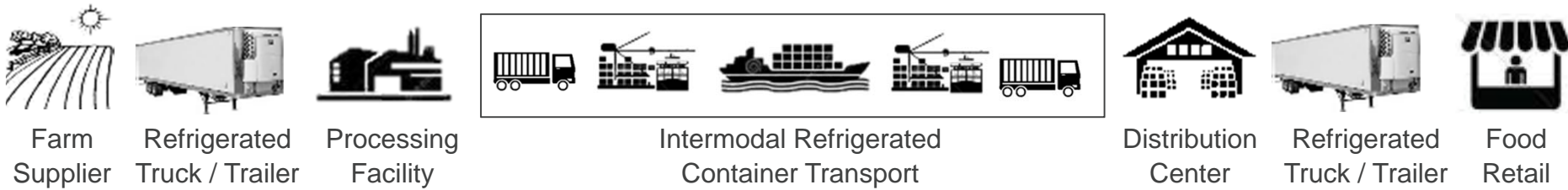
Farm to Fork Cold Chain Solutions

Asset & Cargo Monitoring

Cargo Transport Compression

Passenger Transport Compression

U.S. Food Safety Modernization Act to Control Food Quality Compliance Starts in 2016



Regulation Focus	Cold Chain Players					
	Importers	Farmers	Processors	Distributor	Transport	Retail
Preventative control for human food						
Produce safety rule						
Foreign supplier verification						
Intentional contamination mitigation						
Sanitary food transport						
Preventative controls for animal feed						

Emerson Focus

Expanded Opportunity to Monitor Cargo to Ensure Control of Food Quality
 -- New U.S. Food Quality Standards in 2016

Emerson's ProAct Transport Adds Value to Transport Lines and Reduces Their Costs



Reduced Human Error

- Automatic verification of trip settings
- Early warning alarm notifications



Energy Savings & Emission Reductions

- Minimized cargo loss for max container usage
- Improved logistics planning reduces waste



Easy & Accurate Documentation

- Container & cargo data automatically logged
- Notification of irregularities or cargo issues



Improved Cargo Quality

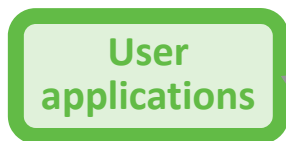
- Early proactive alerts reduce spoilage risk
- Early actions improve shelf life & service



Infrastructure & data hosting, maintenance, backup in Emerson data center

Providing global roaming coverage on secure two-way data network with connectivity in 170+ countries

Apps for operations & container fleet management; Integrated with shipping line systems



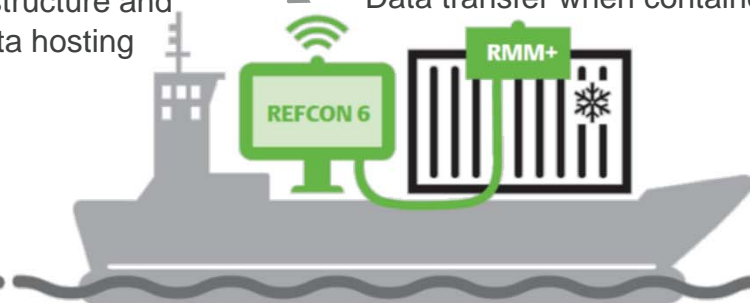
Enterprise-level tools for access to reefer containers

Real-time monitoring, tracking & control



Infrastructure and data hosting

Monitoring system for vessels & terminals; Data transfer when container at sea



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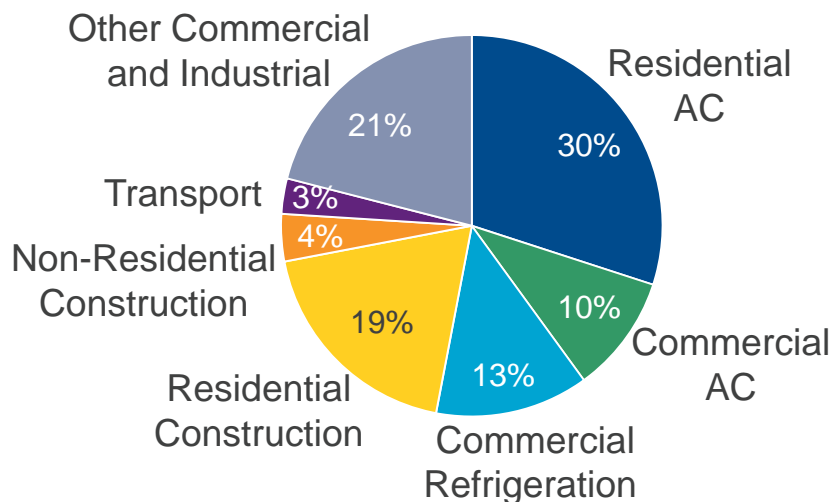
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% of Sales	22.9%	22.1% ¹	23+% ¹
ROTC	50%	45%	

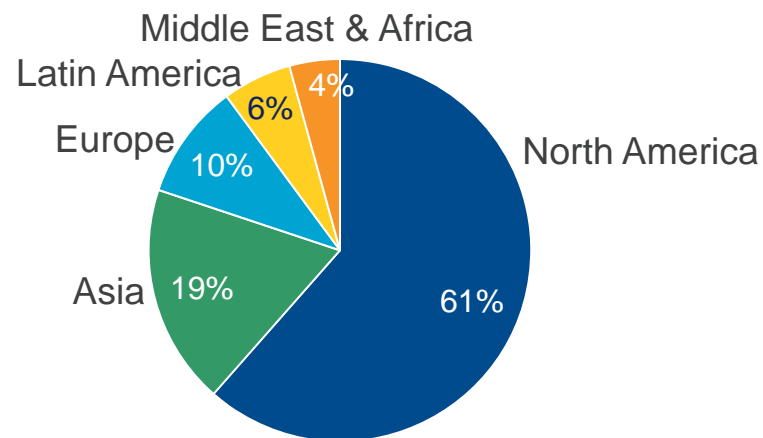
Note: Pro-Forma estimates assume the completion of all strategic portfolio repositioning actions

¹Includes \$30M of restructuring in 2015 and ~\$4M of restructuring in 2016

2015 Major Markets Served



2015 Sales by Geography



Commercial & Residential Solutions Business

The Value Proposition and Strategic Growth Rationale

- The Commercial & Residential Solutions business has a **strong history of growth and profitability**, built upon our ability to lead the industry through change with technology and application expertise
- Four **end markets will drive our growth in the near term** – Residential, Commercial, Food Service / Retail, and Transport
- We have an **extensive portfolio** of products, services, and solutions that puts us in a unique position to deliver superior value to end customers
- We continue to invest in intelligent technologies, **integrated solutions and new business models to drive value-creating change** in our markets
- The new platform offers **acquisition growth opportunities** within the core market segments and in **new white-space adjacencies**

Favorable Market Conditions and Incremental Growth Opportunities Drive
CAGR of 4-5% Through 2019 Timeframe

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

Underlying growth*

Acq/Div/FX

GAAP growth

2013				2014			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
6%	2%	(1%)	2%	3%	2%	3%	4%
(1%)	(1%)	(1%)	0%	(2%)	(4%)	(4%)	(4%)
5%	1%	(2%)	2%	1%	(2%)	(1%)	0%

Sales % chg. vs. PY

Underlying growth*

Acq/Div/FX

GAAP growth

2015				
Q1	Q2	Q3	Q4	FY
5%	0%	(5%)	(7%)	(2%)
(6%)	(7%)	(8%)	(8%)	(7%)
(1%)	(7%)	(13%)	(15%)	(9%)

2016E sales % chg. vs 2015

Underlying growth*

Acq/Div/FX

GAAP growth

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

Sales % chg. vs. PY

Underlying growth*

Acq/Div/FX

GAAP growth

2016	2016E
Q1	Q2
(9%)	~(6) - (4%)
(7%)	~(4%)
(16%)	~(10) - (8%)

Sales % chg. vs. PY

High Mid-Range of (5) – (2)% Guidance

Underlying growth*

Acq/Div/FX

GAAP growth

2016E		
Q3	Q4	FY
~0 - 2%	~0 - 2%	~(3%)
~(3%)	~(3%)	~(4%)
~(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

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

Commercial & Residential Solutions

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