Third Quarter 2015 Earnings Conference Call

August 4, 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. Factors that could cause actual results to vary materially from those discussed today include our ability to successfully complete, 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.

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Third Quarter 2015 Summary

- **Net sales decreased 13% to $5.5 billion, with underlying sales* down 5%**
  - Continued pressure from lower oil prices resulted in further capital spending reductions by global customers in oil and gas markets, particularly upstream
  - Industrial spending remains sluggish globally, most significantly in energy-related and commodity markets
  - Strength of the U.S. dollar
- **Third quarter order rates reflect continuation of difficult economic conditions**
  - Trailing three-month underlying orders rates have been down 8-10% over the past 4 months
  - Sustained headwinds from lower oil and gas prices
  - General capital spending weakness across many global manufacturers
  - Weakness in data center and global telecommunications infrastructure investment
  - Effect of U.S. residential air conditioning customer pre-build

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Third Quarter 2015 Summary

- **Gross profit margin declined 120 basis points to 40.6% driven by:**
  - Volume deleverage; quickly adjusting production and inventory levels
  - Unfavorable business mix
  - Impact of the stronger U.S. dollar on operations
- **Still at significantly positive profit margin levels**
- **Q3 restructuring expense totaled $36M, $89M for the first nine months of the fiscal year, significant spending expected in the fourth quarter**
- **Reported earnings per share decreased 18 percent to $0.84**

Market conditions require focus on execution of strategic programs, including global cost reduction actions

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Third Quarter 2015 P&L Summary

($M excl. EPS)	2014	2015	Chg.
Sales	$6,312	$5,503	(13%)
Gross Profit	$2,638	$2,234	(15%)
% of Sales	41.8%	40.6%	(120 bps)
SG&A Expense	($1,424)	($1,276)	
Rationalization	($11)	($36)	
Other Deductions, Net	($85)	($86)	
EBIT*	$1,118	$836	(25%)
% of Sales*	17.7%	15.2%	(250 bps)
Shares	703.3	668.9	
EPS	$1.03	$0.84	(18%)

- Underlying sales* down 5%
- GP margin decreased from volume deleverage, unfavorable business mix, and the stronger dollar
- Accelerated restructuring costs
- Repurchased ~11M shares for $639M

Third Quarter 2015
Underlying Sales Change

United States	(7%)
Europe	(2%)
Asia	(7%)
China	*(14%)*
Latin America	(10%)
Canada	(1%)
Middle East/Africa	3%
Underlying Sales*	(5%)
Divestitures	(3) pts
FX	(5) pts
Net Sales	(13%)

Growth in India, Middle East/Africa; down sales in all other regions

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Third Quarter 2015
Business Segment Earnings & Cash Flow

($M)	2014	2015	Chg.
Business Segment EBIT*	$1,152	$886	(23%)
% of Sales*	17.7%	15.5%	(220) bps
Accounting Methods	$63	$54	
Corporate & Other	($97)	($104)	
Interest Expense, Net	($46)	($40)	
Pretax Earnings	$1,072	$796	(26%)
% of Sales	17.0%	14.5%	(250) bps
Operating Cash Flow	$1,108	$499	(51%)
Capital Expenditures	($176)	($157)	
Free Cash Flow*	$842	$342	(59%)
Trade Working Capital	$4,380	$4,014	
% of Sales	17.3%	18.2%	90 bps

- ➔ Volume deleverage, unfavorable mix and increased restructuring
- ➔ Decreased cash flow due to lower operating results and taxes paid on the gain from the divestiture of the power transmission solutions business
- ➔ Trade working capital performance affected by business slowdown; more actions by operations over the next 3-6 months

Third Quarter 2015
Process Management

Sales % Chg. vs. PY	
NA	(5%)
Asia	(7%)
China	*(13%)*
Europe	(1%)
LAM	(17%)
MEA	5%
Underlying*	(4%)
Acq/FX	(6%)
Net	(10%)

Segment Results			
($M)	2014	2015	Chg.
Sales	$2,317	$2,084	(10%)
EBIT	$473	$373	(21%)
% of Sales	20.4%	17.9%	(250) bps
Restructuring	$4	$12	
EBIT excl. Rest.*	$477	$385	(20%)
% of Sales*	20.6%	18.4%	(220) bps

- Oil and gas capital spending remained weak as a result of lower oil prices. Upstream markets remain under the most pressure, while downstream activity in chemical and power markets continues to provide growth opportunities
- Middle/East Africa grew 5 percent reflecting favorable activity levels across the region, particularly in midstream and downstream markets
- Demand in Asia was down 7 percent with growth in emerging markets offset by slowing conditions in China and continued weakness in Australia; Europe was down 1 percent with strong growth in emerging markets offset by declines in mature western European markets
- Margins were down 250 basis points due to volume deleverage, unfavorable mix, the impact of the stronger dollar on operations and increased restructuring

Demand is expected to remain weak through at least the first half of fiscal 2016; given the continued downward trend in commodity prices a significant recovery will not be felt until 2017

Third Quarter 2015
Industrial Automation

Sales % Chg. vs. PY	
NA	(11%)
Asia	(1%)
China	(4%)
Europe	(2%)
LAM	(11%)
MEA	(3%)
Underlying*	(5%)
Div/FX	(18%)
Net	(23%)

Segment Results

($M)	2014	2015	Chg.
Sales	$1,289	$990	(23%)
EBIT	$214	$156	(27%)
% of Sales	16.6%	15.8%	(80) bps
Restructuring	$2	$4	
EBIT excl. Rest.*	$216	$160	(26%)
% of Sales*	16.8%	16.2%	(60) bps

- Third quarter sales reflected continued softness in European demand, upstream oil and gas, and industrial spending, specifically in energy-related and commodity markets
- Demand was down in all regions with North America down 11 percent, Europe down 2 percent and Asia down 1 percent
- Margins decreased 80 bps, reflecting volume deleverage and unfavorable mix
- Market conditions to remain challenging, with gradual improvement in Europe and sustained headwinds from upstream oil and gas

Business capital spending plans remain weak given the softness in global economies; global GDP expected to be less in 2015 than 2014

Third Quarter 2015
Network Power

Sales % Chg. vs. PY	
NA	(10%)
Asia	(17%)
China	*(28%)*
Europe	(4%)
LAM	-
MEA	(22%)
Underlying*	(11%)
Div/FX	(6%)
Net	(17%)

Segment Results			
($M)	2014	2015	Chg.
Sales	$1,237	$1,028	(17%)
EBIT	$107	$37	(65%)
% of Sales	8.7%	3.6%	(510) bps
Restructuring	$3	$17	
EBIT excl. Rest.*	$110	$54	(51%)
% of Sales*	8.9%	5.3%	(360) bps

- Weakness in global demand for data center infrastructure and telecommunications investment; North America and Asia telecommunications spending is down significantly
- Results reflected difficult conditions globally with China down 28 percent, North America down 10 percent and Europe down 4 percent
- Decreased margins reflect volume deleverage, lower price, unfavorable mix and increased restructuring

Demand to remain mixed in the near term with areas of opportunity in data center infrastructure and telecommunications power

Third Quarter 2015
Climate Technologies

Sales % Chg. vs. PY	
NA	(6%)
Asia	3%
China	*(4%)*
Europe	(4%)
LAM	(9%)
MEA	28%
Underlying*	(3%)
FX	(3%)
Net	(6%)

Segment Results			
($M)	2014	2015	Chg.
Sales	$1,191	$1,125	(6%)
EBIT	$250	$222	(11%)
% of Sales	21.0%	19.7%	(130) bps
Restructuring	$1	$2	
EBIT excl. Rest.*	$251	$224	(11%)
% of Sales*	21.1%	19.9%	(120) bps

- North America was down 6 percent, driven by a double-digit decrease in U.S. residential air conditioning compressors as customers work through remaining pre-built inventory
- Asia was up 3 percent as growth in the India and Southeast Asia air conditioning and refrigeration businesses more than offset slowing demand in China
- Segment margin decreased 130 basis points primarily due to volume deleverage, higher warranty expense and unfavorable mix
- Normalizing for the pre-build, twelve month rolling sales growth is in line with the industry

Fourth quarter sales are expected to be down modestly

Third Quarter 2015
Commercial & Residential Solutions

Sales % Chg. vs. PY	
NA	-
Asia	2%
China	*(7%)*
Europe	-
LAM	18%
MEA	(9%)
Underlying*	1%
Other/FX	(4%)
Net	(3%)

Segment Results

($M)	2014	2015	Chg.
Sales	$492	$477	(3%)
EBIT	$108	$98	(9%)
% of Sales	22.1%	20.6%	(150) bps

- Growth was driven by favorable trends in U.S. construction
- Growth in food waste disposers and wet/dry vacuums more than offset declines in the professional tools and storage businesses
- U.S. consumer spending has been lackluster as recovery has been muted

Modest growth is expected in the fourth quarter as favorable trends in U.S. construction markets are expected to continue

Fiscal Year 2015 Outlook

- **Difficult market conditions to remain in the fourth quarter**
  - Reduced capital spending in oil and gas, particularly upstream project activity
  - Continued broad slowdown in industrial spending, particularly energy-related and commodity markets
  - Broad-based weakness in general capital spending by global manufacturers
  - Sluggish growth in certain emerging and mature markets
- **Profitability affected by volume deleverage on lower underlying sales**
- **Restructuring expected to be in the range of $160 to $180 million for the year**
- **Based on the continuation of current trends and increasingly negative impact on results, the revised 2015 outlook is as follows:**
  - Reported sales down approximately 9 percent, with a 5 percent deduction from currency translation and 2 percent deduction from divestitures
  - Underlying sales* down approximately 2 percent
  - Reported earnings per share are expected to be $3.97 to $4.07, including a divestiture gain of $0.77 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).

Q3 2015 Sales Growth	Process Mgmt	Industrial Auto	Network Power	Climate Tech	Comm & Res Solns	Total
Underlying*	(4)%	(5)%	(11)%	(3)%	1%	(5)%
Acq/Div	-	(11)%	(1)%	-	-	(3)%
FX	(6)%	(7)%	(5)%	(3)%	(2)%	(5)%
Other	-	-	-	-	(2)%	-
Reported	(10)%	(23)%	(17)%	(6)%	(3)%	(13)%

Sales Growth	2015E
Underlying*	~ (2)%
Acq/Div	~ (2)%
FX	~(5)%
Reported	~ (9)%

EBIT*	Q3 FY14	Q3 FY15	% Change	% of Sales
EBIT*	$ 1,118	836	(25)%	
% of sales*	17.7%	15.2%		(250) bps
Interest expense, net	(46)	(40)	(1)%	
Pretax earnings	$ 1,072	796	(26)%	
% of sales	17.0%	14.5%		(250) bps

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

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