

2016 Investor Conference Automation Solutions Business Overview

Steve Sonnenberg

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.



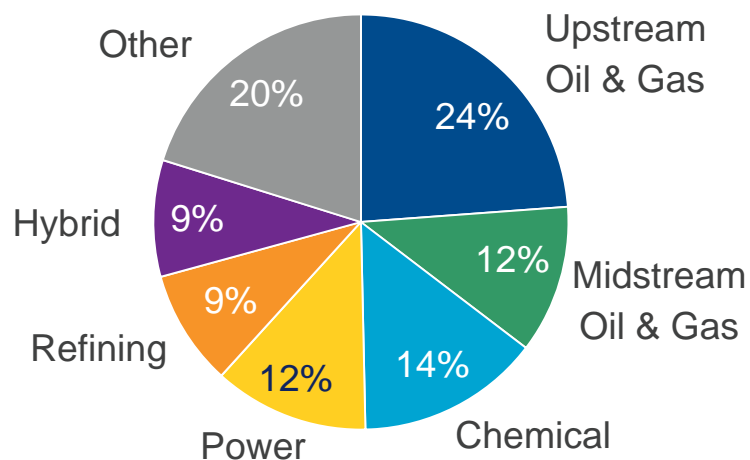
Automation Solutions 2015 Summary

	<u>2014 Pro-Forma</u>	<u>2015 Pro-Forma</u>	<u>2014 – 2015 Change</u>
Sales	\$10.9B	\$10.1B	(7)%
EBIT	\$2.3B	\$1.8B ¹	(21)%
% of Sales	21.3%	18.2% ¹	(310 bps)
ROTC	32%	22%	

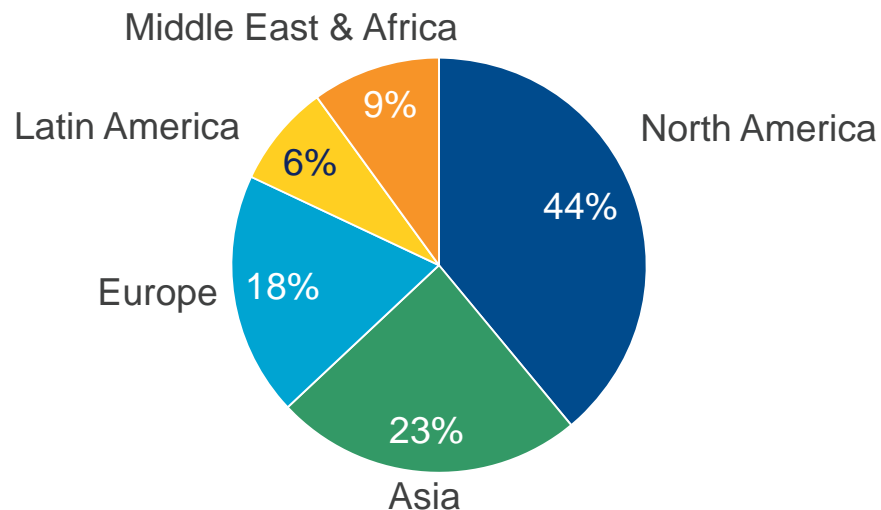
Note: Pro-Forma estimates assume the completion of all strategic portfolio repositioning actions

¹Includes \$105M of Restructuring

2015 Major Markets Served



2015 Sales by Geography

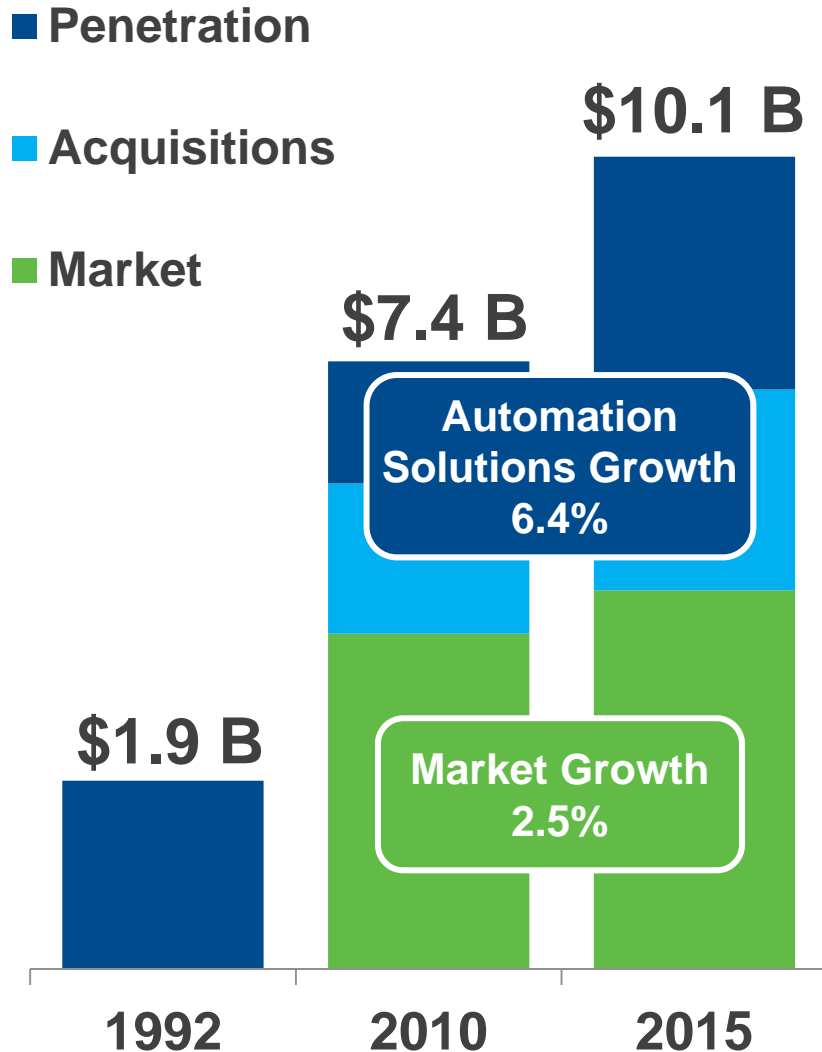


Key Messages

- Our problem solving strategy has driven **significant growth over the past 5 years**, and is the foundation for continued growth above market
- Global markets are challenged with a sharp decline in Oil & Gas upstream investment; **growth remains in Midstream, Power, and Chemical**
- Process **manufacturers must aggressively drive to Top Quartile performance** to deliver results in this challenging business environment
 - Capital project schedule and budget overruns have reached a crisis point
 - \$ Billions of lost production and costs result from unscheduled downtime and ineffective maintenance
- **Emerson's solutions and expertise are enabling customers to achieve improved business results** and Top Quartile performance
 - Project Certainty is our transformational approach to achieving Top Quartile project performance
 - Reliability Solutions enable Top Quartile availability and maintenance costs
- **Automation Solutions** is a major opportunity that **makes Emerson broader and more relevant** to our customers as their trusted automation partner

We Will Continue to Grow Above Market in the Current Business Environment
Through Our Relevance as Customers Strive for Top Quartile Performance

Automation Solutions Has Consistently Outperformed the Market -- Historical Perspective



Sources of Growth



















• Industries & Regions

- Oil & Gas
 - Shale, LNG
 - Middle East, North Sea, Russia, Mexico
- Power
 - North America, China, Eastern Europe
- Petrochemical
- Mining
 - Chile, Peru, Mexico
- Emerging Markets
 - China, Mexico, Russia, Iraq, Saudi Arabia, Africa, India, South Korea, Southeast Asia

• Acquisitions

- Engineered On-Off Valves, Pervasive Sensing, Flame & Gas Detection, Gas Analysis

Oil Prices Bottom in 2016 with Slow Recovery; Other Industries Show Moderate Investment

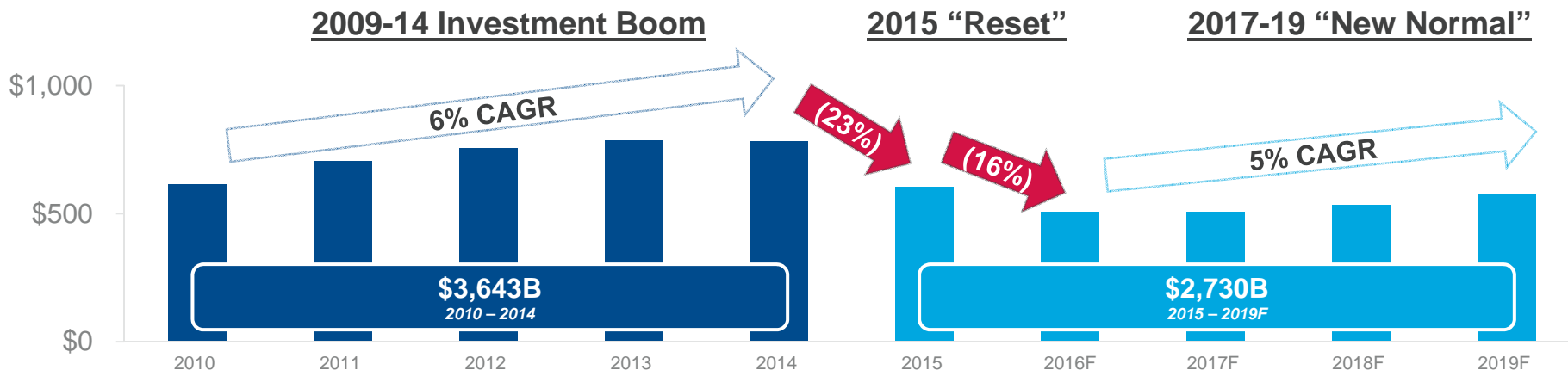
Industry	2016 Outlook	2017-2019 Outlook	Drivers
Oil & Gas – Exploration & Production			Excess inventories will persist through 2016; recovery over 3-year time horizon
Oil & Gas – Midstream (Pipelines & Terminals)			Infrastructure build-out, especially in North America, Mexico, and Asia; LNG, storage and terminals
Refining			Industry benefiting from low feedstock prices; 2016 investment muted by management of discretionary Operational Expenses
Chemical & Petrochemical			Benefit from lower feedstock prices; monetizing North America gas
Power			Increasing demand in emerging markets; technology conversion in North America
Metals & Mining			Slower demand and investment in 2016; harsh process drives need for maintenance and reliability
Hybrid Industries (Food & Beverage, Life Sciences)			Aging population, growing middle class, and regulatory reform drive demand
Machine Automation			Automotive demand continues at moderate pace; Increased packaging equipment demand for food & beverage
Industrial & Commercial Infrastructure Construction			2016 increases in commercial construction offset by energy-related industrial OEM decline and China slowdown

Industry CapEx Outlook based on Global Fixed Investment (GFI) at constant currency, IHS Global Insights, Internal Estimates

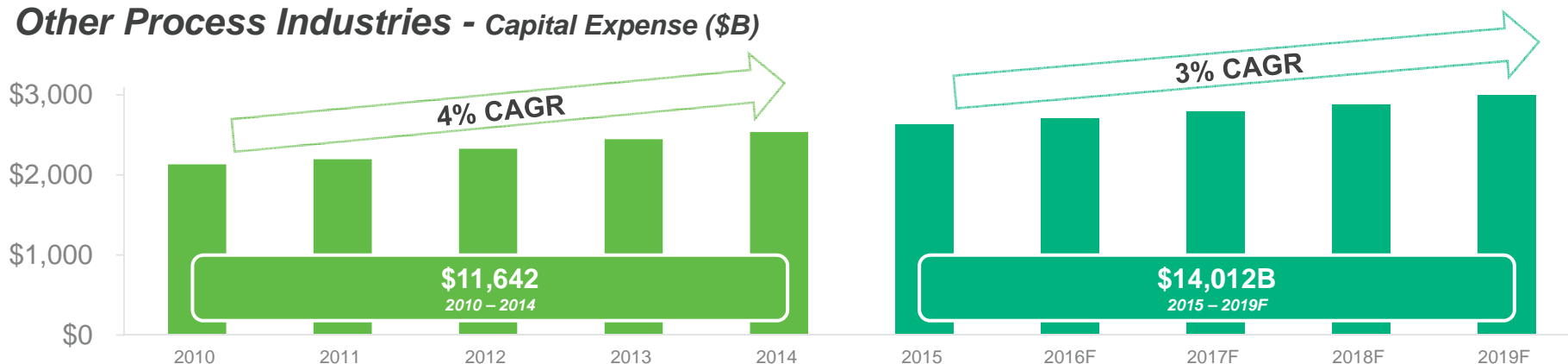
Upstream Oil & Gas Decline in 2016 Will Be Partially Offset by Other Industries

Long-Term Through the Cycle Growth Will Continue After a Major Reset in 2015-2016

Oil & Gas - Capital Expense (\$B)



Other Process Industries - Capital Expense (\$B)



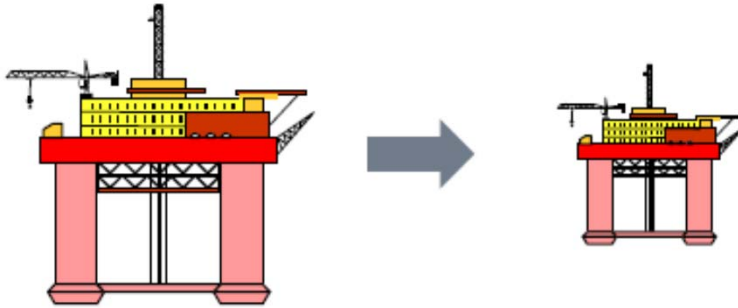
Industry CapEx Outlook based on Global Fixed Investment (GFI) at constant currency (2015 Fixed Rate), IHS Global Insights; Barclays Research; and Internal Estimates

Oil & Gas CapEx Growth Will Be Slow in the Next 5 Years, But Still a Significant Opportunity; Other Industries Will Continue to Drive Steady Investment Growth

Inflection Point: Oil Prices and Capital Project Crisis Forcing Customers to Adapt to a New Normal

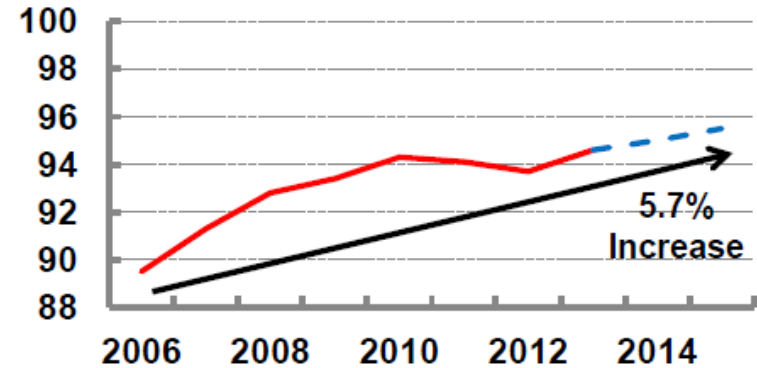
IHS Reveals Two Customer Challenges

Capital Efficiencies



- Automation and data-driven analytics
- Major project execution efficiency
- Standardization

Operational Efficiencies



- Automation and mobility
- Advanced sensors and analytics
- Unmanned autonomous systems
- Production system optimization

“Will Technology Bend The Cost Curve? Energy: A Turning Point—the Industry Resets”, IHS Energy, June 2015
Emerson survey of senior executives by Blue Canyon Partners

To Improve Project Performance, the Industry **Recognizes a Need to Change** Historical Practices, and is More Open to Change Than in the Past

Industry Response: Standardization, Modularization, Changes in Contract Structure, and Transformational Supply Chain and Project Execution Approaches

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Customers Must Adapt to a New Normal and Focus On Operational Excellence and Capital Efficiency

Operational Excellence

Capital Efficiency

Customer Challenges

Maintain availability and minimize maintenance costs

Project schedule and cost overruns

Global Opportunity

\$50B

in ineffective maintenance costs

\$430B

in wasted capital per year

\$120B

of unnecessary capital for new capacity

Mitigation Strategies

Holistic view of plant reliability to address root causes of lost production

New project strategies to reduce costs and complexity

Our Capabilities As a Problem Solver Are Aligned to Customers Most Pressing Business Issues

**Operational
Excellence**

**Business
Reliability**

**Capital
Efficiency**

**Project
Certainty**

Problem Solving

People. Processes. Technologies.

**Project
Execution**



**Connecting to
Customers**



**Technology
Innovation**



**Lifecycle
Services**



After the Project Ends, Focus Shifts to Operational Excellence Through the Life of the Facility

Capital Efficiency

Operational Excellence



1 to 5 years

20 to 60 years

Plan & Execute Project

Maintain & Repair

Turnaround

Turnaround

Turnaround

Upgrade

Upgrade

Skills Development

Optimize Performance

Capacity Expansion

Users are Focused On Executing Programs for Operational Efficiencies and Driving Return on The Significant Investments Made Over The Last 5 Years

Our Operational Excellence Offering Is Enabling Top Quartile Business Results for Our Customers



Maintenance

Essential to keeping plant operating safely, reliably, and economically

Technical Support

Emergency Assistance

Diagnostic & Troubleshooting

Repair & Overhaul

Spares & Parts Availability



Reliability

Improving and preserving asset reliability and investment

Calibration Services

Preventive Maintenance

Remote Monitoring

Turnaround Support

Retrofit Upgrades



Performance

Optimizing plant performance and achieving business goals

Consulting

Resident Site Engineers

Process Optimization

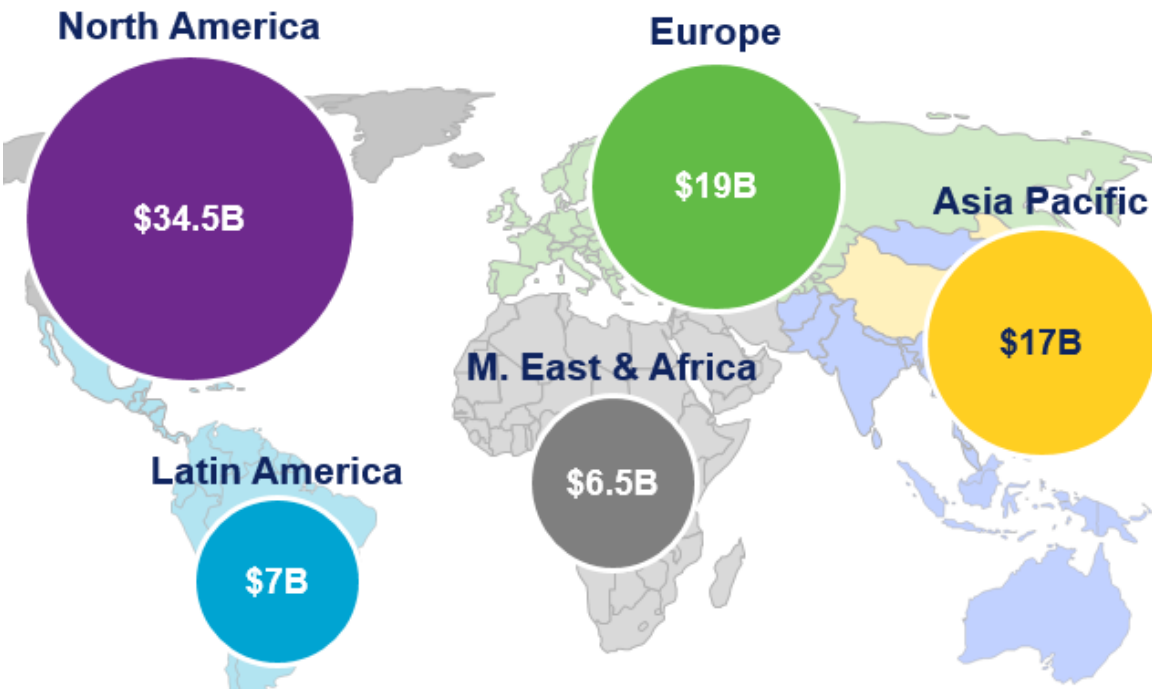
Safety & Security

Modernization

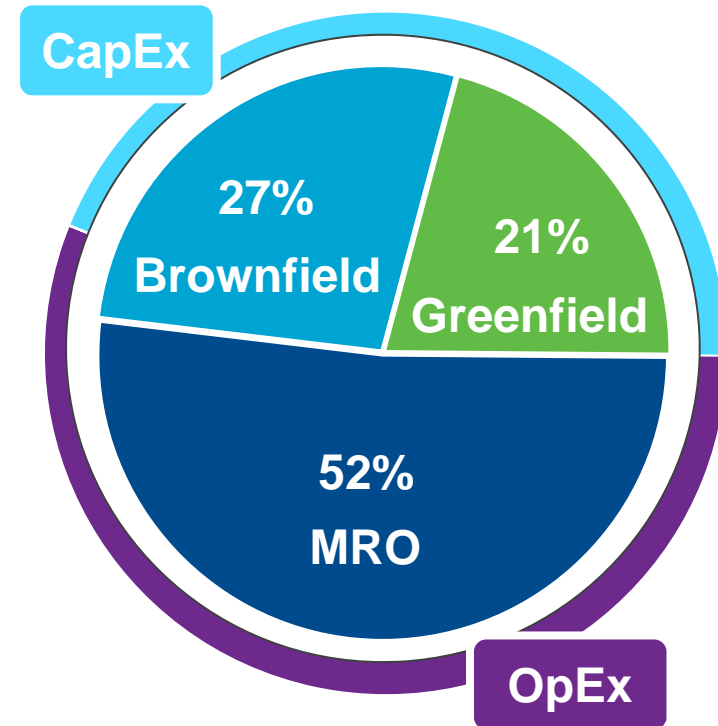
Educational Services

Leveraging Our Large Installed Base By Expanding the Scope of Our Services

Global Installed Base ~\$84B



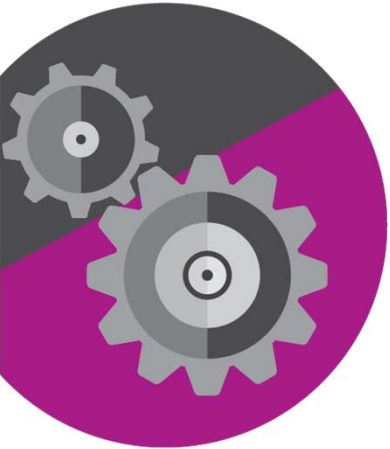
Aftermarket Sales



Leveraging \$84B Installed Base With Our Global Network of 200+ Service Centers and 3,000+ Service Personnel

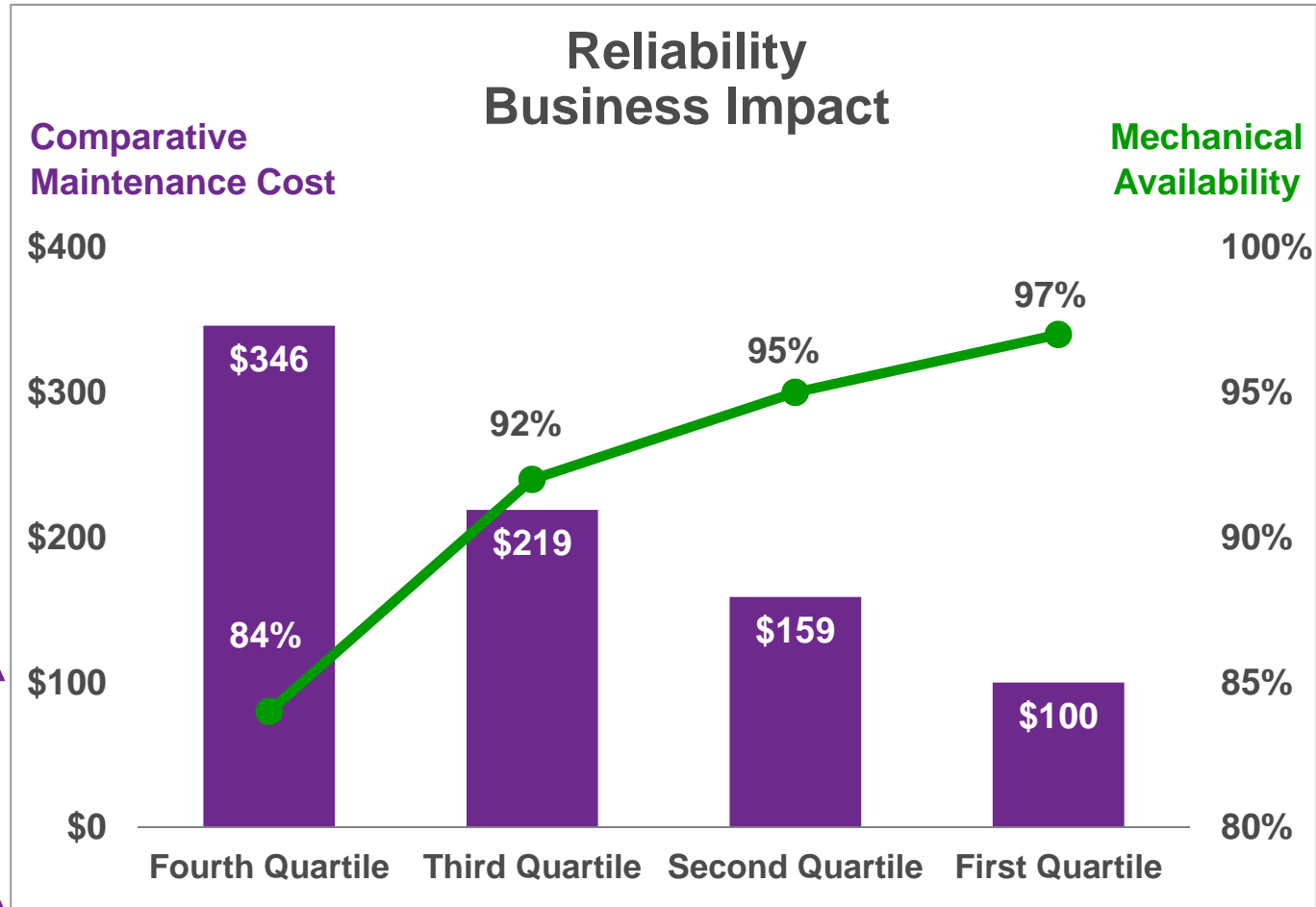
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Achieving Top Quartile Reliability Has a Major Impact on Operational Performance



43% of unplanned downtime caused by equipment failure

50% more to repair a failed asset than detecting in advance

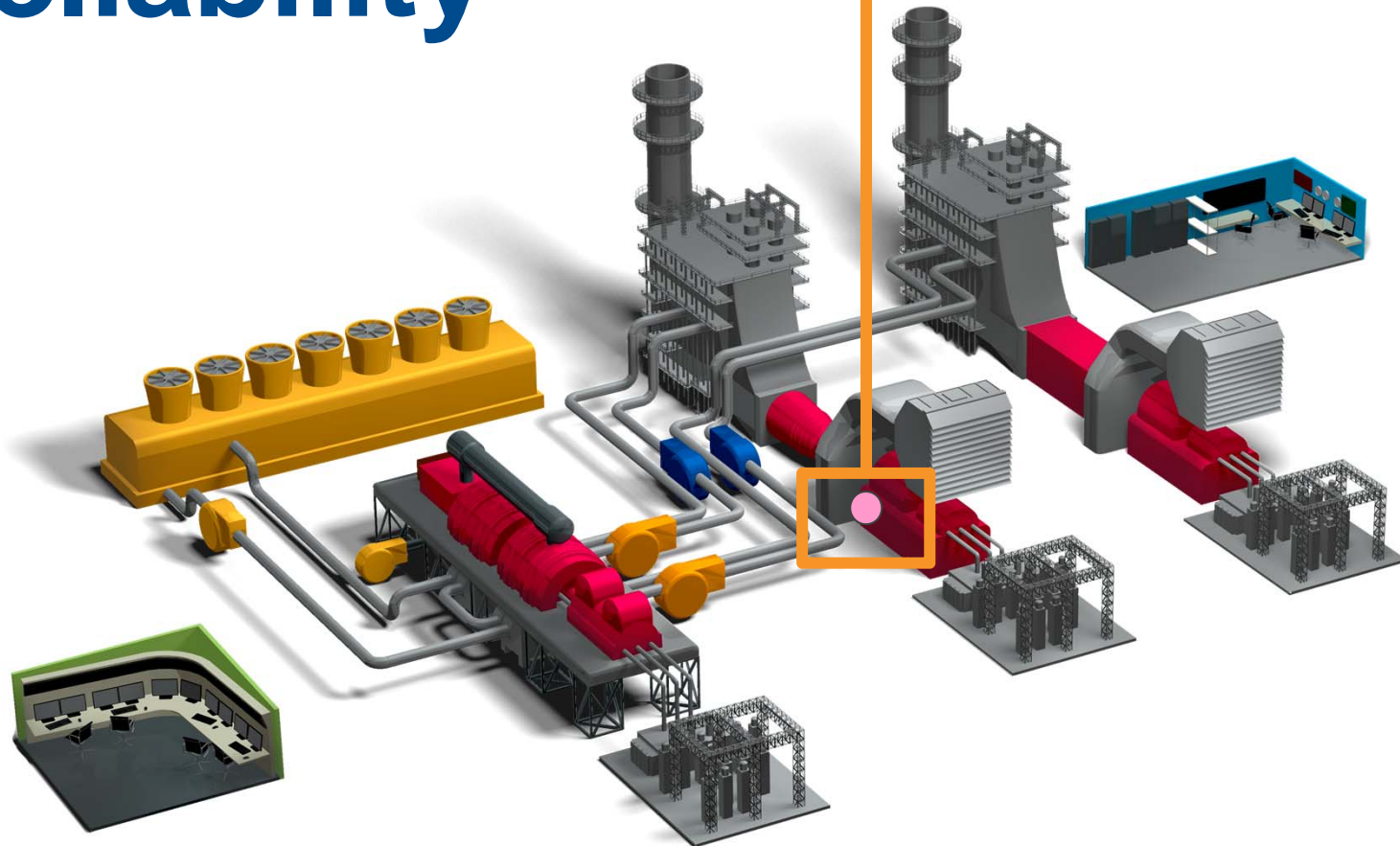


Based on 2013 Solomon RAM Study, Solomon Associates LLC

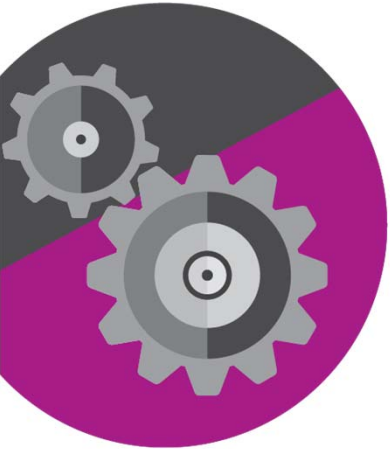
Top Quartile Performers Have 71% Lower Maintenance Cost and 13 Points Higher Availability Than Fourth Quartile Performers

Traditional Reliability Approaches Focus on Single Pieces of Equipment and Critical Assets Only

reliability

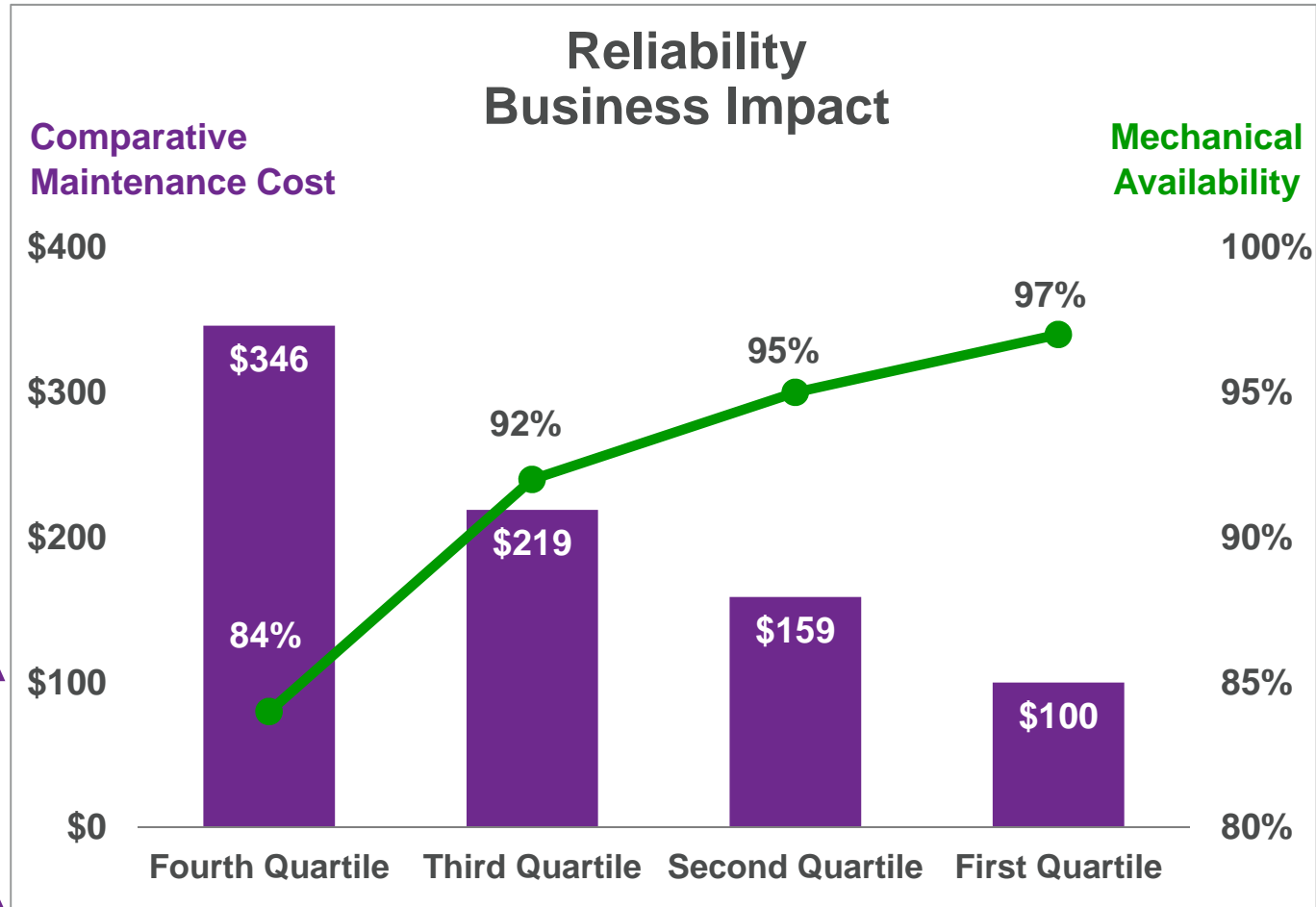


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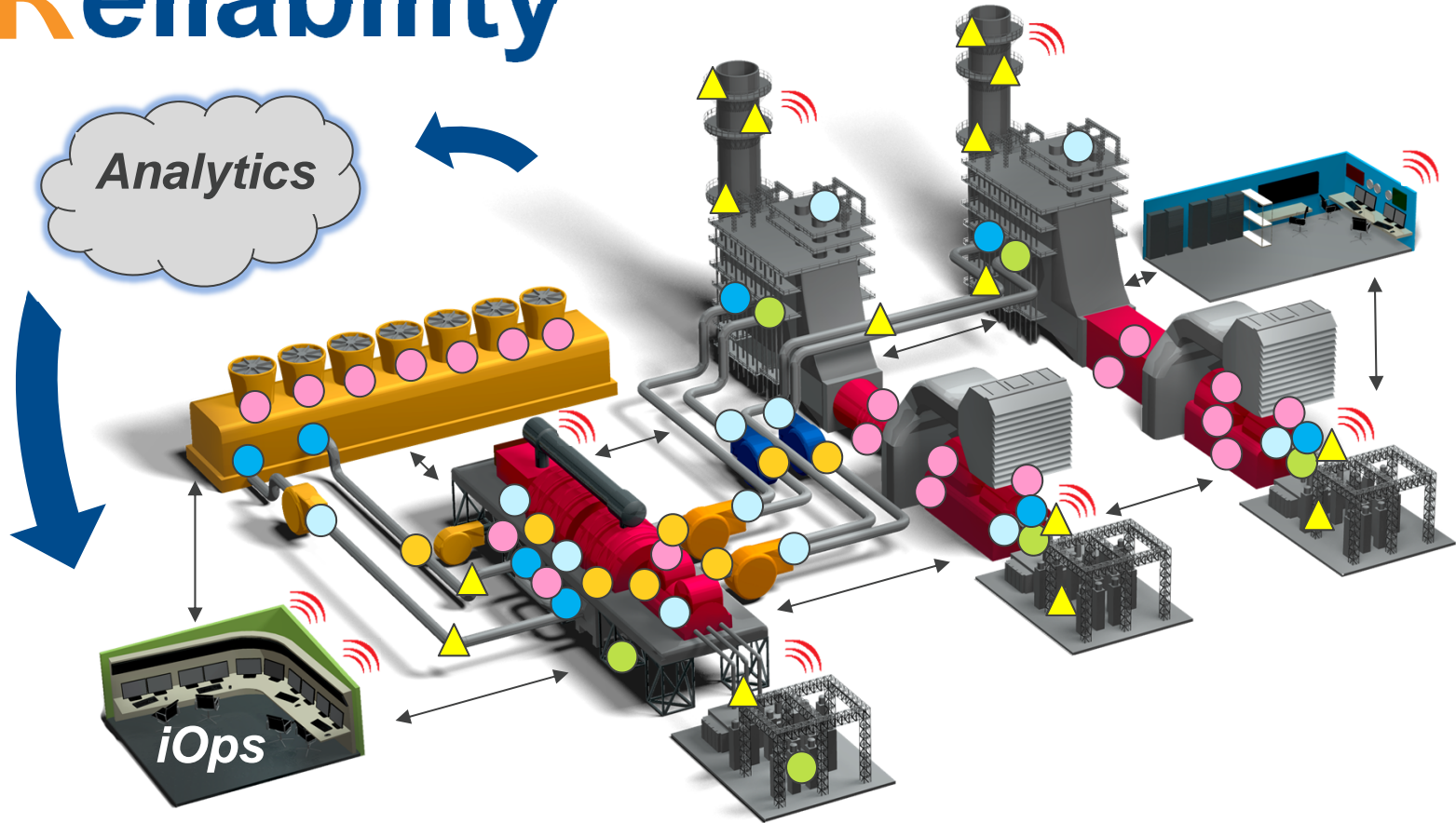


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Top Quartile Performers Have 71% Lower Maintenance Cost and 13 Points Higher Availability Than Fourth Quartile Performers

Emerson Solutions Enable Top Performers to See Reliability as a Holistic Business Issue

Reliability



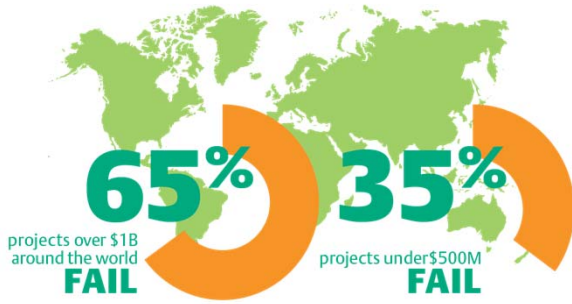
Pervasive Sensing

- Instrument & Valve Condition
- Electrical Monitoring
- Non-Traditional Sensors
- Energy / Emissions Monitoring
- Machinery Condition
- Hazard, Safety & Environmental

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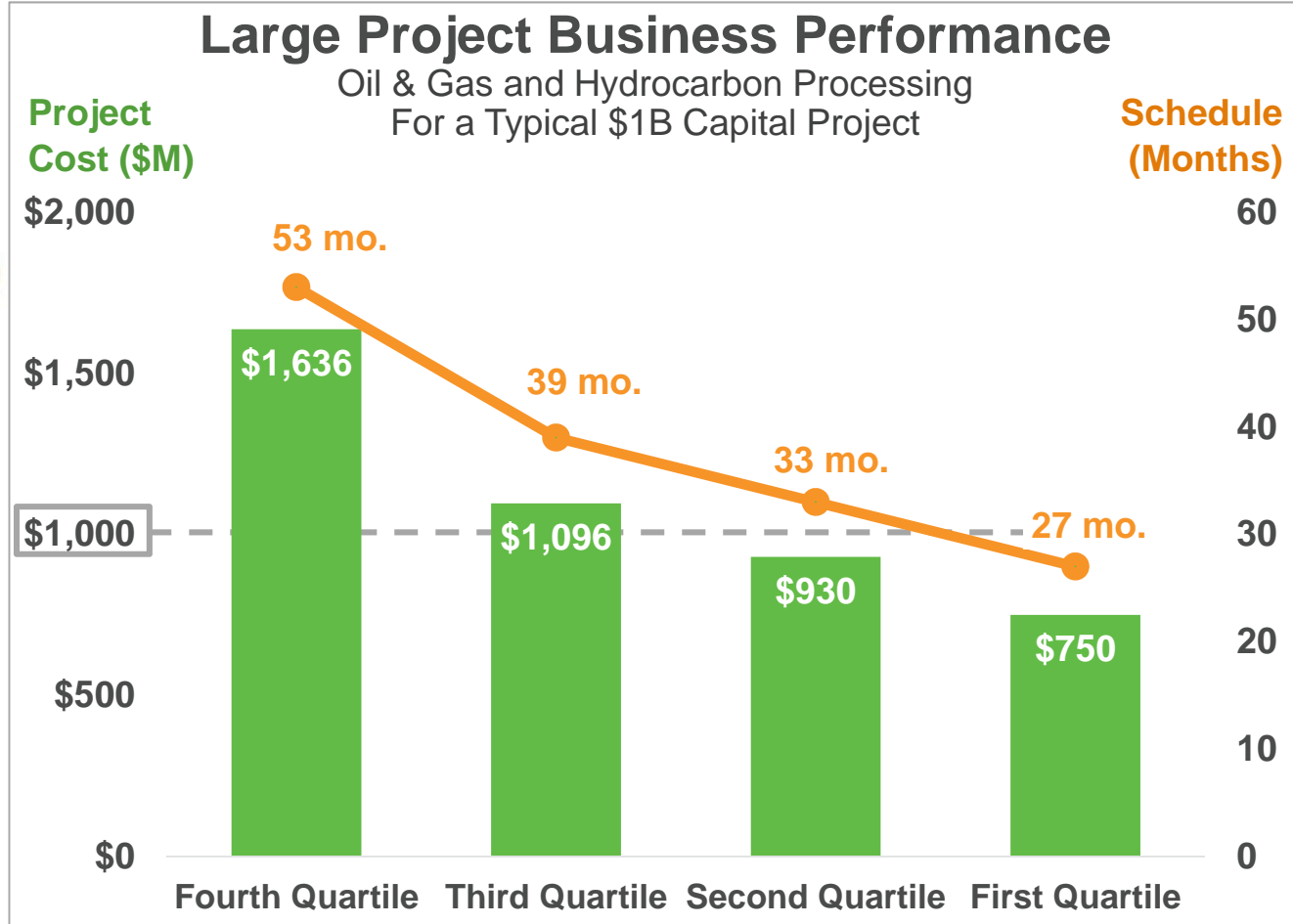
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Project Performance Has Become A Major Business Issue for The Process Industries



25% over budget

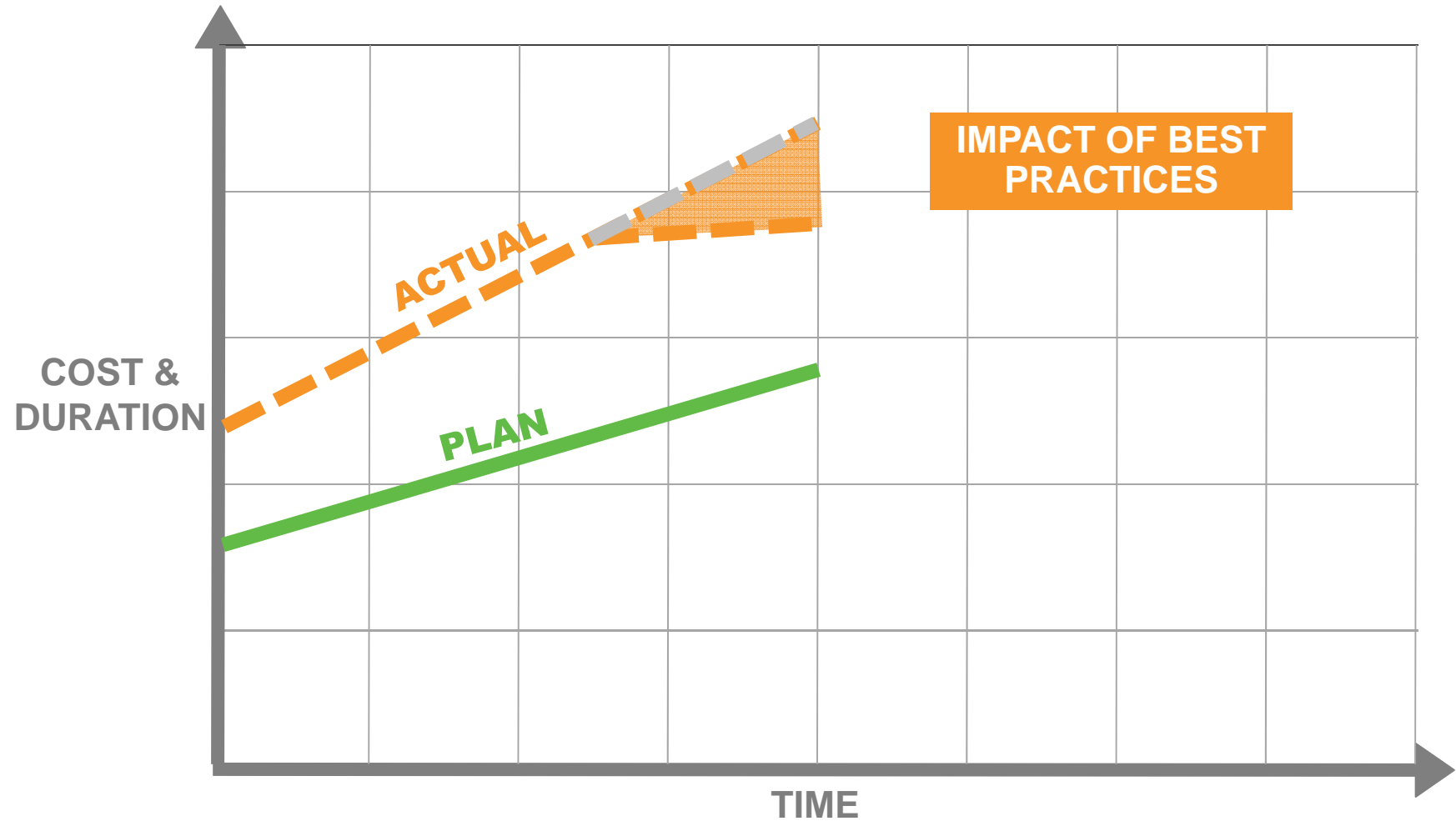
50% over schedule



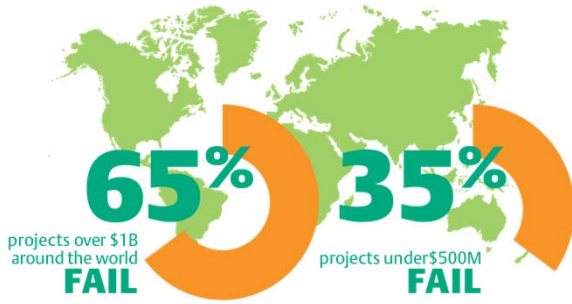
Independent Project Analysis (IPA), Inc., Industry Metrics, September 2015

Top Quartile Performers: Twice as Many Projects with Same Amount of Capital;
First Production 2+ Years Earlier Than 4th Quartile

It's Time for a Reset on How Capital Projects Are Executed

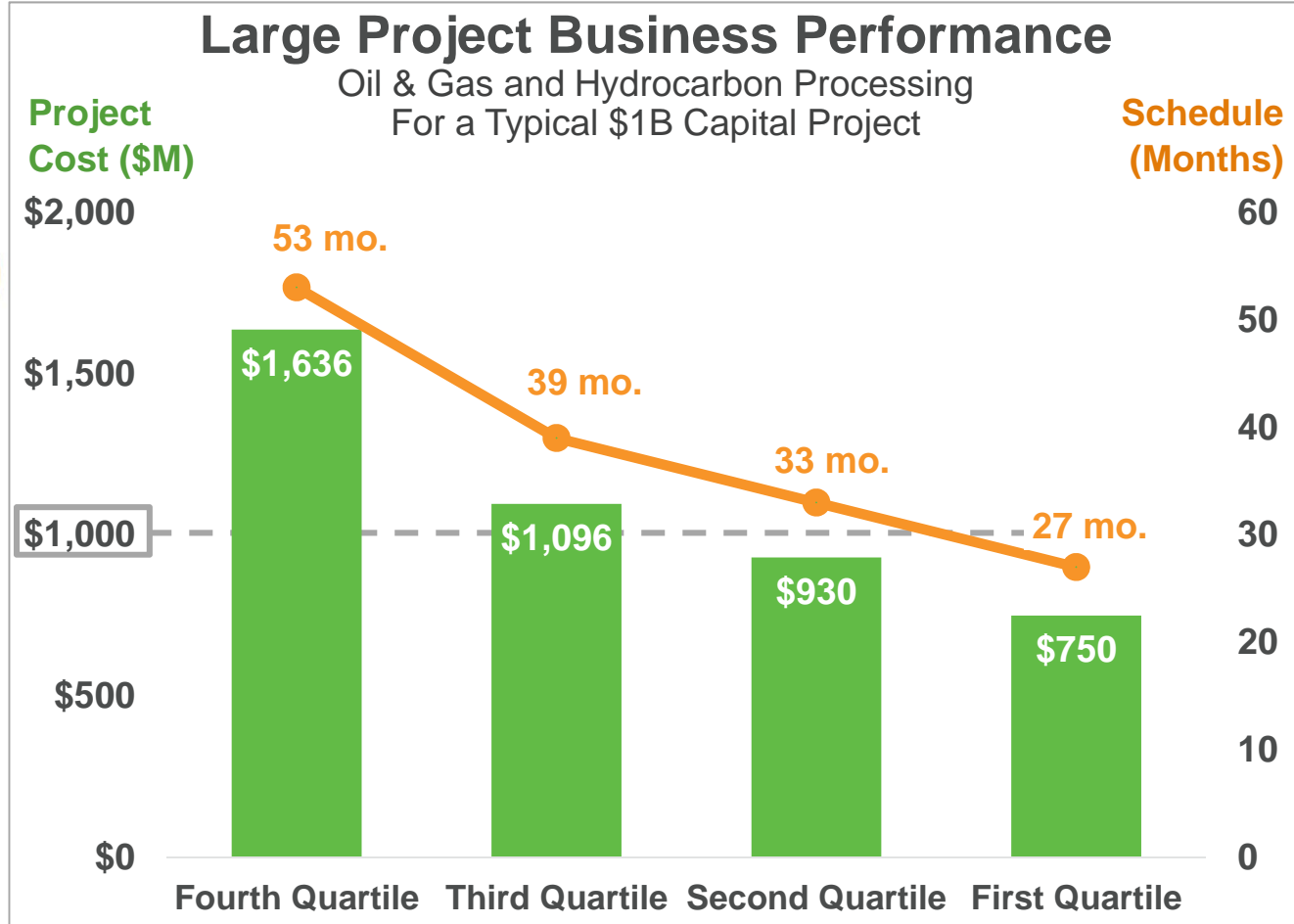


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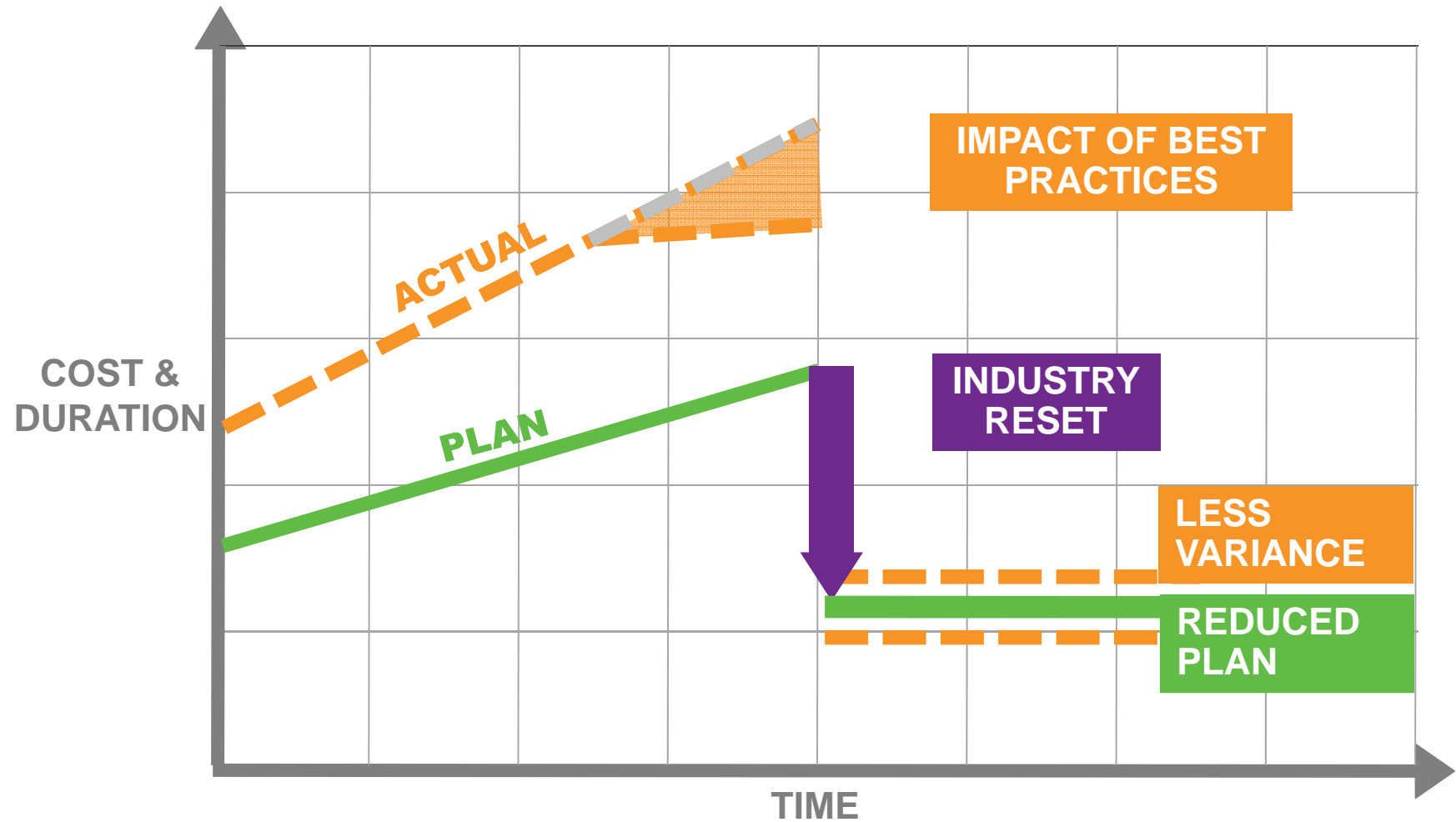
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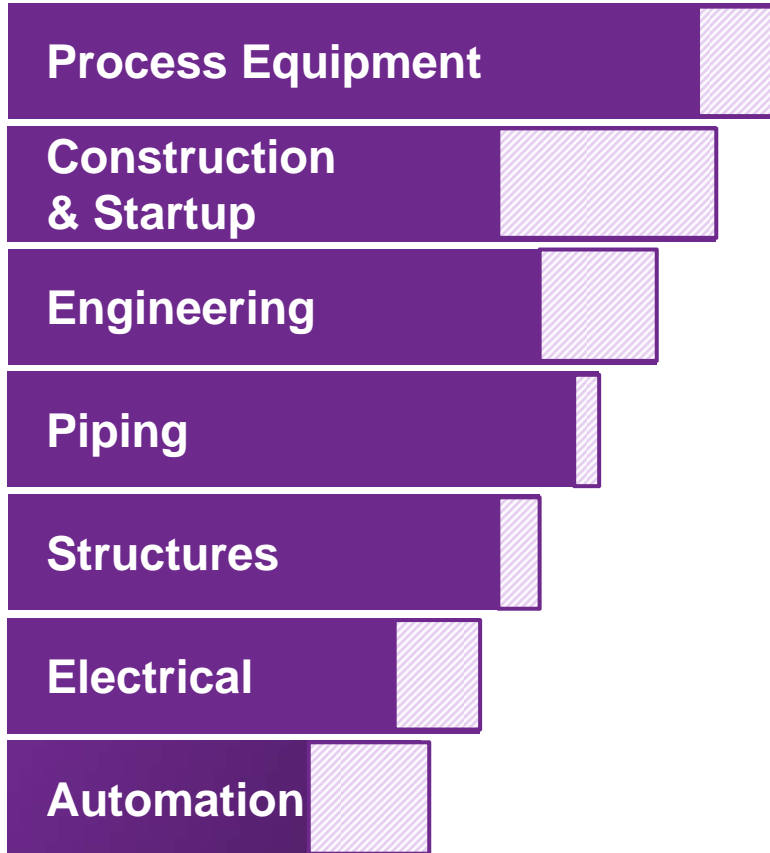
Independent Project Analysis (IPA), Inc., Industry Metrics, September 2015

Top Quartile Performers: Twice as Many Projects with Same Amount of Capital;
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It's Time for a Reset on How Capital Projects Are Executed



Automation Is a Key Lever to Drive Total Project Capital Efficiency



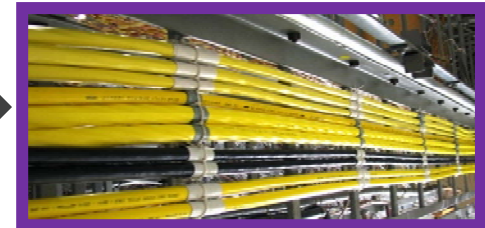
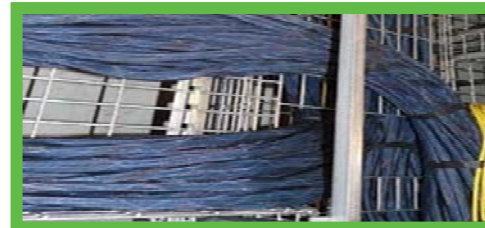
Reduce Startup – Automated Commissioning



Eliminate Piping – Integrated Well Test Solution



Reduce Electrical & Structures – Electronic Marshalling & Wireless



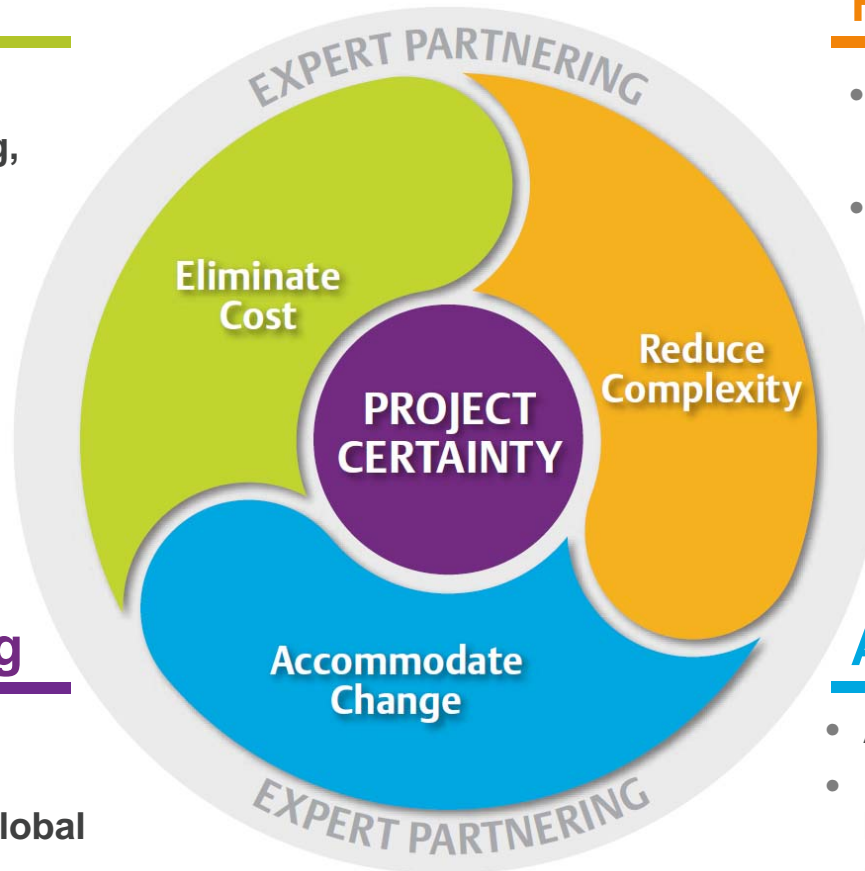
Project Certainty Is Emerson's Transformational Approach for Top Quartile Project Performance

Eliminate Cost

- Labor
 - Reduce Engineering, Installation, and Startup
- Material
 - Eliminate Piping, Structural and Electrical Material

Expert Partnering

- Optimize Automation Strategy
- Align Expertise and Global Engineering



Reduce Complexity

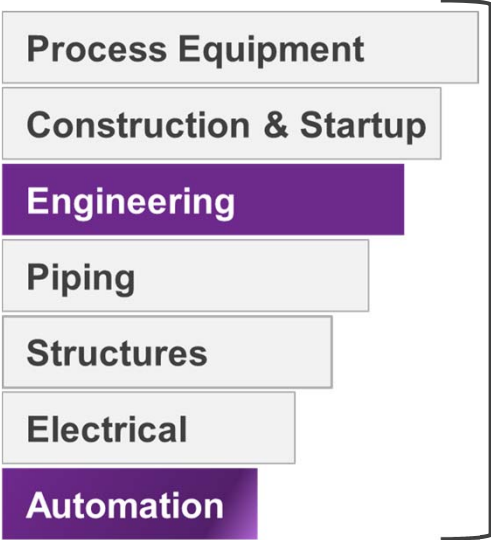
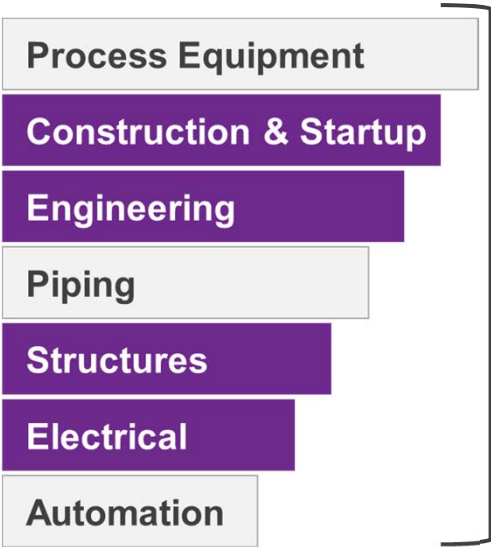
- Information
 - Reduce Errors and Rework
- Integration
 - Eliminate Dependencies
 - Streamline Equipment and Supplier Integration

Accommodate Change

- Absorb Late Design Changes
- Keep Automation off Critical Path
- Eliminate Plant Start-up Delays

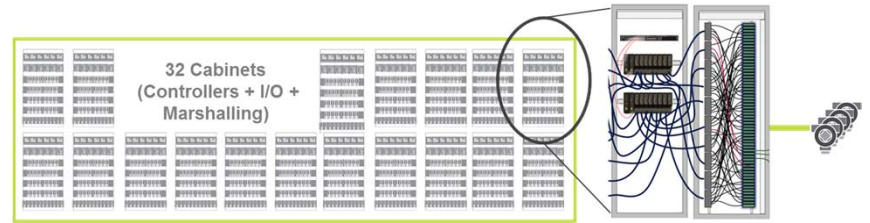
We Are Collaborating With Customers to Develop New Technologies and Enhanced Work Practices That Realize the Vision of Project Certainty

We Are Delivering Many Elements of Project Certainty Today



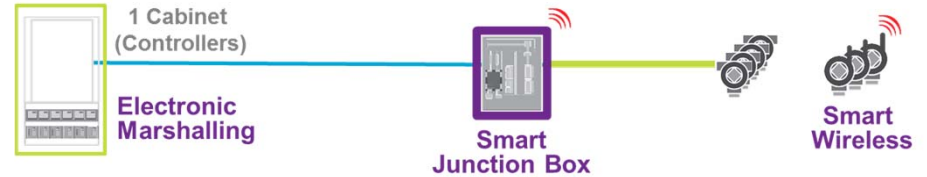
Eliminate Cost

Traditional Approach



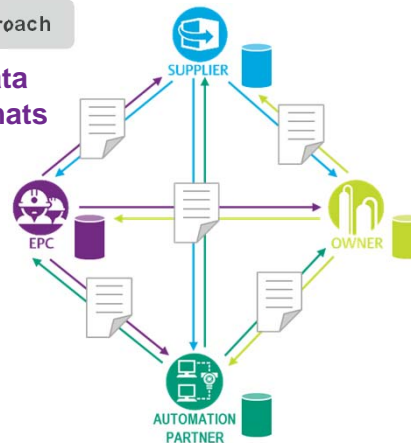
97%
REDUCTION

New Approach



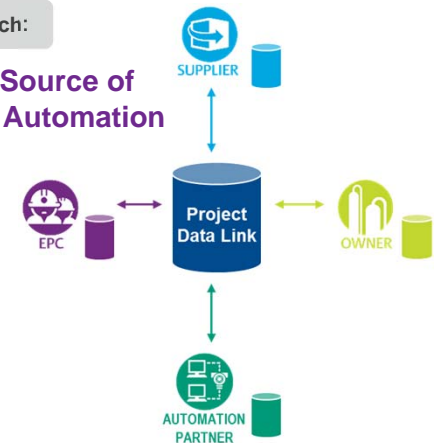
Traditional Approach

Complex Data Flows & Formats



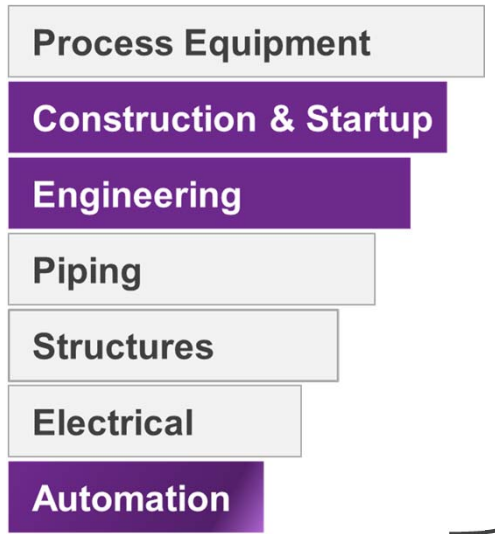
New Approach:

Single Source of Truth for Automation

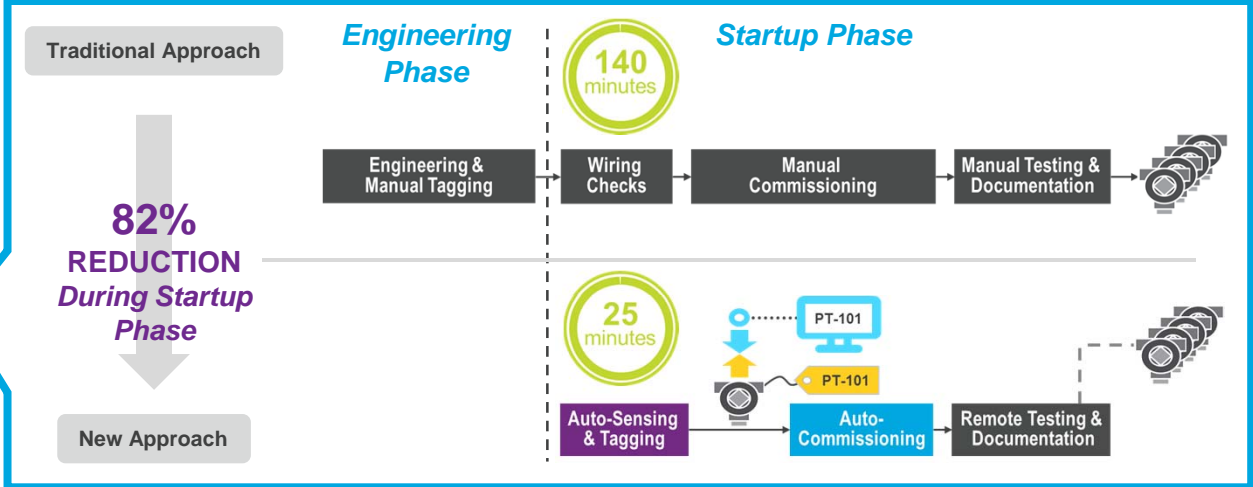


Reduce Complexity

We Are Delivering Many Elements of Project Certainty Today

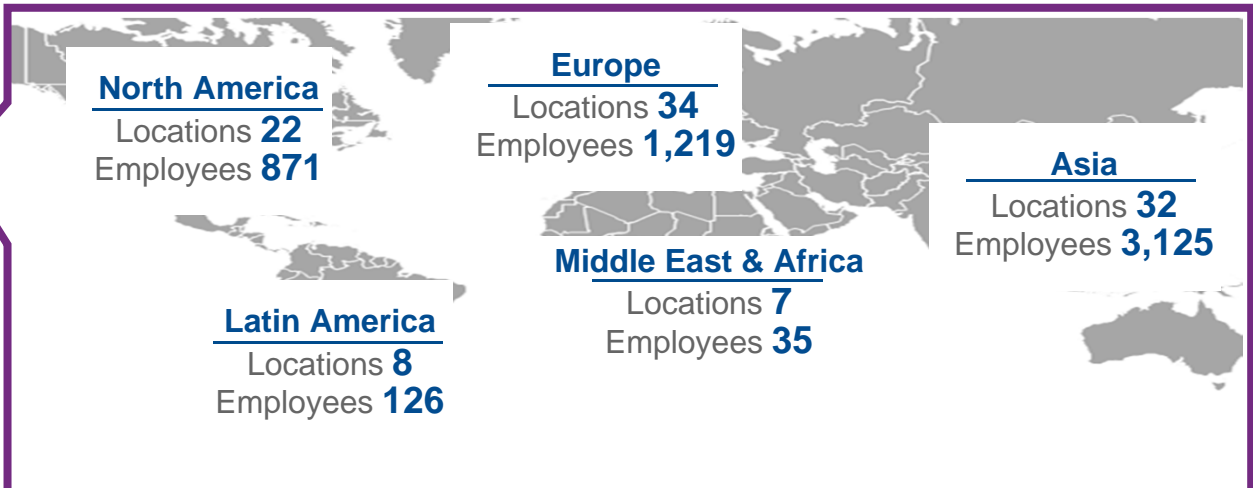


Accommodate Change



Emerson reliably executes the largest and most complex projects in the world

91 Mega Projects executed in the past 5 years



Expert Partnering

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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

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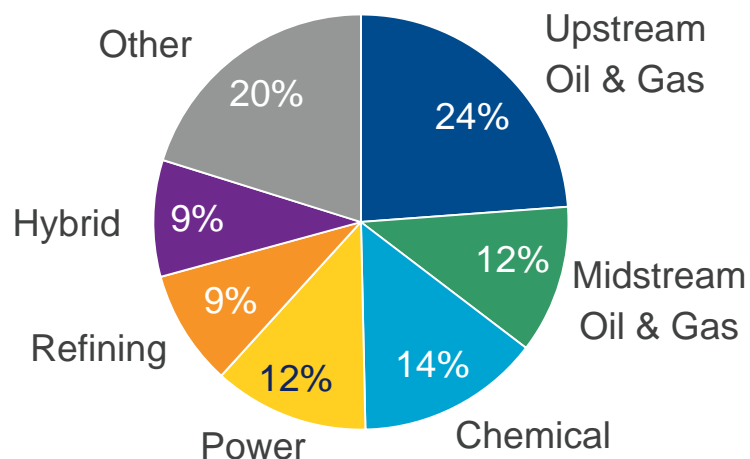
Automation Solutions 2015 Summary & 2016 Guidance

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% of Sales	21.3%	18.2% ¹	~19.0% ¹
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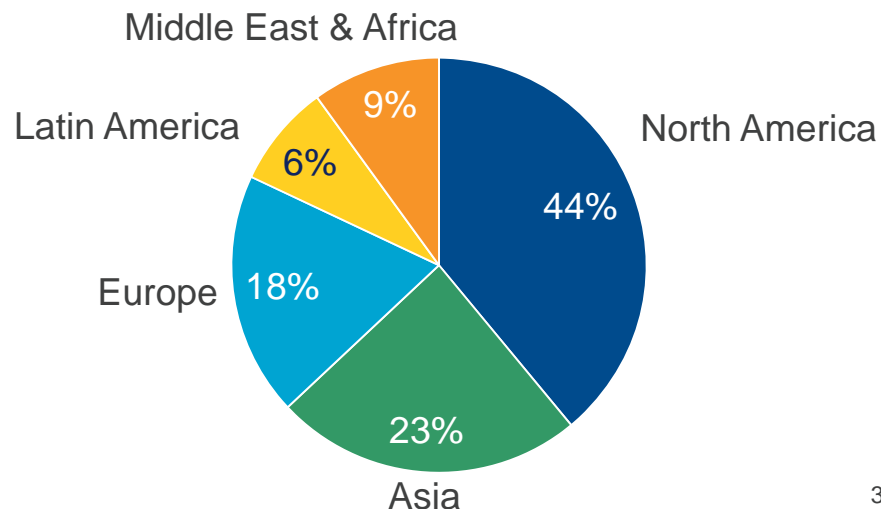
Note: Pro-Forma estimates assume the completion of all strategic portfolio repositioning actions

¹Includes \$105M of restructuring in 2015 and ~\$39M of restructuring in 2016

2015 Major Markets Served



2015 Sales by Geography



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Key Messages

- Our problem solving strategy has driven **significant growth over the past 5 years**, and is the foundation for continued growth above market
- Global markets are challenged with a sharp decline in Oil & Gas upstream investment; **growth remains in Midstream, Power, and Chemical**
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We Will Continue to Grow Above Market in the Current Business Environment
Through Our Relevance as Customers Strive for Top Quartile Performance

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%	(190) bps
Goodwill impairment charges, divestiture gains and separation costs	(2.7%)	4.5%	720 bps
GAAP	17.5%	22.8%	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
Underlying*	(8) - (6%)
Acq./Div./FX	(2%)
GAAP Reported	(10) - (8%)

Commercial & Residential Solutions

	2016E
Underlying*	1 - 3%
Acq./Div./FX	(2%)
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
	2.5	2.1

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