Second Quarter 2012 Earnings Conference Call

May 1, 2012

Safe Harbor Statement

Our commentary and responses to your questions may contain forward-looking statements, including our outlook for the remainder of the year, and Emerson undertakes no obligation to update any such statements to reflect later developments. Information on factors that could cause actual results to vary materially from those discussed today is available in our most recent Annual Report on Form 10-K as filed with the SEC.

Non-GAAP Measures

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

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Second Quarter 2012 Highlights

- Second quarter sales increased to $5.9 billion, with mixed results across businesses and geographies
  - Underlying sales* up 2%, led by strong recovery from Thailand flooding supply chain disruption in Process Management
  - Another difficult quarter for Climate Technologies, but recovery appears underway in the U.S. and China
- Gross profit margin increased 10 basis points from the prior year to 39.5%, and expanded 80 basis points from the first quarter
- Operating profit margin* of 16.5% increased 330 basis points from the first quarter
  - Decrease of 40 basis points from the prior year quarter
- Earnings per share of $0.74 up 48% from the first quarter
  - Slight improvement from prior year quarter

Strong sequential profitability improvement despite challenging end markets in Europe and China – Emerson is well-positioned for stronger second half operationally

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Second Quarter 2012 Results Summary

($Mil excl. EPS)	2011	2012	
Sales	$5,854	$5,919	➔ Up 1% – Underlying* up 2%; FX (1) pt – Continued product line rationalization in embedded computing and power business
Operating Profit*	$991	$977	➔ Down 1% – Volume deleverage, unfavorable product mix, and other cost increases exceeded cost reductions and price increases
OP%*	16.9%	16.5%	
Earnings – Net Common Shareholders	$556	$545	➔ Down 2%
Earnings%	9.5%	9.2%	
Dil. Avg. Shares	757.3	736.8	➔ Repurchased 1.7M shares for $84M in Q2 2012
EPS – Net	$0.73	$0.74	➔ Up 1%

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Second Quarter 2012
Underlying Sales Change

United States	3%	
Europe	(4%)	
Asia	2%	China (4%)
Latin America	11%	
Canada	10%	
Middle East/Africa	5%	
Total International	2%	
Underlying Sales*	2%	
Currency	(1) pt	
Acq./Div.	–	
Net Sales	1%	

Europe is expected to remain weak, while in China, orders have turned positive to support sales improvement in second half

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Second Quarter 2012 Profitability Detail

($Mil)	Q2 2011	Q1 2012	Q2 2012	Q2 vs. PY Comments
Gross Profit	$2,306	$2,055	$2,336	➔ Up 1%
GP%	39.4%	38.7%	39.5%	➔ Cost reduction benefits and price increases, partially offset by unfavorable product mix and other costs; favorable price/cost
SG&A%	22.5%	25.5%	23.0%	
Operating Profit*	$991	$701	$977	➔ Down 1%
OP%*	16.9%	13.2%	16.5%	➔ 40 basis point decrease
- Other Deductions, Net	$101	$90	$105	➔ Higher restructuring ($15M) and lower gains ($14M) partially offset by lower FX losses ($10M) and amortization ($7M)
- Interest Expense, Net	$57	$58	$58	
Pretax Earnings	$833	$553	$814	➔ Down 2%
Earnings%	14.2%	10.4%	13.8%	
- Taxes	$266	$172	$258	
- Tax Rate	31.8%	31.0%	31.7%	

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Second Quarter 2012
Cash Flow & Balance Sheet

($Mil)	2011	2012
Operating Cash Flow	$753	$562
Capital Expenditures	($126)	($157)
Free Cash Flow*	$627	$405
Cash Flow/Total Debt	59.5%	52.2%

- Down 25% – Lower earnings and higher investment in working capital for second half growth
- Up 25% – Investments in technology and growth programs, and replacing capacity in key growth markets

Inventories	$2,324	$2,402
Receivables	$4,231	$4,319
Payables	($2,463)	($2,419)
Trade Working Capital	$4,092	$4,302
% to Sales	17.4%	18.1%

Inventory dollars peaked in February and will continue to decline; trade working capital improved 100 basis points from the first quarter

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Second Quarter 2012
Business Segment Earnings

($Mil)	Q2 2011	Q1 2012	Q2 2012	Q2 vs. PY Comments
Business Segment EBIT*	$934	$691	$936	➔ Flat
Margin*	15.5%	12.7%	15.3%	➔ 20 basis point decrease from prior year ➔ 260 basis point increase from prior quarter
Diff. in Accounting Methods	$56	$49	$55	
Corporate & Other	($100)	($129)	($119)	➔ $15M gain from Fisher Sanmar JV buyout in Q2 2011
Interest Expense, Net	($57)	($58)	($58)	
Pretax Earnings	$833	$553	$814	➔ Down 2%
Margin	14.2%	10.4%	13.8%	

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Second Quarter 2012
Process Management

($Mil)	2011	2012
Sales	$1,653	$1,869
EBIT	$296	$341
Margin	17.9%	18.3%
Restructuring	$2	$4
EBIT Excl. Rest.*	$298	$345
Margin*	18.0%	18.5%

➔ Up 13%
- Underlying* up 14%; FX (1) pt
  - U.S. up 24%, Asia up 10%, Europe up 4%, Latin America up 33%, MEA up 5%
- Strong demand in oil and gas and chemical end markets
- Underlying orders growth of 18%, excluding negative 4 percent from currency, across all businesses and geographies

➔ Up 15%
- Volume leverage and cost reduction benefits offset unfavorable product mix and other cost increases

✓***Delayed sales from supply chain disruption should be recovered by the end of calendar 2012 – quality focus is imperative***

Acceleration of backlog conversion and continued strength in new orders will drive sales in second half

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Second Quarter 2012
Industrial Automation

($Mil)	2011	2012
Sales	$1,308	$1,284
EBIT	$210	$203
Margin	16.0%	15.8%
Restructuring	$5	$4
EBIT Excl. Rest.*	$215	$207
Margin*	16.4%	16.2%

➔ Down 2%
- Underlying* down 1%; FX (1) pt
  - U.S. down 1%, Asia down 1%, Europe flat, Latin America down 5%, MEA up 14%
- Strong growth in electrical distribution and ultrasonic welding businesses
- Demand in the global power generating alternators business remains at a high level
- Weakness in the electrical drives, fluid automation, and hermetic motors businesses
- Solar and wind energy end markets remain challenging, but have begun to stabilize

➔ Down 3%
- Volume deleverage and materials cost increases partially offset by higher selling prices and cost reduction benefits
- Price/cost favorable

Europe softness will persist, but capital goods end markets should remain stable in other regions – restructuring benefits have started to flow through

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Second Quarter 2012
Network Power

($Mil)	2011	2012
Sales	$1,616	$1,549
EBIT	$150	$134
Margin	9.3%	8.6%
Restructuring	$5	$16
EBIT Excl. Rest.*	$155	$150
Margin*	9.7%	9.6%

➔ Down 4%
- Underlying* down 3%; FX (1) pt
  - U.S. down 4%, Asia up 3%, Europe down 13%, Latin America down 13%, MEA down 3%
- Telecommunications and IT end markets weak, but second half improvement is forecasted
- Global uninterruptible power supply and precision cooling business was up, with strong growth in the U.S. and solid growth in Asia
- Europe under pressure due to economic conditions

➔ Down 12%
- Volume deleverage, unfavorable mix, and higher restructuring partially offset by cost reduction benefits and materials cost decreases
- Embedded computing and power business returned to profitability

✓ ***Acquisition of Avtron Loadbank (~$50M annual sales) enhances data center solution offering***

Sequential margin improvement despite increased restructuring, continued end market weakness, and aggressive product line rationalization

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Second Quarter 2012
Climate Technologies

($Mil)	2011	2012
Sales	$1,014	$926
EBIT	$187	$158
Margin	18.4%	17.1%
Restructuring	$2	$4
EBIT Excl. Rest.*	$189	$162
Margin*	18.6%	17.5%

➔ Down 9%
- Underlying* down 9%
  - U.S. down 11%, Asia down 9%, Europe down 12%, Latin America up 25%, MEA down 3%
- U.S. residential weak, but solid growth in commercial and refrigeration markets
- Softness in China, but other Asia sales growth robust
- Economic conditions challenging in Europe

➔ Down 15%
- Volume deleverage and materials cost increases partially offset by higher selling prices and cost reduction benefits
- Price/cost favorable, but not enough to maintain margin

✓ ***Acquisition of JCI marine controls and monitoring business (~$50M annual sales) expands solution capabilities in transportation refrigeration***

U.S. and China markets appear to have bottomed and should improve in the second half of 2012

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Second Quarter 2012
Commercial & Residential Solutions

($Mil)	2011	2012
Sales	$455	$475
EBIT	$91	$100
Margin	20.1%	21.0%
Restructuring	$2	$3
EBIT Excl. Rest.*	$93	$103
Margin*	20.5%	21.6%

➔ Up 4%
- Underlying* up 8%; Divestiture (4) pts
  - U.S. up 8%, Asia up 3%, Europe down 3%, Latin America up 25%, MEA up 85%
- Commercial construction in the U.S. drove demand across the segment
- Very strong growth in storage businesses

➔ Up 9%
- Price increases, volume leverage and cost reduction benefits offset higher materials and other cost increases
- Price/cost favorable
- Last 2 years of aggressive restructuring paying off
- Divestiture mix benefit

✓ ***Anticipate divestiture of Knaack business (~$100M annual sales) in Q4 2012***

Growth should remain solid in the second half of 2012 as U.S. residential end markets improve

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Full Year 2012 Outlook

- Significant sequential improvement in the second quarter supports expectations for record sales, profitability and earnings per share in 2012
  - Recovery of HVAC and telecommunications end markets remains likely but occurring slower than planned
  - U.S. economic growth is positive but anemic compared to past recoveries
  - Europe remains weak and has no economic momentum
  - China, while stabilized and strengthening, has been softer than expected
- Based on current conditions, the revised 2012 outlook is as follows:
  - Underlying sales* and orders growth 3 to 5% (weaker Europe and China)
  - Reported sales and orders growth 2 to 4%
  - Operating profit margin* 17.5-17.8%, and pretax earnings margin 15.0-15.3%
  - Restructuring expense ~$125M
  - Tax rate ~32%
  - Earnings per share $3.35 to $3.50
  - Operating cash flow $3.4-3.5B
  - Capital expenditures ~$700M

Reconciliation of Non-GAAP Financial Measures

Sales	2012E
Underlying Sales*	+3 to +5%
Acq./Div./Currency	~(1%)
Net Sales	+2 to +4%

Operating Profit	2012E
Operating Profit*	
% Sales*	17.5-17.8%
Interest Expense and Other Deductions, Net	
% Sales	~(2.5%)
Pretax Earnings	
% Sales	15.0-15.3%

This information reconciles non-GAAP measures (denoted with a *) with the most directly comparable GAAP measure ($M)

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