

Table 1

EMERSON AND SUBSIDIARIES
CONSOLIDATED OPERATING RESULTS
(AMOUNTS IN MILLIONS EXCEPT PER SHARE, UNAUDITED)

	<u>Quarter Ended June 30</u>		<u>Percent Change</u>
	<u>2015</u>	<u>2016</u>	
Net sales	\$5,503	\$5,126	(7)%
Costs and expenses:			
Cost of sales	3,269	3,032	
SG&A expenses	1,276	1,203	
Other deductions, net	122	102	
Interest expense, net	40	45	
Earnings before income taxes	<u>796</u>	<u>744</u>	(7)%
Income taxes	222	254	
Net earnings	574	490	(15)%
Less: Noncontrolling interests in earnings of subsidiaries	10	11	
Net earnings common stockholders	<u>\$564</u>	<u>\$479</u>	(15)%
Diluted avg. shares outstanding	668.9	645.2	
Diluted earnings per share common stockholders	\$0.84	\$0.74	(12)%

	<u>Quarter Ended June 30</u>	
	<u>2015</u>	<u>2016</u>
Other deductions, net		
Amortization of intangibles	\$52	\$46
Rationalization of operations	36	15
Separation costs	—	28
Other	34	13
Total	<u>\$122</u>	<u>\$102</u>

Table 2

EMERSON AND SUBSIDIARIES
CONSOLIDATED OPERATING RESULTS
(AMOUNTS IN MILLIONS EXCEPT PER SHARE, UNAUDITED)

	<u>Nine Months Ended June 30</u>		<u>Percent Change</u>
	<u>2015</u>	<u>2016</u>	
Net sales	\$16,490	\$14,767	(10)%
Costs and expenses:			
Cost of sales	9,810	8,790	
SG&A expenses	3,999	3,647	
Gain on sale of business	932	—	
Other deductions, net	322	338	
Interest expense, net	126	137	
Earnings before income taxes	<u>3,165</u>	<u>1,855</u>	(41)%
Income taxes	<u>1,083</u>	<u>636</u>	
Net earnings	2,082	1,219	(41)%
Less: Noncontrolling interests in earnings of subsidiaries	<u>20</u>	<u>22</u>	
Net earnings common stockholders	<u>\$2,062</u>	<u>\$1,197</u>	(42)%
Diluted avg. shares outstanding	682.6	647.4	
Diluted earnings per share common stockholders	\$3.01	\$1.84	(39)%

	<u>Nine Months Ended June 30</u>	
	<u>2015</u>	<u>2016</u>
Other deductions, net		
Amortization of intangibles	\$160	\$143
Rationalization of operations	89	43
Separation costs	—	83
Other	73	69
Total	<u>\$322</u>	<u>\$338</u>

Table 3EMERSON AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN MILLIONS, UNAUDITED)

	<u>Quarter Ended June 30</u>	
	<u>2015</u>	<u>2016</u>
Assets		
Cash and equivalents	\$3,393	\$3,516
Receivables, net	4,272	4,014
Inventories	2,144	1,949
Other current assets	835	741
Total current assets	<u>10,644</u>	<u>10,220</u>
Property, plant & equipment, net	3,610	3,521
Goodwill	6,930	6,667
Other intangible assets	1,575	1,411
Other	705	263
Total assets	<u><u>\$23,464</u></u>	<u><u>\$22,082</u></u>
Liabilities and equity		
Short-term borrowings and current maturities of long-term debt	\$3,179	\$3,220
Accounts payable	2,402	2,230
Accrued expenses	2,678	2,797
Income taxes	53	79
Total current liabilities	<u>8,312</u>	<u>8,326</u>
Long-term debt	4,290	4,062
Other liabilities	2,063	1,739
Total equity	<u>8,799</u>	<u>7,955</u>
Total liabilities and equity	<u><u>\$23,464</u></u>	<u><u>\$22,082</u></u>

Table 4

EMERSON AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(DOLLARS IN MILLIONS, UNAUDITED)

	<u>Nine Months Ended June 30</u>	
	<u>2015</u>	<u>2016</u>
Operating activities		
Net earnings	\$2,082	\$1,219
Depreciation and amortization	613	589
Changes in operating working capital	(530)	(35)
Gain on divestiture of business, after tax	(528)	—
Income taxes paid on divestiture gain	(360)	—
Other, net	151	151
Net cash provided by operating activities	<u>1,428</u>	<u>1,924</u>
Investing activities		
Capital expenditures	(516)	(354)
Purchase of businesses, net of cash and equivalents acquired	(250)	(62)
Divestiture of business	1,399	—
Other, net	(86)	43
Net cash provided by (used by) investing activities	<u>547</u>	<u>(373)</u>
Financing activities		
Net increase in short-term borrowings	945	692
Proceeds from long-term debt	1,000	—
Payments of long-term debt	(504)	(252)
Dividends paid	(960)	(922)
Purchases of common stock	(2,041)	(555)
Other, net	(12)	(13)
Net cash used by financing activities	<u>(1,572)</u>	<u>(1,050)</u>
Effect of exchange rate changes on cash and equivalents	<u>(159)</u>	<u>(39)</u>
Increase in cash and equivalents	244	462
Beginning cash and equivalents	<u>3,149</u>	<u>3,054</u>
Ending cash and equivalents	<u><u>\$3,393</u></u>	<u><u>\$3,516</u></u>

Table 5

EMERSON AND SUBSIDIARIES
SEGMENT SALES AND EARNINGS
(DOLLARS IN MILLIONS, UNAUDITED)

	<u>Quarter Ended June 30</u>	
	<u>2015</u>	<u>2016</u>
Sales		
Process Management	\$2,084	\$1,804
Industrial Automation	990	883
Network Power	1,028	1,111
Climate Technologies	1,125	1,102
Commercial & Residential Solutions	477	400
	<u>5,704</u>	<u>5,300</u>
Eliminations	<u>(201)</u>	<u>(174)</u>
Net sales	<u>\$5,503</u>	<u>\$5,126</u>
Earnings		
Process Management	\$373	\$271
Industrial Automation	156	130
Network Power	37	101
Climate Technologies	222	247
Commercial & Residential Solutions	98	97
	<u>886</u>	<u>846</u>
Differences in accounting methods	54	59
Corporate and other	(104)	(116)
Interest expense, net	<u>(40)</u>	<u>(45)</u>
Earnings before income taxes	<u>\$796</u>	<u>\$744</u>
Rationalization of operations		
Process Management	\$12	\$7
Industrial Automation	4	5
Network Power	17	(1)
Climate Technologies	2	1
Commercial & Residential Solutions	1	—
Corporate	<u>—</u>	<u>3</u>
Total	<u>\$36</u>	<u>\$15</u>

Table 6

EMERSON AND SUBSIDIARIES
SEGMENT SALES AND EARNINGS
(DOLLARS IN MILLIONS, UNAUDITED)

	<u>Nine Months Ended June 30</u>	
	<u>2015</u>	<u>2016</u>
Sales		
Process Management	\$6,225	\$5,438
Industrial Automation	3,176	2,561
Network Power	3,210	3,180
Climate Technologies	3,007	2,884
Commercial & Residential Solutions	1,422	1,186
	<u>17,040</u>	<u>15,249</u>
Eliminations	<u>(550)</u>	<u>(482)</u>
Net sales	<u>\$16,490</u>	<u>\$14,767</u>
Earnings		
Process Management	\$1,064	\$807
Industrial Automation	464	341
Network Power	150	268
Climate Technologies	518	544
Commercial & Residential Solutions	292	274
	<u>2,488</u>	<u>2,234</u>
Differences in accounting methods	165	172
Corporate and other	638	(414)
Interest expense, net	<u>(126)</u>	<u>(137)</u>
Earnings before income taxes	<u>\$3,165</u>	<u>\$1,855</u>
Rationalization of operations		
Process Management	\$37	\$20
Industrial Automation	8	9
Network Power	31	5
Climate Technologies	8	4
Commercial & Residential Solutions	5	2
Corporate	—	3
Total	<u>\$89</u>	<u>\$43</u>

Reconciliations of Non-GAAP Financial Measures & Other
Table 7

The following reconciles non-GAAP measures (denoted by *) with the most directly comparable GAAP measure (dollars in millions, except per share amounts):

2016 Q3 sales change	Process Mgmt	Industrial Auto	Network Power	Climate Tech	Comm & Res Solns	Total
Underlying*	(13)%	(11)%	10 %	(1)%	(1)%	(5)%
Acq/Div	1 %	— %	— %	— %	(15)%	(1)%
FX	(1)%	— %	(2)%	(1)%	— %	(1)%
Reported	(13)%	(11)%	8 %	(2)%	(16)%	(7)%

Q3 EBIT%	2015	2016	Change
Total segment margin*	15.5%	16.0%	50 bps
Differences in accounting methods/Corp & other/Elims, % of EBIT margin*	(0.3)%	(0.6)%	(30) bps
Interest, % of sales	(0.7)%	(0.9)%	(20) bps
Pretax earnings margin	14.5%	14.5%	—

Q3 earnings per share	2015	2016	Change
Adjusted*	\$0.84	\$0.80	(5)%
Separation costs	—	(\$0.06)	
Reported	\$0.84	\$0.74	(12)%

2016E earnings per share	
Adjusted*	\$2.90 to \$3.00
Loss on divestiture agreement	(\$0.15)
Separation costs	(\$0.38 to \$0.30)
Reported	\$2.37 to \$2.55

2016E sales change	
Underlying*	(6) - (5)%
Acq/Div	~(2)%
FX	~(2)%
Reported	(10) - (9)%

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

###