Industrial Automation
Investor Update

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Executive Vice President

February 8, 2008

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. 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 presentation 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 included in the back of this presentation or contained within this presentation.
**Industrial Automation Summary**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (B)</th>
<th>Earnings (B)</th>
<th>% of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$3.2</td>
<td>$0.5</td>
<td>14.3%</td>
</tr>
<tr>
<td>2006</td>
<td>$3.8</td>
<td>$0.6</td>
<td>15.1%</td>
</tr>
<tr>
<td>2007</td>
<td>$4.3</td>
<td>$0.7</td>
<td>15.6%</td>
</tr>
</tbody>
</table>

**CAGR**

Sales: 14.8%
Earnings: 19.7%

**Global Manufacturing Facilities**

<table>
<thead>
<tr>
<th>Region</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States/Canada</td>
<td>30</td>
</tr>
<tr>
<td>Europe</td>
<td>35</td>
</tr>
<tr>
<td>Asia</td>
<td>10</td>
</tr>
<tr>
<td>Latin America</td>
<td>10</td>
</tr>
</tbody>
</table>

% Best Cost ~25%

**2007 Sales by Product**

- Industrial Equipment: 22%
- Power Generation: 18%
- Power Distribution: 13%
- Fluid Automation: 18%
- Motors & Drives: 7%
- Mechanical Power Transmission: 22%

**2007 Sales by Geography**

- United States: 41%
- Europe: 41%
- Asia: 8%
- ROW: 10%

- United States
- Europe
- ROW
- Asia
Industrial Automation - Key Messages

- Improved through-the-cycle underlying growth from 2 - 4% to 3 - 5%
- Success in the Power Generation segment worldwide continues to be one of the main growth drivers
- Continued focus on emerging markets
- Increasing the pace of new product development
- Positioned to expand in the Automation space
- Asset Management has generated strong cash flow
Emerson Industrial Automation

Power Generation

Genset Alternators

Wind & Hydro Generators

Industrial Automation

Mechanical Power Transmission

Gears
Bearings
Couplings
Components

Solenoid Valves
Controls
Pneumatics

Fluid Automation

Ultrasonics
Cleaning
Plastic Joining

Industrial Equipment

Transformers
Lighting

Motors & Drives

Components
Heating Cable

Electrical Distribution
Industrial Automation - Key Messages

- Improved through-the-cycle underlying growth from 2 - 4% to 3 - 5%
  - Increased Presence in Power Generation, with sustainable higher long term growth rate
  - Increased participation in faster growing segments of the Industrial Automation Market
    • Energy Saving Products
    • Hazardous Environment Products
    • Variable Speed Drives
    • Fluid Automation
  - Growing participation in Emerging Markets

- Success in the Power Generation segment worldwide continues to be one of the main growth drivers
- Continued focus on emerging markets
- Increasing the pace of new product development
- Positioned to expand in the Automation space
- Asset Management has generated strong cash flow
Key Industrial Automation Growth Drivers

- Energy Savings
- Power Generation
- Emerging Markets
- Fluid Automation
- Variable Speed Drives
- Hazardous Environment Solutions

% of Total Sales

- 2002: 8%
- 2007: 14%
- 2012F: 20%
**Industrial Automation Key Messages**

- Improved through-the-cycle underlying growth from 2 - 4% to 3 - 5%

- **Success in the Power Generation segment worldwide continues to be one of the main growth drivers**
  - 5-year growth CAGR: 20.2%
  - Caterpillar contract renewed through 2012
  - Continuing to grow with Caterpillar, other genset manufacturers worldwide and in other power generation segments: renewable energies (wind, hydro) and marine

- Continued focus on emerging markets
- Increasing the pace of new product development
- Positioned to expand in the Automation space
- Asset Management has generated strong cash flow
Adding Capacity To Serve Global Demand
Evolution Of A Partnership With Caterpillar

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**Power Generation Growth Drivers**

- **Oil & Gas**
- **Emerging Markets**
- **Data Centers**
- **Telecommunications**
Wind Energy Opportunities

- Emerson positioned to support the wind power generation industry with a broad offering of products and technologies
- Working with Emerson Network Power to pursue opportunities in China
- Supporting Vestas in Europe and pursuing new partners

China's Wind Power Investment

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment ($B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$0.5B</td>
</tr>
<tr>
<td>2004</td>
<td>$0.5B</td>
</tr>
<tr>
<td>2008</td>
<td>$1.0B</td>
</tr>
<tr>
<td>2012</td>
<td>$1.0B</td>
</tr>
</tbody>
</table>

2MW Wind Power Alternator
Composite Coupling
Motors & Drives for Turbine Control
# Hydro And Marine Power

## Small Hydro Power Market
- Served market $150M growing at 10%
- 11% Emerson market penetration – mainly in Europe
- Strong partnership with market leader: VATECH

**Plan** – Develop European customers and larger generators

## Marine Market
- Electric propulsion (Cruise, LNG, etc…)
- Essential and standby power
- O&G (Tankers, LNG, FPSO, Supply Vessels, etc…)
- Served market: $400M - Emerson penetration: 3%
- 70% of the Market in Asia

**Plan** – Gain share in auxiliary gensets
- Fuzhou plant positioned to serve market

Shipbuilding is rapidly expanding in Asia
Industrial Automation Key Messages

- Improved through-the-cycle underlying growth from 2 - 4% to 3 - 5%
- Success in the Power Generation segment worldwide continues to be one of the main growth drivers

- **Continued focus on emerging markets**
  - All divisions expanding their manufacturing, sales and service activities in all emerging markets

- Increasing the pace of new product development
- Positioned to expand in the Automation space
- Asset Management has generated strong cash flow
Emerging Markets Growth

Total Emerging Markets

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (M)</td>
<td>$207</td>
<td>$596</td>
</tr>
<tr>
<td>5 yr. CAGR</td>
<td>24%</td>
<td></td>
</tr>
</tbody>
</table>

Fixed Rate Destination Sales

- **$207** Million in 2002, **$596** Million in 2007
- 5 yr. CAGR: 24%

**Eastern Europe**: $26M in 2002, $92M in 2007 (29% CAGR)

**Russia**: $3M in 2002, $18M in 2007 (48% CAGR)

**Asia-Pacific**: $88M in 2002, $278M in 2007 (26% CAGR)

**Latin America**: $38M in 2002, $85M in 2007 (18% CAGR)

**Middle East/Africa**: $52M in 2002, $123M in 2007 (19% CAGR)
Increasing Emerging Markets Participation

- **China**
  - Two new plants started in 2007 (Mechanical Power Transmission - Zhangzhou, Alternators - Fuzhou)
  - Implementing a multi-division Industrial Automation Distribution sales force

- **India**
  - Increasing participation in Alternators Joint Venture
  - Increasing sales resources

- **Eastern Europe**
  - New Alternators and Electrical Components plants in Romania in 2008
  - Adding sales resources

- **Middle East**
  - Adding sales resources in every division
  - Hazardous environment electrical material Service Center in Dubai and Saudi Arabia

- **Latin America**
  - Increasing sales resources
**Industrial Automation Key Messages**

- Improved through-the-cycle underlying growth from 2 - 4% to 3 - 5%
- Success in the Power Generation segment worldwide continues to be one of the main growth drivers
- Continued focus on emerging markets

- **Increasing the pace of new product development**
  - Increasing use of best cost engineering resources
  - Implementing new Emerson product development process
  - Customer-focused value-added solutions

- Positioned to expand in the Automation space
- Asset Management has generated strong cash flow
New Product Development

Industrial Automation New Products Percentage of Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>20.0%</td>
</tr>
<tr>
<td>2003</td>
<td>21.4%</td>
</tr>
<tr>
<td>2004</td>
<td>20.0%</td>
</tr>
<tr>
<td>2005</td>
<td>19.6%</td>
</tr>
<tr>
<td>2006</td>
<td>19.0%</td>
</tr>
<tr>
<td>2007</td>
<td>19.6%</td>
</tr>
<tr>
<td>2008E</td>
<td>~23%</td>
</tr>
</tbody>
</table>

~30%

+7 pts

2008E Engineering & Design Resource Headcount = 1050

US/Europe based Engineering: 67%

Best Cost based Engineering: 33%

Western Europe: 33%

US & Canada: 33%

Japan & Hong Kong: 1%

Best Cost: 33%

China: 13%

India: 12%

Philippines: 3%

Latin America: 3%

Eastern Europe: 2%
New Product Development
2007 – 2012 Portfolio Management

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## New Product Growth

<table>
<thead>
<tr>
<th>Growth Driver</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Energy Efficiency</strong></td>
<td>High Efficiency “Dyneo” Motors &amp; Drives Program</td>
</tr>
<tr>
<td></td>
<td>Wind Power Generators</td>
</tr>
<tr>
<td></td>
<td>Compact, Efficient Power Supplies</td>
</tr>
<tr>
<td></td>
<td>High Speed/Variable Speed Alternators</td>
</tr>
<tr>
<td><strong>Integrated Solutions &amp; Operating Efficiency</strong></td>
<td>Crane &amp; Elevator Motors, Gears Brakes and Drives</td>
</tr>
<tr>
<td></td>
<td>Integrated Variable Speed Solutions</td>
</tr>
<tr>
<td></td>
<td>Digitax Servo Drives Platforms</td>
</tr>
<tr>
<td><strong>Synergies with other Emerson Businesses</strong></td>
<td>Pneumatics Control with Integrated Process Connectivity</td>
</tr>
<tr>
<td></td>
<td>Affinity Variable Speed Drives for HVAC</td>
</tr>
</tbody>
</table>

Total 2012 New Product Sales: $1.5+B
The Dyneo program provides an integrated solution for energy efficiency.
DYNEO: A New Concept Of Permanent Magnet Solutions For Energy & Space Savings

**Explosion Proof**

**Customized Solutions**

**LSRPM**
- Permanent Magnet Motor
- Power: 0.75 to 390 kW
- Torque: 10 to 1400 Nm via 11 Speed ranges (375 to 5500 rpm)

**Electronic variable speed solutions**

**DC ‘square’ mechanical design up to 2800 Nm**
**Industrial Automation Key Messages**

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- Success in the Power Generation segment worldwide continues to be one of the main growth drivers
- Continued focus on emerging markets
- Increasing the pace of new product development
- **Positioned to expand in the Automation space**
  - Focus growth on automation solutions
  - Attractive spaces in Discrete and Hybrid markets
- Asset Management has generated strong cash flow
Growth Opportunities

Core Product Lines & Geographic Expansion

- Variable Speed Drives
- Fluid Automation
- Hazardous Environment Electrical Materials
- China
- Latin America
- India

Explore adjacent spaces and unserved market segments
Emerson Participation

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Emerson Currently Participates In Pieces Of The Factory Automation Space

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# Market Trends

<table>
<thead>
<tr>
<th>End Users Want:</th>
<th>Manufacturers Are:</th>
<th>Industrial Automation Suppliers Must:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Solutions customized to meet their own unique needs</td>
<td>• Aggressively implementing new technologies</td>
<td>• Understand the needs of manufactures and end users</td>
</tr>
<tr>
<td>• A continual pipeline of new and improved products.</td>
<td>• Facing industry consolidation &amp; globalization</td>
<td>• Keep pace with new technologies</td>
</tr>
<tr>
<td>• Lower initial and life cycle costs.</td>
<td>• Focusing on:</td>
<td>• Serve global customers</td>
</tr>
<tr>
<td></td>
<td>• Improving flexibility</td>
<td>• Address both discrete and process needs</td>
</tr>
<tr>
<td></td>
<td>• Decreasing time-to-market</td>
<td>• Provide solutions at lower and lower costs</td>
</tr>
<tr>
<td></td>
<td>• Cutting operational costs</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Core competencies</td>
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- Positioned to expand in the Automation space

- Asset Management has generated strong cash flow – more to come
  - Achieved continuous improvement each of the past 5 years, in line with the plan presented in 2003
  - Further improvement planned for the next five years, mostly coming from Inventory turns and driven by lean manufacturing and supply chain optimization
Asset Management
Delivered Strong Cash Flow And Improved ROTC

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<tr>
<td>Reported Sales Growth</td>
<td>13%</td>
<td>6-9%</td>
</tr>
<tr>
<td>Underlying Sales Growth</td>
<td>10%</td>
<td>2-5%</td>
</tr>
<tr>
<td>EBIT Margin</td>
<td>15.6%</td>
<td>(30)-(10) basis pts</td>
</tr>
<tr>
<td>Excluding Anti-Dumping Duties</td>
<td></td>
<td>20-40 basis pts</td>
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