

LISTEN.
THINK.
SOLVE.®

Fiscal Year 2016 Third Quarter Conference Call

July 27, 2016

- This presentation includes statements related to the expected future results of the company and are therefore forward-looking statements. Actual results may differ materially from those projections due to a wide range of risks and uncertainties, including those that are listed in our SEC filings.
- This presentation also contains non-GAAP financial information and reconciliations to GAAP are included in the appendix. All information should be read in conjunction with our historical financial statements.

Fiscal 2016 Third Quarter Summary

- Organic sales down 4.8% YOY
 - Sequential improvement in product sales and solutions and services orders
 - U.S. and Canada solutions and services businesses below expectations
 - Weak heavy industry end markets; growth in consumer and automotive
 - Strong performance in EMEA
- Solid segment operating margin of 21.1%
- Adjusted EPS of \$1.55, down 3% YOY on 6.4% lower reported sales
- Strong cash flow conversion; ROIC of 32.6%

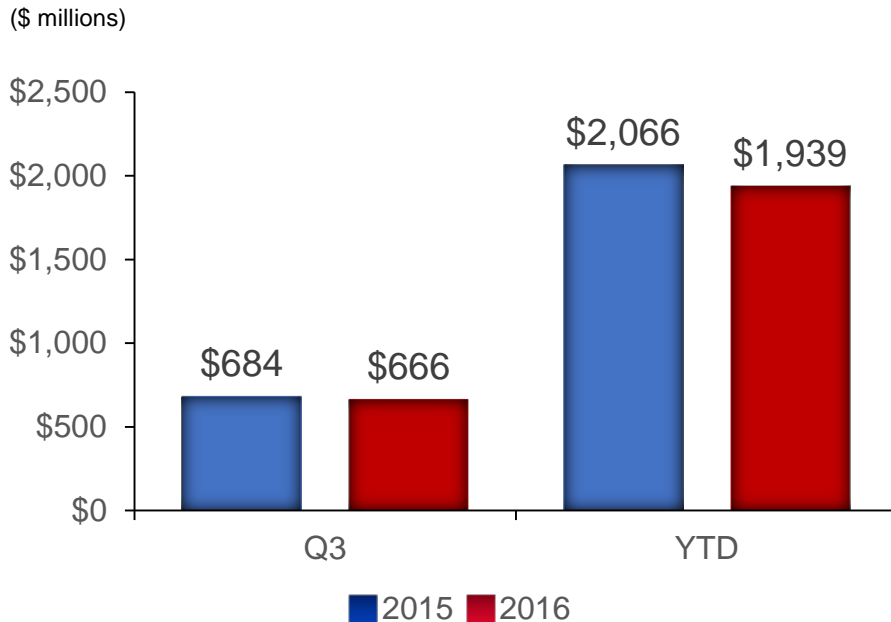
Revising fiscal 2016 Adjusted EPS range to \$5.80 - \$6.00 on lower sales

Key Financial Information: Third Quarter

(in millions, except per share amounts)

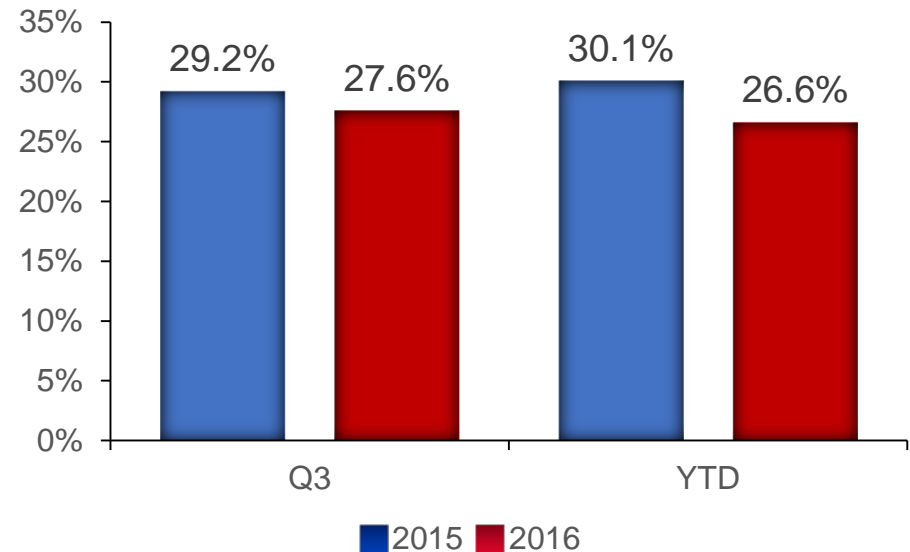
	<u>Q3 2016</u>	<u>Q3 2015</u>	<u>YOY B/(W)</u>
Sales	\$ 1,474	\$ 1,575	(6.4)%
Segment Operating Margin	21.1%	21.8%	(70) bps
General Corporate - Net	\$ 17	\$ 22	\$ 5
Adjusted EPS	\$ 1.55	\$ 1.59	(2.5)%
Adjusted Effective Tax Rate	25.1%	27.9%	280 bps
Free Cash Flow	\$ 250	\$ 267	\$ (17)
ROIC	32.6%	33.1%	(50) bps

Sales



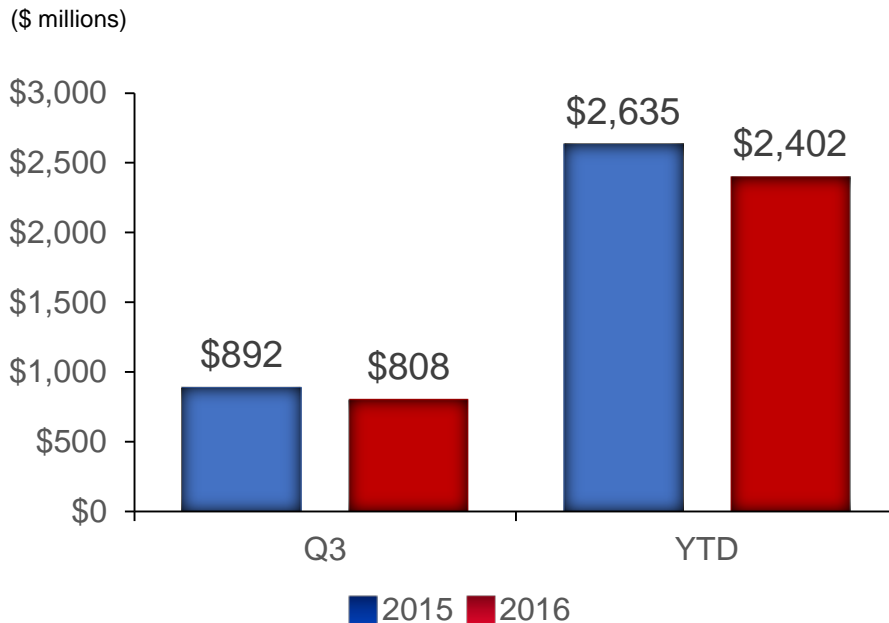
	<u>YOY Sales % Change</u>	
	<u>Q3 2016</u>	<u>YTD</u>
Reported	(2.5)%	(6.1)%
Organic	(1.3)%	(2.4)%

Segment Operating Margin



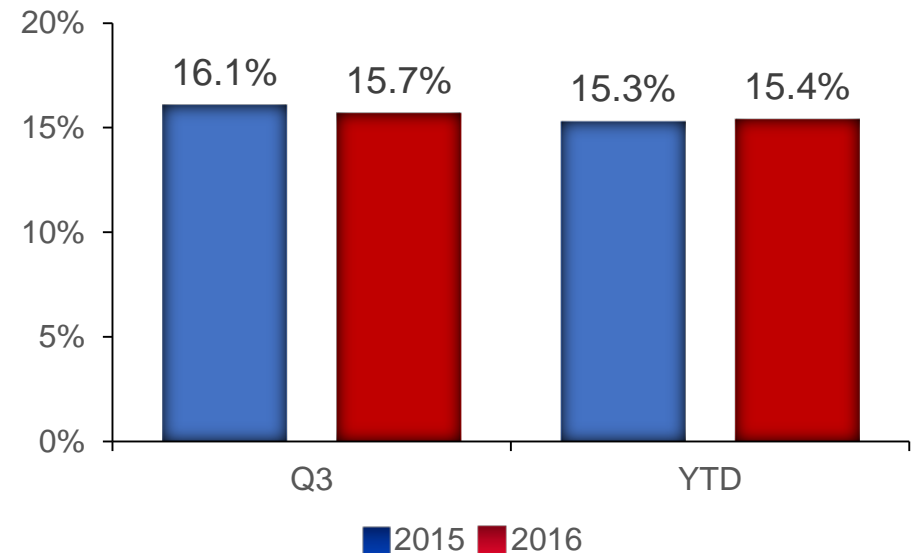
- Segment operating margin contracted 160 bps in Q3, primarily due to lower sales, unfavorable mix and currency effects, partially offset by lower incentive compensation

Sales



	YOY Sales % Change	
	Q3 2016	YTD
Reported	(9.4)%	(8.8)%
Organic	(7.5)%	(5.1)%

Segment Operating Margin



- Segment operating margin contracted 40 bps in Q3, primarily due to lower sales, partially offset by productivity and lower incentive compensation

Regional Sales

(in millions, except percentages)

<u>Region</u>	<u>Q3 2016</u>		<u>YTD</u>	
	<u>Sales</u>	<u>Organic % Change</u>	<u>Sales</u>	<u>Organic % Change</u>
U.S.	\$ 800	(8.4)%	\$ 2,392	(7.0)%
Canada	82	(7.5)%	237	(5.9)%
EMEA	304	5.6%	852	3.6%
Asia Pacific	188	(9.1)%	541	(8.3)%
Latin America	100	8.1%	319	9.4%
TOTAL	<u>\$ 1,474</u>	(4.8)%	<u>\$ 4,341</u>	(3.9)%

Third Quarter *

- U.S. and Canada decline driven by heavy industries
- Solid growth in EMEA driven largely by strength with OEMs
- China down mid-teens, up sequentially
- Continued growth in Latin America, led by Mexico

* All growth comments refer to organic growth

Revised Fiscal 2016 Guidance

	<u>July Guidance</u>	<u>April Guidance</u>
Sales Midpoint	~ \$5.85B	~ \$5.9B
Organic Growth Range	~ (4)%	(4.5)% to (1.5)%
Currency Translation	~ (3)%	~ (3)%
Segment Operating Margin	~ 20.5%	~ 20.5%
Adjusted Effective Tax Rate	~ 24.5%	~ 25%
Adjusted EPS	\$5.80 - \$6.00	\$5.75 - \$6.15
Free Cash Flow as a % of Adjusted Income	~100%	~ 100%

Note: As of July 27, 2016

Appendix

Supplemental Financial Information and
Reconciliations to Non-GAAP Measures

Third Quarter Results: Summary

(in millions, except per share amounts)

	<u>Q3 2016</u>	<u>Q3 2015</u>
Total Sales	\$ 1,474.0	\$ 1,575.2
Total Segment Operating Earnings	\$ 311.0	\$ 343.7
Purchase Accounting Depreciation and Amortization	(4.7)	(5.2)
General Corporate - Net	(17.0)	(21.9)
Non-Operating Pension Costs	(18.9)	(15.6)
Interest Expense	(18.1)	(16.4)
Income Tax Provision	(61.3)	(78.5)
Net Income	<u>\$ 191.0</u>	<u>\$ 206.1</u>
<u>Adjustments</u>		
Non-Operating Pension Costs, Net of Tax	12.1	10.2
Adjusted Income	<u>\$ 203.1</u>	<u>\$ 216.3</u>
Adjusted EPS	<u>\$ 1.55</u>	<u>\$ 1.59</u>
Average Diluted Shares	<u>130.8</u>	<u>135.5</u>

Free Cash Flow

(in millions)	<u>Q3 2016</u>	<u>YTD</u>
Net Income	\$ 191.0	\$ 544.5
Depreciation/Amortization	42.8	129.2
Retirement Benefits Expense	39.3	117.5
Receivables/Inventory/Payables	39.1	22.1
Compensation and Benefits	(7.4)	(81.1)
Pension Contributions	(10.6)	(31.8)
Income Taxes	3.2	(54.8)
Other	(21.4)	29.7
Cash Flow from Operations	276.0	675.3
Capital Expenditures	(26.8)	(79.4)
Excess Income Tax Benefit from Share-based Compensation	1.2	2.4
Free Cash Flow	<u>\$ 250.4</u>	<u>\$ 598.3</u>

Reconciliation to Non-GAAP Measures

Organic Sales

(in millions, except percentages)

	Three Months Ended June 30,						Sales Growth (Decline) (a)/(c)	Organic Growth (Decline) (b)/(c)
	2016			2015				
	Sales(a)	Effect of Changes in Currency	Sales Excluding Changes in Currency	Effect of Acquisitions	Organic Sales(b)	Sales(c)		
United States	\$ 799.6	\$ 0.5	\$ 800.1	\$ (1.1)	\$ 799.0	\$ 872.4	(8.3)%	(8.4)%
Canada	82.2	3.9	86.1	—	86.1	93.1	(11.7)%	(7.5)%
Europe, Middle East, Africa	303.7	(1.5)	302.2	(0.8)	301.4	285.4	6.4%	5.6%
Asia Pacific	188.3	7.8	196.1	(0.7)	195.4	215.0	(12.4)%	(9.1)%
Latin America	100.2	17.9	118.1	—	118.1	109.3	(8.3)%	8.1%
Total	\$ 1,474.0	\$ 28.6	\$ 1,502.6	\$ (2.6)	\$ 1,500.0	\$ 1,575.2	(6.4)%	(4.8)%

	Nine Months Ended June 30,						Sales Growth (Decline) (a)/(c)	Organic Growth (Decline) (b)/(c)
	2016			2015				
	Sales(a)	Effect of Changes in Currency	Sales Excluding Changes in Currency	Effect of Acquisitions	Organic Sales(b)	Sales(c)		
United States	\$ 2,391.7	\$ 1.8	\$ 2,393.5	\$ (1.4)	\$ 2,392.1	\$ 2,572.4	(7.0)%	(7.0)%
Canada	237.1	25.3	262.4	—	262.4	278.9	(15.0)%	(5.9)%
Europe, Middle East, Africa	852.5	47.8	900.3	(0.8)	899.5	868.2	(1.8)%	3.6%
Asia Pacific	540.7	30.1	570.8	(0.8)	570.0	621.6	(13.0)%	(8.3)%
Latin America	318.9	74.3	393.2	—	393.2	359.3	(11.2)%	9.4%
Total	\$ 4,340.9	\$ 179.3	\$ 4,520.2	\$ (3.0)	\$ 4,517.2	\$ 4,700.4	(7.6)%	(3.9)%

Reconciliation to Non-GAAP Measures

Organic Sales

(in millions, except percentages)

	Three Months Ended June 30,						Sales Growth (Decline) (a)/(c)	Organic Growth (Decline) (b)/(c)
	2016			2015				
	Sales(a)	Effect of Changes in Currency	Sales Excluding Changes in Currency	Effect of Acquisitions	Organic Sales(b)	Sales(c)		
Architecture & Software	\$ 666.4	\$ 11.1	\$ 677.5	\$ (2.6)	\$ 674.9	\$ 683.5	(2.5)%	(1.3)%
Control Products & Solutions	807.6	17.5	825.1	—	825.1	891.7	(9.4)%	(7.5)%
Total	<u>\$ 1,474.0</u>	<u>\$ 28.6</u>	<u>\$ 1,502.6</u>	<u>\$ (2.6)</u>	<u>\$ 1,500.0</u>	<u>\$ 1,575.2</u>	(6.4)%	(4.8)%

	Nine Months Ended June 30,						Sales Growth (Decline) (a)/(c)	Organic Growth (Decline) (b)/(c)
	2016			2015				
	Sales(a)	Effect of Changes in Currency	Sales Excluding Changes in Currency	Effect of Acquisitions	Organic Sales(b)	Sales(c)		
Architecture & Software	\$ 1,938.8	\$ 79.9	\$ 2,018.7	\$ (2.7)	\$ 2,016.0	\$ 2,065.6	(6.1)%	(2.4)%
Control Products & Solutions	2,402.1	99.4	2,501.5	(0.3)	2,501.2	2,634.8	(8.8)%	(5.1)%
Total	<u>\$ 4,340.9</u>	<u>\$ 179.3</u>	<u>\$ 4,520.2</u>	<u>\$ (3.0)</u>	<u>\$ 4,517.2</u>	<u>\$ 4,700.4</u>	(7.6)%	(3.9)%

Reconciliation to Non-GAAP Measures

Segment Operating Margin

(in millions, except percentages)

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Nine Months Ended June 30, 2016	Nine Months Ended June 30, 2015
Sales				
Architecture & Software (a)	\$ 666.4	\$ 683.5	\$ 1,938.8	\$ 2,065.6
Control Products & Solutions (b)	807.6	891.7	2,402.1	2,634.8
Total sales (c)	<u>\$ 1,474.0</u>	<u>\$ 1,575.2</u>	<u>\$ 4,340.9</u>	<u>\$ 4,700.4</u>
Segment operating earnings				
Architecture & Software (d)	\$ 184.2	\$ 199.9	\$ 515.0	\$ 622.1
Control Products & Solutions (e)	126.8	143.8	369.4	402.6
Total segment operating earnings (f)	<u>311.0</u>	<u>343.7</u>	<u>884.4</u>	<u>1,024.7</u>
Purchase accounting depreciation and amortization	(4.7)	(5.2)	(13.9)	(15.8)
General corporate - net	(17.0)	(21.9)	(54.5)	(66.1)
Non-operating pension costs	(18.9)	(15.6)	(56.7)	(47.2)
Interest expense	(18.1)	(16.4)	(53.1)	(47.0)
Income before income taxes (g)	<u>\$ 252.3</u>	<u>\$ 284.6</u>	<u>\$ 706.2</u>	<u>\$ 848.6</u>
Segment operating margin:				
Architecture & Software (d/a)	27.6 %	29.2 %	26.6 %	30.1 %
Control Products & Solutions (e/b)	15.7 %	16.1 %	15.4 %	15.3 %
Total segment operating margin (f/c)	21.1 %	21.8 %	20.4 %	21.8 %
Pretax margin (g/c)	17.1 %	18.1 %	16.3 %	18.1 %

Reconciliation to Non-GAAP Measures

Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate

(in millions, except per share amounts)

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Nine Months Ended June 30, 2016	Nine Months Ended June 30, 2015
Income from continuing operations	\$ 191.0	\$ 206.1	\$ 544.5	\$ 626.3
Non-operating pension costs	18.9	15.6	56.7	47.2
Tax effect of non-operating pension costs	(6.8)	(5.4)	(20.5)	(16.4)
Adjusted Income	<u>\$ 203.1</u>	<u>\$ 216.3</u>	<u>\$ 580.7</u>	<u>\$ 657.1</u>
Diluted EPS from continuing operations	\$ 1.46	\$ 1.52	\$ 4.13	\$ 4.60
Non-operating pension costs per diluted share	0.14	0.11	0.43	0.34
Tax effect of non-operating pension costs per diluted share	(0.05)	(0.04)	(0.15)	(0.12)
Adjusted EPS	<u>\$ 1.55</u>	<u>\$ 1.59</u>	<u>\$ 4.41</u>	<u>\$ 4.82</u>
Effective tax rate	24.3 %	27.6 %	22.9 %	26.2 %
Tax effect of non-operating pension costs	0.8 %	0.3 %	1.0 %	0.4 %
Adjusted Effective Tax Rate	<u>25.1 %</u>	<u>27.9 %</u>	<u>23.9 %</u>	<u>26.6 %</u>

Non-Operating Pension Costs

(in millions)

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Nine Months Ended June 30, 2016	Nine Months Ended June 30, 2015
Interest cost	\$ 42.5	\$ 41.7	\$ 127.2	\$ 125.6
Expected return on plan assets	(54.8)	(55.7)	(163.9)	(167.6)
Amortization of net actuarial loss	31.2	29.6	93.4	89.2
Non-operating pension costs	<u>\$ 18.9</u>	<u>\$ 15.6</u>	<u>\$ 56.7</u>	<u>\$ 47.2</u>

Reconciliation to Non-GAAP Measures

Return On Invested Capital

(in millions, except percentages)

	Twelve Months Ended	
	June 30,	
	2016	2015
(a) Return		
Income from continuing operations	\$ 745.8	\$ 875.0
Interest expense	69.8	62.0
Income tax provision	239.3	312.6
Purchase accounting depreciation and amortization	19.1	21.5
Return	1,074.0	1,271.1
(b) Average invested capital		
Short-term debt	158.5	222.6
Long-term debt	1,504.2	1,142.8
Shareowners' equity	2,277.2	2,614.3
Accumulated amortization of goodwill and intangibles	807.9	788.6
Cash and cash equivalents	(1,469.9)	(1,325.7)
Short-term investments	(784.0)	(609.8)
Average invested capital	2,493.9	2,832.8
(c) Effective tax rate		
Income tax provision	239.3	312.6
Income from continuing operations before income taxes	\$ 985.1	\$ 1,187.6
Effective tax rate	24.3%	26.3%
(a) / (b) * (1-c) Return On Invested Capital	32.6%	33.1%

Reconciliation to Non-GAAP Measures

Fiscal 2016 Guidance

(in billions, except percentages and per share amounts)

Organic Sales

Organic sales growth
Foreign currency impact
Acquisition impact
GAAP sales growth

<u>July Guidance</u>	<u>April Guidance</u>
~ (4)%	(4.5)% to (1.5)%
~ (3)%	~ (3)%
~ 0%	~ 0%
~ (7)%	(7.5)% to (4.5)%

Segment Operating Margin

Total sales (a)
Total segment operating earnings (b)
Costs not allocated to segments
Income before income taxes (c)

Total segment operating margin (b/a)
Pretax margin (c/a)

<u>July Guidance</u>	<u>April Guidance</u>
\$ ~ 5.85	\$ ~ 5.9
~ 1.20	~ 1.2
~ (0.25)	~ (0.2)
\$ ~ 0.95	\$ ~ 1.0
~ 20.5 %	~ 20.5 %
~ 16.2 %	~ 16.9 %

Adjusted Effective Tax Rate

Effective tax rate
Tax effect of non-operating pension costs
Adjusted Effective Tax Rate

<u>July Guidance</u>	<u>April Guidance</u>
~ 23.5 %	~ 24.0 %
~ 1.0 %	~ 1.0 %
~ 24.5 %	~ 25.0 %

Adjusted EPS

Diluted EPS from continuing operations
Non-operating pension costs per diluted share
Tax effect of non-operating pension costs per diluted share
Adjusted EPS

<u>July Guidance</u>	<u>April Guidance</u>
\$5.43 - \$5.63	\$5.38 - \$5.78
0.58	0.58
(0.21)	(0.21)
\$5.80 - \$6.00	\$5.75 - \$6.15