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FORM 10-K

EMERSON ELECTRIC CO - EMR

Filed: November 18, 2015 (period: September 30, 2015)

Annual report with a comprehensive overview of the company

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-278

EMERSON ELECTRIC CO.
(Exact name of registrant as specified in its charter)

Missouri
(State or other jurisdiction of
incorporation or organization)

43-0259330
(I.R.S. Employer
Identification No.)

8000 W. Florissant Ave.
P.O. Box 4100
St. Louis, Missouri
(Address of principal executive offices)

63136
(Zip Code)

Registrant's telephone number, including area code: **(314) 553-2000**
Securities registered pursuant to Section 12(b) of the Act:

Title of each class

**Name of each exchange on
which registered**

Common Stock of \$0.50 par value per share

New York Stock Exchange
Chicago Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Aggregate market value of the voting stock held by nonaffiliates of the registrant as of close of business on March 31, 2015: \$37.9 billion.

Common stock outstanding at October 31, 2015: 654,557,141 shares.

Documents Incorporated by Reference

1. Portions of Emerson Electric Co. 2015 Annual Report to Stockholders for the year ended September 30, 2015 incorporated by reference into Parts I and II hereof.
 2. Portions of Emerson Electric Co. Notice of 2016 Annual Meeting of Stockholders and Proxy Statement incorporated by reference into Part III hereof.
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PART I

ITEM 1 - BUSINESS

Emerson ("the Company") was incorporated in Missouri in 1890, and has evolved through internal growth and strategic acquisitions and divestitures from a regional manufacturer of electric motors and fans into a diversified global leader that brings technology and engineering together to provide innovative solutions for customers in a wide range of industrial, commercial and consumer markets around the world.

The Company is organized into the five business segments described below, based on the nature of the products and services rendered:

- Process Management - provides measurement, control and diagnostic capabilities for automated industrial processes producing items such as fuels, chemicals, foods, medicines and power.
- Industrial Automation - brings integrated manufacturing solutions to diverse industries worldwide.
- Network Power - provides power conditioning and reliability, and environmental control to help keep telecommunication systems, data networks and other critical business applications operating continuously.
- Climate Technologies - enhances household and commercial comfort, as well as food safety and energy efficiency, through heating, air conditioning and refrigeration technology.
- Commercial & Residential Solutions - provides tools for professionals and homeowners, residential storage systems and appliance solutions.

Sales, earnings before interest and income taxes, and total assets attributable to each business segment for the three years ended September 30, 2015, are set forth in Note 17 of Notes to Consolidated Financial Statements of the 2015 Annual Report, which note is hereby incorporated by reference. Sales by segment in 2015, as a percentage of the total Company, were: Process Management, 37 percent; Industrial Automation, 18 percent; Network Power, 19 percent; Climate Technologies, 18 percent; and Commercial & Residential Solutions, 8 percent. Total Emerson sales by geographic destination in 2015 were: the United States and Canada, 48 percent; Asia, 22 percent; Europe, 18 percent; Latin America, 6 percent; and Middle East/Africa, 6 percent. Information with respect to acquisition and divestiture activity, the planned strategic portfolio repositioning actions and rationalization of operations is set forth in Notes 3 and 5 of Notes to Consolidated Financial Statements of the 2015 Annual Report, which notes are hereby incorporated by reference.

In June 2015, the Company announced plans to spin off its network power systems business through a tax-free distribution to shareholders as part of a strategic plan to streamline its portfolio, enhance growth potential and profitability, and accelerate value creation for shareholders. The Company is also exploring strategic alternatives, including potential sale, for its power generation and motors, drives, and residential storage businesses. In addition, the Company is bringing its corporate services and structure into alignment with the Company's expected smaller scale and sharper focus. These transactions are subject to risks and uncertainties. See Item 1A - "Risk Factors" and Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations."

PROCESS MANAGEMENT

The Process Management segment offers customers products and technology, and engineering, project management and consulting services for precision measurement, control, monitoring, asset optimization, and safety and reliability of oil and gas reservoirs and plants that process or treat various items. The Company's array of products and services helps customers optimize their plant capabilities in the areas of plant safety and reliability, product quality and output efficiency. Significant end markets served include oil and gas, refining, chemicals and power generation, as well as pharmaceuticals, food and beverages, pulp and paper, metals and mining, and municipal water supplies. Sales by geographic destination in 2015 for Process Management were: the United States and Canada, 42 percent; Asia, 24 percent; Europe, 17 percent; Latin America, 7 percent; and Middle East/Africa, 10 percent.

Process Management Systems and Software

Process Management systems and software control plant processes by collecting and analyzing information from measurement devices in the plant, and then uses that information to adjust valves, pumps, motors, drives and other control hardware for maximum product quality and process efficiency and safety. Software capabilities also include upstream oil and gas reservoir simulation and modeling for production optimization. The Company's process control systems can be extended wirelessly to support a mobile workforce with handheld tools/communicators, provide site-wide location tracking of people and assets, and enable video monitoring and communication with wireless field devices, thereby increasing the information available to operators.

Measurement and Analytical Instrumentation

Measurement instrumentation measures the physical properties of liquids or gases in a process stream, such as pressure, temperature, level, rate and amount of flow, and communicates this information to a process control system. Measurement technologies provided by the Company include Coriolis direct mass flow, magnetic flow, vortex flow, ultrasonic flow, differential pressure, ultra-low flow fluid measurement, temperature sensors, radar-based tank gauging and magnetic level gauging. The Company's measurement products are also often used in custody transfer applications, such as the transfer of gasoline from a storage tank to a tanker truck, where precise metering of the amount of fluid transferred helps ensure accurate asset management. Complementary products include onshore and subsea multi-phase meters, wetgas meters, downhole gauges and corrosion/erosion measuring instruments.

Analytical instrumentation analyzes the chemical composition of process fluids and emissions to enhance quality and efficiency, as well as environmental compliance. The Company's analytical technologies include process gas chromatographs, in-situ oxygen analyzers, infrared gas and process fluid analyzers, combustion analyzers and systems, and analyzers that measure pH, conductivity and water quality. The Company provides sensors to detect combustible and toxic gases, and flames. These devices support the safety of both people and process plant assets.

Measurement and analytical instrumentation technologies are also available with wireless communication capability, allowing customers to monitor processes or equipment that were previously not measurable (remote, moving/rotating) or not economical to measure due to the high cost and difficulty of running wires in industrial process plants.

Valves, Actuators and Regulators

Control valves respond to commands from a control system to continuously and precisely modulate the flow of process fluids to provide maximum process efficiency and product quality. Engineered on/off valves are typically used to achieve tight shutoff, even in high pressure and temperature processes. The Company designs, engineers and manufactures ball valves, sliding stem valves, rotary valves, high performance butterfly valves and severe service valves for critical applications, and related valve actuators and controllers. The Company provides a line of industrial and residential regulators, whose function is to reduce the pressure of fluids moving from high-pressure supply lines into lower pressure systems, and also manufactures tank and terminal safety equipment, including hatches, vent pressure and vacuum relief valves, and flame arrestors for storage tanks in the oil and gas, petrochemical, refining and other process industries.

PlantWeb[®] Digital Plant Architecture

PlantWeb digital plant architecture combines the technologies described above with the advantages of "intelligent" plant devices (valves and measurement instruments with advanced diagnostic capabilities), open communication standards (nonproprietary wired and wireless digital protocols allowing plant devices and control systems to "talk" with one another) and integrated modular software, not only to better control the process but also to collect and analyze valuable information about the process and the plant assets. This capability gives the Company's customers the ability to detect or predict changes in equipment and process performance, and the associated impact on plant operations. PlantWeb architecture provides customers the insight to improve plant availability and safety, and also furnishes a platform to continually improve asset management and standards compliance, and to reduce startup, operating and maintenance costs.

Industry Services and Solutions

Process Management's array of process automation and asset optimization services improve automation project implementation time and costs, increase process availability and productivity, and reduce the total cost of ownership. Reliability consulting services help process plant owners and operators improve plant availability through implementation of on-site and corporate-wide reliability programs. Through proven project methodologies and deep knowledge of plant assets, the Company helps industrial plants to improve safety, increase plant uptime and reduce maintenance costs. The Company's Global Industry Centers offer engineering and project management services to help customers extract maximum performance and reliability from their process equipment and automation assets. These Centers serve industries such as oil and gas, pulp and paper, chemicals, power, food and beverage, and life sciences. They also assist customers in diagnosing equipment problems and plant inefficiencies.

Distribution

The principal worldwide distribution channel for Process Management is a direct sales force, although a network of independent sales representatives, and to a lesser extent independent distributors purchasing products for resale, are also utilized. Approximately half of the sales in the United States are made through a direct sales force with the remainder primarily through independent sales representatives. In Europe and Asia, sales are primarily made through a direct sales force with the remainder split evenly between independent sales representatives and distributors.

Brands

Service/trademarks and trade names within Process Management include Emerson Process Management, AMS Suite, Baumann, Bettis, Bristol, CSI, Damcos, Daniel, DeltaV, EIM, El-O-Matic, Fisher, Go Switch, Guardian, Micro Motion, Net Safety, Ovation, PlantWeb, ROC, Rosemount, Roxar, Smart Process, SureService, Tescom, TopWorx, Valvetop and Virgo.

INDUSTRIAL AUTOMATION

The Industrial Automation segment provides integrated manufacturing solutions to its customers at the source of manufacturing their own products. Products include motors, drives, power generating alternators, fluid controls, electrical distribution devices and materials joining equipment. Through these offerings, the Company brings technology and enhanced quality to its customers' final products. Sales by geographic destination in 2015 for Industrial Automation were: the United States and Canada, 40 percent; Asia, 19 percent; Europe, 34 percent; Latin America, 3 percent; and Middle East/Africa, 4 percent.

Motors and Drives

Industrial Automation provides a broad line of drives and electric motors that are used in a wide variety of manufacturing operations and products, including production assembly lines, escalators in shopping malls and supermarket checkout stations. Products in this category include alternating current (AC) and direct current (DC) electrical variable speed drives, servo motors, pump motors, drive control systems, integral horsepower motors (1 HP and above), fractional horsepower motors (less than 1 HP), hermetic motors and gear drives.

Power Generation

Power generation products include low, medium and high voltage alternators for use in diesel and gas powered generator sets, as well as high frequency alternators, AC motor/generator sets, traction generators, wind power generators, wind turbine pitch control systems and solar photovoltaic converters.

Fluid Power and Control

These products control and power the flow of fluids (liquids and gases) in manufacturing operations such as automobile assembly, food processing, textile manufacturing and petrochemical processing. Products include solenoid and pneumatic valves, valve position indicators, pneumatic cylinders, air preparation equipment, and pressure, vacuum and temperature switches.

Electrical Distribution

Electrical distribution consists of a broad line of components for current- and noncurrent-carrying electrical distribution devices, including conduit and cable fittings, plugs and other receptacles, industrial lighting, enclosures and controls. Products are used in hazardous, industrial, commercial and construction environments, such as oil and gas drilling and production sites, pulp and paper mills and petrochemical plants.

Materials Joining and Precision Cleaning

The Company supplies plastic and metal joining technologies and equipment to a diversified manufacturing customer base, including automotive, medical devices and toys. The Company also provides precision cleaning and liquid processing solutions to industrial and commercial manufacturers. Products include ultrasonic joining and cleaning equipment; linear and orbital vibration welding equipment; systems for hot plate, spin and laser welding equipment; and aqueous, semi-aqueous and vapor cleaning systems.

Distribution

On a worldwide basis, the primary distribution channel for Industrial Automation is through direct sales forces, including to original equipment manufacturers. Independent distributors constitute the next significant sales channel, mostly to reach end users. To a lesser extent, independent sales representatives are utilized, particularly for electrical distribution products in the United States.

Brands

Service/trademarks and trade names within Industrial Automation include Emerson Industrial Automation, Appleton, ASCO, ASCO Joucomatic, ASCO Numatics, Branson Ultrasonics, Control Techniques, Kato Engineering, Leroy Somer, Nutsteel, O-Z/Gedney, SSB Wind Systems and Trident.

NETWORK POWER

The Network Power segment designs, manufactures, installs and maintains products providing electric power conditioning, power reliability and environmental control for telecommunications networks, data centers and other critical applications, and also provides comprehensive data center infrastructure management solutions. Products in this segment include critical power systems, uninterruptible power systems, thermal management, integrated data center control devices, software, monitoring and 24-hour service. Sales by geographic destination in 2015 for Network Power were: the United States and Canada, 43 percent; Asia, 28 percent; Europe, 19 percent; Latin America, 6 percent; and Middle East/Africa, 4 percent.

Critical Power Systems

Critical power technology provides reliable power systems which automatically transfer critical application loads from a utility to emergency backup generators in the event of a blackout or brownout. Products include automatic transfer switches, load banks, surge protection, field services, paralleling and synchronizing gear, and related distribution equipment and control systems.

Uninterruptible Power Systems

Uninterruptible AC and DC power systems provide reliable, conditioned power to telecommunication networks, data centers and other critical equipment in the event of blackouts or line surges and spikes. Products range from stand-alone desktop solutions to complete systems incorporating rectifiers, inverters, power distribution units, surge protection, batteries and system supervision.

Thermal Management

Thermal management equipment provides efficient, reliable and cost-effective management of heat in mission-critical facilities. Applications include data center and telecom sites ranging from small network closets, to computer rooms, to hyperscale-sized facilities. Additionally, the thermal management portfolio spans a variety of offerings, including chilled water, direct expansion and evaporative equipment, software and controls.

Data Center Infrastructure Management

The Company provides comprehensive data center management solutions through server access technologies that enable access, monitoring and control of the information technology infrastructure and provide linkage with data center operations.

Service and Site Operations

Network Power staffs Customer Resolution Centers in more than 30 countries and deploys field service personnel worldwide to assist customers in managing their critical infrastructure. Services include on-site operations management, energy consumption monitoring, preventive maintenance, electrical testing, remote monitoring and management, and 24-hour service capability.

Distribution

Network Power segment sales are primarily through worldwide direct sales forces, particularly in Europe and Asia. The remainder of sales are handled by independent sales representatives, particularly in the United States, and independent distributors.

Brands

Service/trademarks and trade names within Network Power include Emerson Network Power, Aperture, ASCO Power Technologies, Avocent, Chloride, Knürr, Liebert, Liebert Services, NetXtend and Netsure.

CLIMATE TECHNOLOGIES

The Climate Technologies segment provides products and services for all areas of the climate control industry, including residential heating and cooling, commercial air conditioning, and commercial and industrial refrigeration. The Company's technologies enable homeowners and businesses to better manage their heating, air conditioning and refrigeration systems for improved control and comfort, and lower energy costs. Climate Technologies also provides services that digitally control and remotely monitor refrigeration units in grocery stores and other food distribution outlets to enhance food freshness and safety. Sales by geographic destination in 2015 for Climate Technologies were: the United States and Canada, 55 percent; Asia, 23 percent; Europe, 10 percent; Latin America, 7 percent; and Middle East/Africa, 5 percent.

Residential and Commercial Heating and Air Conditioning

The Company provides a full range of heating and air conditioning products that help reduce operational and energy costs and create comfortable environments in all types of buildings. These products include reciprocating and scroll air conditioning compressors, including ultra-efficient residential scroll compressors with two stages of cooling capacity, as well as variable speed scroll compressors; system protector and flow control devices; standard, programmable and Wi-Fi thermostats; monitoring equipment and electronic controls for gas and electric heating systems; gas valves for furnaces and water heaters; ignition systems for furnaces; sensors and thermistors for home appliances; and temperature sensors and controls.

Commercial and Industrial Refrigeration

The Company's technology is incorporated into equipment to refrigerate food and beverages in supermarkets, convenience stores, food service operations, refrigerated trucks and refrigerated marine transport containers. Climate Technologies refrigeration products are also used in a wide variety of industrial applications, including medical applications, food processing and cold storage. Products include reciprocating, scroll and screw compressors; precision flow controls; system diagnostics and controls that provide precise temperature management; and environmental control systems.

Services and Solutions

Services and solutions enable global customers to optimize the performance of facilities including large-scale retailers, supermarkets, convenience stores and food services facilities. By providing expertise in air conditioning, refrigeration and lighting control, Climate Technologies performs as a complete facility manager for its customers. The Company's expertise allows customers to reduce energy and maintenance costs, thereby improving overall facility uptime. In addition to industry-leading controls, services include facility design and product management, site commissioning, facility monitoring and energy modeling.

Distribution

Climate Technologies segment sales, primarily to original equipment manufacturers and end users, are made predominately through worldwide direct sales forces. Remaining sales are primarily through independent distributor networks throughout the world.

Brands

Service/trademarks and trade names within the Climate Technologies segment include Emerson Climate Technologies, Control Products, Clive Samuels & Associates, Computer Process Controls, Copeland, Design Services Network, Dixell, Emerson Climate Technologies Distribution Services, Emerson Climate Technologies Educational Services, Emerson Climate Technologies Retail Services, Fusite, Therm-O-Disc, Vilter and White-Rodgers.

COMMERCIAL & RESIDENTIAL SOLUTIONS

The Company's Commercial & Residential Solutions segment includes a broad range of tools, storage products and appliance solutions. Sales by geographic destination in 2015 for this segment were: the United States and Canada, 86 percent; Asia, 4 percent; Europe, 6 percent; Latin America, 2 percent; and Middle East/Africa, 2 percent.

Professional and Do-It-Yourself Tools

Pipe-working tools are used by plumbing and mechanical professionals to install and repair piping systems. Products include pipe wrenches, pipe cutters, pipe threading and roll grooving equipment, mechanical crimping tube joining systems, drain cleaners, tubing tools, and diagnostic systems, including closed-circuit television pipe inspection and locating equipment. Other professional tools include water jetters, wet-dry vacuums, commercial vacuums and bolt cutters. Do-it-yourself tools, available at retail home improvement outlets, include drain cleaning equipment, pipe and tube working tools, and wet-dry vacuums.

Storage Solutions

The Company provides a wide variety of freestanding, fixed and mobile storage products for residential applications. Products for the home include shelving systems, cabinet and closet organizers, home office storage, and drawer systems and containers, available in wire, stainless steel and laminate.

Appliance Solutions

The Company provides a number of appliance solutions, including residential and commercial food waste disposers, ceiling fans, instant hot water dispensers and compact electric water heaters.

Distribution

The principal worldwide distribution channels for Commercial & Residential Solutions are distributors and direct sales forces. Professional tools are sold worldwide almost exclusively through distributors. Independent sales representatives are utilized to a lesser extent. Appliance solutions are sold through direct sales force networks and distributors. Approximately one-third of this segment's sales are made to a small number of big box retailers.

Brands

Service/trademarks and trade names within the Commercial & Residential Solutions segment include Emerson, Emerson Appliance Solutions, Emerson Professional Tools, Emerson Storage Solutions, ClosetMaid, InSinkErator, ProTeam and RIDGID.

PRODUCTION

The Company utilizes various production operations and methods. The principal production operations are electronics assembly, metal stamping, forming, casting, machining, welding, plating, heat treating, painting and assembly. In addition, the Company uses specialized production operations, including automatic and semiautomatic testing, automated material handling and storage, ferrous and nonferrous machining, and special furnaces for heat treating and foundry applications. Management believes the equipment, machinery and tooling used in these processes are of modern design and well maintained.

RAW MATERIALS

The Company's major requirements for basic raw materials include steel, copper, cast iron, electronics, rare earth metals, aluminum and brass; and to a lesser extent, plastics and other petroleum-based chemicals. The Company seeks to have many sources of supply for each of its major requirements in order to avoid significant dependence on any one or a few suppliers. However, the supply of materials or other items could be disrupted by natural disasters or other events. Despite market price volatility for certain requirements and materials pricing pressures at some of our businesses, the raw materials and various purchased components needed for the Company's products have generally been available in sufficient quantities.

PATENTS, TRADEMARKS AND LICENSES

The Company maintains an intellectual property portfolio it has developed or acquired over a number of years, including patents, trademarks and licenses. The Company also continues to develop or acquire new intellectual property on an ongoing basis. New patent applications are continuously filed to protect the Company's ongoing research and development activities. The Company's trademark registrations may be renewed and their duration is dependent upon national laws and trademark use. While this proprietary intellectual property portfolio is important to the Company in the aggregate, management does not regard any of its segments as being dependent on any single patent, trademark registration or license.

BACKLOG

The Company's estimated consolidated order backlog was \$5,986 million and \$6,714 million at September 30, 2015 and 2014, respectively. The vast majority of the consolidated backlog as of September 30, 2015 is expected to be shipped within one year. Estimated backlog by business segment at September 30, 2015 and 2014 follows (dollars in millions). The declines in Industrial Automation and Commercial & Residential Solutions include the impacts from divesting the power transmission solutions and commercial storage businesses.

	2014	2015
Process Management	\$ 4,141	3,725
Industrial Automation	646	481
Network Power	1,368	1,342
Climate Technologies	452	370
Commercial & Residential Solutions	107	68
Total Backlog	<u>\$ 6,714</u>	<u>5,986</u>

COMPETITION

The Company's businesses operate in end markets that are highly competitive. The Company competes based on product performance, quality, service and/or price across the industries and markets served. A significant element of the Company's competitive strategy is to deliver solutions to our customers by manufacturing high-quality products at the best relevant global cost. Although no single company competes directly with Emerson in all of the Company's product lines, various companies compete in one or more product lines with the number of competitors varying by product line. Some competitors have substantially greater sales, assets and financial resources than Emerson and the Company also competes with many smaller companies. Management believes Emerson has a market leadership position in many of its product lines.

RESEARCH AND DEVELOPMENT

Costs associated with Company-sponsored research and development activities were \$506 million, \$541 million and \$576 million in 2015, 2014 and 2013, respectively.

ENVIRONMENT

The Company's manufacturing locations generate waste, of which treatment, storage, transportation and disposal are subject to federal, state, foreign and/or local laws and regulations relating to protection of the environment. Compliance with laws regulating the discharge of materials into the environment or otherwise relating to protection of the environment has not had a material effect on the Company's capital expenditures, earnings or competitive position. The Company does not anticipate having material capital expenditures for environmental control facilities during the next fiscal year.

EMPLOYEES

The Company and its subsidiaries had an average of approximately 110,800 employees during 2015. Management believes that the Company's employee relations are favorable. Some of the Company's employees are represented under collective bargaining agreements, but none of these agreements are considered significant.

DOMESTIC AND FOREIGN OPERATIONS

International sales were \$12,521 million in 2015, \$14,227 million in 2014 and \$14,669 million in 2013, including U.S. exports of \$1,330 million, \$1,396 million and \$1,604 million in 2015, 2014 and 2013, respectively. There are additional risks attendant to foreign operations, such as possible nationalization of facilities, currency fluctuations and potential restrictions on the movement of funds. See Note 17 of Notes to Consolidated Financial Statements of the 2015 Annual Report, which note is hereby incorporated by reference, for further information with respect to foreign operations.

INTERNET ACCESS

Emerson's reports on Forms 10-K, 10-Q, 8-K and all amendments to those reports are available without charge through the Company's website on the Internet as soon as reasonably practicable after they are electronically filed with, or furnished to, the U.S. Securities and Exchange Commission (SEC). They may be accessed as follows: www.Emerson.com, Investor Relations, SEC Filings. Information on the Company's website does not constitute part of this Form 10-K.

The information set forth under "Item 1A - Risk Factors" is hereby incorporated by reference.

ITEM 1A - RISK FACTORS

Investing in our securities involves risks. We may amend or supplement the risk factors described below from time to time by other reports we file with the SEC.

Our Proposed Strategic Portfolio Transactions, Including the Planned Spinoff of our Network Power Systems Business, May Not Be Completed Within the Currently Contemplated Time Frame, With the Expected Terms or Costs, or at All, and May Not Achieve the Intended Benefits.

We make no assurance that the spinoff or any other potential transactions will occur, nor can we provide assurance regarding the terms, timing, costs or benefits anticipated. Unforeseen developments, including possible delays in obtaining various tax, regulatory and other approvals, could delay or prevent the proposed spinoff or other potential transactions from occurring, or cause them to occur on terms and conditions that are less favorable, or at a higher cost, than expected. Moreover, we may further revise our plans with respect to one or more of these transactions. Executing the proposed spinoff will require significant time and attention from management, which could impact operations in our other businesses.

Even if one or more transactions are completed, we may not realize some or all of the anticipated strategic, financial or other benefits. Moreover, if the spinoff is consummated, the two independent companies will each be smaller and less diversified, with a narrower business focus and may be more vulnerable to changing market conditions, which could adversely affect our business, as well as that of the spun-off company. There may also be a loss of synergies from separating the businesses that could negatively impact the balance sheet, profit margins or earnings of both businesses. Further, the combined value of the common stock of the two publicly-traded companies may not be equal to or greater than what the value of our common stock would have been had the proposed spinoff not occurred.

We Operate in Businesses That Are Subject to Competitive Pressures That Could Affect Prices or Demand for Our Products

Our businesses operate in markets that are highly competitive, and we compete on the basis of product performance, quality, service and/or price across the industries and markets served. A significant element of our competitive strategy is to deliver solutions to our customers by manufacturing high-quality products at the best relevant global cost. Various companies compete with us in one or more product lines and the number of competitors varies by product line. Some of our competitors have substantially greater sales, assets and financial resources than our Company and we also compete with many smaller companies. Competitive pressures could adversely affect prices or customer demand for our products, impacting our sales or profit margins, and/or resulting in a loss of market share.

Our Operating Results Depend in Part on Continued Successful Research, Development and Marketing of New and/or Improved Products and Services, and There Can Be No Assurance That We Will Continue to Successfully Introduce New Products and Services

The success of new and improved products and services depends on their initial and continued acceptance by our customers. Our businesses are affected by varying degrees of technological change and corresponding shifts in customer demand, which result in unpredictable product transitions, shortened life cycles and increased importance of being first to market with new products and services. We may experience difficulties or delays in the research, development, production and/or marketing of new products and services which may negatively impact our operating results and prevent us from recouping or realizing a return on the investments required to continue to bring new products and services to market.

If We Are Unable to Defend or Protect Our Intellectual Property Rights the Company's Competitive Position Could Be Adversely Affected

The Company's intellectual property rights are important to its business and include numerous patents, trademarks, copyrights, trade secrets and other confidential information. This intellectual property may be subject to challenge, infringement, invalidation or circumvention by third parties. Despite extensive security measures, our intellectual property may be subject to misappropriation through unauthorized access of our information technology systems, employee theft, or other acts of industrial espionage. Should the Company be unable to adequately defend or protect its intellectual property, it may suffer competitive harm.

We Engage in Acquisitions, and May Encounter Difficulties in Integrating These Businesses and Therefore We May Not Realize the Anticipated Benefits of the Acquisitions

We regularly seek growth through strategic acquisitions. In 2015 and in past years, we have made various acquisitions and entered into joint venture arrangements intended to complement or expand our business, and may continue to do so in the future. The success of these transactions will depend on our ability to integrate assets and personnel acquired in these transactions and to cooperate with our strategic partners. We may encounter difficulties in integrating acquisitions with our operations, and in managing strategic investments. Furthermore, we may not realize the degree, or timing, of benefits we anticipate when we first enter into a transaction. Any of the foregoing could adversely affect our business and results of operations.

We Use a Variety of Raw Materials and Components in Our Businesses, and Significant Shortages or Price Increases Could Increase Our Operating Costs and Adversely Impact the Competitive Positions of Our Products

Our major requirements for raw materials include steel, copper, cast iron, electronics, rare earth metals, aluminum, brass and, to a lesser extent, plastics and other petroleum-based chemicals. The Company seeks multiple sources of supply for each of its major requirements in order to avoid significant dependence on any one or a few suppliers. However, the supply of materials or other items could be disrupted by natural disasters or other events. Significant shortages or price increases could impact the prices our affected businesses charge, their operating costs and the competitive position of their products and services, which could adversely affect our results of operations. While we monitor market prices of the commodities we require and attempt to reduce price exposure through hedging activities, this risk could adversely affect our operating results.

Our Operations Depend on Production Facilities Throughout the World, a Majority of Which Are Located Outside the United States and Subject to Increased Risks of Disrupted Production Causing Delays in Shipments and Loss of Customers and Revenue

We manage businesses with manufacturing facilities worldwide, a majority of which are located outside the United States, and also source certain materials internationally. Emerging market sales now represent over one-third of total sales and serving a global customer base requires that we place more materials sourcing and production in emerging markets to capitalize on market opportunities and maintain our best-cost position. Our and our suppliers' international production facilities and operations could be disrupted by a natural disaster, labor strife, war, political unrest, terrorist activity or public health concerns, particularly in emerging countries that are not well-equipped to handle such occurrences.

Our manufacturing facilities abroad also may be more susceptible to changes in laws and policies in host countries and economic and political upheaval than our domestic facilities. Any such disruption could cause delays in shipments of products and the loss of sales and customers, and insurance proceeds may not adequately compensate us.

Our Substantial Sales Abroad Subject Us to Economic Risk as Our Results of Operations May Be Adversely Affected by Foreign Currency Fluctuations and Changes in Local Government Regulations and Policies

We sell, manufacture, engineer and purchase products in overseas markets and a significant portion of our sales occur in mature and emerging markets outside the United States. We expect sales from non-U.S. markets to continue to represent a significant portion of our total sales. International sales and operations are subject to changes in local government regulations and policies, including those related to tariffs and trade barriers, investments, taxation, exchange controls and repatriation of earnings, which could adversely affect our results. Changes in the relative values of currencies occur from time to time and have affected our operating results and could do so in the future. While we monitor our exchange rate exposures and attempt to reduce this exposure through hedging activities, this risk could adversely affect our operating results.

Recessions, Adverse Market Conditions or Downturns in End Markets We Serve May Negatively Affect Our Operations

In the past, our operations have been exposed to significant volatility due to changes in general economic conditions, recessions or adverse conditions in the end markets we serve. In the future, similar changes could adversely impact overall sales, operating results and cash flows. Moreover, during economic downturns we may undertake more extensive rationalization actions and incur higher costs. If our rationalization actions are not sufficiently effective, we may not be able to achieve our anticipated operating results. In addition, these factors could lead to impairment charges for goodwill or other long-lived assets.

Access to Funding Through the Capital Markets Is Essential to the Execution of Our Business Plan and if We Are Unable to Maintain Such Access We Could Experience a Material Adverse Effect on Our Business and Financial Results

Our ability to invest in our businesses, make strategic acquisitions and refinance maturing debt obligations requires access to the capital markets and sufficient bank credit lines to support short-term borrowings. Volatility in the capital markets may increase costs associated with issuing commercial paper or other debt instruments, or affect the Company's ability to access those markets. If we are unable to continue to access the capital markets, we could experience a material adverse effect on our business and financial results. Additionally, if our customers, suppliers or financial institutions are unable to access the capital markets to meet their commitments to the Company, our business could be adversely impacted.

Security Breaches or Disruptions of Our Information Technology Systems Could Adversely Affect Our Business

The Company utilizes a variety of information technology systems to manage and operate its businesses. Despite the implementation of extensive security measures (including access controls, data encryption, vulnerability assessments, continuous monitoring, and maintenance of back-up and protective systems), the Company's information technology systems are potentially vulnerable to unauthorized access, computer viruses, cyberattack and other events, ranging from individual attempts to advanced persistent threats. Although considered unlikely, it is possible a security breach could result in theft of trade secrets or other intellectual property or disclosure of confidential customer, supplier or employee information. Should the Company be unable to prevent security breaches, disruptions could have an adverse effect on our operations, as well as expose the Company to litigation, increased cybersecurity protection costs, and reputational damage.

We Are Subject to Litigation and Environmental Regulations That Could Adversely Impact Our Operating Results

We are, and may in the future be, a party to a number of legal proceedings and claims, including those involving intellectual property, product liability and environmental matters, several of which claim, or may in the future claim, significant damages. Given the inherent uncertainty of litigation, we can offer no assurance that existing litigation or a future adverse development will not have a material adverse impact. We also are subject to various laws and regulations relating to environmental protection and the discharge of materials into the environment, and we could incur substantial costs as a result of the noncompliance with or liability for cleanup or other costs or damages under environmental laws.

ITEM 1B - UNRESOLVED STAFF COMMENTS

None.

ITEM 2 - PROPERTIES

At September 30, 2015, the Company had approximately 205 manufacturing locations worldwide, of which approximately 140 were located outside the United States, primarily in Europe and Asia, and to a lesser extent in Canada and Latin America. Manufacturing locations by business segment are: Process Management, 73; Industrial Automation, 58; Network Power, 25; Climate Technologies, 35; and Commercial & Residential Solutions, 14. The majority of the locations are owned, with the remainder occupied under lease. The Company considers its facilities suitable and adequate for the purposes for which they are used.

ITEM 3 - LEGAL PROCEEDINGS

The Company and its subsidiaries are party to various legal proceedings, some of which claim substantial amounts of damages. It is not possible to predict the outcome of these matters, but historically the Company has been largely successful in both prosecuting and defending claims and lawsuits.

The Company believes a material adverse impact of any pending litigation is unlikely. Nevertheless, given the uncertainties of litigation, a remote possibility exists that litigation could have a material adverse impact on the Company.

The information regarding legal proceedings set forth in Note 12 of Notes to Consolidated Financial Statements of the 2015 Annual Report is hereby incorporated by reference.

ITEM 4 - MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following sets forth certain information as of November 18, 2015 with respect to the Company's executive officers. The Fiscal Year column indicates the first year the executive served as an officer of the Company. These officers have been elected or appointed to terms which expire February 2, 2016:

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Fiscal Year</u>
D. N. Farr	Chairman of the Board and Chief Executive Officer*	60	1985
F. J. Dellaquila	Executive Vice President and Chief Financial Officer	58	1991
E. L. Monser	President	65	2002
E. M. Purvis	Executive Vice President and Chief Operating Officer	58	2003
S. J. Pelch	Senior Vice President - Organization Planning and Development	51	2005
C. A. Peters	Senior Executive Vice President	60	1990
R. J. Schlueter	Vice President, Controller and Chief Accounting Officer	61	1992

*Also chairman of the Executive Committee of the Board of Directors.

There are no family relationships among any of the executive officers and directors.

David N. Farr has been Chief Executive Officer since October 2000, was appointed Chairman of the Board in September 2004, and also served as President from November 2005 to October 2010. Frank J. Dellaquila was appointed Executive Vice President in November 2012 and Senior Vice President and Chief Financial Officer in February 2010. Prior to his current position, Mr. Dellaquila was Senior Vice President - Finance and Controller from August 2009 to February 2010 and Senior Vice President - Acquisitions and Development from 2004 to 2009. Edward L. Monser was appointed President in October 2010 and was Chief Operating Officer from November 2001 to January 2015. Edgar M. Purvis was appointed Chief Operating Officer in January 2015. Prior to his current position, Mr. Purvis was Executive Vice President responsible for the Climate Technologies business segment from 2008 to January 2015. Steven J. Pelch was appointed Senior Vice President in November 2015. Mr. Pelch was Vice President - Organization Planning and Development from November 2014 to November 2015, and prior to that was Vice President - Organization Planning from October 2012 to November 2014 and Vice President - Planning from October 2005 to October 2012. Charles A. Peters has been Senior Executive Vice President since October 2000. Richard J. Schlueter was appointed Controller in October 2011. He has been Vice President Accounting since 1999 and was appointed Chief Accounting Officer in February 2003.

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Information regarding the market for the Company's common stock, quarterly market price ranges and dividend payments is set forth in Note 19 of Notes to Consolidated Financial Statements of the 2015 Annual Report, which note is hereby incorporated by reference. There were approximately 20,130 stockholders of record at September 30, 2015.

Period	Total Number of Shares Purchased (000s)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (000s)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (000s)
July 2015	6,200	\$53.00	6,200	8,689
August 2015	2,661	\$49.33	2,661	6,028
September 2015	—	\$0.00	—	6,028
Total	<u>8,861</u>	<u>\$51.90</u>	<u>8,861</u>	<u>6,028</u>

The 6.0 million shares available for purchase represent the remaining authorized shares under a 70 million share purchase program approved by the Board of Directors in May 2013. In November 2015, the Board of Directors authorized the purchase of an additional 70 million common shares.

ITEM 6 - SELECTED FINANCIAL DATA

Years ended September 30
(dollars in millions, except per share amounts)

	2011	2012 (a)	2013 (a)	2014 (a)	2015 (b)
Net sales	\$ 24,222	24,412	24,669	24,537	22,304
Earnings from continuing operations – common stockholders	\$ 2,454	1,968	2,004	2,147	2,710
Basic earnings per common share from continuing operations	\$ 3.26	2.68	2.78	3.05	4.01
Diluted earnings per common share from continuing operations	\$ 3.24	2.67	2.76	3.03	3.99
Cash dividends per common share	\$ 1.38	1.60	1.64	1.72	1.88
Long-term debt	\$ 4,324	3,787	4,055	3,559	4,289
Total assets	\$ 23,861	23,818	24,711	24,177	22,088

(a) Includes goodwill impairment and income tax charges as follows: 2014, \$508 million and \$0.72 per share; 2013, \$566 million and \$0.78 per share; 2012, \$528 million and \$0.72 per share.

(b) Includes gains from divestitures of businesses of \$611 million and \$0.90 per share and costs related to the spinoff of the network power systems business of \$52 million and (\$0.08) per share.

See Note 3 of Notes to Consolidated Financial Statements of the 2015 Annual Report, which note is hereby incorporated by reference, for information regarding the Company's acquisition and divestiture activities for the last three years.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information from the 2015 Annual Report set forth in Exhibit 13 hereto under "Results of Operations," "Business Segments," "Financial Position, Capital Resources and Liquidity," "Critical Accounting Policies," "Other Items" and "Safe Harbor Statement" is hereby incorporated by reference.

Non-GAAP Financial Measures

To supplement the Company's financial information presented in accordance with U.S. generally accepted accounting principles (U.S. GAAP), management periodically uses certain "non-GAAP financial measures," as such term is defined in Regulation G under the rules of the SEC, to clarify and enhance understanding of past performance and prospects for the future. Generally, a non-GAAP financial measure is a numerical measure of a company's operating performance, financial position or cash flows that excludes or includes amounts that are included in or excluded from the most directly comparable measure calculated and presented in accordance with U.S. GAAP. For example, non-GAAP measures may exclude the impact of certain items such as acquisitions, divestitures, gains, losses and impairments, or items outside of management's control, such as foreign currency exchange rate fluctuations. Management believes that the following non-GAAP financial measures provide investors and analysts useful insight into the Company's financial position and operating performance. Any non-GAAP measure provided should be viewed in addition to, and not as an alternative to, the most directly comparable measure determined in accordance with U.S. GAAP, as identified in italics below. Further, the calculation of these non-GAAP financial measures may differ from the calculation of similarly titled financial measures presented by other companies and therefore may not be comparable among companies.

Underlying sales, which exclude the impact of acquisitions, divestitures and fluctuations in foreign currency exchange rates during the periods presented, are provided to facilitate relevant period-to-period comparisons of sales growth by excluding those items that impact overall comparability (U.S. GAAP measure: *net sales*).

Operating profit (defined as net sales less cost of sales and selling, general and administrative expenses) and operating profit margin (defined as operating profit divided by net sales) are indicative of short-term operational performance and ongoing profitability. Management closely monitors operating profit and operating profit margin of each business to evaluate past performance and actions required to improve profitability. EBIT (defined as earnings before deductions for interest expense, net and income taxes) and total segment EBIT, and EBIT margin (defined as EBIT divided by net sales) and total segment EBIT margin, are commonly used financial measures that exclude the impact of financing on the capital structure and income taxes. All these measures are utilized by management to evaluate performance (U.S. GAAP measures: *pretax earnings or pretax profit margin*).

Earnings, earnings per share, return on common stockholders' equity and return on total capital excluding certain gains and losses, impairments, costs associated with the planned spinoff of the network power systems business and other strategic repositioning actions, or other items provide additional insight into the underlying, ongoing operating performance of the Company and facilitate period-to-period comparisons by excluding the earnings impact of these items. Management believes that presenting earnings, earnings per share, return on common stockholders' equity and return on total capital excluding these items is more representative of the Company's operational performance and may be more useful for investors (U.S. GAAP measures: *earnings, earnings per share, return on common stockholders' equity, return on total capital*).

Free cash flow (operating cash flow less capital expenditures) is an indicator of the Company's cash generating capabilities after considering investments in capital assets which are necessary to maintain and enhance existing operations. The determination of operating cash flow adds back noncash depreciation expense to earnings and thereby does not reflect a charge for necessary capital expenditures. Management believes that free cash flow is useful to both management and investors as a measure of the Company's ability to generate cash (U.S. GAAP measure: *operating cash flow*).

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information from the 2015 Annual Report set forth in Exhibit 13 hereto under "Financial Instruments" is hereby incorporated by reference.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and accompanying notes of the Company and subsidiaries and the report thereon of KPMG LLP in the 2015 Annual Report, are hereby incorporated by reference.

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A - CONTROLS AND PROCEDURES

The Company maintains a system of disclosure controls and procedures which is designed to ensure that information required to be disclosed by the Company in the reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to management, including the Company's certifying officers, as appropriate to allow timely decisions regarding required disclosure. Based on an evaluation performed, the Company's certifying officers have concluded that the disclosure controls and procedures were effective as of September 30, 2015 to provide reasonable assurance of achieving these objectives.

Notwithstanding the foregoing, there can be no assurance that the Company's disclosure controls and procedures will detect or uncover all failures of persons within the Company and its consolidated subsidiaries to report material information otherwise required to be set forth in the Company's reports. There was no change in the Company's internal control over financial reporting during the quarter ended September 30, 2015, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Management's report on internal control over financial reporting, and the related report of the Company's auditor, KPMG LLP, an independent registered public accounting firm, appearing in the 2015 Annual Report are hereby incorporated by reference.

ITEM 9B - OTHER INFORMATION

None.

PART III

ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding nominees and directors appearing under "Nominees and Continuing Directors" in the Emerson Electric Co. Notice of Annual Meeting of Stockholders and Proxy Statement for the February 2016 annual stockholders' meeting (the "2016 Proxy Statement") is hereby incorporated by reference. Information regarding executive officers is set forth in Part I of this report. Information appearing under "Section 16(a) Beneficial Ownership Reporting Compliance" in the 2015 Proxy Statement is hereby incorporated by reference. Information regarding the Audit Committee and Audit Committee Financial Expert appearing under "Board of Directors and Committees" in the 2016 Proxy Statement is hereby incorporated by reference.

The Company has adopted a Code of Ethics that applies to the Company's Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer; has posted such Code of Ethics on its Internet website; and intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K by posting such information on its Internet website. The Company has adopted Charters for its Audit Committee, Compensation Committee, and Corporate Governance and Nominating Committee and a Code of Business Ethics for directors, officers and employees, which are available on its Internet website and in print to any stockholder who requests them. The Company has also adopted Corporate Governance Principles and Practices, which are available on its Internet website and in print to any stockholder who requests them. The Corporate Governance section of the Company's Internet website may be accessed as follows: www.Emerson.com, Investor Relations, Corporate Governance.

ITEM 11 - EXECUTIVE COMPENSATION

Information appearing under "Board of Directors and Committees—Compensation Committee," "Board of Directors and Committees—Corporate Governance and Nominating Committee," "Director Compensation," "Executive Compensation" (including, but not limited to, the information set forth under "Compensation Discussion and Analysis," "Compensation Committee Report" and "Summary Compensation Table") and "Compensation Committee Interlocks and Insider Participation" in the 2016 Proxy Statement is hereby incorporated by reference.

The information contained in "Compensation Committee Report" shall not be deemed to be filed with the SEC or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act"), except to the extent that the Company specifically incorporates such information into future filings under the Securities Act of 1933 or the Exchange Act.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information regarding beneficial ownership of shares by nominees and continuing directors, named executive officers, five percent beneficial owners, and by all directors and executive officers as a group appearing under, "Stock Ownership of Directors, Executive Officers and 5% Beneficial Owners" in the 2016 Proxy Statement, is hereby incorporated by reference.

The following table sets forth aggregate information regarding the Company's equity compensation plans as of September 30, 2015:

<u>Plan Category</u>	<u>Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights</u>	<u>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</u>	<u>Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a))</u>
	(a)	(b)	(c)
Equity compensation plans approved by security holders (1)	19,456,212	\$55.40	29,869,851
Equity compensation plans not approved by security holders	—	—	—
Total	19,456,212	\$55.40	29,869,851

- (1) Includes the Stock Option and Incentive Shares Plans previously approved by the Company's security holders. Included in column (a) are: (i) 13,646,089 reserved for outstanding stock option awards, (ii) 5,782,114 shares reserved for performance shares awards awarded in 2013, (iii) 26,942 reserved for outstanding restricted stock unit awards and (iv) 1,067 shares which have been earned under prior performance share programs but for which participants elected to defer payment. As provided by the Company's Incentive Shares Plans, performance shares awards represent a commitment to issue such shares without cash payment by the employee, contingent upon achievement of the performance objectives and continued service by the employee. The price in column (b) represents the weighted-average exercise price for outstanding options. Included in column (c) are: (i) 13,488,909 shares remaining available for award under the previously approved 2011 Stock Option Plan, (ii) 12,000,000 shares remaining available for award under the previously approved 2015 Incentive Shares Plan, (iii) 4,158,987 shares remaining available for award under the previously approved 2006 Incentive Shares Plan and (iv) 221,955 shares remaining available under the previously approved Restricted Stock Plan for Non-Management Directors.

Information regarding stock option plans and incentive shares plans set forth in Note 14 of Notes to Consolidated Financial Statements of the 2015 Annual Report is hereby incorporated by reference.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information appearing under "Director Independence" in the 2016 Proxy Statement is hereby incorporated by reference.

ITEM 14 - PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information appearing under "Fees Paid to KPMG LLP" in the 2016 Proxy Statement is hereby incorporated by reference.

PART IV

ITEM 15 - EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

A) Documents filed as a part of this report:

1. The consolidated financial statements and accompanying notes of the Company and subsidiaries and the report thereon of KPMG LLP in the 2015 Annual Report.
2. Financial Statement Schedules - All schedules are omitted because they are not required, not applicable or the required information is provided in the financial statements or notes thereto contained in the 2015 Annual Report.
3. Exhibits (Listed by numbers corresponding to the Exhibit Table of Item 601 in Regulation S-K).
 - 3(a) Restated Articles of Incorporation of Emerson Electric Co., incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended March 31, 2001, File No. 1-278, Exhibit 3(a); Termination of Designated Shares of Stock and Certificate of Designation, Preferences and Rights of Series B Junior Participating Preferred Stock, incorporated by reference to Emerson Electric Co. 1998 Form 10-K, File No. 1-278, Exhibit 3(a).
 - 3(b) Bylaws of Emerson Electric Co., as amended through November 4, 2014, incorporated by reference to Emerson Electric Co. Form 8-K filed November 5, 2014, Exhibit 3.1.
 - 4(a) Indenture dated as of December 10, 1998, between Emerson Electric Co. and The Bank of New York, Trustee, incorporated by reference to Emerson Electric Co. 1998 Form 10-K, File No. 1-278, Exhibit 4(b).

No other long-term debt instruments are filed since the total amount of securities authorized under any such instrument does not exceed 10 percent of the total assets of Emerson Electric Co. and its subsidiaries on a consolidated basis. Emerson Electric Co. agrees to furnish a copy of such instruments to the SEC upon request.

- 10(a)* Third Amendment to the Emerson Electric Co. 1993 Incentive Shares Plan, as restated, incorporated by reference to Emerson Electric Co. 1996 Form 10-K, File No. 1-278, Exhibit 10(g), and Fourth Amendment thereto, incorporated by reference to Emerson Electric Co. 2001 Form 10-K, File No. 1-278, Exhibit 10(d).
- 10(b)* Amended and Restated Emerson Electric Co. Continuing Compensation Plan for Non-Management Directors, incorporated by reference to Emerson Electric Co. 2007 Form 10-K, File No. 1-278, Exhibit 10(c).
- 10(c)* Amended and Restated Deferred Compensation Plan for Non-Employee Directors and Forms of Payment Election Form, Initial Notice of Election and Notice of Election Change, incorporated by reference to Emerson Electric Co. 2007 Form 10-K, File No. 1-278, Exhibit 10(d).

- 10(d)* First Amendment to the Emerson Electric Co. Supplemental Executive Retirement Plan, incorporated by reference to Emerson Electric Co. 1999 Form 10-K, File No. 1-278, Exhibit 10(h), and Form of Change of Control Election, incorporated by reference to Emerson Electric Co. Form 8-K dated October 1, 2004, Exhibit 10.9 (applicable only with respect to benefits vested as of December 31, 2004).
- 10(e)* Amended and Restated Emerson Electric Co. Pension Restoration Plan dated October 6, 2015; Forms of Participation Award Letter, Acceptance of Award and Benefit Election Forms (applicable only with respect to benefits after January 1, 2005), incorporated by reference to Emerson Electric Co. 2007 Form 10-K, File No. 1-278, Exhibit 10(f); and Lump Sum Distribution Election Forms.
- 10(f)* Fifth Amendment to the Supplemental Executive Savings Investment Plan, incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended March 31, 1999, File No. 1-278, Exhibit 10(j), and Form of Participation Agreement and Form of Annual Election, incorporated by reference to Emerson Electric Co. Form 8-K filed October 1, 2004, Exhibit 10.8 (applicable only with respect to benefits vested as of December 31, 2004).
- 10(g)* Amended and Restated Emerson Electric Co. Savings Investment Restoration Plan and Forms of Participation Agreement, Annual Election Form and Payment Election Form (applicable only with respect to benefits after January 1, 2005), incorporated by reference to Emerson Electric Co. 2007 Form 10-K, File No. 1-278, Exhibit 10(h), and First Amendment to Emerson Electric Co. Savings Investment Restoration Plan, incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended March 31, 2008, File No. 1-278, Exhibit 10.1.
- 10(h)* Amended and Restated Emerson Electric Co. Annual Incentive Plan and Form of Acceptance of Award, incorporated by reference to Emerson Electric Co. 2007 Form 10-K, File No. 1-278, Exhibit 10(i).
- 10(i)* 1997 Incentive Shares Plan, incorporated by reference to Emerson Electric Co. 1997 Proxy Statement dated December 6, 1996, File No. 1-278, Exhibit A, and First Amendment thereto, incorporated by reference to Emerson Electric Co. 2001 Form 10-K, File No. 1-278, Exhibit 10(j), Amendment for 409A Compliance, incorporated by reference to Emerson Electric Co. 2007 Form 10-K, File No. 1-278, Exhibit 10(j), Form of Performance Share Award Certificate, Forms of Acceptance of Award and Change of Control Election, incorporated by reference to Emerson Electric Co. Form 8-K filed October 1, 2004, Exhibit 10.5, and Form of Restricted Shares Award Agreement, incorporated by reference to Emerson Electric Co. Form 8-K filed October 1, 2004, Exhibit 10.6.
- 10(j)* 1998 Stock Option Plan, incorporated by reference to Emerson Electric Co. 1998 Proxy Statement dated December 12, 1997, File No. 1-278, Appendix A, and Amendment No. 1 thereto, incorporated by reference to Emerson Electric Co. 2000 Form 10-K, File No. 1-278, Exhibit 10(l), Form of Notice of Grant of Stock Options and Option Agreement and Form of Incentive Stock Option Agreement, incorporated by reference to Emerson Electric Co. Form 8-K filed October 1, 2004, Exhibit 10.1, and Form of Notice of Grant of Stock Options and Option Agreement and Form of Nonqualified Stock Option Agreement, incorporated by reference to Emerson Electric Co. Form 8-K filed October 1, 2004, Exhibit 10.2.

- 10(k)* 2001 Stock Option Plan, incorporated by reference to Emerson Electric Co. 2002 Proxy Statement dated December 12, 2001, File No. 1-278, Appendix A, Form of Notice of Grant of Stock Options and Option Agreement and Form of Incentive Stock Option Agreement, incorporated by reference to Emerson Electric Co. Form 8-K filed October 1, 2004, Exhibit 10.3 (used on or prior to September 30, 2011), Forms of Notice of Grant of Stock Options, Option Agreement and Incentive Stock Option Agreement, incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended December 31, 2011, File No. 1-278, Exhibit 10.1 (used after September 30, 2011), Form of Notice of Grant of Stock Options and Option Agreement and Form of Nonqualified Stock Option Agreement, incorporated by reference to Emerson Electric Co. Form 8-K filed October 1, 2004, Exhibit 10.4 (used on or prior to September 30, 2011), Forms of Notice of Grant of Stock Options, Option Agreement and Nonqualified Stock Option Agreement, incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended December 31, 2011, File No. 1-278, Exhibit 10.2 (used after September 30, 2011).
- 10(l)* Emerson Electric Co. Description of Split Dollar Life Insurance Program Transition, incorporated by reference to Emerson Electric Co. Form 8-K filed September 2, 2005, Exhibit 10.1.
- 10(m)* Amended and Restated Restricted Stock Plan for Non-Management Directors, incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended December 31, 2009, File No. 1-278, Exhibit 10.1, Form of Restricted Stock Award Letter under the Emerson Electric Co. Restricted Stock Plan for Non-Management Directors, incorporated by reference to Emerson Electric Co. Form 8-K filed February 1, 2005, Exhibit 10.2, and Form of Restricted Stock Unit Award Letter under the Emerson Electric Co. Restricted Stock Plan for Non-Management Directors, incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended December 31, 2009, File No. 1-278, Exhibit 10.1.
- 10(n)* Description of Non-Management Director Compensation, incorporated by reference to Emerson Electric Co. 2012 Form 10-K, File No. 1-278, Exhibit 10(n).
- 10(o)* Description of Named Executive Officer Compensation, incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended December 31, 2004, Exhibit 10.1.
- 10(p)* Emerson Electric Co. 2006 Incentive Shares Plan, incorporated by reference to Emerson Electric Co. 2006 Proxy Statement dated December 16, 2005, Appendix C, Amendment for 409A Compliance, incorporated by reference to Emerson Electric Co. 2007 Form 10-K, File No. 1-278, Exhibit 10(q), Forms of Performance Share Award Certificate and Acceptance of Award (used on or prior to September 30, 2009) and Restricted Share Award Agreement (used on or prior to September 30, 2011), incorporated by reference to Emerson Electric Co. 2007 Form 10-K, File No. 1-278, Exhibit 10(q), Amendment to Emerson Electric Co. 2006 Incentive Shares Plan, incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended June 30, 2008, File No. 1-278, Exhibit 10.1, Forms of Performance Share Award Certificate, Acceptance of Award and 2010 Performance Shares Program Award Summary, incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended December 31, 2009 (used after September 30, 2009 and on or prior to September 30, 2011), File No. 1-278, Exhibit 10.2, Forms of Performance Share Award Certificate and Acceptance of Award, incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended December 31, 2011, File No. 1-278, Exhibit 10.3 (used after September 30, 2011), and Form of Restricted Share Award Agreement, incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended December 31, 2011, File No. 1-278, Exhibit 10.4 (used after September 30, 2011).
- 10(q) Credit Agreement dated as of April 30, 2014, incorporated by reference to Emerson Electric Co. Form 8-K filed May 2, 2014, Exhibit 10.1.

- 10(r)* 2011 Stock Option Plan, incorporated by reference to Emerson Electric Co. 2011 Proxy Statement dated December 10, 2010, File No. 1-278, Appendix B, 2011 Stock Option Plan as Amended and Restated Effective October 1, 2012, incorporated by reference to Emerson Electric Co. 2012 Form 10-K, File No. 1-278, Exhibit 10(r), Forms of Notice of Grant of Stock Options, Option Agreement and Incentive Stock Option Agreement under the 2011 Stock Option Plan, incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended March 31, 2012, File No. 1-278, Exhibit 10.1 and Forms of Notice of Grant of Stock Options, Option Agreement and Nonqualified Stock Option Agreement under the 2011 Stock Option Plan, incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended March 31, 2012, File No. 1-278, Exhibit 10.2.
- 10(s)* Letter Agreement effective as of February 5, 2013 by and between Emerson Electric Co. and Walter J. Galvin, incorporated by reference to Emerson Electric Co. Form 8-K filed February 8, 2013, Exhibit 10.1.
- 10(t)* Consulting Agreement made and entered into as of February 5, 2013 by and between Emerson Electric Co. and Walter J. Galvin, incorporated by reference to Emerson Electric Co. Form 8-K filed February 8, 2013, Exhibit 10.2.
- 10(u)* Emerson Electric Co. 2015 Incentive Shares Plan, incorporated by reference to Emerson Electric Co. 2015 Proxy Statement dated December 12, 2014, Appendix B, Form of Performance Shares Award Certificate and Acceptance of Award, 2016 Performance Shares Program Award Summary and Form of Restricted Shares Award Agreement.
- 10(v)* Letter Agreement effective as of October 1, 2013 between Emerson Electric Co. and Edgar M. Purvis.
- 12 Ratio of Earnings to Fixed Charges
- 13 Portions of Emerson Electric Co. Annual Report to Stockholders for the year ended September 30, 2015, incorporated by reference herein
- 21 Subsidiaries of Emerson Electric Co.
- 23 Consent of Independent Registered Public Accounting Firm
- 24 Power of Attorney
- 31 Certifications pursuant to Exchange Act Rule 13a-14(a)
- 32 Certifications pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. Section 1350
- 101 Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statements of Earnings for the years ended September 30, 2013, 2014 and 2015, (ii) Consolidated Statements of Comprehensive Income for the years ended September 30, 2013, 2014, and 2015 (iii) Consolidated Balance Sheets at September 30, 2014 and 2015, (iv) Consolidated Statements of Equity for the years ended September 30, 2013, 2014 and 2015, (v) Consolidated Statements of Cash Flows for the years ended September 30, 2013, 2014 and 2015, and (vi) Notes to Consolidated Financial Statements for the year ended September 30, 2015.

* Management contract or compensatory plan.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EMERSON ELECTRIC CO.

By /s/ F. J. Dellaquila

F. J. Dellaquila
Executive Vice President and
Chief Financial Officer
November 18, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on November 18, 2015, by the following persons on behalf of the registrant and in the capacities indicated.

<u>Signature</u>	<u>Title</u>
<u>/s/ D. N. Farr</u> D. N. Farr	Chairman of the Board and Chief Executive Officer
<u>/s/ F. J. Dellaquila</u> F. J. Dellaquila	Executive Vice President and Chief Financial Officer
<u>/s/ R. J. Schlueter</u> R. J. Schlueter	Vice President, Controller and Chief Accounting Officer
<u>*</u> C. A. H. Boersig	Director
<u>*</u> J. B. Bolten	Director
<u>*</u> A. A. Busch III	Director
<u>*</u> A. F. Golden	Director
<u>*</u> W. R. Johnson	Director
<u>*</u> C. Kendle	Director
<u>*</u> M. S. Levatich	Director

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*

Director

C. A. Peters

*

Director

J. W. Prueher

*

Director

R. L. Stephenson

*

Director

J. S. Turley

* By /s/ F. J. Dellaquila

F. J. Dellaquila
Attorney-in-Fact

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INDEX TO EXHIBITS

Exhibits are listed by numbers corresponding to the Exhibit Table of Item 601 in Regulation S-K.

<u>Exhibit No.</u>	<u>Exhibit</u>
10(e)	Amended and Restated Emerson Electric Co. Pension Restoration Plan dated October 6, 2015 and Lump Sum Distribution Election Forms
10(u)	Form of Performance Shares Award Certificate and Acceptance of Award, 2016 Performance Shares Program Award Summary under the Emerson Electric Co. 2015 Incentive Shares Plan and Form of Restricted Shares Award Agreement.
10(v)	Letter Agreement effective as of October 1, 2013 between Emerson Electric Co. and Edgar M. Purvis
12	Ratio of Earnings to Fixed Charges
13	Portions of Emerson Electric Co. Annual Report to Stockholders for the year ended September 30, 2015, incorporated by reference herein
21	Subsidiaries of Emerson Electric Co.
23	Consent of Independent Registered Public Accounting Firm
24	Power of Attorney
31	Certifications pursuant to Exchange Act Rule 13a – 14(a)
32	Certifications pursuant to Exchange Act Rule 13a – 14(b) and 18 U.S.C. Section 1350
101	Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statements of Earnings for the years ended September 30, 2013, 2014 and 2015, (ii) Consolidated Statements of Comprehensive Income for the years ended September 30, 2013, 2014 and 2015, (iii) Consolidated Balance Sheets as of September 30, 2014 and 2015, (iv) Consolidated Statements of Equity for the years ended September 30, 2013, 2014 and 2015, (v) Consolidated Statements of Cash Flows for the years ended September 30, 2013, 2014 and 2015, and (vi) Notes to Consolidated Financial Statements for the year ended September 30, 2015.

See Item 15(A) 3. for a list of exhibits incorporated by reference.

**EMERSON ELECTRIC CO.
PENSION RESTORATION PLAN
As Amended and Restated Effective October 6, 2015
(2015 Document)**

WHEREAS, Emerson Electric Co. ("Company") previously adopted the Supplemental Executive Retirement Plan ("Plan") to provide for the payment of a competitive retirement income and thereby attract and retain selected executives; and

WHEREAS, the Company retained its right to amend the Plan pursuant to Section IX.G. herein; and

WHEREAS, the Company previously amended and restated the Plan effective as of January 1, 2005, to incorporate the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, with respect to amounts earned or vested under the Plan on or after January 1, 2005, and to change the name of the Plan to the Emerson Electric Co. Pension Restoration Plan; and

WHEREAS, deferrals and credits earned and vested as of December 31, 2004 shall be "grandfathered" and governed by the Pre-2005 Plan document as in effect as of December 31, 2004; and

WHEREAS, the Company desires to further amend the Plan to (i) provide Participants with an opportunity to elect a lump sum benefit; (ii) provide a pre-retirement death benefit for unmarried Participants; and (iii) reflect the assumptions to be used in determining the actuarial equivalent of each Participant's accrued benefit that is payable in a lump sum.

NOW, THEREFORE, with respect to amounts earned or vested under the Plan on or after January 1, 2005, the Plan is amended and restated, effective October 6, 2015, to read as follows:

SECTION I
DEFINITIONS

- A. "Beneficiary" means the Beneficiary designated by the Participant to receive a death benefit under the Plan.
- B. "Change of Control" means a change in the ownership or effective control of a corporation or a change in the ownership of a substantial portion of the assets of a corporation under
-

Code Section 409A to the fullest extent allowed by such Section and the regulations promulgated thereunder.

- C. "Code" means the Internal Revenue Code of 1986, as amended.
- D. "Committee" means the Compensation Committee of the Board of Directors of the Company.
- E. "Company" means Emerson Electric Co., a Missouri corporation.
- F. "Employee" means an Employee of an Employer.
- G. "Employer" means the Company and any of its subsidiaries or affiliates which has, with the consent of the Board of Directors of the Company, adopted the Plan.
- H. "Employment" means employment with an Employer.
- I. "Normal Retirement Benefit" means the normal retirement benefit to which a Participant is entitled under Section 5-1 of the Retirement Plan, computed without regard to the limitations of Section 18.6 of the Retirement Plan and without regard to the limitation on the amount of compensation which may be taken into account under Section 401(a)(17) of the Code and by adding to compensation for each calendar year the amount which the Participant elected to defer under the Emerson Electric Co. Savings Investment Restoration Plan for such year.
- J. "Normal Retirement Benefit Under the Retirement Plan" means the Normal Retirement Benefit to which a Participant is entitled under Section 5-1 of the Retirement Plan as limited by Section 18.6 of the Retirement Plan and by the amount of compensation which may be taken into account under Section 401(a)(17) of the Code.
- K. "Participant" means an Employee eligible to participate in the Plan pursuant to Section II.
- L. "Plan" means this Emerson Electric Co. Pension Restoration Plan.
- M. "Retirement Plan" means the Emerson Electric Co. Retirement Plan.
- N. "Specified Employee" means a key employee (as defined in Code Section 416(i) without regard to Code Section 416(i)(5)) determined in accordance with the meaning of such term under Code Section 409A and the regulations promulgated thereunder.
- O. "Surviving Spouse" means the surviving spouse of a deceased Participant to whom such Participant had been married for at least one full year as of the date of the Participant's death.

P. "Survivor Benefit" means a monthly benefit for the life of the Surviving Spouse equal to 50% of the monthly benefit to which the Participant would be entitled computed as if the Participant commenced receiving benefits on the date of his death in the form of a straight life annuity of equivalent actuarial value to the benefit accrued under Section III-A using the same actuarial assumptions as are used in computing equivalent actuarial values under the Retirement Plan.

SECTION II
ELIGIBILITY

Participation in the Plan shall be limited to those Employees whom the Committee selects by written notice to the Participant.

SECTION III
BENEFITS

A Participant who terminates Employment with a vested benefit under the Retirement Plan shall receive a monthly benefit under the Plan which, when expressed as a straight life annuity with sixty (60) monthly payments guaranteed, is equal to the sum of his Normal Retirement Benefit reduced by the sum of his Normal Retirement Benefit Under the Retirement Plan and his benefit under the Emerson Electric Co. Pension Restoration Plan (Pre-2005 Document), expressed as a straight life annuity with sixty (60) monthly payments guaranteed..

SECTION IV
TIME AND FORM OF PAYMENTS

A. Except as otherwise provided herein, the benefit payable under Section III shall commence on the first day of the month coincident with or next following the later of (a) the date the Participant attains age 65 or (b) the date the Participant terminates Employment. The benefit shall be payable for the life of the Participant with sixty (60) monthly payments guaranteed. If the Participant dies prior to receiving sixty (60) monthly payments, the unpaid installments shall be paid to his Beneficiary.

B. Notwithstanding Section IV-A, if the benefit becomes payable due to the Participant's termination of Employment and such Participant is a Specified Employee, payment of such benefit shall be made or commence on the first day of the seventh month immediately following the Participant's termination of Employment if such date is later than the date such deferred amounts would otherwise be paid or commence to be paid.

C. Notwithstanding Section IV-A, a Participant may make a written election before any annuity payment has been made to change the form of payment from the designated life annuity to a type of annuity set forth in Appendix A attached hereto, provided that the annuities are actuarially equivalent applying reasonable actuarial methods and assumptions and retain the same scheduled date for the first annuity payment. For purposes of this Section IV-C, a joint and survivor annuity will not fail to be treated as actuarially equivalent to a single life annuity due solely to the value of a subsidized survivor annuity benefit, provided that the annual lifetime annuity benefit available to the participant under the joint and survivor annuity is not greater than the annual lifetime annuity benefit available to the service provider under the single life annuity, and provided that the annual survivor annuity benefit is not greater than the annual lifetime benefit available to the participant under the joint and survivor annuity.

D. Notwithstanding Section IV-A, a Participant may make a written election no later than 12 months prior to his termination of Employment to change the form of payment from the designated life annuity under Section IV-A to a lump sum payment. Payment of the lump sum shall occur on the five-year anniversary of the date the life annuity would have otherwise commenced under Section IV-A (and taking into account any delay that would have been required under Section IV-B). The amount of the lump sum payment shall be based on (1) the Participant's age on the date of the lump sum payment and (2) the discount rate and mortality assumptions used for financial reporting purposes with respect to U.S. retirement plans as set forth in the Company's Annual Report on Form 10-K that most recently precedes the date of the lump sum payment. In the event the Participant's Employment terminates within 12 months of making an election under this Section IV-C, such election shall be invalid and payment of Participant's benefit shall be made in accordance with the applicable provisions of this Section IV.

E. Notwithstanding Section IV-A, an Employee may make a written election prior to the calendar year in which he becomes a Participant in the Plan to receive his accrued benefit under the Plan in a single lump sum payment in lieu of the designated life annuity under Section IV-A. The amount of the lump sum payment shall be based on (1) the Participant's age on the date of the lump sum payment and (2) the discount rate and mortality assumptions used for financial reporting purposes with respect to U.S. retirement plans as set forth in the Company's Annual Report on Form 10-K that most recently precedes the date of the lump sum payment and paid to Participant on the same date the life annuity would have otherwise commenced under Section IV-A (and taking into account any delay that

would have been required under Section IV-B). In the absence of such an election, the Participant's accrued benefit shall be distributed in accordance with Section IV-A, unless Section IV-C or IV-D becomes applicable.

SECTION V
PRE-RETIREMENT DEATH BENEFIT

A. If a Participant dies in Employment leaving a Surviving Spouse, such Spouse shall receive the Survivor Benefit. Payment of the Survivor Benefit shall commence on the earliest date that the pre-retirement death benefit under the Retirement Plan could commence.

B. If a Participant dies in Employment without a Surviving Spouse, such Participant's estate shall receive a lump sum death benefit equal to the actuarial equivalent of the amount a hypothetical spouse of the deceased Participant would have received (assuming the same date of birth for the hypothetical spouse as that of the Participant) under Section V.A. This lump sum death benefit shall be payable with 120 days after the Participant's death. Actuarial equivalence in the preceding sentence shall be based on the discount rate and mortality assumptions used for financial reporting purposes with respect to U.S. retirement plans as set forth in the Company's Annual Report on Form 10-K that most recently precedes the date of the lump sum payment.

SECTION VI
CHANGE OF CONTROL

Notwithstanding anything else contained in the Plan, in the event of a Change of Control, all accrual of benefits under this Plan shall cease and each Participant shall become fully vested in his accrued benefits as of the date of the Change of Control, even if he is not fully vested under the Retirement Plan. Whether a Change of Control has occurred shall be governed by Code Section 409A and the regulations and any guidance promulgated thereunder. Each Participant (whether or not the monthly payment of his accrued benefits under the Plan has commenced) shall receive a lump sum payment of the actuarial equivalent of his accrued benefits on the date of the Change of Control. Such lump sum shall be based on (1) an assumed commencement age of the later of age 65 or the Participant's age on the date of the lump sum payment and (2) the discount rate and mortality assumptions used for financial reporting purposes with respect to U.S. retirement plans as set forth in

the Company's Annual Report on Form 10-K that most recently precedes the date of the lump sum payment.

SECTION VII
FORFEITURE OF BENEFITS

If any Participant entitled to a benefit under the Plan is discharged for cause, or enters into competition with the Company, or interferes with the relations between the Company and any customer, or engages in any activity that would result in any decrease of, or loss in, sales by the Company, the rights of such Participant to a benefit under the Plan, including the rights of a Surviving Spouse to a benefit, will be forfeited, unless the Committee determines that such activity is not detrimental to the best interests of the Company. However, if the individual ceases such activity and notifies the Committee of this action, then the Participant's right to receive a benefit, and any right of a Surviving Spouse to a benefit, may be restored within 60 days of said notification, unless the Committee in its sole discretion determines that the prior activity has caused serious injury to the Company, which determination shall be final and conclusive.

SECTION VIII
ADMINISTRATION AND CLAIMS PROCEDURE

A. The Committee shall construe, interpret and administer all provisions of the Plan and a decision of a majority of the members of the Committee shall govern.

B. A decision of the Committee may be made by a written document signed by a majority of the members of the Committee or by a meeting of the Committee. The Committee may authorize any of its members to sign documents or papers on its behalf.

C. The Committee may appoint such agents, who need not be members of the Committee, as it may deem necessary for the effective exercise of its duties, and may, to the extent not inconsistent herewith, delegate to such agents any powers and duties, both ministerial and discretionary, as the Committee may deem expedient and appropriate.

D. No member of the Committee shall make any decision or take any action covering exclusively his own benefits under the Plan, but all such matters shall be decided by a majority of the remaining members of the Committee or, in the event of inability to obtain a majority, by the Board of Directors of the Company.

E. A Participant who believes that he is being denied a benefit to which he is entitled (hereinafter referred to as "Claimant") may file a written request for such benefit with the Committee setting forth his claim. The request must be addressed to: Compensation Committee, Emerson Electric Co., 8000 West Florissant, St. Louis, Missouri 63136.

F. Upon receipt of a claim the Committee shall advise the Claimant that a reply will be forthcoming within 90 days and shall in fact deliver such reply in writing within such period. The Committee may, however, extend the reply period for an additional 90 days for reasonable cause. If the claim is denied in whole or in part, the Committee will adopt a written opinion using language calculated to be understood by the Claimant setting forth:

1. the specific reason or reasons for denial,
2. the specific references to pertinent Plan provisions on which the denial is based,
3. a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation why such material or such information is necessary,
4. appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review, and
5. the time limits for requesting a review under Subsection G and for the review under Subsection H.

G. Within sixty days after the receipt by the Claimant of the written opinion described above, the Claimant may request in writing that the Chief Executive Officer of the Company review the determination of the Committee. Such request must be addressed to: Chief Executive Officer, Emerson Electric Co., 8000 West Florissant, St. Louis, Missouri 63136. The Claimant or his duly authorized representative may, but need not, review the pertinent documents and submit issues and comments in writing for consideration by the Chief Executive Officer. If the Claimant does not request a review of the Committee's determination by the Chief Executive Officer within such sixty-day period, he shall be barred and estopped from challenging the Committee's determination.

H. Within sixty days after the Chief Executive Officer's receipt of a request for review, he will review the Committee's determination. After considering all materials presented by the Claimant, the Chief Executive Officer will render a written opinion, written in a manner calculated to be

understood by the Claimant, setting forth the specific reasons for the decision and containing specific references to the pertinent Plan provisions on which the decision is based. If special circumstances require that the sixty-day time period be extended, the Chief Executive Officer will so notify the Claimant and will render the decision as soon as possible but not later than 120 days after receipt of the request for review.

SECTION IX
MISCELLANEOUS

- A. Plan Year. The Plan Year shall be the calendar year.
- B. Spendthrift. No Participant or beneficiary shall have the right to assign, transfer, encumber or otherwise subject to lien any of the benefits payable or to be payable under this Plan and any attempt to do so shall be null and void.
- C. Incapacity. If, in the opinion of the Committee, a person to whom a benefit is payable is unable to care for his affairs because of illness, accident or any other reason, any payment due the person, unless prior claim therefor shall have been made by a duly qualified guardian or other duly appointed and qualified representative of such person, may be paid to some member of the person's family, or to some party who, in the opinion of the Committee, has incurred expense for such person. Any such payment shall be a payment for the account of such person and shall be a complete discharge of any liability.
- D. Employee Rights. The Employer, in adopting this Plan, shall not be held to create or vest in any Employee or any other person any benefits other than the benefits specifically provided herein, or to confer upon any Employee the right to remain in the service of the Employer.
- E. Service of Process and Plan Administrator.
1. The Vice President-Law of the Company shall be the agent for service of legal process.
 2. The Company shall constitute the Plan Administrator.
- F. Unfunded Plan. The Plan shall be unfunded. All payments to a Participant under the Plan shall be made from the general assets of the Employer. The rights of any Participant to payment shall be those of an unsecured general creditor of the Company.
- G. Company Rights. The Company reserves the right to amend or terminate the Plan. Each Employer may terminate its participation in the Plan at any time. In the event the Plan is

terminated, benefits shall become payable only to the extent permissible under the regulations promulgated by the Secretary of Treasury pursuant to Code Section 409A and in the manner set forth therein.

H. No Guarantee of Tax Consequences. While the Company has established and maintains the Plan, the Company makes no representation, warranty, commitment or guarantee concerning the income or other tax consequences of participation in the Plan under federal, state or local law.

I. Governing Law. The Plan shall be governed and construed according to the laws of the State of Missouri.

J. Payment Date. In all cases in which amounts are payable upon a fixed date, payment is deemed to be made upon the fixed date if the payment is made on such date or a later date within the same calendar year or, if later, by the 15th day of the third calendar month following the specified date (provided the Participant is not permitted, directly or indirectly, to designate the taxable year of payment). In addition, a payment is treated as made upon the date specified under the Plan if the payment is made no earlier than 30 days before the designated payment date and the Participant is not permitted, directly or indirectly, to designate the taxable year of payment.

APPENDIX A
OPTIONAL FORMS OF LIFE ANNUITY

Life Annuity and 120 Months Certain

Joint and 50% Survivor Annuity

Joint and 66 2/3% Survivor Annuity

Joint and 75% Survivor Annuity

Joint and 100% Survivor Annuity

**EMERSON ELECTRIC CO. PENSION RESTORATION PLAN
LUMP SUM DISTRIBUTION ELECTION**

Name: _____ **SSN:** _____

I hereby elect that my benefits under the Emerson Electric Co. Pension Restoration Plan ("Plan"), which accrued or became vested on or after January 1, 2005 ("2005 Plan Benefit"), be distributed in a lump sum rather than the Plan designated life annuity.

I understand that due to this election my 2005 Plan Benefit will not be payable to me until the five-year anniversary of the date my life annuity under the Plan would have otherwise commenced.

I understand that this election becomes irrevocable on the date submitted to the Company. However, if my retirement occurs within 12 months after submission of this lump sum distribution election to the Company, this election shall be void and my 2005 Plan Benefit will be distributed as an annuity in accordance with the Plan terms.

I understand that this election shall have no impact on Plan benefits, if any, which were accrued or vested prior to January 1, 2005.

I acknowledge that I have been advised to consult with my personal financial advisor or tax professional prior to making this election.

Signature: _____ **Date:** _____

Return completed form to: Vice President - Executive Compensation
Emerson Electric Co.
8000 W. Florissant Avenue
St. Louis, MO 63136

**EMERSON ELECTRIC CO. PENSION RESTORATION PLAN
LUMP SUM DISTRIBUTION ELECTION**

Name: _____ **SSN:** _____

I hereby elect to receive any benefits that accrue under the Emerson Electric Co. Pension Restoration Plan ("Plan") in a lump sum distribution rather than the Plan designated life annuity. I understand that this election becomes irrevocable on the date submitted to the Company.

I acknowledge that I have been advised to consult with my personal financial advisor or tax professional prior to making this election.

Signature: _____ **Date:** _____

Return completed form to: Vice President - Executive Compensation
Emerson Electric Co.
8000 W. Florissant Avenue
St. Louis, MO 63136

C E R T I F I C A T E

EMERSON ELECTRIC CO.

20__ PERFORMANCE SHARES PROGRAM

THIS CERTIFIES that «**FULL_NAME**» is entitled to be a participant in Emerson Electric Co.'s 20__ Performance Shares Program ("Program") under the [2015 Incentive Shares Plan, approved and adopted by the Board of Directors on November 4, 2014 and approved by the Stockholders on February 3, 2015], the terms of which are incorporated herein by reference, and has been awarded «**AWARD_NAME**» («**AWARD_NUMBER**») Performance Shares Units, all in accordance with the terms and provisions of said Program and Plan, certain terms and provisions of which are generally described in the offering circular for the Plan, and any supplements thereto.

Dated this ___ day of _____, 20__.

Approved by the Compensation Committee

EMERSON

INTRA-COMPANY CORRESPONDANCE

TO:

FROM: «FULL_NAME»

DATE: _____, 20__

FILE: 20__ PERFORMANCE SHARES PROGRAM AWARD

SUBJECT: Acceptance of Award

This is to advise that in consideration of the Compensation Committee's award of Performance Shares Units in the [20__] Performance Shares Program ("Program") under the [2015] Incentive Shares Plan ("Plan"), (1) I accept such participation upon the terms for the Program established by the Compensation Committee pursuant to the Plan, or otherwise set forth below or in the Award Certificate, and in the attached Plan document, and (2) I agree that during my employment by Emerson Electric Co. or any of its divisions, subsidiaries or affiliates (collectively, "Emerson"), and for a period of two (2) years immediately after my employment with Emerson ends for any reason, including by reason of divestiture or spin-off, I will not directly or indirectly, regardless of whether any payment has been made to me under the Program or the Plan, (a) compete against, or enter the employ of or assist any person, firm, corporation or other entity in a business that competes against, any business of Emerson in which I was employed, (b) compete against any such Emerson business by soliciting or pursuing its customers, or (c) solicit or hire any Emerson employees. Emerson shall be entitled to all rights and remedies available at law or equity for any breach or threatened breach of this agreement, including a cancellation of all Performance Shares Units and return of all shares issued under the Program and the Plan, damages and injunctive relief. I also agree Missouri law governs this agreement without regard to any conflicts of law principles and consent to resolve any disputes exclusively in the courts in the state of Missouri.

I acknowledge I have read and understand the above, the Plan and the offering circular for the Plan, and any supplements thereto and agree to the terms of the award as set forth therein.

Date

_____«FULL_NAME»_____

Signature

[2016] PERFORMANCE SHARES PROGRAM
AWARD SUMMARY

- [FY16 - FY18] Performance Shares Plan Award
 - The actual payout earned will be based on Company performance during the Performance Period beginning [October 1, 2016] and ending on [September 30, 2018].
 - Payout will range from [0 to 115%] of Performance Share Award Units.
 - Quarterly dividend equivalents on [100%] of the Performance Share Award Units will be ACCRUED to a nominal account for the Participant, commencing with the next regularly scheduled quarterly dividend payment date after the award.
 - The accrued dividend equivalents on the EARNED units (if any), will be paid and included with the payment of the earned units at the time the earned units are paid out after end of the performance period; this payment is subject to your continued employment with the company during the performance period, up to and including the final approval of the payout percentage by Emerson Electric Co. Board of Directors' Compensation Committee and the actual payout date, and
 - The accrued dividend equivalents on any unearned units will be forfeited.
 - The EARNED payout percentage under the plan will be determined and the EARNED units (if any) paid following the end of the Performance Period; this payment is subject to your continued employment with the company during the performance period, up to and including the final approval by Emerson Electric Co - Board of Directors' Compensation Committee and actual payout date.
- Participant's right to the Award are not vested, and it is understood and agreed that Participant may forfeit the Award and dividend equivalents, whether paid or accrued, if any of the terms or conditions of the Award, including the non-competition and non-solicitation obligations, as set out in the Plan and Acceptance of Award are not met, if Participant engages in intentional misconduct in connection with his or her employment or is in violation of the Company's Business Ethics Program, or if Participant fails to remain employed by the Company for the periods described above.

EMERSON ELECTRIC CO.

TO:
FROM: Compensation Committee (the "Committee")
DATE:
FILE: [2015] Incentive Shares Plan (the "Plan")
RE: Award of Restricted Shares

The Committee has awarded to you _____ (____) Restricted Shares ("Shares") under the terms of the Plan. This award is subject to all the terms of the Plan, which is incorporated herein by reference and a copy of which has been delivered to you, and are described in the offering circular relating to Plan, as amended or supplemented. The Restriction Period applicable to these Shares is _____ (__) years from the date hereof.

The following are additional terms, conditions and provisions applicable to this award:

1. Your rights in regard to these Shares are not vested, and you understand and agree, by your signature to this agreement, that your entire interest in these Shares may be forfeited if you fail to remain in the employ of Emerson Electric Co. ("Emerson Electric") or any of its divisions, subsidiaries or affiliates (collectively, "Emerson") for the full term of the Restriction Period, or in the event you fail to abide by any of the terms or conditions attached to this award or set out in the Plan or in this Agreement.
2. Specifically, the Shares shall not vest until the expiration of the Restriction Period and shall be wholly forfeited in the event of your resignation or discharge or you otherwise fail to remain so employed, including by reason of divestiture or spin-off, prior to such time; provided, however, in the event of any termination on account of death or any disability which in the determination of the Committee prevents your continued employment by Emerson, the award of Shares will be prorated for your period of service during the Restriction Period and, provided you are not otherwise in default hereunder, you or your estate will receive such prorated number of Shares free of any restriction; provided further, however, in the event of a termination of your employment prior to the expiration of the Restriction Period, other than on account of your death or disability, the Committee, in its absolute discretion, may make such pro rata or other payment (or no payment) as it may determine.
3. During the Restriction Period the Shares will be evidenced by a certificate issued in your name, but such certificate will not be delivered to you and shall be held by Emerson until the expiration of the Restriction Period or until earlier forfeiture. During the Restriction Period (and prior to any forfeiture), your rights in respect of the Shares shall be as follows.
 - (i) You will be entitled to receive cash dividends when paid on the Shares and you will be entitled to vote the Shares.
 - (ii) During the Restriction Period you shall not be entitled to delivery of any stock certificate evidencing the Shares.
 - (iii) The certificates for the Shares may have imprinted thereon such restrictive legends, and such stop-transfer orders, dividend payment orders and such other orders as may be given in respect thereof by the Committee as it may determine in its sole discretion.
 - (iv) During the Restriction Period you may not sell, transfer, pledge, exchange, hypothecate or otherwise dispose of any of the Shares.
 - (v) Stock dividends paid or any other property distribution made on the Shares shall not be paid or delivered to you but shall be held by Emerson on the same terms as the Shares on which they were paid;

provided, however, the Committee in its discretion may direct the payment of any such stock dividends or other property directly to you, free of the restriction imposed by this Agreement.

4. You understand that this award is confidential and that the dissemination of any information concerning the fact of this award or of any information relating to this award to any person or persons within or without Emerson (including its officers and any of your superiors or subordinates) would be, or might be, injurious to the interests of Emerson. Accordingly, you agree that you will maintain in confidence and will reveal to no one the fact that you have received this award or any information concerning this award, except as you may be required by law to make any such disclosure. You further agree that any breach of this agreement of confidentiality (before or after the Restriction Period) will constitute good cause for the termination of your employment by Emerson. You further understand that if such breach occurs during the Restriction Period applicable to the Shares, Emerson may cause your right to such Shares to be forfeited forthwith.

5. By your acceptance of this award you agree that should your employment with Emerson end for any reason (either during or after the Restriction Period), including by reason of divestiture or spin-off, you will not directly or indirectly, for a period of two years immediately following your last day of employment with Emerson, (a) compete against, or enter the employ of or assist any person, firm, corporation or other entity in a business that competes against, any business of Emerson in which you were employed, (b) compete against any such Emerson business by soliciting or pursuing its customers, or (c) solicit or hire any Emerson employees. Emerson shall be entitled to all rights and remedies available at law or equity for any breach or threatened breach pertaining to this Agreement, including a return of all Shares issued, damages and injunctive relief.

6. At the end of the Restriction Period, the Shares which have not been forfeited, together with any cash held on account of dividends on such Shares, shall be delivered to you, except that Emerson shall withhold sufficient Shares and cash to enable it to satisfy its federal, state and local tax withholding obligations.

7. You acknowledge and agree that this award has been granted to you pursuant to a determination made by the Committee, and such Committee or any successor or substitute committee authorized by the Board of Directors or the Board of Directors itself, subject to the express terms of this award, shall have plenary authority to interpret any provision of this award and to make any determinations necessary or advisable for the administration of this award, and may waive or amend any provisions hereof in any manner not adversely affecting the rights granted to you by the express terms hereof.

8. This Agreement shall be deemed executed and delivered by you in the City or County of St. Louis, Missouri and shall be governed by Missouri law without regard to conflicts of laws principles. You consent to resolve any disputes exclusively in the state or Federal courts in the state of Missouri.

Counsel for Emerson has advised that in the opinion of such counsel,

(i) The receipt of this award does not constitute taxable income to you. Any cash dividends which are paid to you on the Shares will constitute taxable income to you when received. At such time as the restrictions on the Shares are released or satisfied and your right to the Shares becomes non-forfeitable, you will have taxable income in an amount equal to the then fair market value of the Shares.

(ii) If you are a director or officer of Emerson Electric subject to the requirement of filing reports under Section 16(a) of the Securities Exchange Act of 1934 upon changes in your beneficial ownership of shares of Emerson Electric's Common Stock, you must report the award of Restricted Shares on Form 4, Statement of Changes in Beneficial Ownership not later than two (2) business days after the date of the award.

This award agreement is dated _____, has been executed and delivered by the parties hereto in St. Louis City or County, State of Missouri.

For Emerson
(as approved by the Compensation Committee)

Acknowledgment

The undersigned, _____, grantee of the award of Shares pursuant to this Agreement, hereby accepts said award on the terms, conditions and provisions contained in the Plan and in this Agreement. The undersigned acknowledges receipt of a copy of the Plan and understands that his rights in respect of the Shares may be forfeited as provided in the Plan and in this Agreement.

Dated _____, 20__

Awardee

Special Recognition Award - Cash Incentive Program Acceptance Form

You have been recommended for an award of \$350,000, under the Special Recognition Award - Cash Incentive Program, payable in two (2) installments as follows:

- A. 50% of the incentive payment on April 1, 2015
- B. 50% of the incentive payment on January 15, 2016

Participation in this program is very selective and made solely upon recommendations by the CEO to the Compensation Committee.

In consideration of the foregoing agreement by Emerson, you agree to the following:

1. That during your employment by Emerson Electric Co. or any of its business units, subsidiaries or affiliates (collectively, "Emerson"), and for a period of two (2) years immediately after termination of such employment for any reason, you will not directly or indirectly, regardless of whether any payment has been made to you under this Program, (a) compete against, or enter the employ of or assist any person, firm, corporation or other entity in a business that competes against, any business of Emerson in which you were employed, (b) compete against any such Emerson business by soliciting or pursuing its customers, or (c) solicit or hire any Emerson employees. Emerson shall be entitled to all rights and remedies available at law or equity for any breach or threatened breach of this agreement, including damages and injunctive relief. You also agree Missouri law governs this agreement without regard to any conflicts of laws principles and consent to resolve any disputes exclusively in the courts in the state of Missouri.
2. You agree to keep the terms of this letter agreement in strictest confidence and will not divulge such terms to anyone other than members of your immediate family, your attorneys, and/or your financial advisors, whom you will ensure will comply with this provision. Failure to comply with the preceding sentence will result in the forfeiture of the incentive bonus.
3. If you leave the employ of Emerson or any Emerson business unit, for any reason, prior to the end of the Eligibility period, any unpaid incentive payment under the Program, will be cancelled.
4. Unless specifically approved by the Company in advance, if you voluntarily leave the employ of Emerson or any Emerson business unit within one (1) year after any payment made to you under the Program, you will be required to pay back to the Company 100% of such payment.

AGREED:

/s/ Edgar M. Purvis

October 24, 2013

Date

FOR EMERSON:

/s/ Cynthia G. Heath

January 15, 2014

Date

EMERSON ELECTRIC CO. AND SUBSIDIARIES
COMPUTATION OF THE RATIO OF EARNINGS TO FIXED CHARGES
(Dollars in Millions)

	Year Ended September 30,				
	2011	2012	2013	2014	2015
Earnings:					
Earnings from continuing operations before income taxes	\$ 3,631	3,115	3,196	3,348	4,161
Fixed charges	370	373	373	355	331
Earnings, as defined	<u>\$ 4,001</u>	<u>3,488</u>	<u>3,569</u>	<u>3,703</u>	<u>4,492</u>
Fixed Charges:					
Interest expense	\$ 246	241	234	218	200
One-third of all rents	124	132	139	137	131
Total fixed charges	<u>\$ 370</u>	<u>373</u>	<u>373</u>	<u>355</u>	<u>331</u>
Ratio of Earnings to Fixed Charges	<u>10.8X</u>	<u>9.4X</u>	<u>9.6X</u>	<u>10.4X</u>	<u>13.6X</u>

FINANCIAL REVIEW

Report of Management

The Company's management is responsible for the integrity and accuracy of the financial statements. Management believes that the financial statements for the three years ended September 30, 2015 have been prepared in conformity with U.S. generally accepted accounting principles appropriate in the circumstances. In preparing the financial statements, management makes informed judgments and estimates where necessary to reflect the expected effects of events and transactions that have not been completed. The Company's disclosure controls and procedures ensure that material information required to be disclosed is recorded, processed, summarized and communicated to management and reported within the required time periods.

In meeting its responsibility for the reliability of the financial statements, management relies on a system of internal accounting control. This system is designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles. The design of this system recognizes that errors or irregularities may occur and that estimates and judgments are required to assess the relative cost and expected benefits of the controls. Management believes that the Company's internal accounting controls provide reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected within a timely period.

The Audit Committee of the Board of Directors, which is composed solely of independent directors, is responsible for overseeing the Company's financial reporting process. The Audit Committee meets with management and the Company's internal auditors periodically to review the work of each and to monitor the discharge by each of its responsibilities. The Audit Committee also meets periodically with the independent auditors, who have free access to the Audit Committee and the Board of Directors, to discuss the quality and acceptability of the Company's financial reporting and internal controls, as well as nonaudit-related services.

The independent auditors are engaged to express an opinion on the Company's consolidated financial statements and on the Company's internal control over financial reporting. Their opinions are based on procedures that they believe to be sufficient to provide reasonable assurance that the financial statements contain no material errors and that the Company's internal controls are effective.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. With the participation of the Chief Executive Officer and the Chief Financial Officer, management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework and the criteria established in *Internal Control - Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management has concluded that internal control over financial reporting was effective as of September 30, 2015.

The Company's auditor, KPMG LLP, an independent registered public accounting firm, has issued an audit report on the effectiveness of the Company's internal control over financial reporting.

/s/ David N. Farr
David N. Farr
*Chairman of the Board
and Chief Executive Officer*

/s/ Frank J. Dellaquila
Frank J. Dellaquila
*Executive Vice President
and Chief Financial Officer*

Results of Operations

Years ended September 30

(Dollars in millions, except per share amounts)

	2013	2014	2015	Change '13 - '14	Change '14 - '15
Net sales	\$ 24,669	24,537	22,304	(1)%	(9)%
Gross profit	\$ 9,952	10,158	9,048	2 %	(11)%
<i>Percent of sales</i>	40.3%	41.4%	40.6%		
SG&A	\$ 5,648	5,715	5,184		
<i>Percent of sales</i>	22.9%	23.3%	23.3%		
Gains on divestitures of businesses	\$ —	—	1,039		
Goodwill impairment	\$ 528	508	—		
Other deductions, net	\$ 362	393	571		
Interest expense, net	\$ 218	194	171		
Earnings before income taxes	\$ 3,196	3,348	4,161	5 %	24 %
<i>Percent of sales</i>	13.0%	13.6%	18.7%		
Net earnings common stockholders	\$ 2,004	2,147	2,710	7 %	26 %
<i>Percent of sales</i>	8.1%	8.7%	12.2%		
Diluted EPS – Net earnings	\$ 2.76	3.03	3.99	10 %	32 %
Return on common stockholders' equity	19.2%	20.7%	29.8%		
Return on total capital	16.4%	17.5%	22.8%		

OVERVIEW

Emerson's sales for 2015 were \$22.3 billion, a decrease of \$2,233 million, or 9 percent in a very challenging environment. Underlying sales were down 2 percent compared with prior year due to a slowdown in industrial capital spending, particularly in oil and gas and energy-related markets, and slowing economic activity in China and other emerging markets. In addition, the significant strength of the U.S. dollar and divestitures reduced sales by 7 percent.

Net earnings common stockholders were \$2,710 million in 2015, up 26 percent compared with prior year earnings of \$2,147 million. Diluted earnings per share were \$3.99, up 32 percent versus \$3.03 per share in 2014. Excluding certain items, net earnings were \$2,151 million, down 19 percent compared with \$2,655 million in 2014, while diluted earnings per share were \$3.17, down 15 percent versus \$3.75 in 2014.

Excluded items in 2015 include gains of \$532 million, \$0.78 per share, and \$79 million, \$0.12 per share, from the divestitures of the power transmission solutions and commercial storage businesses, respectively, and costs of \$52 million for fees and income tax expense, (\$0.08) per share, related to the planned spinoff of the network power systems business. Excluded from 2014 is a goodwill impairment charge of \$508 million, \$0.72 per share, related to the network power systems business in Europe. These items collectively benefited 2015 net earnings and earnings per share growth 45 and 47 percentage points, respectively.

Sales declined in four of the Company's five operating segments. Process Management sales decreased 7 percent, primarily due to unfavorable foreign currency translation of 5 percent, and the slowdown in oil and gas capital spending. Industrial Automation was down 17 percent, due to a negative impact from a divestiture of 7 percent and unfavorable foreign currency translation of 6 percent, as well as reduced industrial capital spending and weakness in Europe. Sales for Network Power decreased 12 percent on unfavorable foreign currency translation of 5 percent, divestitures of 4 percent, and lower customer capital spending. Climate Technologies sales decreased 2 percent due to the impact of foreign currency translation, while underlying sales were flat. Commercial & Residential Solutions sales were also flat.

The Company generated operating cash flow of \$2.5 billion and free cash flow (operating cash flow less capital expenditures) of \$1.8 billion. Operating cash flow was reduced \$424 million in 2015 for the payment of income taxes on the divestiture gains.

NET SALES

Net sales for 2015 were \$22.3 billion, a decrease of \$2,233 million, or 9 percent compared with 2014. Underlying sales, which exclude foreign currency translation, acquisitions and divestitures, decreased 2 percent (\$511 million) on volume declines. Foreign currency translation subtracted 5 percent (\$1,123 million), divestitures subtracted 2 percent (\$628 million) and acquisitions added \$29 million. Underlying sales decreased 2 percent in both the U.S. and internationally. Sales in Process Management decreased \$673 million, Industrial Automation decreased \$869 million, Network Power decreased \$632 million and Climate Technologies decreased \$98 million. Commercial & Residential Solutions sales were flat.

Net sales for 2014 were \$24.5 billion, a decrease of \$132 million, or 1 percent compared with 2013, due to the divestitures of the embedded computing and power (now Artesyn Embedded Technologies or "Artesyn") and connectivity solutions businesses. Consolidated results reflect a 3 percent (\$729 million) increase in underlying sales driven by volume gains. Divestitures subtracted 5 percent (\$1,112 million), acquisitions added 1 percent (\$328 million), and foreign currency translation subtracted \$77 million. Underlying sales grew 4 percent in the U.S. and 2 percent internationally. Reported sales growth was led by Process Management, which increased \$579 million including acquisitions, and Climate Technologies, which increased \$233 million. Sales in Industrial Automation and Commercial & Residential Solutions increased \$105 million and \$59 million, respectively. Network Power decreased \$1,082 million due to divestitures.

INTERNATIONAL SALES

Emerson is a global business with international sales representing 56 percent of total sales, including U.S. exports. Although economic conditions are currently soft worldwide, the Company generally expects faster economic growth in emerging markets in Asia, Latin America, Eastern Europe and Middle East/Africa in the future.

International destination sales, including U.S. exports, decreased 12 percent, to \$12.5 billion in 2015, primarily reflecting decreases in Process Management and Industrial Automation, partially due to the power transmission solutions divestiture, and prior year divestitures in Network Power. These decreases were partially offset by growth in Climate Technologies and Commercial & Residential Solutions. U.S. exports of \$1.3 billion were down 5 percent compared with 2014. Underlying international destination sales declined 2 percent on lower volume, as foreign currency translation and divestitures had an 8 and 2 percent unfavorable impact, respectively, on the comparison. Underlying sales were flat in Europe, decreased 5 percent in Asia (China down 10 percent) and 9 percent in Latin America, and increased 2 percent in Canada and 3 percent in Middle East/Africa. The slowdown in industrial capital spending, particularly in oil and gas, has hampered growth in these areas. Origin sales by international subsidiaries, including shipments to the U.S., totaled \$11.3 billion in 2015, down 12 percent compared with 2014, reflecting the slowdown in industrial capital spending, unfavorable foreign currency translation and divestitures.

International destination sales, including U.S. exports, decreased 3 percent, to \$14.2 billion in 2014, primarily reflecting the divestitures in Network Power, partially offset by increases in Process Management, Climate Technologies and Commercial & Residential Solutions. U.S. exports of \$1.4 billion were down 13 percent compared with 2013 primarily due to the Artesyn divestiture. Underlying international destination sales grew 2 percent on volume, as divestitures, acquisitions and foreign currency translation had a 5 percent unfavorable impact on the comparison. Underlying sales increased 1 percent in Europe, 4 percent in Asia (China up 7 percent), 2 percent in Latin America and 1 percent in Canada, and declined 1 percent in Middle East/Africa. Origin sales by international subsidiaries, including shipments to the U.S., totaled \$12.9 billion in 2014, down 2 percent compared with 2013 due to divestitures.

ACQUISITIONS AND DIVESTITURES

In June 2015, the Company announced plans to spin off its network power systems business through a tax-free distribution to shareholders, and explore strategic alternatives, including potential sale, for its power generation and motors, drives, and residential storage businesses. These businesses together represent approximately 29 percent of consolidated 2015 sales, 10 percent of pretax earnings and 20 percent of cash flow, or approximately \$6.4 billion, \$400 and \$500, respectively. The Company's strategic actions will streamline its portfolio, drive growth and accelerate value creation for shareholders. When completed, these transactions will result in a smaller and more focused Company, with leadership positions in higher-growth end markets that provide significant opportunities for enhanced growth and improved profitability. In addition, the Company is bringing its corporate services and

structure into alignment with its smaller scale and sharper focus. The spinoff of the network power systems business will create two independent publicly traded companies and is subject to certain conditions, including completion of the Company's due diligence processes, receipt of favorable opinions regarding the tax-free status of the transaction for federal income tax purposes, local regulatory approvals, review of the Form 10 that will be filed with the SEC, and final approval by Emerson's Board of Directors.

In 2015, the Company incurred \$42 million in income tax expense and \$10 million in other fees related to the planned spinoff (in total, \$0.08 per share). The Company estimates it would incur costs throughout 2016 to effect the entire portfolio repositioning as follows: approximately \$100 to \$200 million of income taxes related to reorganizing the ownership structures of these businesses; approximately \$200 million for investment banking, legal, consulting and other costs; and approximately \$100 million in capitalized costs, including debt issuance costs, pension funding and the separation of information technology systems. The strategic actions being contemplated are expected to be substantially completed by the end of 2016. With regard to the evaluation of strategic alternatives for the power generation and motors, drives, and residential storage businesses, there can be no assurance that the review process will result in any transaction. See Item 1A, "Risk Factors," in the Company's Annual Report on Form 10-K.

The Company completed eight acquisitions in 2015, seven in Process Management and one in Commercial & Residential Solutions, which had combined annualized sales of approximately \$115 million. Total cash paid for all businesses was \$324 million, net of cash acquired. These acquisitions complement the existing segment portfolios and create incremental growth opportunities. See Note 3.

In January 2015, the Company completed the sale of its mechanical power transmission solutions business to Regal Beloit Corporation for \$1.4 billion, and recognized a pretax gain from the transaction of \$939 million (\$532 million after-tax, \$0.78 per share). Proceeds from the divestiture were used for share repurchase. This business was previously reported in the Industrial Automation segment, and had partial year sales of \$189 million in 2015 and related pretax earnings of \$21 million. Power transmission solutions designs and manufactures market-leading couplings, bearings, conveying components and gearing and drive components, and provides supporting services and solutions.

On September 30, 2015, the Company sold its InterMetro commercial storage business to Ali Group of Italy for \$411 million in cash and recognized a pretax gain from the transaction of \$100 million (\$79 million after-tax, \$0.12 per share). This business had annual sales of \$288 million and pretax earnings of \$42 million in 2015, and is included in the Commercial & Residential Solutions segment. InterMetro is a leading manufacturer and supplier of storage and transport products in the food service, commercial products and health care industries.

In 2014, the Company acquired Virgo Valves and Enardo Holdings, manufacturers of engineered valves and automation systems, and tank and terminal safety equipment, respectively. Both businesses are reported in Process Management and complement the existing portfolio. The Company also acquired four other smaller businesses in 2014, in Process Management and Network Power. Combined annualized sales for all businesses acquired in 2014 were approximately \$376 million. The Company also acquired the remaining 44.5 percent noncontrolling interest in the Appleton Group electrical distribution business, in the Industrial Automation segment, in 2014. Sales for this business were \$542 million in 2014. Full ownership of Appleton provides growth opportunities in oil and gas and chemicals end markets. See Note 3.

Early in 2014, the Company completed the divestiture of a 51 percent controlling interest in Artesyn and received net proceeds of \$264 million. The Company used the sale proceeds and cash repatriated from the business to purchase common stock. Late in 2014, the Company sold its connectivity solutions business for \$99 million in cash. See Note 3.

COST OF SALES

Cost of sales for 2015 were \$13.3 billion, a decrease of \$1,123 million compared to \$14.4 billion in 2014, primarily due to the impact of foreign currency translation, divestitures, lower sales volume and the benefit of cost reduction efforts. Gross profit was \$9.0 billion in 2015 compared to \$10.2 billion in 2014. Gross margin of 40.6 percent decreased 0.8 percentage points versus 41.4 percent in 2014, due to deleverage on the lower volume, unfavorable mix and the impact of the stronger dollar on product costs, partially offset by savings from restructuring actions. Divestitures had a 0.2 percentage point favorable impact on margin.

Cost of sales for 2014 were \$14.4 billion, a decrease of \$338 million compared to \$14.7 billion in 2013, largely due to the Artesyn divestiture partially offset by higher costs associated with increased volume, including acquisitions. Gross profit was \$10.2 billion in 2014 compared to \$10.0 billion in 2013. Gross margin of 41.4 percent increased 1.1 percentage points versus 40.3 percent in 2013. The increase reflects a 0.7 percentage point favorable comparative impact from the Artesyn divestiture, which had relatively lower gross margin, as well as materials cost containment, cost reduction savings and lower pension expense. Lower price, unfavorable mix and other costs partially offset the increase.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative (SG&A) expenses of \$5.2 billion in 2015 decreased \$531 million compared with 2014. The decrease primarily reflects the impact of foreign currency translation, reduced costs from lower sales volume, divestitures and lower incentive stock compensation of \$113 million. SG&A as a percent of sales was 23.3 percent in 2015, flat compared with 2014 as deleverage on the lower volume was offset by savings from restructuring actions and lower incentive stock compensation expense.

SG&A expenses of \$5.7 billion in 2014 increased \$67 million compared with 2013. The increase primarily reflects costs associated with increased volume, including acquisitions, partially offset by the Artesyn divestiture and lower incentive stock compensation expense of \$78 million. SG&A as a percent of sales was 23.3 percent in 2014, a 0.4 percentage point increase versus 22.9 percent in 2013. The Artesyn divestiture had an unfavorable 0.3 percentage point impact on the comparison, as this business had relatively lower SG&A requirements. The benefit of cost containment actions was more than offset by business investment spending and other costs.

GAINS ON DIVESTITURES OF BUSINESSES

During 2015, the Company sold its power transmission solutions and commercial storage businesses and recorded pretax gains of \$939 million (\$532 million after-tax, \$0.78 per share) and \$100 million (\$79 million after-tax, \$0.12 per share), respectively. See Note 3.

GOODWILL IMPAIRMENT

In 2015, the Company announced strategic actions, including the planned spinoff of the network power systems business, as well as evaluation of alternatives, including potential sale, for the power generation and motors, and drives businesses. These units had goodwill of \$2.1 billion, \$430 million and \$232 million, respectively. Based on the Company's fourth quarter analysis, the estimated fair values of the network power systems and power generation and motors businesses exceeded carrying value by more than 20 percent, while the estimated fair value of the drives business exceeded carrying value by approximately 10 percent. These businesses experienced declining sales and profitability in 2015 amid challenging market conditions and the strength of the U.S. dollar. There can be no assurance that the Company will not recognize an impairment charge on the ultimate spinoff of the network power systems business, or incur a loss on the potential sale of the other businesses. Assumptions used in determining fair value include successful execution of business plans, including adoption of new products and expansion of services, and the completion of restructuring actions initiated in 2015 to improve productivity through consolidation and rationalization of the cost structure. Additional assumptions include gradual improvement in served markets beginning in the latter half of 2016, particularly recovery in the demand for telecommunications networks and data centers, an expansion of industrial capital spending, and improving economic conditions in Europe and Asia.

In 2014, the Company recognized a noncash goodwill impairment charge of \$508 million (\$0.72 per share) related to the network power systems business in Europe. The business had been unable to meet its operating objectives due to a weak Western Europe economy, and the 2015 and 2016 outlook for Europe was uncertain. In 2013, challenges persisted in the Artesyn business, sales and earnings were below expectations, and the Company recorded a noncash goodwill impairment charge of \$503 million (\$475 million after-tax, \$0.65 per share) and income tax charges of \$70 million (\$0.10 per share). Additionally in 2013, the Company recorded a noncash goodwill impairment charge of \$25 million (\$21 million after-tax, \$0.03 per share) related to its connectivity solutions business, due to not meeting forecasted expectations. See Note 6.

OTHER DEDUCTIONS, NET

Other deductions, net were \$571 million in 2015, a \$178 million increase from 2014 primarily due to an increase in rationalization expense of \$156 million, higher litigation costs of \$33 million, unfavorable foreign currency transactions of \$(14) million and \$10 million in fees related to the planned spinoff of the network power systems business, partially offset by a favorable comparative effect from a \$34 million equity investment loss in the prior year. The Company accelerated restructuring activity in 2015 to address the global slowdown in capital spending and position itself for future growth. See Notes 4 and 5.

Other deductions, net were \$393 million in 2014, a \$31 million increase from 2013 primarily due to the \$34 million Artesyn equity investment loss, a \$13 million China research incentive credit in 2013 and several other items, partially offset by a \$23 million reduction in rationalization expense in 2014 and favorable foreign currency transactions of \$20 million.

INTEREST EXPENSE, NET

Interest expense, net was \$171 million, \$194 million and \$218 million in 2015, 2014 and 2013, respectively. The decrease of \$23 million in 2015 and \$24 million in 2014 primarily resulted from the maturity of long-term debt with relatively higher interest rates.

INCOME TAXES

Income taxes were \$1,428 million, \$1,164 million and \$1,130 million for 2015, 2014 and 2013, respectively, resulting in effective tax rates of 34 percent in 2015, and 35 percent for 2014 and 2013. The underlying effective rates in these years were 31 percent, 30 percent and 29 percent, respectively. The 3 percentage point unfavorable impact on the 2015 rate is due to divestitures and income taxes provided for the planned spinoff. The effective rates in 2014 and 2013 include 5 and 6 percentage point unfavorable impacts, respectively, from the low tax deductibility of impaired goodwill, as well as an income tax charge in 2013 for the repatriation of non-U.S. earnings.

NET EARNINGS AND EARNINGS PER SHARE; RETURNS ON EQUITY AND TOTAL CAPITAL

Net earnings attributable to common stockholders in 2015 were \$2,710 million, up 26 percent compared with 2014, and diluted earnings per share were \$3.99, up 32 percent. Combined, the gains from divestitures and spinoff-related costs in 2015, and the goodwill impairment charge in 2014, benefited net earnings and earnings per share comparisons 45 and 47 percentage points, respectively. Earnings per share growth also benefited from the purchase of common stock for treasury. Segment earnings in 2015 decreased \$425 million in Process Management, \$228 million in Network Power, \$202 million in Industrial Automation, partially due to the power transmission solutions divestiture, \$39 million in Climate Technologies and \$21 million in Commercial & Residential Solutions. See the Business Segments discussion that follows and Note 17.

Net earnings attributable to common stockholders in 2014 were \$2,147 million, up 7 percent compared with 2013, and diluted earnings per share were \$3.03, up 10 percent. Earnings per share growth benefited from the purchase of common stock for treasury. The goodwill impairment charge in 2014 was \$58 million and \$0.06 per share lower than goodwill impairment and income tax charges in 2013, which aided both earnings and earnings per share growth 4 percentage points. Segment earnings in 2014 increased \$109 million in Process Management, \$21 million in Climate Technologies, \$25 million in Industrial Automation and \$20 million in Commercial & Residential Solutions. Earnings decreased \$95 million in Network Power largely due to divestitures.

Return on common stockholders' equity (net earnings attributable to common stockholders divided by average common stockholders' equity) was 29.8 percent in 2015 compared with 20.7 percent in 2014 and 19.2 percent in 2013. Return on total capital was 22.8 percent in 2015 compared with 17.5 percent in 2014 and 16.4 percent in 2013 (computed as net earnings attributable to common stockholders excluding after-tax net interest expense, divided by average common stockholders' equity plus short- and long-term debt less cash and short-term investments). Combined, the impact of divestitures and the spinoff-related costs increased the 2015 returns on common stockholders' equity and total capital approximately 6 and 5 percentage points, respectively. Goodwill impairment charges in 2014 and 2013 reduced the returns on common stockholders' equity and total capital approximately 3 percentage points in each year.

Business Segments

Following is an analysis of segment results for 2015 compared with 2014, and 2014 compared with 2013. The Company defines segment earnings as earnings before interest and income taxes.

PROCESS MANAGEMENT

(dollars in millions)	2013	2014	2015	Change '13 - '14	Change '14 - '15
Sales	\$ 8,610	9,189	8,516	7%	(7)%
Earnings	\$ 1,809	1,918	1,493	6%	(22)%
Margin	21.0%	20.9%	17.5%		

2015 vs. 2014 - Process Management reported sales of \$8.5 billion in 2015, a decrease of \$673 million or 7 percent. Underlying sales decreased 2 percent (\$221 million) as persistent low oil and gas prices reduced capital and operating spending, especially in upstream markets. Foreign currency translation had an additional 5 percent (\$481 million) unfavorable impact while acquisitions (\$29 million) provided a slight benefit. The measurement devices, final control and systems and solutions businesses all declined. Underlying sales were flat in the U.S., up 1 percent in Europe and decreased 6 percent in Asia (China down 9 percent). Latin America decreased 14 percent and Canada decreased 1 percent, while Middle East/Africa was up 2 percent. Earnings decreased \$425 million and margin was down 3.4 percentage points due to lower volume and deleverage, unfavorable mix and the impact of a stronger dollar on operations. Increased rationalization of \$72 million, higher costs related to growth investments initiated in the prior year and other items were offset by savings from cost reduction actions. Underlying sales will remain under pressure as the expectation of low oil prices will keep industrial spending at reduced levels for most of fiscal 2016.

2014 vs. 2013 - Process Management reported sales of \$9.2 billion in 2014, an increase of \$579 million, or 7 percent on solid demand in energy and chemicals end markets and supported by acquisitions. Underlying sales increased 4 percent (\$299 million) on volume growth, acquisitions added 4 percent (\$328 million) and foreign currency translation subtracted 1 percent (\$48 million). The systems and solutions business had solid growth and the measurement devices business was up moderately. The final control business had strong growth due to the Virgo and Enardo acquisitions. Underlying sales increased 8 percent in the U.S., 3 percent in Europe and 2 percent in Asia, with 5 percent growth in China. Latin America decreased 1 percent, Middle East/Africa was down 4 percent and Canada grew 2 percent. Earnings increased \$109 million on higher volume, including acquisitions, cost reduction savings and materials cost containment, partially offset by unfavorable mix and other costs. Higher business investment spending was largely offset by favorable foreign currency transactions of \$20 million.

INDUSTRIAL AUTOMATION

(dollars in millions)	2013	2014	2015	Change '13 - '14	Change '14 - '15
Sales	\$ 4,885	4,990	4,121	2%	(17)%
Earnings	\$ 777	802	600	3%	(25)%
Margin	15.9%	16.1%	14.6%		

2015 vs. 2014 - Industrial Automation sales were \$4.1 billion in 2015, a decrease of \$869 million or 17 percent. Underlying sales decreased 4 percent (\$192 million) on lower volume, reflecting weakness in Europe and reduced industrial spending, particularly in energy-related and commodity markets. Additionally, the power transmission solutions divestiture deducted 7 percent (\$418 million) and foreign currency translation subtracted 6 percent (\$259 million). Sales decreased in the power generation and motors, drives, electrical distribution and fluid automation businesses. Hermetic motors decreased moderately while the materials joining business was flat. Underlying sales decreased 6 percent in the U.S., 4 percent in Europe and 2 percent in Asia (China down 3 percent). Sales decreased 7 percent in Latin America, 4 percent in Canada and 10 percent in Middle East/Africa. Earnings of \$600 million were down \$202 million and margin decreased 1.5 percentage points, due to the power transmission

solutions divestiture, which negatively impacted the earnings comparison \$67 million, lower volume and deleverage, and unfavorable mix, partially offset by cost containment actions. Higher rationalization expense of \$15 million contributed to the decrease. Market conditions will remain challenging in the near term, with an expectation of moderately improving conditions in the second half of fiscal 2016.

2014 vs. 2013 - Industrial Automation sales were \$5.0 billion in 2014, an increase of \$105 million or 2 percent as slowly recovering global industrial goods markets led to mixed results across the segment. Underlying sales increased 2 percent (\$86 million) on 3 percent higher volume partially offset by 1 percent lower price. Foreign currency translation added \$19 million. Growth was led by the electrical distribution, fluid automation and hermetic motors businesses. Power generating alternators and motors and drives were flat, and power transmission decreased slightly. Underlying sales increased 4 percent in the U.S., decreased 3 percent in Europe and increased 5 percent in Asia on 9 percent growth in China. Sales were up 3 percent in Latin America and 2 percent in Middle East/Africa, while sales were down 3 percent in Canada. Earnings of \$802 million were up \$25 million and margin increased 0.2 percentage points, reflecting cost reduction benefits and lower rationalization expense of \$20 million, partially offset by unfavorable mix and higher warranty. Materials cost containment more than offset lower pricing.

NETWORK POWER

(dollars in millions)	2013	2014	2015	Change '13 - '14	Change '14 - '15
Sales	\$ 6,155	5,073	4,441	(18)%	(12)%
Earnings	\$ 554	459	231	(17)%	(50)%
Margin	9.0%	9.0%	5.2%		

2015 vs. 2014 - Sales for Network Power were \$4.4 billion in 2015, a decrease of \$632 million or 12 percent. Underlying sales were down 3 percent (\$179 million) on 2 percent lower volume and 1 percent lower price, while foreign currency translation deducted 5 percent (\$243 million) and prior year divestitures subtracted 4 percent (\$210 million). Telecommunications power products decreased sharply on lower demand in all geographies. Data center products were down as thermal management was flat, and an increase from a large European hyperscale project was more than offset by decreases in uninterruptible power supply and infrastructure management products. Underlying sales decreased 8 percent in the U.S. and 7 percent in Asia (China down 13 percent), and increased 5 percent in Europe. Sales were down 4 percent in Latin America and 2 percent in Middle East/Africa, and up 15 percent in Canada. Earnings of \$231 million decreased \$228 million, or 50 percent, and margin declined 3.8 percentage points, due to lower volume and deleverage, particularly in telecommunications power products, and unfavorable mix. Higher rationalization expense of \$49 million, litigation and bad debts also contributed to the decrease, while cost reduction actions mitigated the decline. Materials cost containment offset lower pricing. Demand is expected to remain mixed by geography, with opportunities for growth in both data center infrastructure and telecommunications power products over the course of the year.

2014 vs. 2013 - Sales for Network Power were \$5.1 billion in 2014, a decrease of \$1,082 million or 18 percent due to the Artesyn and connectivity solutions divestitures, which subtracted 19 percent (\$1,112 million). Underlying sales increased 2 percent (\$73 million) as 3 percent higher volume was partially offset by 1 percent lower price. Foreign currency translation subtracted 1 percent (\$43 million). The data center business was up slightly, led by delivery of a large hyperscale data center project and an increase in uninterruptible power supply products, partially offset by decreases in thermal management and infrastructure products. The global telecommunications power business was flat, on modest increases in the Americas and Asia offset by a decrease in Europe. Geographically, underlying sales increased 2 percent in the U.S., 4 percent in Europe, 2 percent in Asia and 3 percent in Middle East/Africa. Canada was flat and Latin America decreased 6 percent. Earnings of \$459 million decreased \$95 million, or 17 percent, as lower earnings from the divestitures of \$59 million and a \$13 million China research credit in 2013 negatively affected the comparison 12 percentage points. The divestitures of the lower margin Artesyn business, and the connectivity solutions business, net of the research credit, improved margin comparisons 0.5 percentage points. Cost containment and lower rationalization expense of \$10 million were favorable. Materials cost containment substantially offset lower pricing.

CLIMATE TECHNOLOGIES

(dollars in millions)	2013	2014	2015	Change '13 - '14	Change '14 - '15
Sales	\$ 3,876	4,109	4,011	6%	(2)%
Earnings	\$ 716	737	698	3%	(5)%
Margin	18.5%	17.9%	17.4%		

2015 vs. 2014 - Sales for Climate Technologies were \$4.0 billion in 2015, a decrease of \$98 million, or over 2 percent due to unfavorable foreign currency translation (\$112 million). Underlying sales were up slightly (\$14 million) as an increase in the global refrigeration business was essentially offset by a decrease in air conditioning. The temperature controls and sensors businesses were flat. Air conditioning sales in the U.S., Europe and China decreased while the rest of the world had strong growth. Global refrigeration was up modestly with growth in the U.S. and Asia and weakness in Europe. Overall, underlying sales were flat in the U.S., down 2 percent in Asia (China down 12 percent) and decreased 1 percent in Europe. Latin America was down 4 percent, Middle East/Africa was up 26 percent and Canada increased 13 percent. Earnings of \$698 million decreased \$39 million and margin declined 0.5 percentage points primarily due to unfavorable mix. Growth investments, and higher rationalization and unfavorable foreign currency transactions of \$6 million each, were more than offset by cost reduction savings. Global demand in the air conditioning and refrigeration markets is expected to remain favorable in 2016, supporting an outlook for modest growth.

2014 vs. 2013 - Sales for Climate Technologies were \$4.1 billion in 2014, an increase of \$233 million, or 6 percent on increased demand in air conditioning and refrigeration. Underlying sales increased 6 percent (\$237 million) on volume gains. Foreign currency translation subtracted \$4 million. The global air conditioning business had solid growth, on strength in the U.S., Europe and Asia, particularly China. Global refrigeration had strong growth due primarily to transportation. Growth in the solutions business was very strong, although from a much smaller base, while the temperature sensors and controls businesses were mixed. Underlying sales increased 4 percent in the U.S., partially due to recent regulatory changes, 3 percent in Europe, and 10 percent in Asia on 15 percent growth in China. Latin America was up 19 percent, Middle East/Africa was up 6 percent and Canada was flat. Earnings of \$737 million increased \$21 million on higher volume and materials cost containment. The increase was partially offset by unfavorable mix, increased investment spending, customer accommodation expense and higher rationalization expense of \$11 million. Margin declined 0.6 percentage points.

COMMERCIAL & RESIDENTIAL SOLUTIONS

(dollars in millions)	2013	2014	2015	Change '13 - '14	Change '14 - '15
Sales	\$ 1,865	1,924	1,924	3%	—
Earnings	\$ 404	424	403	5%	(5)%
Margin	21.7%	22.1%	21.0%		

2015 vs. 2014 - Commercial & Residential Solutions sales were \$1.9 billion in 2015, flat compared with the prior year. Underlying sales increased 2 percent (\$48 million) on higher volume from favorable U.S. construction markets, while foreign currency translation (\$28 million) and the transfer of a small product line (\$20 million) each deducted 1 percent. The sales increase was led by strong growth in wet/dry vacuums and modest growth in food waste disposers. The professional tools and commercial storage businesses decreased. Underlying sales were up 3 percent in the U.S. and 1 percent internationally. Earnings of \$403 million were down \$21 million and margin declined 1.1 percentage points as higher volume and resulting leverage was more than offset by unfavorable mix, higher rationalization expense of \$9 million, and investments in growth programs. Favorable trends in U.S. construction markets are expected to continue, supporting expectations for moderate sales growth and profit improvement in 2016.

2014 vs. 2013 - Commercial & Residential Solutions sales were \$1.9 billion in 2014, an increase of \$59 million or 3 percent. Underlying sales grew 3 percent (\$60 million) on higher volume. Foreign currency translation subtracted \$1 million. The sales increase was led by solid growth in the food waste disposers and professional tools businesses and a moderate increase in wet/dry vacuums. The storage businesses were mixed with residential increasing slightly while the commercial business decreased moderately. Underlying sales were up 3 percent in the U.S. and 4 percent internationally. Earnings of \$424 million were up \$20 million and margin increased 0.4 percentage points, reflecting higher volume, cost containment and a \$6 million decrease in rationalization expense, partially offset by unfavorable mix.

Financial Position, Capital Resources and Liquidity

The Company continues to generate substantial cash from operations, is in a strong financial position with total assets of \$22 billion and common stockholders' equity of \$8 billion, and has the resources available to reinvest for growth in existing businesses, pursue strategic acquisitions and manage its capital structure on a short- and long-term basis.

CASH FLOW

(dollars in millions)

	2013	2014	2015
Operating Cash Flow	\$ 3,649	3,692	2,529
<i>Percent of sales</i>	<i>14.8%</i>	<i>15.0%</i>	<i>11.3%</i>
Capital Expenditures	\$ 678	767	685
<i>Percent of sales</i>	<i>2.7%</i>	<i>3.1%</i>	<i>3.1%</i>
Free Cash Flow (Operating Cash Flow less Capital Expenditures)	\$ 2,971	2,925	1,844
<i>Percent of sales</i>	<i>12.0%</i>	<i>11.9%</i>	<i>8.3%</i>
Operating Working Capital	\$ 1,686	1,729	1,748
<i>Percent of sales</i>	<i>6.8%</i>	<i>7.0%</i>	<i>7.8%</i>

The Company generated operating cash flow of \$2.5 billion in 2015, a \$1,163 million or 32 percent decrease compared to 2014 primarily due to decreased earnings (excluding after-tax gains from divestitures in 2015 and the goodwill impairment in 2014), income taxes of \$424 million paid on the gains from divestitures, and an increase in operating working capital. Operating cash flow of \$3.7 billion in 2014 was a 1 percent increase compared to \$3.6 billion in 2013. At September 30, 2015, operating working capital as a percent of sales was 7.8 percent, compared with 7.0 percent and 6.8 percent in 2014 and 2013, respectively. In addition to the tax payments for divestiture gains, operating cash flow funded capital expenditures of \$685 million, dividends of \$1,269 million and acquisitions of \$324 million in 2015. Common stock purchases of \$2,487 million were supported by after-tax proceeds from a divestiture and increased borrowings. Contributions to pension plans were \$53 million in 2015, \$130 million in 2014 and \$160 million in 2013. The Company has returned over 60 percent of operating cash flow to stockholders through dividends and purchases of common stock in each of the last five years.

Capital expenditures were \$685 million, \$767 million and \$678 million in 2015, 2014 and 2013, respectively. Free cash flow was \$1.8 billion in 2015, down 37 percent and primarily reflecting lower operating cash flow. Free cash flow was \$2.9 billion in 2014, compared with \$3.0 billion in 2013, reflecting higher capital expenditures. The Company is targeting capital spending of approximately \$625 million in 2016. Net cash paid in connection with acquisitions was \$324 million, \$610 million and \$19 million in 2015, 2014 and 2013, respectively. In 2014, the Company also purchased the noncontrolling interest in Appleton Group for \$574 million. Proceeds from divestitures in 2015, 2014 and 2013 were \$1,812 million, \$363 million and \$3 million, respectively.

Dividends were \$1,269 million (\$1.88 per share) in 2015, compared with \$1,210 million (\$1.72 per share) in 2014 and \$1,181 million (\$1.64 per share) in 2013. In November 2015, the Board of Directors voted to increase the quarterly cash dividend 1 percent, to an annualized rate of \$1.90 per share.

Purchases of Emerson common stock totaled \$2,487 million, \$971 million and \$1,189 million in 2015, 2014 and 2013, respectively, at average per share prices of \$57.68, \$65.54 and \$58.51. The Board of Directors authorized the purchase of up to 70 million common shares in May 2013, and 6.0 million shares remain available for purchase

under this authorization. The Company purchased 43.1 million shares in 2015 and 14.8 million shares in 2014. A total of 20.3 million shares were purchased in 2013 under a combination of the May 2013 authorization and the remainder of a May 2008 authorization. In November 2015, the Board of Directors authorized the purchase of an additional 70 million common shares.

LEVERAGE/CAPITALIZATION

(dollars in millions)	2013	2014	2015
Total Assets	\$ 24,711	24,177	22,088
Long-term Debt	\$ 4,055	3,559	4,289
Common Stockholders' Equity	\$ 10,585	10,119	8,081
Total Debt-to-Total Capital Ratio	34.8%	37.3%	45.8%
Net Debt-to-Net Capital Ratio	18.3%	22.1%	31.3%
Operating Cash Flow-to-Debt Ratio	64.7%	61.3%	37.0%
Interest Coverage Ratio	14.6X	16.3X	21.8X

Total debt, which includes long-term debt, current maturities of long-term debt, commercial paper and other short-term borrowings, was \$6.8 billion, \$6.0 billion and \$5.6 billion for 2015, 2014 and 2013, respectively. During the year, the Company issued \$500 million of 2.625% notes due December 2021 and \$500 million of 3.150% notes due June 2025, and repaid \$250 million of 5.0% notes that matured in December 2014 and \$250 million of 4.125% notes that matured in April 2015. In 2014, the Company repaid \$250 million of 5.625% notes that matured in November 2013. In 2013, the Company repaid \$250 million of 4.625% notes that matured in October 2012 and \$250 million of 4.5% notes that matured in May 2013, and also issued \$500 million of 2.625% notes due February 2023.

The total debt-to-capital ratio and the net debt-to-net capital ratio (less cash and short-term investments) increased primarily due to higher total debt from the issuance of long-term debt and lower common stockholders' equity. The operating cash flow-to-debt ratio decreased in 2015 on higher total debt and lower operating cash flow. The interest coverage ratio is computed as earnings before income taxes plus interest expense, divided by interest expense. The increases in interest coverage in 2015 and 2014 reflect higher pretax earnings (including divestiture gains of \$1,039 million in 2015) and lower interest expense in both years.

In April 2014, the Company entered into a \$3.5 billion five-year revolving backup credit facility with various banks, which replaced the December 2010 \$2.75 billion facility. The credit facility is maintained to support general corporate purposes, including commercial paper borrowing. The Company has not incurred any borrowings under this or previous facilities. The credit facility contains no financial covenants and is not subject to termination based on a change of credit rating or material adverse changes. The facility is unsecured and may be accessed under various interest rate and currency denomination alternatives at the Company's option. Fees to maintain the facility are immaterial. The Company also maintains a universal shelf registration statement on file with the SEC under which it can issue debt securities, preferred stock, common stock, warrants, share purchase contracts or share purchase units without a predetermined limit. Securities can be sold in one or more separate offerings with the size, price and terms to be determined at the time of sale.

Emerson's financial structure provides the flexibility necessary to achieve its strategic objectives. The Company has been successful in efficiently deploying cash where needed worldwide to fund operations, complete acquisitions and sustain long-term growth. At September 30, 2015, \$3.0 billion of the Company's cash was held outside the U.S., primarily in Europe and Asia, and was generally available for repatriation to the U.S. Under current tax law, repatriated cash may be subject to U.S. federal income taxes, net of available foreign tax credits. The Company routinely repatriates a portion of its non-U.S. cash from earnings each year, or otherwise when it can be accomplished tax efficiently, and provides for U.S. income taxes as appropriate. The Company has been able to readily meet all its funding requirements and currently believes that sufficient funds will be available to meet the Company's needs in the foreseeable future through operating cash flow, existing resources, short- and long-term debt capacity or backup credit lines.

CONTRACTUAL OBLIGATIONS

At September 30, 2015, the Company's contractual obligations, including estimated payments, are as follows:

(dollars in millions)	Amounts Due By Period				
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years
Long-term Debt (including Interest)	\$ 6,169	477	871	1,388	3,433
Operating Leases	855	263	304	135	153
Purchase Obligations	1,021	873	104	36	8
Total	\$ 8,045	1,613	1,279	1,559	3,594

Purchase obligations consist primarily of inventory purchases made in the normal course of business to meet operational requirements. The table above does not include \$1.9 billion of other noncurrent liabilities recorded in the balance sheet and summarized in Note 18, which consist primarily of pension and postretirement plan liabilities and deferred income taxes (including unrecognized tax benefits), because it is not certain when these amounts will become due. See Notes 10 and 11 for estimated future benefit payments and Note 13 for additional information on deferred income taxes.

FINANCIAL INSTRUMENTS

The Company is exposed to market risk related to changes in interest rates, commodity prices and foreign currency exchange rates, and selectively uses derivative financial instruments, including forwards, swaps and purchased options to manage these risks. The Company does not hold derivatives for trading purposes. The value of derivatives and other financial instruments is subject to change as a result of market movements in rates and prices. Sensitivity analysis is one technique used to forecast the impact of these movements. Based on a hypothetical 10 percent increase in interest rates, a 10 percent decrease in commodity prices or a 10 percent weakening in the U.S. dollar across all currencies, the potential losses in future earnings, fair value or cash flows are not material. Sensitivity analysis has limitations; for example, a weaker U.S. dollar would benefit future earnings through favorable translation of non-U.S. operating results, and lower commodity prices would benefit future earnings through lower cost of sales. See Notes 1, and 7 through 9.

Critical Accounting Policies

Preparation of the Company's financial statements requires management to make judgments, assumptions and estimates regarding uncertainties that could affect reported revenue, expenses, assets, liabilities and equity. Note 1 describes the significant accounting policies used in preparation of the consolidated financial statements. The most significant areas where management judgments and estimates impact the primary financial statements are described below. Actual results in these areas could differ materially from management's estimates under different assumptions or conditions.

REVENUE RECOGNITION

The Company recognizes nearly all revenue through the sale of manufactured products and records the sale when products are shipped or delivered, and title passes to the customer with collection reasonably assured. In certain limited circumstances, revenue is recognized using the percentage-of-completion method, as performance occurs, or in accordance with ASC 985-605 related to software. Sales arrangements sometimes involve delivering multiple elements, including services such as installation. In these instances, the revenue assigned to each element is based on vendor-specific objective evidence, third-party evidence or a management estimate of the relative selling price. Revenue is recognized individually for delivered elements only if they have value to the customer on a stand-alone basis and performance related to the undelivered items is probable and substantially in the Company's control, or the undelivered elements are inconsequential or perfunctory and there are no unsatisfied contingencies related to payment. Management believes that all relevant criteria and conditions are considered when recognizing revenue.

INVENTORIES

Inventories are stated at the lower of cost or market. The majority of inventory values are based on standard costs, which approximate average costs, while the remainder are principally valued on a first-in, first-out basis. Cost standards are revised at the beginning of each year. The annual effect of resetting standards plus any operating variances incurred during each period are allocated between inventories and cost of sales. The Company's businesses review inventory for obsolescence, make appropriate provisions and dispose of obsolete inventory on a regular basis. Various factors are considered in these reviews, including sales history and recent trends, industry conditions and general economic conditions.

LONG-LIVED ASSETS

Long-lived assets, which include property, plant and equipment, goodwill and identifiable intangible assets, are reviewed for impairment whenever events or changes in business circumstances indicate impairment may exist. If the Company determines that the carrying value of a long-lived asset may not be recoverable, a permanent impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its estimated fair value. Reporting units are also reviewed for possible goodwill impairment at least annually, in the fourth quarter. If an initial assessment indicates it is more likely than not an impairment may exist, it is evaluated by comparing the unit's estimated fair value to its carrying value. Fair value is generally estimated using an income approach that discounts estimated future cash flows using discount rates judged by management to be commensurate with the applicable risk. Estimates of future sales, operating results, cash flows and discount rates are subject to changes in the economic environment, including such factors as the general level of market interest rates, expected equity market returns and the volatility of markets served, particularly when recessionary economic circumstances continue for an extended period of time. Management believes the estimates of future cash flows and fair values are reasonable; however, changes in estimates due to variance from assumptions could materially affect the evaluations.

RETIREMENT PLANS

The Company maintains a prudent long-term investment strategy for its pension assets, consistent with the duration of its pension obligations. The determination of defined benefit plan expense and liabilities is dependent on various assumptions, including the expected annual rate of return on plan assets, the discount rate and the rate of annual compensation increases. Management believes that the assumptions used are appropriate; however, actual experience may differ. In accordance with U.S. generally accepted accounting principles, actual results that differ from the Company's assumptions are accumulated as deferred actuarial gains or losses and amortized to expense in future periods. The Company will begin transitioning from defined benefit to defined contribution retirement plans in 2016. The principal U.S. defined benefit plan will close to newly-hired employees while shorter-tenured current employees will cease accruing benefits. Affected employees will transition to an enhanced defined contribution plan. See Notes 10 and 11.

As of September 30, 2015, the Company's U.S. pension plans were underfunded by \$335 million and non-U.S. plans were underfunded by \$313 million. The U.S. funded status includes unfunded plans totaling \$191 million and the non-U.S. status includes unfunded plans totaling \$215 million. The Company contributed a total of \$53 million to defined benefit plans in 2015 and expects to contribute at a similar level in 2016. At year-end 2015, the discount rate for U.S. plans was 4.35 percent, and was 4.25 percent in 2014. The assumed investment return on plan assets was 7.50 percent in both 2015 and 2014, and was 7.75 percent in 2013, and is expected to be 7.50 percent for 2016. Deferred actuarial losses to be amortized to expense in future years were \$1,628 million (\$1,052 million after-tax) as of September 30, 2015.

INCOME TAXES

Income tax expense and tax assets and liabilities reflect management's assessment of taxes paid or expected to be paid (received) on items included in the financial statements. Uncertainty exists regarding tax positions taken in previously filed tax returns still under examination and positions expected to be taken in future returns. Deferred tax assets and liabilities arise because of temporary differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards. Deferred income taxes are measured using enacted tax rates in effect for the year in which the temporary differences are expected to be recovered or settled. Valuation allowances are provided to reduce deferred tax assets to the amount that will more likely than not be realized. The impact on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. The Company also

pays U.S. federal income taxes, net of available foreign tax credits, on cash repatriated from non-U.S. locations. No provision is made for U.S. income taxes on the undistributed earnings of non-U.S. subsidiaries where these earnings are considered permanently invested or otherwise indefinitely retained for continuing international operations. Determination of the amount of taxes that might be paid on these undistributed earnings if eventually remitted is not practicable. See Notes 1 and 13.

Other Items

LEGAL MATTERS

At September 30, 2015, there were no known contingent liabilities (including guarantees, pending litigation, taxes and other claims) that management believes will be material in relation to the Company's financial statements, nor were there any material commitments outside the normal course of business.

NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB amended ASC 606, *Revenue from Contracts with Customers*, to update and consolidate revenue recognition guidance from multiple sources into a single, comprehensive standard to be applied for all contracts with customers. The fundamental principle of the revised standard is to recognize revenue based on the transfer of goods and services to customers at an amount that the Company expects to be entitled to in exchange for those goods and services. Also required are additional disclosures regarding the nature, extent, timing and uncertainty of revenues and associated cash flows. Required adoption of the new standard has been deferred by the FASB for one year and it is now effective for the Company in the first quarter of fiscal 2019. The new rules may be adopted on either a prospective or retrospective basis. Early adoption is available to the Company in the first quarter of fiscal 2018, the original effective date. The Company is in the process of evaluating the impact of the revised standard on its financial statements and determining its method of adoption.

In May 2015, the FASB issued updates to ASC 820, *Fair Value Measurement*, requiring investments measured using the net asset value per share practical expedient to be removed from the fair value hierarchy and separately reported when making disclosures. The updates have no impact on operations and do not change the determination of fair value for any investments. These updates are effective for the Company in fiscal 2017 and must be adopted on a retrospective basis. Adoption will affect disclosure only; there will be no impact on the Company's financial results.

FISCAL 2016 OUTLOOK

The Company expects difficult market conditions to persist through the first six to nine months of fiscal 2016, as headwinds in served markets from low oil prices and the slowdown in industrial spending will reduce underlying sales growth across the Company's businesses. Net sales for 2016 are expected to decline approximately 6 to 8 percent. Underlying sales are expected to be down approximately 2 to 5 percent, excluding deductions from negative currency translation and completed divestitures of approximately 2 percent each. Profitability will be negatively impacted by lower underlying growth but supported by cost savings generated by the Company's restructuring programs. Adjusted earnings per share are expected to be approximately \$3.05 to \$3.25 in 2016, versus \$3.17 in 2015. The Company currently estimates it would incur expenses of \$300 to \$400 million (approximately \$0.40 to \$0.55 per share) related to the planned network power systems spinoff and potential sales of the power generation and motors, and drives businesses. Reported earnings per share in 2016 would be approximately \$2.50 to \$2.85 including these costs, compared with \$3.99 in 2015.

Consolidated Statements of Earnings
EMERSON ELECTRIC CO. & SUBSIDIARIES

Years ended September 30
(Dollars in millions, except per share amounts)

	2013	2014	2015
Net sales	\$ 24,669	24,537	22,304
Costs and expenses:			
Cost of sales	14,717	14,379	13,256
Selling, general and administrative expenses	5,648	5,715	5,184
Gains on divestitures of businesses	—	—	1,039
Goodwill impairment	528	508	—
Other deductions, net	362	393	571
Interest expense, net of interest income of: 2013, \$16; 2014, \$24; 2015, \$29	218	194	171
Earnings before income taxes	3,196	3,348	4,161
Income taxes	1,130	1,164	1,428
Net earnings	2,066	2,184	2,733
Less: Noncontrolling interests in earnings of subsidiaries	62	37	23
Net earnings common stockholders	\$ 2,004	2,147	2,710
Basic earnings per share common stockholders	\$ 2.78	3.05	4.01
Diluted earnings per share common stockholders	\$ 2.76	3.03	3.99

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income
EMERSON ELECTRIC CO. & SUBSIDIARIES

Years ended September 30
(Dollars in millions)

	2013	2014	2015
Net earnings	\$ 2,066	2,184	2,733
Other comprehensive income (loss), net of tax:			
Foreign currency translation	32	(344)	(794)
Pension and postretirement	521	(54)	(206)
Cash flow hedges	(17)	1	(43)
Total other comprehensive income (loss)	536	(397)	(1,043)
Comprehensive income	2,602	1,787	1,690
Less: Noncontrolling interests in comprehensive income of subsidiaries	56	34	22
Comprehensive income common stockholders	\$ 2,546	1,753	1,668

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheets
EMERSON ELECTRIC CO. & SUBSIDIARIES

September 30
(Dollars in millions, except per share amounts)

	2014	2015
ASSETS		
Current assets		
Cash and equivalents	\$ 3,149	3,054
Receivables, less allowances of \$114 in 2014 and \$128 in 2015	5,019	4,319
Inventories	2,057	1,847
Other current assets	642	829
Total current assets	<u>10,867</u>	<u>10,049</u>
Property, plant and equipment, net	3,802	3,585
Other assets		
Goodwill	7,182	6,653
Other intangible assets	1,689	1,526
Other	637	275
Total other assets	<u>9,508</u>	<u>8,454</u>
Total assets	<u>\$ 24,177</u>	<u>22,088</u>
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings and current maturities of long-term debt	\$ 2,465	2,553
Accounts payable	2,951	2,358
Accrued expenses	2,876	2,803
Income taxes	162	86
Total current liabilities	<u>8,454</u>	<u>7,800</u>
Long-term debt	3,559	4,289
Other liabilities	1,997	1,871
Equity		
Common stock, \$0.50 par value; authorized, 1,200,000,000 shares; issued, 953,354,012 shares; outstanding, 696,605,222 shares in 2014; 654,608,521 shares in 2015	477	477
Additional paid-in-capital	161	170
Retained earnings	19,867	21,308
Accumulated other comprehensive income (loss)	(575)	(1,617)
	<u>19,930</u>	<u>20,338</u>
Less: Cost of common stock in treasury, 256,748,790 shares in 2014; 298,745,491 shares in 2015	9,811	12,257
Common stockholders' equity	<u>10,119</u>	<u>8,081</u>
Noncontrolling interests in subsidiaries	48	47
Total equity	<u>10,167</u>	<u>8,128</u>
Total liabilities and equity	<u>\$ 24,177</u>	<u>22,088</u>

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Equity
EMERSON ELECTRIC CO. & SUBSIDIARIES

Years ended September 30
(Dollars in millions, except per share amounts)

	2013	2014	2015
Common stock	\$ 477	477	477
Additional paid-in-capital			
Beginning balance	324	352	161
Stock plans	37	160	31
Purchase of noncontrolling interests	(9)	(351)	(22)
Ending balance	352	161	170
Retained earnings			
Beginning balance	18,107	18,930	19,867
Net earnings common stockholders	2,004	2,147	2,710
Dividends paid (per share: 2013, \$1.64; 2014, \$1.72; 2015, \$1.88)	(1,181)	(1,210)	(1,269)
Ending balance	18,930	19,867	21,308
Accumulated other comprehensive income (loss)			
Beginning balance	(731)	(189)	(575)
Foreign currency translation	38	(333)	(793)
Pension and postretirement	521	(54)	(206)
Cash flow hedges	(17)	1	(43)
Ending balance	(189)	(575)	(1,617)
Treasury stock			
Beginning balance	(7,882)	(8,985)	(9,811)
Purchases	(1,189)	(971)	(2,487)
Issued under stock plans	86	145	41
Ending balance	(8,985)	(9,811)	(12,257)
Common stockholders' equity	10,585	10,119	8,081
Noncontrolling interests in subsidiaries			
Beginning balance	147	133	48
Net earnings	62	37	23
Other comprehensive income (loss)	(6)	(3)	(1)
Dividends paid	(69)	(18)	(23)
Purchase of noncontrolling interests	(1)	(101)	—
Ending balance	133	48	47
Total equity	\$ 10,718	10,167	8,128

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows
EMERSON ELECTRIC CO. & SUBSIDIARIES

Years ended September 30
(Dollars in millions)

	2013	2014	2015
Operating activities			
Net earnings	\$ 2,066	2,184	2,733
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	819	831	815
Changes in operating working capital	42	114	(142)
Pension funding	(160)	(130)	(53)
Gains on divestitures of businesses, after tax	—	—	(611)
Income taxes paid on divestiture gains	—	—	(424)
Goodwill impairment, after tax	496	508	—
Other, net	386	185	211
Net cash provided by operating activities	<u>3,649</u>	<u>3,692</u>	<u>2,529</u>
Investing activities			
Capital expenditures	(678)	(767)	(685)
Purchases of businesses, net of cash and equivalents acquired	(19)	(610)	(324)
Divestitures of businesses	3	363	1,812
Other, net	(95)	(145)	(212)
Net cash provided (used) by investing activities	<u>(789)</u>	<u>(1,159)</u>	<u>591</u>
Financing activities			
Net increase in short-term borrowings	45	180	1,116
Proceeds from short-term borrowings greater than three months	1,530	2,952	2,515
Payments of short-term borrowings greater than three months	(1,201)	(2,510)	(3,286)
Proceeds from long-term debt	496	1	1,000
Payments of long-term debt	(521)	(329)	(504)
Dividends paid	(1,181)	(1,210)	(1,269)
Purchases of common stock	(1,110)	(1,048)	(2,501)
Purchase of noncontrolling interests	(10)	(574)	—
Other, net	19	(21)	(19)
Net cash used by financing activities	<u>(1,933)</u>	<u>(2,559)</u>	<u>(2,948)</u>
Effect of exchange rate changes on cash and equivalents	(19)	(100)	(267)
Increase (Decrease) in cash and equivalents	<u>908</u>	<u>(126)</u>	<u>(95)</u>
Beginning cash and equivalents	2,367	3,275	3,149
Ending cash and equivalents	<u>\$ 3,275</u>	<u>3,149</u>	<u>3,054</u>
Changes in operating working capital			
Receivables	\$ (84)	(263)	304
Inventories	83	(132)	(16)
Other current assets	(32)	59	(101)
Accounts payable	14	294	(287)
Accrued expenses	64	121	32
Income taxes	(3)	35	(74)
Total changes in operating working capital	<u>\$ 42</u>	<u>114</u>	<u>(142)</u>

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

EMERSON ELECTRIC CO. & SUBSIDIARIES

Years ended September 30
(Dollars in millions, except per share amounts or where noted)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from these estimates. Certain prior year amounts have been reclassified to conform with current year presentation.

In the first quarter of 2015, the Company adopted updates to ASC 205, *Presentation of Financial Statements*, and ASC 360, *Property, Plant and Equipment*, regarding the reporting of discontinued operations. These updates raised the threshold for reporting discontinued operations to a strategic business shift having a major effect on an entity's operations and financial results. The updates also added disclosures for disposals of business units qualifying for discontinued presentation, and for some dispositions that do not qualify as discontinued operations but are still considered individually significant components of the entity.

In the first quarter of 2014, the Company adopted revisions to ASC 220, *Comprehensive Income*, which require disclosure of reclassifications into earnings from accumulated other comprehensive income (AOCI) and other current period activity. There is no change to the items reported in AOCI or when those items should be reclassified into earnings. The revisions did not materially impact the Company's financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its controlled affiliates. Intercompany transactions, profits and balances are eliminated in consolidation. Investments of 20 percent to 50 percent of the voting shares of other entities are accounted for by the equity method. Investments in publicly traded companies of less than 20 percent are carried at fair value, with changes in fair value reflected in accumulated other comprehensive income. Investments in nonpublicly traded companies of less than 20 percent are carried at cost.

Foreign Currency Translation

The functional currency for most of the Company's non-U.S. subsidiaries is the local currency. Adjustments resulting from translating local currency financial statements into U.S. dollars are reflected in accumulated other comprehensive income.

Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less.

Inventories

Inventories are stated at the lower of cost or market. The majority of inventory is valued based on standard costs that approximate average costs, while the remainder is principally valued on a first-in, first-out basis. Cost standards are revised at the beginning of each fiscal year. The annual effect of resetting standards plus any operating variances incurred during each period are allocated between inventories and cost of sales. Following are the components of inventory as of September 30:

	2014	2015
Finished products	\$ 741	680
Raw materials and work in process	1,316	1,167
Total inventories	<u>\$ 2,057</u>	<u>1,847</u>

Fair Value Measurement

ASC 820, *Fair Value Measurement*, establishes a formal hierarchy and framework for measuring certain financial statement items at fair value, and requires disclosures about fair value measurements and the reliability of valuation inputs. Under ASC 820, measurement assumes the transaction to sell an asset or transfer a liability occurs in the principal or at least the most advantageous market for that asset or liability. Within the hierarchy, Level 1 instruments use observable market prices for an identical item in active markets and have the most reliable valuations. Level 2 instruments are valued through broker/dealer quotation or other approaches using market-observable inputs for similar items in active markets, including forward and spot prices, interest rates and volatilities. Level 3 instruments are valued using inputs not observable in an active market, such as company-developed future cash flow estimates, and are considered the least reliable. Valuations for all of the Company's financial instruments fall within Level 2. The fair value of the Company's long-term debt is Level 2, estimated using current interest rates and pricing from financial institutions and other market sources for debt with similar maturities and characteristics.

Property, Plant And Equipment

The Company records investments in land, buildings, and machinery and equipment at cost. Depreciation is computed principally using the straight-line method over estimated service lives, which for principal assets are 30 to 40 years for buildings and 8 to 12 years for machinery and equipment. Long-lived tangible assets are reviewed for impairment whenever events or changes in business circumstances indicate the carrying value of the assets may not be recoverable. Impairment losses are recognized based on estimated fair values if the sum of estimated future undiscounted cash flows of the related assets is less than the carrying values. The components of property, plant and equipment as of September 30 follow:

	2014	2015
Land	\$ 275	251
Buildings	2,355	2,254
Machinery and equipment	6,353	6,011
Construction in progress	428	415
Property, plant and equipment, at cost	9,411	8,931
Less: Accumulated depreciation	5,609	5,346
Property, plant and equipment, net	\$ 3,802	3,585

Goodwill and Other Intangible Assets

Assets and liabilities acquired in business combinations are accounted for using the acquisition method and recorded at their respective fair values. Substantially all goodwill is assigned to the reporting unit that acquires a business. A reporting unit is an operating segment as defined in ASC 280, *Segment Reporting*, or a business one level below an operating segment if discrete financial information for that business unit is prepared and regularly reviewed by the segment manager. The Company conducts annual impairment tests of goodwill in the fourth quarter. If an initial assessment indicates it is more likely than not goodwill might be impaired, it is evaluated by comparing the reporting unit's estimated fair value to its carrying value. Goodwill is also tested for impairment between annual tests if events or circumstances indicate the fair value of a unit may be less than its carrying value. If the carrying amount exceeds the estimated fair value, impairment is recognized to the extent that recorded goodwill exceeds the implied fair value of that goodwill. Estimated fair values of reporting units are Level 3 measures and are developed generally under an income approach that discounts estimated future cash flows using risk-adjusted interest rates.

All of the Company's identifiable intangible assets are subject to amortization on a straight-line basis over their estimated useful lives. Identifiable intangibles consist of intellectual property such as patents and trademarks, customer relationships and capitalized software. Identifiable intangibles are also subject to evaluation for potential impairment if events or circumstances indicate the carrying amount may not be recoverable. See Note 6.

Product Warranty

Warranties vary by product line and are competitive for the markets in which the Company operates. Warranties generally extend for a period of one to two years from the date of sale or installation. Provisions for warranty are determined primarily based on historical warranty cost as a percentage of sales or a fixed amount per unit sold based on failure rates, adjusted for specific problems that may arise. Product warranty expense is less than 1 percent of sales.

Revenue Recognition

The Company recognizes nearly all of its revenues through the sale of manufactured products and records the sale when products are shipped or delivered, and title passes to the customer with collection reasonably assured. In certain limited circumstances, revenue is recognized using the percentage-of-completion method as performance occurs, or in accordance with ASC 985-605 related to software. Management believes that all relevant criteria and conditions are considered when recognizing revenue.

Sales arrangements sometimes involve delivering multiple elements, including services such as installation. In these instances, the revenue assigned to each element is based on vendor-specific objective evidence, third-party evidence or a management estimate of the relative selling price. Revenue is recognized individually for delivered elements only if they have value to the customer on a stand-alone basis and the performance of the undelivered items is probable and substantially in the Company's control, or the undelivered elements are inconsequential or perfunctory and there are no unsatisfied contingencies related to payment. Approximately 10 percent of the Company's revenues arise from qualifying sales arrangements that include the delivery of multiple elements, principally in the Network Power and Process Management segments. The vast majority of these deliverables are tangible products, with a small portion attributable to installation, service or maintenance. Generally, contract duration is short term, and cancellation, termination or refund provisions apply only in the event of contract breach and have historically not been invoked.

Derivatives and Hedging

In the normal course of business, the Company is exposed to changes in interest rates, foreign currency exchange rates and commodity prices due to its worldwide presence and diverse business profile. The Company's foreign currency exposures relate to transactions denominated in currencies that differ from the functional currencies of its business units, primarily in euros, Mexican pesos, Canadian dollars and Singapore dollars. Primary commodity exposures are price fluctuations on forecasted purchases of copper and aluminum and related products. As part of the Company's risk management strategy, derivative instruments are selectively used in an effort to minimize the impact of these exposures. Foreign exchange forwards and options are utilized to hedge foreign currency exposures impacting sales or cost of sales transactions, firm commitments and the fair value of assets and liabilities, while swap and option contracts may be used to minimize the effect of commodity price fluctuations on the cost of sales. All derivatives are associated with specific underlying exposures and the Company does not hold derivatives for trading or speculative purposes. The duration of hedge positions is generally two years or less.

All derivatives are accounted for under ASC 815, *Derivatives and Hedging*, and recognized at fair value. For derivatives hedging variability in future cash flows, the effective portion of any gain or loss is deferred in stockholders' equity and recognized when the underlying hedged transaction impacts earnings. The majority of the Company's derivatives that are designated as hedges and qualify for deferral accounting are cash flow hedges. For derivatives hedging the fair value of existing assets or liabilities, both the gain or loss on the derivative and the offsetting loss or gain on the hedged item are recognized in earnings each period. Currency fluctuations on non-U.S. dollar obligations that have been designated as hedges of non-U.S. dollar net asset exposures are reported in equity. To the extent that any hedge is not fully effective at offsetting changes in the underlying hedged item, there could be a net earnings impact. The Company also uses derivatives to hedge economic exposures that do not receive deferral accounting under ASC 815. The underlying exposures for these hedges relate primarily to purchases of commodity-based components used in the Company's manufacturing processes, and the revaluation of certain foreign-currency-denominated assets and liabilities. Gains or losses from the ineffective portion of any hedge, as well as any gains or losses on derivative instruments not designated as hedges, are recognized in the income statement immediately.

Counterparties to derivative arrangements are companies with high credit ratings, and the Company has bilateral collateral arrangements with them for which credit rating-based posting thresholds vary depending on the arrangement. If credit ratings on the Company's debt fall below preestablished levels, counterparties can require immediate full collateralization on all instruments in net liability positions. No collateral was posted with counterparties and none was held by the Company at year end. The maximum collateral that could have been required was \$68. The Company can also demand full collateralization of instruments in net asset positions should any of the Company's counterparties' credit ratings fall below certain thresholds. Risk from credit loss when derivatives are in asset positions is not considered material. The Company has master netting arrangements in place with its counterparties that allow the offsetting of certain derivative-related amounts receivable and payable when settlement occurs in the same period. Accordingly, counterparty balances are netted in the consolidated balance sheet and are reported in other current assets or accrued expenses as appropriate, depending on positions with counterparties as of the balance sheet date. See Note 7.

Income Taxes

The provision for income taxes is based on pretax income reported in the consolidated statements of earnings and tax rates currently enacted in each jurisdiction. Certain income and expense items are recognized in different time periods for financial reporting and income tax filing purposes, and deferred income taxes are provided for the effect of temporary differences. The Company also provides for U.S. federal income taxes, net of available foreign tax credits, on earnings intended to be repatriated from non-U.S. locations. No provision has been made for U.S. income taxes on approximately \$6.4 billion of undistributed earnings of non-U.S. subsidiaries as of September 30, 2015, as these earnings are considered permanently invested or otherwise indefinitely retained for continuing international operations. Recognition of U.S. taxes on undistributed non-U.S. earnings would be triggered by a management decision to repatriate those earnings. Determination of the amount of taxes that might be paid on these undistributed earnings if eventually remitted is not practicable. See Note 13.

(2) WEIGHTED-AVERAGE COMMON SHARES

Basic earnings per common share consider only the weighted-average of common shares outstanding while diluted earnings per common share also consider the dilutive effects of stock options and incentive shares. Options to purchase approximately 5.9 million, 4.6 million and 0.6 million shares of common stock were excluded from the computation of diluted earnings per share in 2015, 2014 and 2013, respectively, as the effect would have been antidilutive. Earnings allocated to participating securities were inconsequential for all years presented. Reconciliations of weighted-average shares for basic and diluted earnings per common share follow (shares in millions):

	2013	2014	2015
Basic shares outstanding	717.7	700.2	673.3
Dilutive shares	5.2	3.9	3.2
Diluted shares outstanding	722.9	704.1	676.5

(3) ACQUISITIONS AND DIVESTITURES

The Company completed eight acquisitions in 2015, seven in Process Management and one in Commercial & Residential Solutions, which had combined annualized sales of approximately \$115. Total cash paid for all businesses was \$324, net of cash acquired. The Company recognized goodwill of \$178 (\$42 of which is expected to be tax deductible) and other intangible assets of \$128, primarily customer relationships and intellectual property with a weighted-average life of approximately 10 years. These acquisitions complement the existing segment portfolios and create incremental growth opportunities. Valuations of certain acquired assets and liabilities are in-process and subject to refinement.

In June 2015, the Company announced plans to spin off its network power systems business through a tax-free distribution to shareholders and to explore strategic alternatives, including potential sale, for its power generation and motors, drives, and residential storage businesses. These businesses together represent approximately 29 percent of consolidated 2015 sales, 10 percent of pretax earnings and 20 percent of cash flow, or approximately \$6.4 billion, \$400 and \$500, respectively. In addition, the Company is bringing its corporate services and structure into alignment with its smaller scale and sharper focus. The spinoff of the network power systems business will create two independent publicly traded companies and is subject to certain conditions, including completion of the Company's due diligence processes, receipt of favorable opinions regarding the tax-free status of the transaction for federal income tax purposes, local regulatory approvals, review of the Form 10 that will be filed with the SEC, and final approval by Emerson's Board of Directors.

In 2015, the Company incurred \$42 in income tax expense and \$10 in other fees related to the planned spinoff (in total, \$0.08 per share). The Company estimates it would incur costs throughout 2016 to effect the entire portfolio repositioning as follows: approximately \$100 to \$200 of income taxes related to reorganizing the ownership structures of these businesses; approximately \$200 for investment banking, legal, consulting and other costs; and approximately \$100 in capitalized costs, including debt issuance costs, pension funding and the separation of information technology systems. The strategic actions being contemplated are expected to be substantially completed by the end of 2016. With regard to the evaluation of strategic alternatives for the power generation and motors, drives, and residential storage businesses, there can be no assurance that the review process will result in any transaction.

In January 2015, the Company completed the sale of its mechanical power transmission solutions business to Regal Beloit Corporation for \$1.4 billion, and recognized a pretax gain from the transaction of \$939 (\$532 after-tax, \$0.78 per share). Assets and liabilities sold were as follows: current assets, \$182 (accounts receivable, inventories, other current assets); other assets, \$374 (property, plant and equipment, goodwill, other noncurrent assets); accrued expenses, \$56 (accounts payable, other current liabilities); and other liabilities, \$41. Proceeds from the divestiture were used for share repurchase. This business was previously reported in the Industrial Automation segment, and had partial year sales in 2015 of \$189 and related pretax earnings of \$21. Power transmission solutions designs and manufactures market-leading couplings, bearings, conveying components and gearing and drive components, and provides supporting services and solutions.

On September 30, 2015, the Company sold its InterMetro commercial storage business to Ali Group of Italy for \$411 in cash and recognized a pretax gain from the transaction of \$100 (\$79 after-tax, \$0.12 per share). This business had annual sales of \$288 and pretax earnings of \$42 in 2015 and is reported in the Commercial & Residential Solutions segment. Assets and liabilities sold were as follows: current assets, \$62 (accounts receivable, inventories, other current assets); other assets, \$292 (property, plant and equipment, goodwill, other noncurrent assets); current liabilities, \$34 (accounts payable, other current liabilities); and other liabilities, \$9. InterMetro is a leading manufacturer and supplier of storage and transport products in the food service, commercial products and health care industries.

In the first quarter of 2014, the Company acquired 100 percent of Virgo Valves and Controls Limited and Enardo Holdings, both in the Process Management final control business. Virgo is a manufacturer of engineered valves and automation systems and Enardo is a manufacturer of tank and terminal safety equipment. Total cash paid for both businesses was approximately \$506, net of cash acquired, and the Company also assumed \$76 of debt. Combined sales for Virgo and Enardo in 2014 were \$321. Goodwill of \$323 (largely nondeductible) and identifiable intangible assets of \$178, primarily customer relationships and patents and technology with weighted-average lives of approximately 12 years, were recognized from these transactions. The Company also acquired four other smaller businesses in 2014 for a total of approximately \$104, net of cash acquired. Combined annual sales for these four businesses were approximately \$55. These acquisitions were complementary to the existing business portfolio.

In the second quarter of 2014, the Company acquired the remaining 44.5 percent noncontrolling interest in Appleton Group (formally EGS Electrical Group), which is reported in Industrial Automation, for \$574. Full ownership provides growth opportunities in the oil and gas and chemicals end markets by leveraging the Company's Process Management and international distribution channels. The transaction reduced noncontrolling interests \$101 and common stockholders equity \$343, and increased deferred tax assets \$130. The transaction did not affect consolidated results of operations other than eliminating the noncontrolling interest's share of future earnings and distributions from this business. Sales for this electrical distribution business were \$542 in 2014.

In November 2013, the Company completed the divestiture of a 51 percent controlling interest in Artesyn and received proceeds of \$264, net of working capital adjustment. The Company retained an interest with a fair value of approximately \$60, determined using a Level 3 option pricing model. A tax benefit of \$20 was recognized on completion of the transaction. Consolidated operating results for 2014 include sales of \$146 and a net loss of \$9 for this business through the closing date. As the Company retained a noncontrolling interest in this business, it was not classified as discontinued operations. Assets and liabilities held-for-sale at the closing date were: other current assets, \$367 (accounts receivable, inventories, other current assets); other assets, \$212 (property plant and equipment, goodwill, other noncurrent assets); and accrued expenses, \$255 (accounts payable and other liabilities). Prior to the divestiture, cash of \$376 (\$308, after tax provided for in fiscal 2013) was repatriated from this business. In fiscal 2013, the Company initiated the purchase of \$600 of Emerson common stock in anticipation of the sale proceeds and the cash repatriation. The purchase of shares was completed in the first quarter of 2014. The Company recorded goodwill impairment and income tax charges in 2013 related to this business. See Note 6.

In the fourth quarter of 2014, the Company sold its connectivity solutions business for \$99 in cash, and recognized a slight gain. This business reported 2014 sales of \$63 and pretax earnings of \$3. Connectivity solutions offered industry-leading fiber optic, radio-frequency and microwave-coaxial technologies that safeguard network reliability.

The results of operations of the acquired businesses discussed above have been included in the Company's consolidated results of operations since the respective dates of acquisition.

(4) OTHER DEDUCTIONS, NET

Other deductions, net are summarized as follows:

	2013	2014	2015
Amortization of intangibles (intellectual property and customer relationships)	\$ 220	225	214
Rationalization of operations	78	55	211
Other	64	113	146
Total	<u>\$ 362</u>	<u>393</u>	<u>571</u>

Other is composed of several items that are individually immaterial, including foreign currency transaction gains and losses, bad debt expense, equity investment income and losses, litigation and other items. The increase in 2015 is primarily due to higher litigation costs of \$33, an unfavorable foreign currency transaction impact of \$14 and fees related to the planned spinoff of the network power systems business of \$10, partially offset by a favorable comparative effect from the \$34 Artesyn equity investment loss in 2014. Other increased in 2014 primarily due to the equity investment loss, the comparative impact of a \$13 China research credit in 2013 and several other items. Reduced foreign currency transaction losses of \$20 partially offset the increase.

(5) RATIONALIZATION OF OPERATIONS

Each year the Company incurs costs to size its businesses to levels appropriate for current economic conditions and to continually improve its cost structure and operational efficiency, deploy assets globally, and remain competitive on a worldwide basis. Costs result from numerous individual actions implemented across the Company's various operating units on an ongoing basis and can include costs for moving facilities to best-cost locations, re-starting plants after relocation or geographic expansion to better serve local markets, reducing forcecount or the number of facilities, exiting certain product lines, and other costs resulting from asset deployment decisions. By category, shutdown costs include severance and benefits, stay bonuses, lease and other contract termination costs and asset write-downs. Vacant facility costs include security, maintenance, utilities and other costs. Start-up and moving costs include the costs of relocating fixed assets and employee training and relocation.

Rationalization expenses were \$211, \$55 and \$78, respectively, for 2015, 2014 and 2013. The significant increase in 2015 is due to the acceleration of activity to address the slowdown in global capital spending. The Company also incurred \$10 of rationalization expense in 2015 that was reported in cost of sales, primarily related to exiting production facilities in Brazil and China. The Company currently expects 2016 rationalization expense to be approximately \$60, including costs to complete actions initiated before the end of 2015 and for actions anticipated to be approved and initiated during 2016.

The change in the liability for rationalization of operations during the years ended September 30 follows:

	2014	Expense	Paid/Utilized	2015
Severance and benefits	\$ 20	174	89	105
Lease and other contract terminations	1	3	3	1
Asset write-downs	—	3	3	—
Vacant facility and other shutdown costs	—	12	9	3
Start-up and moving costs	1	19	17	3
Total	<u>\$ 22</u>	<u>211</u>	<u>121</u>	<u>112</u>
	2013	Expense	Paid/Utilized	2014
Severance and benefits	\$ 27	27	34	20
Lease and other contract terminations	3	3	5	1
Asset write-downs	—	2	2	—
Vacant facility and other shutdown costs	1	5	6	—
Start-up and moving costs	1	18	18	1
Total	<u>\$ 32</u>	<u>55</u>	<u>65</u>	<u>22</u>

Rationalization of operations expense by business segment follows:

	2013	2014	2015
Process Management	\$ 15	17	89
Industrial Automation	27	7	22
Network Power	25	15	64
Climate Technologies	3	14	20
Commercial & Residential Solutions	8	2	11
Corporate	—	—	5
Total	\$ 78	55	211

Costs incurred in 2015 primarily relate to the reduction and selective repositioning of the Company's cost structure to address global economic weakness through facilities and forcecount rationalization in Europe, Asia and North America, primarily in Process Management and Network Power. Rationalization activities included actions to exit 15 production or office facilities worldwide and eliminate approximately 4,400 positions. In 2014, costs primarily related to the deployment of resources to better serve local markets and higher growth areas, and were concentrated in Process Management, Network Power and Climate Technologies, in Asia and Europe and to a lesser extent North America. In 2013, activity was focused in Network Power and Industrial Automation due to end market softness and acquisition integration activity in Network Power, in Europe, North America and Asia. Expenses incurred in 2014 and 2013 include actions to exit 14 and 13 facilities, and eliminate approximately 2,000 and 3,100 positions, respectively.

(6) GOODWILL AND OTHER INTANGIBLES

Purchases of businesses are accounted for under the acquisition method, with substantially all goodwill assigned to the reporting unit that acquires the business. Under an impairment test performed annually, if the carrying amount of a reporting unit exceeds its estimated fair value, impairment is recognized to the extent that the carrying amount of the unit's goodwill exceeds the implied fair value of the goodwill. Fair values of reporting units are Level 3 measures which are estimated generally using an income approach that discounts future cash flows using risk-adjusted interest rates, as well as earnings multiples or other techniques as warranted. Fair values are subject to changes in underlying economic conditions. See Note 3 for further discussion of changes in goodwill related to acquisitions and divestitures.

In 2015, the Company announced strategic actions, including the planned spinoff of the network power systems business, as well as evaluation of alternatives, including potential sale, for the power generation and motors, and drives businesses. These units had goodwill of \$2.1 billion, \$430 and \$232, respectively. Based on the Company's fourth quarter analysis, the estimated fair values of the network power systems and power generation and motors businesses exceeded carrying value by more than 20 percent, while the estimated fair value of the drives business exceeded carrying value by approximately 10 percent. These businesses experienced declining sales and profitability in 2015 amid challenging market conditions and the strength of the U.S. dollar. There can be no assurance that the Company will not recognize an impairment charge on the ultimate spinoff of the network power systems business, or incur a loss on the potential sale of the other businesses. Assumptions used in determining fair value include successful execution of business plans, including adoption of new products and expansion of services, and the completion of restructuring actions initiated in 2015 to improve productivity through consolidation and rationalization of the cost structure. Additional assumptions include gradual improvement in served markets beginning in the latter half of 2016, particularly recovery in the demand for telecommunications networks and data centers, an expansion of industrial capital spending, and improving economic conditions in Europe and Asia.

In 2014, the network power systems business in Europe, which comprises the 2010 Chloride acquisition and pre-existing businesses, had not been able to meet its operating objectives due to a weak Western Europe economy, which had less than 1 percent average annual GDP growth since the acquisition. The weak economic recovery and intense competitive/market pressures negatively affected the profitability of the combined Emerson and Chloride European network power business. The economics for Europe were uncertain for 2015 and 2016 and the goodwill from the acquisition could not be supported. A \$508, \$0.72 per share, noncash impairment charge was recognized in the fourth quarter of 2014. The charge was not deductible for tax purposes. This business provides uninterruptible power supplies, thermal management products, and data center services and solutions for Europe, the Middle East and Africa.

In prior years, the Company had faced persistent challenges in the Artesyn business due to protracted weak demand, structural industry developments and increased competition. These challenges, including weakness in telecommunication and mobile device markets, continued into 2013 and sales and earnings were below expectations. In the third quarter of 2013, the Company recorded a noncash goodwill impairment charge of \$503 (\$475 after-tax, \$0.65 per share). Income tax charges of \$70 (\$0.10 per share) for the anticipated repatriation of non-U.S. earnings from this business were also recorded in 2013. Additionally, in the fourth quarter the Company's goodwill impairment testing indicated that the carrying value of the connectivity solutions business in Network Power exceeded its fair value due to operating results not meeting forecasted expectations, resulting in a noncash charge to earnings of \$25 (\$21 after-tax, \$0.03 per share). The Company divested both of these businesses in 2014. See Note 3.

The change in the carrying value of goodwill by business segment follows:

	Process Management	Industrial Automation	Network Power	Climate Technologies	Commercial & Residential Solutions	Total
Gross goodwill	\$ 2,383	1,352	2,995	503	439	7,672
Accumulated impairment			(163)			(163)
Balance, September 30, 2013	2,383	1,352	2,832	503	439	7,509
Acquisitions	356		22			378
Divestitures			(70)			(70)
Impairment			(508)			(508)

Foreign currency translation and other	(38)	(23)	(58)	(3)	(5)	(127)
Gross goodwill	2,701	1,329	2,864	500	434	7,828
Accumulated impairment			(646)			(646)
Balance, September 30, 2014	2,701	1,329	2,218	500	434	7,182
Acquisitions	176				2	178
Divestitures		(213)			(228)	(441)
Foreign currency translation and other	(87)	(85)	(74)	(8)	(12)	(266)
Gross goodwill	2,790	1,031	2,790	492	196	7,299
Accumulated impairment			(646)			(646)
Balance, September 30, 2015	\$ 2,790	1,031	2,144	492	196	6,653

The gross carrying amount and accumulated amortization of identifiable intangible assets by major class follow:

	Customer Relationships		Intellectual Property		Capitalized Software		Total	
	2014	2015	2014	2015	2014	2015	2014	2015
Gross carrying amount	\$ 1,594	1,508	1,052	1,051	1,190	1,178	3,836	3,737
Less: Accumulated amortization	643	693	613	649	891	869	2,147	2,211
Net carrying amount	\$ 951	815	439	402	299	309	1,689	1,526

Total intangible asset amortization expense for 2015, 2014 and 2013 was \$308, \$313 and \$298, respectively. Based on intangible asset balances as of September 30, 2015, amortization expense is expected to approximate \$286 in 2016, \$267 in 2017, \$236 in 2018, \$194 in 2019 and \$161 in 2020.

(7) FINANCIAL INSTRUMENTS

Hedging Activities

As of September 30, 2015, the notional amount of foreign currency hedge positions was approximately \$1.6 billion, while commodity hedge contracts totaled approximately 71 million pounds (\$174) of copper and aluminum. All derivatives receiving deferral accounting are cash flow hedges. The majority of hedging gains and losses deferred as of September 30, 2015 are expected to be recognized over the next 12 months as the underlying forecasted transactions occur. Gains and losses on foreign currency derivatives reported in other deductions, net reflect hedges of balance sheet exposures that do not receive deferral accounting. Amounts included in earnings and other comprehensive income follow:

	<u>Location</u>	Gain (Loss) to Earnings			Gain (Loss) to OCI		
		2013	2014	2015	2013	2014	2015
Commodity	Cost of sales	\$ (15)	(12)	(24)	(22)	(16)	(43)
Foreign currency	Sales, cost of sales	24	10	(12)	4	15	(61)
Foreign currency	Other deductions, net	(5)	(3)	14			
Total		\$ 4	(5)	(22)	(18)	(1)	(104)

Regardless of whether derivatives receive deferral accounting, the Company expects hedging gains or losses to be essentially offset by losses or gains on the related underlying exposures. The amounts ultimately recognized will differ from those presented above for open positions, which remain subject to ongoing market price fluctuations until settlement. Derivatives receiving deferral accounting are highly effective and no amounts were excluded from the assessment of hedge effectiveness. Hedge ineffectiveness was immaterial in all years shown.

Fair Value Measurement

The estimated fair value of long-term debt was \$4,936 and \$4,492, respectively, as of September 30, 2015 and 2014, which exceeded the carrying value by \$356 and \$411, respectively. As of September 30, 2015, the fair value of commodity contracts and foreign currency contracts was reported in other current assets and accrued expenses. Valuations of derivative contract positions as of September 30 follow:

	2014		2015	
	Assets	Liabilities	Assets	Liabilities
Foreign Currency	\$ 32	20	30	65
Commodity	\$ 1	10	—	29

(8) SHORT-TERM BORROWINGS AND LINES OF CREDIT

Short-term borrowings and current maturities of long-term debt are as follows:

	2014	2015
Current maturities of long-term debt	\$ 522	291
Commercial paper	1,938	2,261
Payable to banks	5	1
Total	\$ 2,465	2,553
Interest rate for weighted-average short-term borrowings at year end	0.2%	0.2%

The Company routinely issues commercial paper as a source of short-term financing. In April 2014, the Company entered into a \$3.5 billion five-year revolving backup credit facility with various banks, which replaced a December 2010 \$2.75 billion facility. The credit facility is maintained to support general corporate purposes, including commercial paper borrowing. The Company has not incurred any borrowings under this or previous facilities. The credit facility contains no financial covenants and is not subject to termination based on a change of credit rating or material adverse changes. The facility is unsecured and may be accessed under various interest rate and currency denomination alternatives at the Company's option. Fees to maintain the facility are immaterial.

(9) LONG-TERM DEBT

The details of long-term debt follow:

	2014	2015
5.0% notes due December 2014	250	—
4.125% notes due April 2015	250	—
4.75% notes due October 2015	250	250
5.125% notes due December 2016	250	250
5.375% notes due October 2017	250	250
5.25% notes due October 2018	400	400
5.0% notes due April 2019	250	250
4.875% notes due October 2019	500	500
4.25% notes due November 2020	300	300
2.625% notes December due 2021	—	500
2.625% notes due February 2023	500	500
3.15% notes due June 2025	—	500
6.0% notes due August 2032	250	250
6.125% notes due April 2039	250	250
5.25% notes due November 2039	300	300
Other	81	80
Long-term debt	4,081	4,580
Less: Current maturities	522	291
Total, net	\$ 3,559	4,289

Long-term debt maturing during each of the four years after 2016 is \$265, \$271, \$652 and \$501, respectively. Total interest paid on all debt was approximately \$196, \$210 and \$226 in 2015, 2014 and 2013, respectively. During the year, the Company repaid \$250 of 5.0% notes that matured in December 2014 and \$250 of 4.125% notes that matured in April 2015. In 2014, the Company repaid \$250 of 5.625% notes that matured in November 2013.

The Company maintains a universal shelf registration statement on file with the SEC under which it can issue debt securities, preferred stock, common stock, warrants, share purchase contracts or share purchase units without a predetermined limit. Securities can be sold in one or more separate offerings with the size, price and terms to be determined at the time of sale.

(10) RETIREMENT PLANS

Retirement plans expense includes the following components:

	U.S. Plans			Non-U.S. Plans		
	2013	2014	2015	2013	2014	2015
Defined benefit plans:						
Service cost (benefits earned during the period)	\$ 70	59	69	31	32	37
Interest cost	167	182	182	46	53	46
Expected return on plan assets	(280)	(286)	(303)	(50)	(58)	(58)
Net amortization and other	226	153	174	18	18	20
Net periodic pension expense	183	108	122	45	45	45
Defined contribution plans	113	119	111	63	59	61
Total retirement plans expense	\$ 296	227	233	108	104	106

The increase in net periodic pension expense in 2015 is attributable to higher service costs and amortization compared to the prior year. The decline in net periodic pension expense in 2014 is attributable to a higher interest rate assumption than in 2013 and favorable pension asset investment performance. For defined contribution plans, the Company makes cash contributions based on plan requirements, which are expensed as incurred. The Company has one small business that participates in multiemployer pension plans. Such participation is insignificant individually and in total. Cash contributed was inconsequential in all years. The Company could potentially incur immaterial liabilities upon withdrawal from these plans, although it has no intention to do so. Additionally, as with participation in any multiemployer plan, there is a theoretical but remote possibility the Company could incur material liabilities should all other participating employers be unable to fund their obligations.

The Company will begin transitioning from defined benefit to defined contribution retirement plans in 2016. The principal U.S. defined benefit pension plan has been closed to employees hired after January 1, 2016, and current employees not meeting combined age and years of service criteria will cease accruing benefits effective October 1, 2016. Affected employees will be enrolled in an enhanced defined contribution plan. The impact of these actions had an inconsequential impact on the Company's financial statements at September 30, 2015. Over time, defined benefit plan expense will decline while defined contribution plan expense will increase, with an expectation of reduced earnings volatility.

Details of the changes in the actuarial present value of the projected benefit obligation and the fair value of plan assets for defined benefit pension plans follow:

	U.S. Plans		Non-U.S. Plans	
	2014	2015	2014	2015
Projected benefit obligation, beginning	\$ 3,863	4,336	1,269	1,330
Service cost	59	69	32	37
Interest cost	182	182	53	46
Actuarial (gain) loss	415	137	89	44
Benefits paid	(174)	(181)	(36)	(36)
Settlements	(14)	(205)	(14)	(25)
Acquisitions (Divestitures), net	—	(70)	(28)	(4)
Foreign currency translation and other	5	(5)	(35)	(144)
Projected benefit obligation, ending	\$ 4,336	4,263	1,330	1,248
Fair value of plan assets, beginning	\$ 4,112	4,473	899	988
Actual return on plan assets	461	(137)	106	49
Employer contributions	85	20	45	33
Benefits paid	(174)	(181)	(36)	(36)
Settlements	(14)	(205)	(14)	(25)
Acquisitions (Divestitures), net	—	(44)	—	(2)
Foreign currency translation and other	3	2	(12)	(72)
Fair value of plan assets, ending	\$ 4,473	3,928	988	935
Net amount recognized in the balance sheet	\$ 137	(335)	(342)	(313)
Location of net amount recognized in the balance sheet:				
Noncurrent asset	\$ 344	1	33	32
Current liability	(10)	(11)	(8)	(8)
Noncurrent liability	(197)	(325)	(367)	(337)
Net amount recognized in the balance sheet	137	(335)	(342)	(313)
Pretax accumulated other comprehensive loss	\$ (961)	(1,322)	(346)	(306)

Approximately \$182 of the \$1,628 of pretax losses deferred in accumulated other comprehensive income (loss) at September 30, 2015 will be amortized to expense in 2016. As of September 30, 2015, U.S. pension plans were underfunded by \$335 and non-U.S. plans were underfunded by \$313. The U.S. funded status includes unfunded plans totaling \$191 and the non-U.S. status includes unfunded plans totaling \$215.

As of the September 30, 2015 and 2014 measurement dates, the plans' total accumulated benefit obligation was \$5,254 and \$5,277, respectively. Also as of the measurement dates, the total projected benefit obligation, accumulated benefit obligation and fair value of plan assets for individual plans with accumulated benefit obligations in excess of plan assets were \$1,245, \$1,139 and \$648, respectively, for 2015, and \$1,028, \$928 and \$455, respectively, for 2014.

Future benefit payments by U.S. plans are estimated to be \$221 in 2016, \$213 in 2017, \$223 in 2018, \$233 in 2019, \$242 in 2020 and \$1,310 in total over the five years 2021 through 2025. Based on foreign currency exchange rates as of September 30, 2015, future benefit payments by non-U.S. plans are estimated to be \$45 in 2016, \$46 in 2017, \$48 in 2018, \$54 in 2019, \$55 in 2020 and \$333 in total over the five years 2021 through 2025. The Company expects to make contributions to retirement plans in 2016 at levels similar to the prior year.

The weighted-average assumptions used in the valuation of pension benefits follow:

	U.S. Plans			Non-U.S. Plans		
	2013	2014	2015	2013	2014	2015
<u>Net pension expense</u>						
Discount rate	4.00%	4.75%	4.25%	4.1%	4.2%	3.6%
Expected return on plan assets	7.75%	7.50%	7.50%	5.5%	6.6%	6.6%
Rate of compensation increase	3.25%	3.25%	3.25%	3.4%	3.2%	3.4%
<u>Benefit obligations</u>						
Discount rate	4.75%	4.25%	4.35%	4.2%	3.6%	3.3%
Rate of compensation increase	3.25%	3.25%	3.25%	3.2%	3.4%	3.4%

The discount rate for the U.S. retirement plans was 4.35 percent as of September 30, 2015. An actuarially developed, company-specific yield curve is used to determine the discount rate. The expected return on plan assets assumption is determined by reviewing the investment returns of the plans for the past 10 years plus longer-term historical returns of an asset mix approximating the Company's asset allocation targets, and periodically comparing these returns to expectations of investment advisors and actuaries to determine whether long-term future returns are expected to differ significantly from the past.

The Company's asset allocations at September 30, 2015 and 2014, and weighted-average target allocations follow:

	U.S. Plans			Non-U.S. Plans		
	2014	2015	Target	2014	2015	Target
Equity securities	65%	65%	60-70%	55%	55%	50-60%
Debt securities	26	30	25-35	32	32	25-35
Other	9	5	3-10	13	13	10-20
Total	100%	100%	100%	100%	100%	100%

The primary objective for the investment of pension assets is to secure participant retirement benefits by earning a reasonable rate of return. Plan assets are invested consistent with the provisions of the prudence and diversification rules of ERISA and with a long-term investment horizon. The Company continuously monitors the value of assets by class and routinely rebalances to remain within target allocations. The strategy for equity assets is to minimize concentrations of risk by investing primarily in companies in a diversified mix of industries worldwide, while targeting

neutrality in exposure to market capitalization levels, growth versus value profile, global versus regional markets, fund types and fund managers. The approach for bonds emphasizes investment-grade corporate and government debt with maturities matching a portion of the longer duration pension liabilities. The bonds strategy also includes a high-yield element which is generally shorter in duration. For diversification, a small portion of U.S. plan assets is allocated to private equity partnerships and real asset fund investments, providing opportunities for above market returns. Leveraging techniques are not used and the use of derivatives in any fund is limited and inconsequential.

The fair values of defined benefit pension assets as of September 30, organized by asset class and by the fair value hierarchy of ASC 820, *Fair Value Measurement*, follow:

	Level 1	Level 2	Level 3	Total	%
2015					
U.S. equities	\$ 956	460	257	1,673	34%
International equities	502	677		1,179	24%
Emerging market equities		211		211	4%
Corporate bonds		628		628	13%
Government bonds	2	674		676	14%
High-yield bonds		175		175	4%
Other	140	67	114	321	7%
Total	\$ 1,600	2,892	371	4,863	100%

2014					
U.S. equities	\$ 1,097	535	184	1,816	33%
International equities	589	767		1,356	25%
Emerging market equities		279		279	5%
Corporate bonds		594		594	11%
Government bonds	2	720		722	13%
High-yield bonds		181		181	3%
Other	209	180	124	513	10%
Total	\$ 1,897	3,256	308	5,461	100%

Asset Classes

U.S. equities reflect companies domiciled in the U.S., including multinational companies. International equities are comprised of companies domiciled in developed nations outside the U.S. Emerging market equities are comprised of companies domiciled in portions of Asia, Eastern Europe and Latin America. Corporate bonds represent investment-grade debt of issuers primarily from the U.S. Government bonds include investment-grade instruments issued by federal, state and local governments, primarily in the U.S. High-yield bonds include noninvestment-grade debt from a diverse group of developed market issuers. Other includes cash, interests in mixed asset funds investing in commodities, natural resources, agriculture, real estate and infrastructure funds, life insurance contracts (U.S.), and shares in certain general investment funds of financial institutions or insurance arrangements (non-U.S.) that typically ensure no market losses or provide for a small minimum return guarantee.

Fair Value Hierarchy Categories

Valuations of Level 1 assets for all classes are based on quoted closing market prices from the principal exchanges where the individual securities are traded. Cash is valued at cost, which approximates fair value. Equity securities categorized as Level 2 assets are primarily nonexchange-traded commingled or collective funds where the underlying securities have observable prices available from active markets. Valuation is based on the net asset value of fund units held as derived from the fair value of the underlying assets. Debt securities categorized as Level 2 assets are generally valued based on independent broker/dealer bids or by comparison to other debt securities having similar durations, yields and credit ratings. Other Level 2 assets are valued based on a net asset value of fund units held, which is derived from either market-observed pricing for the underlying assets or broker/dealer

quotation. U.S. equity securities classified as Level 3 are fund investments in private companies. Valuation techniques and inputs for these assets include discounted cash flow analysis, earnings multiple approaches, recent transactions, transfer restrictions, prevailing discount rates, volatilities, credit ratings and other factors. In the Other class, interests in mixed assets funds are Level 2, and U.S. life insurance contracts and non-U.S. general fund investments and insurance arrangements are Level 3.

Details of the changes in value for Level 3 assets follow:

	2014	2015
Level 3, beginning	\$ 250	308
Gains (Losses) on assets held	(18)	18
Gains (Losses) on assets sold	21	(20)
Purchases, sales and settlements, net	55	65
Level 3, ending	<u>\$ 308</u>	<u>371</u>

(11) POSTRETIREMENT PLANS

The Company sponsors unfunded postretirement benefit plans (primarily health care) for certain U.S. retirees and their dependents. The components of net postretirement benefits expense for the years ended September 30 follow:

	2013	2014	2015
Service cost	\$ 2	1	1
Interest cost	12	11	9
Net amortization	(13)	(21)	(22)
Net postretirement expense	<u>\$ 1</u>	<u>(9)</u>	<u>(12)</u>

Details of the changes in actuarial present value of accumulated postretirement benefit obligations follow:

	2014	2015
Benefit obligation, beginning	\$ 278	248
Service cost	1	1
Interest cost	11	9
Actuarial (gain) loss	(12)	(12)
Benefits paid	(17)	(18)
Plan amendments	(13)	—
Divestitures	—	(15)
Benefit obligation, ending (recognized in balance sheet)	<u>\$ 248</u>	<u>213</u>

As of September 30, 2015 there were \$154 of deferred actuarial gains in accumulated other comprehensive income, of which approximately \$21 will be amortized into earnings in 2016. The discount rates used to measure the benefit obligation as of September 30, 2015, 2014 and 2013 were 3.80 percent, 3.75 percent and 4.00 percent, respectively. The health care cost trend rate used for both 2016 and 2015 is assumed to be 6.5 percent initially, and declining to 5.0 percent over the subsequent three years. A one percentage point increase or decrease in the health care cost trend rate assumption for either year would have an inconsequential impact on postretirement benefits expense and the benefit obligation. The Company estimates that future health care benefit payments will be approximately \$20 per year for 2016 through 2020, and \$77 in total over the five years 2021 through 2025.

(12) CONTINGENT LIABILITIES AND COMMITMENTS

The Company is a party to a number of pending legal proceedings and claims, including those involving general and product liability and other matters, several of which claim substantial amounts of damages. The Company accrues for such liabilities when it is probable that future costs (including legal fees and expenses) will be incurred and such costs can be reasonably estimated. Accruals are based on developments to date; management's estimates of the outcomes of these matters; the Company's experience in contesting, litigating and settling similar matters; and any related insurance coverage. Although it is not possible to predict the ultimate outcome of these matters, the Company historically has been largely successful in defending itself against claims and suits that have been brought against it, and will continue to defend itself vigorously in all such matters. While the Company believes a material adverse impact is unlikely, given the inherent uncertainty of litigation, a remote possibility exists that a future development could have a material adverse impact on the Company. The Company enters into certain indemnification agreements in the ordinary course of business in which the indemnified party is held harmless and is reimbursed for losses incurred from claims by third parties, usually up to a prespecified limit. In connection with divestitures of certain assets or businesses, the Company often provides indemnities to the buyer with respect to certain matters including, for example, environmental or unidentified tax liabilities related to periods prior to the disposition. Because of the uncertain nature of the indemnities, the maximum liability cannot be quantified. As such, contingent liabilities are recorded when they are both probable and reasonably estimable. Historically, payments under indemnity arrangements have been inconsequential.

At September 30, 2015, there were no known contingent liabilities (including guarantees, pending litigation, taxes and other claims) that management believes will be material in relation to the Company's financial statements, nor were there any material commitments outside the normal course of business.

(13) INCOME TAXES

Pretax earnings from continuing operations consist of the following:

	2013	2014	2015
United States	\$ 1,724	2,096	2,921
Non-U.S.	1,472	1,252	1,240
Total pretax earnings	<u>\$ 3,196</u>	<u>3,348</u>	<u>4,161</u>

The principal components of income tax expense follow:

	2013	2014	2015
Current:			
Federal	\$ 704	742	904
State and local	60	59	106
Non-U.S.	480	516	447
Deferred:			
Federal	(56)	(129)	31
State and local	2	(5)	—
Non-U.S.	(60)	(19)	(60)
Income tax expense	<u>\$ 1,130</u>	<u>1,164</u>	<u>1,428</u>

Reconciliations of the U.S. federal statutory income tax rate to the Company's effective tax rate follow:

	2013	2014	2015
Federal statutory rate	35.0 %	35.0 %	35.0 %
State and local taxes, net of federal tax benefit	1.3	1.0	1.0
Non-U.S. rate differential	(4.8)	(4.2)	(2.4)
Non-U.S. tax holidays	(1.8)	(1.1)	(1.1)
U.S. manufacturing deduction	(1.6)	(1.5)	(1.2)
Gains on divestitures	—	—	1.5
Spinoff-related	—	—	1.1
Goodwill impairment	4.8	5.3	—
Artesyn repatriation	2.2	—	—
Other	0.2	0.3	0.4
Effective income tax rate	<u>35.3 %</u>	<u>34.8 %</u>	<u>34.3 %</u>

Non-U.S. tax holidays reduce tax rates in certain foreign jurisdictions and are expected to expire over the next two years.

Following are changes in unrecognized tax benefits before considering recoverability of any cross-jurisdictional tax credits (federal, state and non-U.S.) and temporary differences. The amount of unrecognized tax benefits is not expected to change significantly within the next 12 months.

	2014	2015
Unrecognized tax benefits, beginning	\$ 127	120
Additions for current year tax positions	9	7
Additions for prior year tax positions	25	8
Reductions for prior year tax positions	(19)	(9)
Reductions for settlements with tax authorities	(4)	—
Reductions for expiration of statutes of limitations	(18)	(42)
Unrecognized tax benefits, ending	<u>\$ 120</u>	<u>84</u>

If none of the unrecognized tax benefits shown is ultimately paid, the tax provision and the calculation of the effective tax rate would be favorably impacted by \$47. The Company accrues interest and penalties related to income taxes in income tax expense. Total interest and penalties recognized were \$(4), \$3 and \$(6) in 2015, 2014 and 2013, respectively. As of September 30, 2015 and 2014, total accrued interest and penalties were \$20 and \$25, respectively.

The U.S. is the major jurisdiction for which the Company files income tax returns. Examinations by the U.S. Internal Revenue Service are substantially complete through 2011. The status of state and non-U.S. tax examinations varies due to the numerous legal entities and jurisdictions in which the Company operates.

The principal items that gave rise to deferred income tax assets and liabilities follow:

	2014	2015
Deferred tax assets:		
Net operating losses and tax credits	\$ 238	207
Accrued liabilities	311	270
Postretirement and postemployment benefits	93	86
Employee compensation and benefits	196	180
Pensions	28	194
Other	137	173
Total	<u>\$ 1,003</u>	<u>1,110</u>
Valuation allowances	<u>\$ (154)</u>	<u>(160)</u>
Deferred tax liabilities:		
Intangibles	\$ (649)	(648)
Property, plant and equipment	(258)	(260)
Other	(98)	(51)
Total	<u>\$ (1,005)</u>	<u>(959)</u>
Net deferred income tax liability	<u>\$ (156)</u>	<u>(9)</u>

Current deferred tax assets, net were \$353 and \$354 as of September 30, 2015 and 2014, respectively, and noncurrent deferred tax liabilities, net were \$362 and \$510. Total income taxes paid were approximately \$1,590, \$1,310 and \$1,270 in 2015, 2014 and 2013, respectively. Approximately half of the \$207 of net operating losses and tax credits can be carried forward indefinitely, while the remainder expire over varying periods.

(14) STOCK-BASED COMPENSATION

The Company's stock-based compensation plans include stock options, performance shares, restricted stock and restricted stock units. Although the Company has discretion, shares distributed under these plans are issued from treasury stock.

Stock Options

The Company's stock option plans permit key officers and employees to purchase common stock at specified prices, which are equal to 100 percent of the closing market price of the Company's stock on the date of grant. Options generally vest one-third in each of the three years subsequent to grant and expire 10 years from the date of grant. Compensation expense is recognized ratably over the vesting period based on the number of options expected to vest. As of September 30, 2015, 13.5 million options were available for grant under the plans.

Changes in shares subject to options during the year ended September 30, 2015 follow (shares in thousands):

	Weighted- Average Exercise Price Per Share	Shares	Total Intrinsic Value of Shares	Average Remaining Life (Years)
Beginning of year	\$ 54.19	13,908		
Options granted	\$ 60.16	1,378		
Options exercised	\$ 41.85	(1,016)		
Options canceled	\$ 61.02	(624)		
End of year	<u>\$ 55.40</u>	<u>13,646</u>	<u>\$ 15</u>	<u>5.8</u>
Exercisable at end of year	<u>\$ 51.68</u>	<u>9,147</u>	<u>\$ 15</u>	<u>4.6</u>

The weighted-average grant date fair value per option was \$12.48, \$14.83 and \$10.12 in 2015, 2014 and 2013, respectively. Cash received for option exercises was \$36 in 2015, \$77 in 2014 and \$104 in 2013. The total intrinsic value of options exercised in 2015, 2014 and 2013 was \$16, \$61 and \$66, respectively, while the tax benefit realized by the Company from tax deductions related to option exercises was \$10, \$14 and \$7, respectively.

The grant date fair value of options is estimated using the Black-Scholes option-pricing model. The weighted-average assumptions used in valuations for 2015, 2014 and 2013 are, respectively: risk-free interest rate, based on U.S. Treasury yields, 1.9 percent, 2.0 percent and 1.2 percent; dividend yield, 3.1 percent, 2.6 percent and 3.2 percent; and expected volatility, based on historical volatility, 28 percent for all years shown. The expected life of each option awarded is seven years based on historical experience and expected future exercise patterns.

Performance Shares, Restricted Stock and Restricted Stock Units

The Company's incentive shares plans include performance shares awards which distribute the value of common stock to key management employees subject to certain operating performance conditions and other restrictions. The form of distribution is primarily shares of common stock, with a portion in cash. Compensation expense for performance shares is recognized over the service period based on the number of shares ultimately expected to be earned. Performance shares awards are accounted for as liabilities in accordance with ASC 718, *Compensation - Stock Compensation*, with compensation expense adjusted at the end of each reporting period to reflect the change in fair value of the awards.

In 2014, vested performance shares that had been awarded primarily in 2010 were distributed as follows: 2,782,143 issued as shares, 1,829,617 withheld for income taxes, and the value of 211,285 paid in cash. 14,694 shares were canceled and not distributed. As of September 30, 2015, the rights to receive a maximum of 5,782,114 common shares awarded primarily in 2013 were outstanding, contingent on the Company achieving its performance objectives through 2016 and the provision of additional service by employees.

Incentive shares plans also include restricted stock awards which involve distribution of common stock to key management employees subject to cliff vesting at the end of service periods ranging from three to ten years. The fair value of restricted stock awards is determined based on the average of the high and low market prices of the Company's common stock on the date of grant, with compensation expense recognized ratably over the applicable service period. In 2015, 151,000 shares of restricted stock vested as a result of participants fulfilling the applicable service requirements. Consequently, 79,568 shares were issued while 71,432 shares were withheld for income taxes in accordance with minimum withholding requirements. As of September 30, 2015, there were 1,349,500 shares of unvested restricted stock outstanding.

The total fair value of shares vested under incentive shares plans was \$9, \$315 and \$19, respectively, in 2015, 2014 and 2013, of which \$5, \$134 and \$8 was paid in cash, primarily for tax withholding. As of September 30, 2015, 16.2 million shares remained available for award under incentive shares plans.

Changes in shares outstanding but not yet earned under incentive shares plans during the year ended September 30, 2015 follow (shares in thousands):

	Shares	Average Grant Date Fair Value Per Share
Beginning of year	6,404	\$ 47.81
Granted	437	\$ 61.96
Earned/vested	(151)	\$ 37.36
Canceled	(313)	\$ 49.02
End of year	<u>6,377</u>	<u>\$ 48.97</u>

Total compensation expense for stock options and incentive shares was \$30, \$143 and \$221 for 2015, 2014 and 2013, respectively. The decrease in expense for 2015 reflects a stock option award in 2014 and no incentive stock plan overlap in 2015, and a lower stock price in the current year. The decrease in 2014 is due to a reduced impact from performance shares plans overlap in 2014 and a slightly lower stock price, partially offset by a stock option award in 2014. Income tax benefits recognized in the income statement for these compensation arrangements during 2015, 2014 and 2013 were \$2, \$39 and \$68, respectively. As of September 30, 2015, total unrecognized compensation expense related to unvested shares awarded under these plans was \$125, which is expected to be recognized over a weighted-average period of 1.5 years.

In addition to the employee stock option and incentive shares plans, in 2015 the Company awarded 21,429 shares of restricted stock and 4,762 restricted stock units under the restricted stock plan for nonmanagement directors. As of September 30, 2015, 221,955 shares were available for issuance under this plan.

(15) COMMON AND PREFERRED STOCK

At September 30, 2015, 49.3 million shares of common stock were reserved for issuance under the Company's stock-based compensation plans. During 2015, 43.1 million common shares were purchased and 1.1 million treasury shares were reissued. In 2014, 14.8 million common shares were purchased and 4.7 million treasury shares were reissued.

At September 30, 2015 and 2014, the Company had 5.4 million shares of \$2.50 par value preferred stock authorized, with none issued.

(16) ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Activity in accumulated other comprehensive income (loss) attributable to common stockholders is shown below:

	2013	2014	2015
<u>Foreign currency translation</u>			
Beginning balance	\$ 466	504	171
Other comprehensive income (loss)	38	(341)	(793)
Purchase of noncontrolling interest	—	8	—
Ending balance	<u>504</u>	<u>171</u>	<u>(622)</u>
<u>Pension and postretirement</u>			
Beginning balance	(1,213)	(692)	(746)
Actuarial gains (losses) deferred during the period	375	(152)	(315)
Amortization of deferred actuarial losses into earnings	146	98	109
Ending Balance	<u>(692)</u>	<u>(746)</u>	<u>(952)</u>
<u>Cash flow hedges</u>			
Beginning balance	16	(1)	—
Gains (Losses) deferred during the period	(11)	(1)	(66)
Reclassifications of realized (gains) losses to sales and cost of sales	(6)	2	23
Ending balance	<u>(1)</u>	<u>—</u>	<u>(43)</u>
Accumulated other comprehensive income (loss)	<u>\$ (189)</u>	<u>(575)</u>	<u>(1,617)</u>

Activity above is shown net of income taxes for 2015, 2014 and 2013, respectively, as follows: deferral of pension and postretirement actuarial gains (losses): \$192, \$87 and \$(233); amortization of pension and postretirement deferred actuarial losses: \$(59), \$(52) and \$(85); deferral of cash flow hedging gains (losses): \$38, \$ - and \$7; reclassification of realized cash flow hedging (gains) losses: \$(13), \$ - and \$3.

(17) BUSINESS SEGMENTS INFORMATION

The Company designs and manufactures products and delivers services that bring technology and engineering together to provide innovative solutions for customers in a wide range of industrial, commercial and consumer markets around the world. The business segments of the Company are organized primarily by the nature of the products and services they sell.

The **Process Management** segment provides systems and software, measurement and analytical instrumentation, valves, actuators and regulators, services and solutions and reliability consulting including digital plant architecture that allows communication of devices with centralized systems, to provide precision measurement, control, monitoring, asset optimization, and plant safety and reliability for plants that produce power or process fluids or items such as petroleum, chemicals, food and beverages, pulp and paper, pharmaceuticals and municipal water supplies. The **Industrial Automation** segment provides low, medium and high voltage alternators and other power generation equipment, commercial and industrial motors and drives, fluid power and control mechanisms, electrical distribution equipment, and materials joining and precision cleaning products which are used in a wide variety of manufacturing operations to provide integrated manufacturing solutions to customers. The **Network Power** segment designs, manufactures, installs and maintains power systems for telecommunications networks, data centers and other critical applications, including power conditioning and uninterruptible power systems, thermal management, critical power systems, integrated data center control devices, software, monitoring and 24-hour service. The **Climate Technologies** segment supplies compressors, temperature sensors and controls, thermostats, flow controls and remote monitoring technology and services to all areas of the climate control industry, including residential heating and cooling, commercial air conditioning, commercial and industrial refrigeration and marine controls. The **Commercial & Residential Solutions** segment provides tools for professionals and homeowners, home storage systems and appliance solutions. The principal distribution method for each segment is direct sales forces, although the Company also uses independent sales representatives and distributors. Due to its global presence, certain of the Company's international operations are subject to risks such as significant currency exchange rate fluctuations, restrictions on the movement of funds and potential nationalization of operations. See Notes 3 through 6.

The primary income measure used for assessing segment performance and making operating decisions is earnings before interest and income taxes. Intersegment selling prices approximate market prices. Accounting method differences between segment reporting and the consolidated financial statements are primarily management fees allocated to segments based on a percentage of sales and the accounting for pension and other retirement plans. Corporate and other includes stock compensation expense, and goodwill impairment charges when applicable. Corporate assets are primarily comprised of cash and equivalents, investments and certain fixed assets. Summarized below is information about the Company's operations by business segment and by geography.

Business Segments

	Sales			Earnings			Total Assets		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
Process Management	\$ 8,610	9,189	8,516	\$ 1,809	1,918	1,493	\$ 6,878	7,771	7,704
Industrial Automation	4,885	4,990	4,121	777	802	600	3,606	3,574	2,808
Network Power	6,155	5,073	4,441	554	459	231	6,603	5,233	4,743
Climate Technologies	3,876	4,109	4,011	716	737	698	2,245	2,378	2,314
Commercial & Residential Solutions	1,865	1,924	1,924	404	424	403	1,153	1,152	817
	<u>25,391</u>	<u>25,285</u>	<u>23,013</u>	<u>4,260</u>	<u>4,340</u>	<u>3,425</u>	<u>20,485</u>	<u>20,108</u>	<u>18,386</u>
Differences in accounting methods				221	252	223			
Corporate and other (a)				(1,067)	(1,050)	684	4,226	4,069	3,702
Sales eliminations/Interest	<u>(722)</u>	<u>(748)</u>	<u>(709)</u>	<u>(218)</u>	<u>(194)</u>	<u>(171)</u>			
Total	<u>\$ 24,669</u>	<u>24,537</u>	<u>22,304</u>	<u>\$ 3,196</u>	<u>3,348</u>	<u>4,161</u>	<u>\$ 24,711</u>	<u>24,177</u>	<u>22,088</u>

(a) Corporate and other in 2015 includes pretax gains on divestitures of \$1,039 and \$10 of costs related to the planned spinoff of the network power systems business (see Note 3), and in 2014 and 2013 includes pretax goodwill impairment charges of \$508 and \$528, respectively. Corporate and other also includes stock compensation expense, which decreased \$113 and \$78 in 2015 and 2014, respectively. See Note 14.

	Intersegment Sales			Depreciation and Amortization			Capital Expenditures		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
Process Management	\$ 6	8	5	\$ 201	249	276	\$ 276	300	244
Industrial Automation	631	664	633	145	145	122	124	123	128
Network Power	39	27	26	238	198	178	88	68	48
Climate Technologies	44	47	44	130	132	132	100	145	134
Commercial & Residential Solutions	2	2	1	53	52	51	40	49	52
Corporate and other				52	55	56	50	82	79
Total	\$ 722	748	709	\$ 819	831	815	\$ 678	767	685

Geographic Information

	Sales by Destination			Property, Plant and Equipment		
	2013	2014	2015	2013	2014	2015
United States and Canada	\$ 10,964	11,262	10,673	\$ 1,969	2,036	1,979
Asia	5,888	5,483	4,936	518	602	564
Europe	4,841	4,815	4,024	772	803	733
Latin America	1,555	1,508	1,241	308	306	254
Middle East/Africa	1,421	1,469	1,430	38	55	55
Total	\$ 24,669	24,537	22,304	\$ 3,605	3,802	3,585

Sales in the U.S. were \$9,783, \$10,310 and \$10,000 for 2015, 2014 and 2013, respectively, while Asia includes sales in China of \$2,472, \$2,853 and \$3,122 in those years. Assets located in the U.S. were \$1,968 in 2015, \$2,022 in 2014 and \$1,952 in 2013.

(18) OTHER FINANCIAL DATA

Items reported in earnings during the years ended September 30 include the following:

	2013	2014	2015
Research and development expense	\$ 576	541	506
Depreciation expense	\$ 521	518	507
Rent expense	\$ 414	411	391

The Company leases certain facilities, transportation and office equipment, and various other items under operating lease agreements. Minimum annual rentals under noncancelable long-term leases, exclusive of maintenance, taxes, insurance and other operating costs, will approximate \$263 in 2016, \$181 in 2017, \$123 in 2018, \$84 in 2019 and \$51 in 2020.

At September 30, 2015, other current assets included short-term investments of \$99 and an income tax refund receivable of \$94. At September 30, 2015 and 2014, other assets included \$33 and \$377 of pension assets, respectively.

Items reported in accrued expenses include the following:

	2014	2015
Employee compensation	\$ 705	597
Customer advanced payments	\$ 455	450
Product warranty	\$ 193	167

Other liabilities are summarized as follows:

	2014	2015
Pension liabilities	\$ 564	662
Deferred income taxes	572	408
Postretirement liabilities, excluding current portion	233	199
Other	628	602
Total	<u>\$ 1,997</u>	<u>1,871</u>

Other operating cash flow is comprised of the following:

	2013	2014	2015
Pension expense	\$ 228	153	167
Stock compensation expense	221	143	30
Deferred income taxes and other	(63)	(111)	14
Total	<u>\$ 386</u>	<u>185</u>	<u>211</u>

(19) QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Full Year	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Net sales	\$ 5,606	5,587	5,812	5,400	6,312	5,503	6,807	5,814	24,537	22,304
Gross profit	\$ 2,236	2,280	2,395	2,166	2,638	2,234	2,889	2,368	10,158	9,048
Net earnings common stockholders	\$ 462	525	547	973	728	564	410	648	2,147	2,710
Earnings per common share:										
Basic	\$ 0.65	0.76	0.78	1.42	1.03	0.84	0.59	0.98	3.05	4.01
Diluted	\$ 0.65	0.75	0.77	1.42	1.03	0.84	0.58	0.98	3.03	3.99
Dividends per common share	\$ 0.43	0.47	0.43	0.47	0.43	0.47	0.43	0.47	1.72	1.88
Common stock prices:										
High	\$ 70.66	65.94	70.29	62.25	69.94	62.75	68.23	56.12	70.66	65.94
Low	\$ 62.73	57.76	62.25	54.95	64.70	55.23	60.85	42.80	60.85	42.80

Earnings per share are computed independently each period; as a result, the quarterly amounts may not sum to the calculated annual figure.

Net earnings and diluted earnings per share, respectively, include the following: a gain on the divestiture of a business of \$528 and \$0.77 in the second quarter of 2015; gains on divestitures of businesses of \$83 and \$0.13 and costs related to the planned network power systems spinoff of \$52 and (\$0.08) in the fourth quarter of 2015; and a goodwill impairment charge of \$508 and \$0.72 in the fourth quarter of 2014.

Emerson Electric Co. common stock (symbol EMR) is listed on the New York Stock Exchange and the Chicago Stock Exchange.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Emerson Electric Co.:

We have audited the accompanying consolidated balance sheets of Emerson Electric Co. and subsidiaries as of September 30, 2015 and 2014, and the related consolidated statements of earnings, comprehensive income, equity, and cash flows for each of the years in the three-year period ended September 30, 2015. We also have audited Emerson Electric Co.'s internal control over financial reporting as of September 30, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Emerson Electric Co.'s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Emerson Electric Co. and subsidiaries as of September 30, 2015 and 2014, and the results of its operations and its cash flows for each of the years in the three-year period ended September 30, 2015, in conformity with U.S. generally accepted accounting principles. Also in our opinion, Emerson Electric Co. maintained, in all material respects, effective internal control over financial reporting as of September 30, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG LLP
St. Louis, Missouri
November 18, 2015

Safe Harbor Statement

This Annual Report contains various forward-looking statements and includes assumptions concerning Emerson's operations, future results and prospects, including the planned spinoff of the network power systems business and other strategic repositioning actions. These forward-looking statements are based on current expectations and are subject to risks and uncertainties. Emerson undertakes no obligation to update any such statements to reflect later developments. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, Emerson provides the following cautionary statement identifying important economic, political and technological factors, among others, changes in which could cause the actual results or events to differ materially from those set forth in or implied by the forward-looking statements and related assumptions.

Such factors include, but are not limited to, the following: (1) Emerson's ability to successfully complete its strategic portfolio repositioning actions on the anticipated terms and conditions, or that the related costs may be higher than expected; (2) the management time and attention required by the repositioning transactions; (3) the risk that we may not realize some or all of the anticipated strategic, financial or other benefits of such repositioning actions; (4) the possibility that the combined postseparation value of the common stock of Emerson and the spun-off company may be less than the pre-separation value of our common stock; (5) the current and future business environment, including capital and consumer spending, potential volatility of the end markets served, interest rates, and currency exchange rates; (6) competitive factors and competitor responses to Emerson initiatives; (7) development and market introduction of anticipated new products; (8) the ability to defend and protect our intellectual property rights; (9) favorable environments for and execution of acquisitions and divestitures, domestic and foreign, including regulatory requirements and market values of candidates; (10) integration of acquisitions and separation of disposed businesses; (11) the availability of raw materials and purchased components; (12) stability of governments and business conditions in foreign countries which could result in adverse changes in exchange rates, changes in regulation, nationalization of facilities or disruption of operations; (13) unrestricted access to capital markets; (14) ability to prevent security breaches or disruptions of our information technology systems; and (15) the outcome of pending and future litigation, including environmental compliance.

**Subsidiaries and Affiliates of Emerson Electric Co.
September 30, 2015**

<u>LEGAL NAME</u>	<u>JURISDICTION OF INCORPORATION</u>
Advanced Protection Technologies, Inc.	Florida
Avocent Corporation	Delaware
Avocent Huntsville Corp.	Alabama
Aperture International Limited	United Kingdom
Avocent do Brasil Informatica Ltda	Brazil
Avocent Fremont Corp.	California
Avocent China Technology Limited	China
Avocent International Holdings Limited	Ireland
Avocent Belgium Limited BVBA/SPRL	Belgium
Avocent Asia Pacific Pte. Ltd.	Singapore
Avocent Australia Pty. Ltd.	Australia
Avocent (China) Limited	Hong Kong
Avocent Taiwan Co., Ltd.	Taiwan
Avocent International Limited	Ireland
Avocent Deutschland GmbH	Germany
Avocent Italia Srl	Italy
Avocent Japan KK	Japan
Avocent Netherlands B.V.	Netherlands
Avocent Spain S.L.	Spain
Avocent Sweden AB	Sweden
Avocent Redmond Corp.	Washington
Avocent Texas Corp.	Texas
Branson Ultrasonic S.A.	Switzerland
Bristol, Inc.	Delaware
California Emerson LLC	Delaware
ClosetMaid Corporation	Florida
Clairson, Inc.	Delaware
Computational Systems, Incorporated	Tennessee
Control Products, Inc.	Minnesota
Control Techniques Iberia S.A.	Spain
Daniel Industries, Inc.	Delaware
Emerson Process Management Valve Automation, Inc.	Delaware
Bettis Canada Ltd.	Canada

Bettis Holdings Limited	United Kingdom
Bettis UK Limited	United Kingdom
Prime Actuator Control Systems Limited	United Kingdom
Prime Actuator Control Systems UK Limited	United Kingdom
Emerson Process Management Valve Actuation LLC	Delaware
Hytork Controls, Inc.	Delaware
Daniel Automation Company	Delaware
Daniel Industrial, Inc.	Delaware
Daniel En-Fab Systems, Inc.	Delaware
Daniel International Limited	United Kingdom
Daniel Europe Limited	United Kingdom
Daniel Industries Limited	United Kingdom
Spectra-Tek Holdings Limited	United Kingdom
Spectra-Tek UK Limited	United Kingdom
Daniel Measurement Solutions Pvt. Ltd.	India
Spectra-Tek International Limited	United Kingdom
Greenfield (UK) Limited	United Kingdom
Daniel Measurement and Control, Inc.	Delaware
Daniel Industries Canada Inc.	Canada
Metco Services Venezuela, C.A.	Venezuela
Danmasa S.A. de C.V.	Mexico
Hytork International Ltd.	United Kingdom
Hytork LLC	Delaware
Hytork Services Limited	United Kingdom
Hytork Controls Limited	United Kingdom
EECO, Inc.	Delaware
Apple JV Holding Corp.	Delaware
Appleton Grp LLC	Delaware
Appleton Electric LLC	Delaware
Appleton Electric, S.A. de C.V.	Mexico
Appleton Holding Corp.	Delaware
EGS Electrical Group Canada Ltd.	Ontario
Easy Heat Ltd.	Ontario
EGS Comercializadora Mexico, S. de R.L. de C.V.	Mexico
Nutsteel DHC B.V.	Netherlands
Nutsteel Indústria Metalúrgica Ltda	Brazil
Easy Heat, Inc.	Delaware
EGS Electrical Group Romania Srl	Romania
EGS Holding Sarl	France
ATX S.A.	France
Easy Heat Europe SAS	France
EGS Mexico S. de R.L. de C.V.	Mexico
EGS Private Ltd.	Singapore

Emerson Hazardous Electrical Equipment (Shanghai) Co., Ltd.	China
GSEG LLC	Delaware
Electrical Reliability Services, Inc.	California
Emerson Climate Technologies, Inc.	Delaware
Emerson Climate Technologies Retail Solutions, Inc.	Delaware
Emerson Climate Services, LLC	Delaware
Copeland Access +, Inc.	Delaware
Copeland Corporation LLC	Delaware
Copeland de Mexico, S.A. de C.V.	Mexico
Emerson Climate Technologies (India) Private Limited	India
Copeland Redevelopment Corporation	Missouri
CR Compressors LLC	Delaware
Scroll Compressors LLC	Delaware
Scroll Mexico LLC	Delaware
Emerson Electric do Brasil Ltda	Brazil
System Plast Ltda	Brazil
Emerson Electric (U.S.) Holding Corporation	Delaware
Automatic Switch Company	Delaware
ASC Investments, Inc.	Delaware
Asco AB	Sweden
Asco Controls AG	Switzerland
Asco Controls B.V.	Netherlands
Asco Magnesszelep Kft.	Hungary
Asco/Joucomatic s.r.o.	Czech Republic
Asco Joucomatic ZA B.V.	Netherlands
Asco Numatics Sp. z o.o.	Poland
ASCO/NUMATICS GmbH in Liquidation	Switzerland
ASCO Controls, L.P.	Delaware
ASCO Japan Co., Ltd.	Japan
Ascomatica S.A. de C.V.	Mexico
Ascomation Pty. Ltd.	Australia
Ascomation (NZ) Ltd.	New Zealand
ASCO Numatics (India) Private Limited	India
ASCO Power Technologies, L.P.	Delaware
Avtron LoadBank Worldwide Co., Ltd.	United Kingdom
N.J. Froment & Co. Limited	United Kingdom
Asco Services, Inc.	New Jersey
ASCO Switch Enterprises LLC	Delaware
Ascotech, S.A. de C.V.	Mexico
Ascoval Industria e Comercio Ltda	Brazil
ASCO Valve Enterprises LLC	Delaware
ASCO Valve, Inc.	Delaware
ASCO Valve Manufacturing, LLC	Delaware

Branson Ultrasonics Corporation	Delaware
Branson Korea Co., Ltd.	Korea
Branson Ultrasonidos S.A.E.	Spain
Branson Ultrasons SAS	France
El-O-Matic GmbH	Germany
Emerson Climate Technologies GmbH	Germany
Emerson Climate Technologies Limited	United Kingdom
Emerson Climate Technologies Refrigeration S.A.	Belgium
Emerson Climate Technologies S.A.	Spain
Emerson Climate Technologies Sarl	France
Emerson Climate Technologies Srl	Italy
Emerson Dietzenbach GmbH	Germany
Emerson Deutschland Holding GmbH	Germany
Emerson Electric Overseas Finance Corp.	Delaware
Emerson Process Management GmbH	Germany
Emerson Process Management GmbH & Co. OHG	Germany
epro GmbH	Germany
Emerson Process Management Ltda	Brazil
Emerson Retail Services Europe GmbH	Germany
Emerson Technologies Verwaltungs GmbH	Germany
Emerson Technologies GmbH & Co. OHG	Germany
Emersub LXXXIV, Inc.	Delaware
Emersub LXXXVI, Inc.	Delaware
EMR Holdings (France) SAS	France
ASCO SAS	France
Asco Numatics GmbH	Germany
Fluidicontrol S.A.	Spain
Joucomatic S.A.	Belgium
Avocent France SAS	France
Company Financiere de Chausey, S.A.	France
Emerson Network Power Energy Systems, SA	France
Francel SAS	France
Leroy-Somer Holding	France
Bertrand Polico SAS	France
Constructions Electriques de Beaucourt SAS	France
Emerson Industrial Automation Australia Pty Ltd	Australia
Leroy-Somer (Pty) Ltd.	Australia
Emerson Industrial Automation Belgium NV	Belgium
Emerson Industrial Automation Denmark A/S	Denmark
Emerson Industrial Automation Italy SpA	Italy
Emerson Industrial Automation Sweden AB	Sweden
ESO SAS	France
ESO CENTRE EST Sarl	France

ESO Ile de France Sarl	France
ESO OUEST Sarl	France
ESO NORD EST Sarl	France
ESO NORMANDIE Sarl	France
ESO SUD EST Sarl	France
ESO SUD OUEST Sarl	France
Etablissements Trepeau SAS	France
Girard Transmissions SAS	France
IMI Elektromos Gepeket Gyarto Kft	Hungary
La Francaise de Manutention SAS	France
Leroy Somer Elektomekanik Sistemler Ticaret Ltd. STI	Turkey
Leroy-Somer Iberica S.A.	Spain
Teilsa Servicios, S.L.	Spain
Leroy-Somer Limited	United Kingdom
Leroy Somer Marbaise GmbH	Germany
Leroy-Somer B.V.	Netherlands
Leroy-Somer (South East Asia) Pte Ltd	Singapore
Leroy-Somer SA	Switzerland
Leroy-Somer Single Member Ltd.	Greece
M.L.S. Holice, spol s.r.o.	Czech Republic
MLS Industries Inc.	Delaware
Yorba Linda International, Inc.	Delaware
Moteurs Leroy-Somer	France
Societe Anonyme de Mecanique et D'outillage du Vivarais SA	France
Ridgid France SAS	France
Marbaise Hanlo LS GmbH	Germany
Ridge Tool GmbH	Germany
Ridge Tool GmbH & Co. OHG	Germany
Rosemount Inc.	Minnesota
Dieterich Standard, Inc.	Delaware
Emerson Industrial Automation USA Inc.	Delaware
Emerson Industrial Automation USA LLC	Delaware
Fincor Holding, LLC	Delaware
Emerson Process Management AB	Sweden
Emerson Process Management A/S (Denmark)	Denmark
Emerson Process Management AS	Norway
Emerson Process Management Holding AG	Switzerland
Emerson Process Management AG	Switzerland
Emerson LLC	Azerbaijan
Emerson LLP	Kazakhstan
Emerson Process Management Kft.	Hungary
Emerson Process Management Romania Srl	Romania
Emerson Process Management Sp. z o.o.	Poland

Emerson Process Management UAB	Lithuania
Emerson Process Management Ticaret Limited Sirketi	Turkey
Emerson Process Management, s.r.o.	Czech Republic
Emerson Process Management, s.r.o.	Slovakia
Emerson TOV	Ukraine
Emerson Process Management Power and Water Solutions Sp. z o.o.	Poland
Emerson Process Management Asia Pacific Pte. Ltd.	Singapore
Emerson Process Management Manufacturing (M) Sdn Bhd	Malaysia
Emerson Process Management Valve Automation (M) Sdn Bhd	Malaysia
Spectronix Ltd.	Israel
E Business Development.Com Ltd.	Israel
Eurotronics Sistemas de Seguridad S.A.U.	Spain
Fire & Safety Group.Com Ltd.	Israel
Greenex Ltd.	Israel
Novel Environmental Technologies Ltd.	Israel
Novel Extinguishing Agent Technology Ltd.	Israel
SFT Group Ltd.	Israel
Spectrex, Inc.	Connecticut
Fire & Safety Group.Com, Inc.	New Jersey
Emerson Process Management Korea Ltd.	Korea
Emerson Process Management Oy	Finland
Emerson Process Management, S.A. de C.V.	Mexico
Emerson Process Management, S.L.	Spain
P I Components Corp.	Texas
Rosemount Analytical Inc.	Delaware
Rosemount China Inc.	Minnesota
Rosemount Nuclear Instruments, Inc.	Delaware
Rosemount Specialty Products LLC	Delaware
Xomox Uruguay S.A.	Uruguay
Emerson Network Power Solutions, Inc.	Delaware
Emersub 15 LLC	Delaware
Liebert Corporation	Ohio
Alber Corp.	Florida
Atlas Asia Limited	Hong Kong
Emerson Network Power Software (Shenzhen) Co., Ltd.	China
Emerson Network Power Australia Pty. Ltd.	Australia
Atlas Air Australia Pty. Ltd.	Australia
Chloride Power Protection Pty. Ltd.	Australia
Emerson Network Power DHC B.V.	Netherlands
Emerson Network Power do Brasil Ltda	Brazil
Artesyn do Brasil Comercio de Produtos de Conversao de Energia Ltda	Brazil
Emerson Network Power (Hong Kong) Limited	Hong Kong
Emerson Network Power (India) Private Limited	India

Emerson Process Management Chennai Private Limited	India
Emerson Network Power, Liebert Services, Inc.	Delaware
Emerson Network Power (Singapore) Pte. Ltd.	Singapore
Emerson Network Power (Malaysia) Sdn Bhd	Malaysia
Emerson Network Power (Taiwan) Co., Ltd.	Taiwan
Emerson Network Power (Thailand) Co. Ltd.	Thailand
Liebert Field Services, Inc.	Delaware
Liebert North America, Inc.	Delaware
Liebert Property Holdings, L.L.C.	Delaware
Micro Motion, Inc.	Colorado
Ridge Tool Company	Ohio
Ridge Tool (Australia) Pty. Ltd.	Australia
Ridge Tool Manufacturing Company	Delaware
Ridge Tool Pattern Company	Delaware
RIDGID, Inc.	Delaware
Ridgid Italia Srl	Italy
Ridgid Online, Inc.	Ohio
Ridgid Werkzeuge AG	Switzerland
Therm-O-Disc, Incorporated	Ohio
Componentes Avanzados de Mexico S.A. de C.V.	Mexico
Controles de Temperatura S.A. de C.V.	Mexico
E.G.P. Corporation	Delaware
Emermex S.A. de C.V.	Mexico
Emerson Arabia, Inc.	Delaware
Emerson Climate Technologies Arabia Limited Co.	Saudi Arabia
Emerson Process Management Arabia LLC	Saudi Arabia
Emersub 4 LLC	Delaware
Emerson Climate Technologies Mexico S.A. de C.V.	Mexico
Emerson Electric (Asia) Limited	Hong Kong
Branson Ultrasonics (Asia Pacific) Co. Ltd.	Hong Kong
Emerson Electric (South Asia) Pte. Ltd.	Singapore
Emerson (Philippines) Corporation	Philippines
Emerson Technology Service (Shenzhen) Co., Ltd.	China
Emerson Electric II, C.A.	Venezuela
Emerson Electric de Colombia Ltda	Colombia
Emerson Electric International, Inc.	Delaware
Emerson Electric Ireland Limited	Bermuda
Emersub Treasury Ireland	Ireland
Emerson Electric (Mauritius) Ltd.	Mauritius
Emerson Electric Company (India) Private Limited	India
Westinghouse Electric Pvt. Limited	Mauritius
Emerson Process Management Power & Water Solutions India Private Limited	India
Emerson Electric Nederland B.V.	Netherlands

Aegir Norge Holding AS	Norway
Roxar AS	Norway
Emerson Process Management Nigeria Limited	Nigeria
IRAP Technologies Sdn Bhd	Malaysia
Roxar Sdn Bhd	Malaysia
PolyOil Limited	United Kingdom
Roxar do Brasil Ltda	Brazil
Roxar Flow Measurement AS	Norway
Roxar Maximum Reservoir Performance WLL	Bahrain
Roxar de Venezuela C.A.	Venezuela
Roxar Saudi Co.	Saudi Arabia
Roxar Services AS	Norway
Roxar Services OOO	Russia
Roxar Technologies AS	Norway
Roxar Software Solutions AS	Norway
Yggdrasil AS	Norway
Roxar Vietnam Company Ltd.	Vietnam
A.P.M. Automation Solutions Ltd.	Israel
Branson Ultrasonics B.V.	Netherlands
Beckman Industrial B.V.	Netherlands
Damcos Holding A/S	Denmark
Damcos A/S	Denmark
Emerson Process Management Marine Solutions Korea Co., Ltd.	Korea
Emerson Process Management Marine Systems (Shanghai) Co., Ltd.	China
El-O-Matic B.V.	Netherlands
El-O-Matic Valve Actuators (F.E.) Pte. Ltd.	Singapore
Emerson Process Management (South Africa) (Proprietary) Ltd.	South Africa
Electrische Apparatenfabriek Capax B.V.	Netherlands
Emerson a.s.	Slovakia
Emerson Electric Company Lanka (Private) Limited	Sri Lanka
Emerson LLC	Russia
Emerson Oradea S.R.L.	Romania
Emerson Srl	Romania
EMERSON CLIMATE TECHNOLOGIES, s.r.o.	Czech Republic
Emerson Electric spol s.r.o.	Czech Republic
Emerson Network Power Pakistan (Private) Limited	Pakistan
Emerson Network Power (Vietnam) Co., Ltd.	Vietnam
Emerson Process Management B.V.	Netherlands
Emerson Process Management (Vietnam) Co., Ltd.	Vietnam
EMRSN HLDG B.V.	Netherlands
Emerson Network Power B.V.	Netherlands
Emerson Process Management Flow B.V.	Netherlands
Fusite B.V.	Netherlands

ORTRUD Verwaltungsgesellschaft mbH	Germany
Knürr-Holding GmbH	Germany
Knürr GmbH	Germany
Knürr AG	Switzerland
Knürr Electronics GmbH	Germany
Knürr Electronics GmbH & Co. Grundbesitz OHG	Germany
Knürr-Ercotec GmbH & Grundstücksverwaltung KG	Germany
Knürr GmbH & Co. Grundbesitz OHG	Germany
Knürr Innovation GmbH	Germany
Knürr Ltd.	United Kingdom
Knürr Lommatec Mechanik für die Elektronik Beteiligungs und Verwaltungs GmbH	Germany
Knürr s.r.o.	Czech Republic
Knürr Technical Furniture GmbH	Germany
Knürr-Ercotec GmbH	Germany
Knürr International GmbH	Germany
System Plast International B.V.	Netherlands
Therm-O-Disc Europe B.V.	Netherlands
Emerson Electric (Taiwan) Company Limited	Taiwan
Emerson Finance LLC	Delaware
Emerson Middle East, Inc.	Delaware
Emerson Network Power, Energy Systems, North America, Inc.	Delaware
Emerson Network Power Exportel, S.A. de C.V.	Mexico
Emerson Network Power, Inc.	Texas
Emerson Sice Srl	Italy
Asco Numatics Sirai Srl	Italy
Branson Ultrasuoni Srl	Italy
Dixell Srl	Italy
Emerson Climate Technologies Retail Solutions Europe S.R.L.	Italy
Emerson Network Power Holding Srl	Italy
Emerson Network Power Srl	Italy
Emerson Network Power Sp. z o.o.	Poland
Liebert Hiross Holding GmbH	Germany
Emerson Network Power GmbH	Germany
Emerson Network Power Kft.	Hungary
Emerson Process Management Srl	Italy
Emerson Process Management Virgo Valves Srl	Italy
Emerson Telecommunication Products, LLC	Delaware
JTP Industries, Inc.	Delaware
Northern Technologies, Inc.	Idaho
Emerson Venezuela C.A.	Venezuela
Emerson Ventures Inc.	Delaware
Emersub 3 LLC	Delaware
Emersub 14 LLC	Delaware
Vilter Manufacturing LLC	Wisconsin

Emersub 16 LLC	Delaware
Emersub CII, Inc.	Delaware
Emersub XLVI, Inc.	Nevada
Copesub, Inc.	Delaware
Alliance Compressors LLC	Delaware
Emersub XCI, Inc.	Delaware
Emersub Italia Srl	Italy
International Gas Distribution SA	Luxembourg
O.M.T. OFFICINA MECCANICA TARTARINI Srl	Italy
EMR Foundation, Inc.	Missouri
EMR Holdings, Inc.	Delaware
Branson de Mexico, S.A. de C.V.	Mexico
Comercializadora ClosetMaid, S. de R.L. de C.V.	Mexico
Copeland Compresores Hermeticos, S.A. de C.V.	Mexico
Dar Ibtikar Al Iraq for General Services and General Trade LLC	Iraq
Emerson Argentina S.A.	Argentina
Emerson Climate Technologies Australia Pty. Ltd.	Australia
Emerson del Peru S.A.C.	Peru
Válvulas, Accesorios Y Maquinarias S.A.C.	Peru
Emerson Dominicana, Srl	Dominican Republic
Emerson d.o.o.	Croatia
Emerson Electric (U.S.) Holding Corporation (Chile) Limitada	Chile
Comercializadora Emerson Network Power Chile Limitada	Chile
Emerson Electric C.R. Srl	Costa Rica
Emerson Electric de Mexico S.A. de C.V.	Mexico
Emerson Electric Holdings (Switzerland) GmbH	Switzerland
ALCO CONTROLS, spol. s.r.o.	Czech Republic
Emerson Process Management Co., Ltd.	China
EMR Emerson Holdings (Switzerland) GmbH	Switzerland
EMR (Asia) Limited	Hong Kong
Emerson Electric (China) Holdings Co., Ltd.	China
ASCO Valve (Shanghai) Co., Ltd.	China
Beijing Rosemount Far East Instrument Co., Ltd.	China
Branson Ultrasonics (Shanghai) Co., Ltd.	China
ClosetMaid (Jiangmen) Storage Limited	China
Emerson Beijing Instrument Co. Ltd.	China
Emerson Climate Technologies (Shanghai) Co., Ltd.	China
Emerson Climate Technologies (Shenyang) Refrigeration Co., Ltd.	China
Emerson Climate Technologies - Solutions (Suzhou) Co., Ltd.	China
Emerson Climate Technologies (Suzhou) Co., Ltd.	China
Emerson Climate Technologies (Suzhou) Trading Co., Ltd.	China
Emerson Electric (Shenzhen) Co. Ltd.	China
Emerson Electric (Zhuhai) Co., Ltd.	China
Emerson Fusite Electric (Shenzhen) Co. Ltd.	China
Emerson InSinkErator Appliance (Nanjing) Co., Ltd.	China
Emerson Junkang Enterprise (Shanghai) Co., Ltd.	China

Emerson Machinery Equipment (Shenzhen) Co., Ltd.	China
Emerson Network Power (Mianyang) Co., Ltd.	China
Emerson Network Power (Xi'an) Co., Ltd.	China
Emerson Network Power Co., Ltd.	China
Emerson Process Management Flow Technologies Co., Ltd.	China
Emerson Process Management Power & Water Solutions (Shanghai) Co., Ltd.	China
Emerson Process Management (Tianjin) Valves Co., Ltd.	China
Emerson Process Management Valve Automation (Tianjin) Co., Ltd.	China
Emerson Professional Tools (Shanghai) Co., Ltd.	China
Emerson Trading (Shanghai) Co., Ltd.	China
Emerson Xi'an Engineering Center	China
Fisher Jeon Gas Equipment (Chengdu) Co., Ltd.	China
Fisher Regulators (Shanghai) Co., Ltd.	China
Leroy Somer Electro-Technique (Fuzhou) Co., Ltd.	China
Emerson Network Power (Jiangmen) Co., Ltd.	China
Parex Industries Limited	New Zealand
Hytork Controls, Inc.	Florida
Virgo Valves & Controls (ME) FZE	UAE
Virgo Valves and Controls Sdn Bhd	Malaysia
Emerson Electric Korea Ltd.	Korea
Emerson Electric (M) Sdn Bhd	Malaysia
Astec Advanced Power Sytems (Malaysia) Sdn Bhd	Malaysia
Astec Advanced Power Systems (Penang) Sdn Bhd	Malaysia
Astec Electronics (Malaysia) Sdn Bhd	Malaysia
Emerson Electric Poland Sp. z o.o.	Poland
Emerson Industrial Automation Poland Sp. z o.o.	Poland
Emerson Network Power (Bangladesh) Private Limited	Bangladesh
Emerson Network Power Limited	Nigeria
Emerson Network Power (Philippines), Inc.	Philippines
Emerson Network Power (South Africa) (Pty) Ltd	South Africa
Emerson Network Power (Ghana) Limited	Ghana
Emerson Network Power, S.A.	Spain
Emerson Panama S. de R.L.	Panama
Emerson Process Management Europe GmbH	Switzerland
Emerson Process Management Magyarorszag Kft.	Hungary
Emerson Process Management NV	Belgium
Emerson Process Management Virgo Valves, Inc.	Delaware
Emerson Puerto Rico, Inc.	Puerto Rico
Emerson (Thailand) Limited	Thailand
Emersub 5 LLC	Delaware
Emersub Mexico, Inc.	Nevada
ClosetMaid Reynosa S. de R.L. de C.V.	Mexico
Copeland Scroll Compresores de Mexico S.A. de C.V.	Mexico
Daniel Measurement and Control, S. de R.L. de C.V.	Mexico
Emerpowsys, S. de R.L. de C.V.	Mexico

Emerson Electronic Connector and Components, S.A. de C.V.	Mexico
Emerson Mexico Corporate Services S de R.L. de C.V.	Mexico
Emerson Tool and Appliance Company, S. de R.L. de C.V.	Mexico
Emerson Tool Company de Mexico, S. de R.L. de C.V.	Mexico
Emersub 1 LLC	Delaware
Emersub XXXVI, Inc.	Delaware
Digital Appliance Controls (UK) Limited	United Kingdom
Control Techniques Limited	United Kingdom
Control Techniques Asia-Pacific Pte. Ltd.	Singapore
Control Techniques Drives (Malaysia) Sdn Bhd	Malaysia
Control Techniques Singapore Pte Limited	Singapore
Control Techniques Dynamics Limited	United Kingdom
Evershed Powerotor Limited	United Kingdom
Moore Reed & Company Limited	United Kingdom
Control Techniques GmbH	Germany
SSB Group GmbH	Germany
SSB Management GmbH	Germany
SSB Wind Systems GmbH & Co. KG	Germany
SSB Wind Energy Technology (Qingdao) Co., Ltd.	China
SSB-Antriebstechnik-Verwaltungs-und Beteiligungsgesellschaft mbH	Germany
Control Techniques Worldwide BV	Netherlands
Control Techniques AG	Switzerland
Control Techniques BV	Netherlands
Control Techniques Brno s.r.o.	Czech Republic
Control Techniques Endustriyel Kontrol Sistemerli Sanayi ve Ticaret AS	Turkey
Control Techniques India Private Limited	India
Control Techniques Elpro Automation Limited	India
DrivesShop Limited	United Kingdom
Emerson Industrial Automation Southern Africa (Pty) Ltd	South Africa
Emerson Industrial Automation UK Limited	United Kingdom
Foray 600 Limited	United Kingdom
Foray 606 Limited	United Kingdom
Emerson Holding Company Limited	United Kingdom
Asco Joucomatic Ltd.	United Kingdom
Asco Power Technologies Limited	United Kingdom
Bristol Babcock Limited	United Kingdom
Copeland Limited	United Kingdom
CSA Consulting Engineers Ltd.	United Kingdom
EI-O-Matic Limited	United Kingdom
Emerson Climate Technologies Retail Solutions UK Limited	United Kingdom
Emerson Electric U.K. Limited	United Kingdom
Artesyn Communication Products UK Ltd.	Scotland
Artesyn Hungary Elektronikai Kft.	Hungary

Bray Lectroheat Limited	United Kingdom
Buehler Europe Limited	United Kingdom
Bannerscientific Limited	United Kingdom
Buehler UK Limited	United Kingdom
Metaserv Limited	United Kingdom
Metallurgical Services Laboratories Limited	United Kingdom
Emerson FZE	UAE
Emerson Climate Technologies FZE	UAE
Emerson Gabon SARL	Gabon
EMRSN Process Management Angola, Lda	Angola
EMRSN Process Management Morocco Sarl	Morocco
Emerson Network Power - Embedded Computing UK Ltd.	Scotland
ENPDOR2012A Limited	United Kingdom
Liebert Swindon Limited	United Kingdom
Emerson Energy Systems (UK) Limited	United Kingdom
Emerson Process Management Limited	United Kingdom
Emerson Process Management Distribution Limited	United Kingdom
Emerson Process Management Shared Services Limited	United Kingdom
EMR Barnstaple Limited	United Kingdom
Fisher-Rosemount Properties Limited	United Kingdom
Groveley Detection Limited	United Kingdom
METCO Services Limited	United Kingdom
Roxar Limited	United Kingdom
Energy Scitech Ltd.	United Kingdom
Roxar Flow Measurement Limited	United Kingdom
TopWorx UK Limited	United Kingdom
Emerson UK Trustees Limited	United Kingdom
Fisher Controls Limited	United Kingdom
Farris Engineering Limited	United Kingdom
Fisher Governor Company Limited	United Kingdom
MDC Technology Limited	United Kingdom
MDC Technology Trustees Limited	United Kingdom
Mobrey Group Limited	United Kingdom
Rosemount Measurement Limited	United Kingdom
Cascade Technologies Holdings Limited	Scotland
Cascade Technologies Limited	Scotland
Pactrol Controls Limited	United Kingdom
EMR Worldwide B.V.	Netherlands
Emerson Climate Technologies - Transportation Solutions ApS	Denmark
Emerson DHC B.V.	Netherlands
Emerson Electric (Thailand) Limited	Thailand
Emerson Process Management Qatar S.S.C.	Qatar
Emersub 7 LLC	Delaware

Emersub 8 LLC	Delaware
Emersub 9 LLC	Delaware
Emersub 10 LLC	Delaware
Emersub 11 LLC	Delaware
Emersub 12 LLC	Delaware
EMR (Mauritius) Ltd.	Mauritius
Emerson Industrial Automation Electric Power Generation Private Limited	India
Emerson Electric Canada Limited	Canada
Emerson Holding Sweden AB	Sweden
Emerson Sweden AB	Sweden
Emerson Network Power AB	Sweden
Rosemount Tank Radar AB	Sweden
Emerson Process Management Marine Solutions Singapore Pte. Ltd.	Singapore
Rosemount Tank Gauging India Pvt. Ltd.	India
Rosemount Tank Gauging Middle East SPC	Bahrain
Rosemount Tank Radar Properties AB	Sweden
Emerson USD Finance Company Limited	United Kingdom
Net Safety Monitoring Inc.	Canada
Net Safety Monitoring Singapore Pte. Ltd.	Singapore
Rutherford Acquisitions Limited	United Kingdom
Chloride Group Limited	United Kingdom
Advanced Design Electronics Limited	United Kingdom
Chloride Batteries Limited	United Kingdom
Chloride Nominees Limited	United Kingdom
Chloride Pension Trust Limited	United Kingdom
Chloride Power Protection Limited	Thailand
Chloride Quest Trustees Limited	United Kingdom
Chloride Supplies Limited	United Kingdom
CHLD Singapore Pte. Ltd.	Singapore
Chloride do Brasil Limitada	Brazil
Chloride Holdings Limited	United Kingdom
Chloride Srl	Italy
Emerson Network Power Italia Srl	Italy
Chloride Koexa S.A.	Argentina
Chloride Power Protection China Ltd.	China
Chloride Secure Power Philippines Inc.	Philippines
CPE Chloride Power Electronics S.A.	Spain
Emerson Network Power, Limitada	Portugal
Emerson Network Power Guc Sistemleri Limited Sirketi	Turkey
Emerson Network Power Limited	Ireland
Emerson Network Power (Pune) Private Limited	India
Masterguard do Brasil Limitada	Brazil
Chloride U.K. Limited	United Kingdom

Continuous Power International Limited	United Kingdom
Continuous Power Limited	United Kingdom
Emerson Network Power Industrial Systems SAS	France
AST Electronique Services SAS	France
Emerson Network Power SAS	France
France Onduleurs Ondyne Sarl	France
Emerson Network Power Limited	United Kingdom
Emergency Power Systems Limited	United Kingdom
Oneac Limited	United Kingdom
Exide Limited	United Kingdom
Fleetness 173 Limited	United Kingdom
Masterpower Electronics Limited	Scotland
Ondyne (UK) Limited	United Kingdom
Stocksave Limited	United Kingdom
Vertu Security Limited	United Kingdom
Emerson Myanmar Limited	Myanmar
Emerson Process Management (India) Pvt. Ltd.	India
Virgo Valves & Controls Private Limited	India
Shanghai Virgo Valves Technology Consulting Co., Ltd.	China
Virgo Valves & Controls Korea Ltd.	Korea
Emerson Process Management S.A.	Greece
Fisher-Rosemount Peru S.A.C.	Peru
F-R Tecnologias de Flujo, S.A. de C.V.	Mexico
NetworkPower Ecuador S.A.	Ecuador
PT. Emerson Indonesia	Indonesia
RAC Technologies (Israel) Ltd.	Israel
Rey-Lam, S. de R.L. de C.V.	Mexico
Termotec de Chihuahua, S.A. de C.V.	Mexico
Tranmet Holdings Limited	United Kingdom
Tranmet Holdings B.V.	Netherlands
Industrial Group Metran CJSC	Russia
Metran-Export CJSC	Russia
Vintrol, Inc.	Delaware
Energy Solutions International Holdings, Inc.	Delaware
Energy Solutions International Sub, Inc.	Delaware
Energy Solutions International GP, LLC	Pennsylvania
Energy Solutions International, Inc.	Texas
Energy Solutions International SAS	Colombia
Energy Solutions International Ltd.	New Brunswick
Energy Solutions International Ltd.	United Kingdom
Energy Solutions International Private Limited	India
EPMCO Holdings, Inc.	Delaware
Emerson Process Management Regulator Technologies, Inc.	Delaware

Fromex, S.A. de C.V.	Mexico
Fisher Controls International LLC	Delaware
Emerson Process Management Australia Pty Limited	Australia
Emerson Electric Australia Co. Pty. Ltd.	Australia
Emerson Process Management New Zealand Limited	New Zealand
Roxar Pty. Ltd.	Australia
Fisher Controles de Mexico, S.A. de C.V.	Mexico
Instrument & Valve Services Company	Delaware
Nippon Fisher Co., Ltd.	Japan
Fisher-Rosemount Systems, Inc.	Delaware
Emerson Process Management LLLP	Delaware
Emerson Process Management Power & Water Solutions, Inc.	Delaware
Emerson Process Management SAS	France
Emerson Process Management, Lda	Portugal
EPM Tulsa Holdings Corp.	Delaware
Emerson Process Management Regulator Technologies Tulsa, LLC	Oklahoma
Fiberconn Assemblies Morocco Sarl	Morocco
Fusite Corporation	Ohio
Emerson Japan Ltd.	Japan
Fusite Land Company	Delaware
General Equipment and Manufacturing Company, Inc.	Kentucky
TopWorx RSA (Pty) Ltd	South Africa
High Voltage Maintenance Corporation	Ohio
Hiross India Private Limited	India
Humboldt Hermetic Motor Corp.	Delaware
Woodstock Land Company LLC	Missouri
Intrinsic Safety Equipment of Texas, Inc.	Texas
Kato Engineering Inc.	Delaware
Management Resources Group, Inc.	Connecticut
Asset Data Solutions, LLC	Connecticut
MRG Solutions Canada Inc.	British Columbia
Motores Hermeticos del Sur, S.A. de C.V.	Mexico
Numatics, Incorporated	Michigan
Asco Numatics (Taiwan) Co., Ltd.	Taiwan
Neu Matics (Proprietary) Limited	South Africa
ProTeam, Inc.	Idaho
ProTeam (China) Limited	Hong Kong
Ridge Tool Europe NV	Belgium
Ridgid Scandinavia A/S	Denmark
Von Arx AG	Switzerland
Von Arx GmbH	Germany
Rosemount Tank Gauging North America Inc.	Texas
System Plast USA de Mexico, S. de R.L. de C.V.	Mexico

Termocontroles de Juarez, S.A. de C.V.

Tescom Corporation

Tescom Europe Management GmbH

Tescom Europe GmbH & Co. KG

Thunderline Z, Inc.

U P Systems, Incorporated

Mexico

Minnesota

Germany

Germany

Delaware

Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Emerson Electric Co.:

We consent to the incorporation by reference in Registration Statement Nos. 333-206096, 333-173933, 333-154362, 333-154361, 333-152917, 333-152916, 333-90240 and 333-46919 on Form S-8 and Registration Statement Nos. 333-200373, 333-110546, 333-52658, 333-84673 and 333-66865 on Form S-3 of Emerson Electric Co. of our report dated November 18, 2015, with respect to the consolidated balance sheets of Emerson Electric Co. as of September 30, 2015 and 2014, and the related consolidated statements of earnings, comprehensive income, equity, and cash flows for each of the years in the three-year period ended September 30, 2015, and the effectiveness of internal control over financial reporting as of September 30, 2015, which report is incorporated by reference in the September 30, 2015 annual report on Form 10-K of Emerson Electric Co.

/s/ KPMG LLP

St. Louis, Missouri
November 18, 2015

POWER OF ATTORNEY

The undersigned members of the Board of Directors and Executive Officers of Emerson Electric Co., a Missouri corporation with principal offices at 8000 West Florissant Avenue, St. Louis, Missouri 63136, hereby appoint F. J. Dellaquila as their Attorney-in-Fact for the purpose of signing Emerson Electric Co.'s Securities and Exchange Commission Form 10-K (and any and all Amendments thereto) for the fiscal year ended September 30, 2015.

Dated: October 6, 2015

<u>Signature</u>	<u>Title</u>
<u>/s/ D. N. Farr</u> D. N. Farr	Chairman of the Board and Chief Executive Officer
<u>/s/ R. J. Schlueter</u> R. J. Schlueter	Vice President, Controller and Chief Accounting Officer
<u>/s/ C. A. H. Boersig</u> C. A. H. Boersig	Director
<u>/s/ J. B. Bolten</u> J. B. Bolten	Director
<u>/s/ A. A. Busch III</u> A. A. Busch III	Director
<u>/s/ A. F. Golden</u> A. F. Golden	Director
<u>/s/ W. R. Johnson</u> W. R. Johnson	Director
<u>/s/ C. Kendle</u> C. Kendle	Director
<u>/s/ M. S. Levatich</u> M. S. Levatich	Director
<u>/s/ C. A. Peters</u> C. A. Peters	Director
<u>/s/ J. W. Prueher</u> J. W. Prueher	Director
<u>/s/ R. L. Stephenson</u> R. L. Stephenson	Director
<u>/s/ J. S. Turley</u> J. S. Turley	Director

Certification

I, D. N. Farr, certify that:

1. I have reviewed this annual report on Form 10-K of Emerson Electric Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 18, 2015

/s/ D. N. Farr

D. N. Farr
Chairman of the Board and
Chief Executive Officer
Emerson Electric Co.

Certification

I, F. J. Dellaquila, certify that:

1. I have reviewed this annual report on Form 10-K of Emerson Electric Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 18, 2015

/s/ F. J. Dellaquila

F. J. Dellaquila
Executive Vice President and
Chief Financial Officer
Emerson Electric Co.

**CERTIFICATION PURSUANT TO
EXCHANGE ACT RULE 13a-14(b) AND
18 U.S.C. SECTION 1350**

In connection with the Annual Report of Emerson Electric Co. (the "Company") on Form 10-K for the period ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, D. N. Farr, certify, to the best of my knowledge, pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ D. N. Farr

D. N. Farr
Chairman of the Board and
Chief Executive Officer
Emerson Electric Co.
November 18, 2015

**CERTIFICATION PURSUANT TO
EXCHANGE ACT RULE 13a-14(b) AND
18 U.S.C. SECTION 1350**

In connection with the Annual Report of Emerson Electric Co. (the "Company") on Form 10-K for the period ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, F. J. Dellaquila, certify, to the best of my knowledge, pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ F. J. Dellaquila

F. J. Dellaquila
Executive Vice President and
Chief Financial Officer
Emerson Electric Co.
November 18, 2015

