

For the 55th consecutive year, Emerson increased its annual dividend to shareholders.

From left: **Frank J. Dellaquila** Senior Vice President and Chief Financial Officer; **Walter J. Galvin** Vice Chairman; **David N. Farr** Chairman and Chief Executive Officer; **Craig W. Ashmore** Executive Vice President Planning and Development; **Charles A. Peters** Senior Executive Vice President; **Edward L. Monser** President and Chief Operating Officer

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TO OUR SHAREHOLDERS,

2011 was a terrific year at Emerson, with performance records set in several key areas. Our recent strategic investments and repositioning efforts are delivering value to our customers and shareholders.

We are better positioned around the world today than ever before. Going forward, the hardworking people of Emerson are sharply focused on quality, market leadership, exceeding expectations and achieving “never been done before” innovation.

That said, we know there is more work ahead of us in what is proving to be a very challenging and

uncertain global marketplace – one that is struggling with weak economic recovery and a lack of business confidence, especially in the U.S. and Europe.

Throughout its history and especially during the past decade, Emerson has proven its ability to perform regardless of economic cycle and deliver value to our long-term shareholders. We’ve learned and changed in the midst of difficult downturns and capitalized on market opportunities at the peaks. Despite this current uncertain economic environment, you can count on us to perform and deliver solid results through our unique and effective strategic planning process.



Edward L. Monser
*President and
Chief Operating Officer*



THE YEAR IN REVIEW

Emerson performed very well in 2011, as we delivered exceptional operating margins and record earnings to our shareholders. We hit our financial targets and strengthened our balance sheet. For the 55th consecutive year, Emerson increased its annual dividend to shareholders. The Board of Directors acted on October 31, 2011, to further increase the quarterly dividend by 16 percent to an annual rate of \$1.60, reflecting compound annual growth of 11 percent since 1956.

Sales in 2011 were \$24.2 billion, up 15 percent compared with 2010 sales of \$21.0 billion. Net

earnings per share in 2011 increased 15 percent to \$3.27, compared with \$2.84 in 2010.

Underlying sales (excluding acquisitions and foreign currency translation) were up 11 percent compared with 2010 results. Our operating profit margin improved significantly in 2011, reaching 17.5 percent. Emerson's after-tax return on total capital was 19.6 percent, up from 18.9 percent in 2010.

Cash flow from operations in 2011 was \$3.2 billion, another year of solid performance. Generating strong free cash flow continues to be among our highest priorities. With it, we invest in internal growth programs, fund acquisitions and provide long-term,

“EMERSON IS A GLOBAL COMPANY THAT IS ORGANIZED REGIONALLY. WE INNOVATE, ENGINEER, SOURCE, MANUFACTURE, AND SELL WITHIN EACH REGION OF THE WORLD. WE MAKE IN ASIA WHAT WE SELL IN ASIA; WE MAKE IN EUROPE WHAT WE SELL IN EUROPE; AND MAKE IN THE U.S. WHAT WE SELL IN THE U.S. WE ARE POSITIONED TO KNOW WHAT THE CUSTOMER NEEDS AND WANTS AND TO DELIVER IT FAST AND EFFICIENTLY.”



VIDEO MESSAGE FROM
EDWARD L. MONSER

consistent, value-creating returns to shareholders through cash dividends and share repurchases.

We generated \$15.9 billion of operating cash flow during the past five years, returning \$8.5 billion to shareholders in the form of dividends and stock buybacks, which represents a payout ratio of 54 percent. In 2011 our payout ratio was 61 percent, pushed higher as we capitalized on a weak stock market to return cash to investors through additional stock repurchases.

CONSISTENT PERFORMANCE MATTERS

To achieve year-after-year success, Emerson’s long-term strategic focus remains unchanged.

Our achievements and future results are driven by relentless execution. Four strategic imperatives serve as our roadmap: globalizing our assets, pursuing technology leadership, strengthening our business platforms, and driving business efficiency.

Globalize Assets. Emerson is a business without geographic borders. With 59 percent of 2011 sales in international markets, our products and services solve problems for and meet the needs of our customers anywhere. As we face more economic uncertainty in mature markets moving into 2012, our global footprint and mix of mature and emerging markets provides the positioning required for continued growth – we are controlling our destiny.

“INNOVATION AND TECHNOLOGY LEADERSHIP AT EMERSON REQUIRES A CLEAR UNDERSTANDING OF CUSTOMERS, WHAT THEY NEED AND THE CHALLENGES THEY FACE. WE LOOK FOR HIDDEN OR YET-TO-BE-KNOWN NEEDS. THAT IS WHEN EMERSON AND OUR DEEP ENGINEERING AND PROCESS EXPERTISE CAN REALLY MAKE A DIFFERENCE. WE WORK IN MANY DIFFERENT INDUSTRIES AND HAVE THE EXPERIENCE TO ATTACK PROBLEMS AND PROVIDE SOLUTIONS.”

VIDEO MESSAGE FROM
CHARLES A. PETERS



Emerging markets are especially important, as they are expected to grow faster and fuel demand for the value-adding technologies Emerson provides. Sales in these key developing countries have expanded from 15 percent of total sales in 2001 to 35 percent in 2011. While we anticipate that the rate of growth in emerging markets will slow in 2012 because of the global economy, expansion in these markets will be healthy and outpace that of mature markets.

An essential element to this strategy has been the development of mid-tier products and solutions in key Asian markets. Our customers in these economies need technologies that address applications and meet specifications that are unique compared with

those in mature markets. We are producing solutions that meet these requirements, allowing us to expand our customer base with profitable growth. Emerson is global – and becoming ever more so by the day.

We have demonstrated our commitment to and success in international markets – and we are not done. With over three quarters of our employees working in these markets, our assets are well-positioned to maintain growth and to serve our customers regardless of their location. Increased investment in our global fixed asset base of sales offices, engineering centers, and configuration and manufacturing sites will allow Emerson to continue



Charles A. Peters
Senior Executive Vice President

to globalize and serve our customers well around the world.

Technology Leadership. Maintaining our edge through technology leadership is at the core of how Emerson does business. We work to develop more game-changing products and technologies than our competition, and to do it consistently. Year after year, regardless of the economic environment, we invest in new product development and technological innovation to drive growth and deliver solutions to our customers. We look for big opportunities, and we do it with a sense of purpose. It's part of our heritage; it's the way we do business.

Emerson is an innovator, producing efficient power management technologies and energy-responsible solutions. We are focused on the broader energy efficiency area and growing our role in it. Today, efficiency-related businesses represent about \$3 billion of revenue at Emerson, and we are committed to growing that rapidly. We don't do it alone; we listen to the challenges of our customers and develop solutions that add value to their organizations. Driving energy efficiency is good business. It's good for us and it's great for our customers and the environment.

The ongoing development of our Trellis™ data center infrastructure management solution embodies



Craig W. Ashmore
*Executive Vice President
Planning and Development*

the spirit of Emerson's technology leadership. Our customers have identified a need for a solution that enables better visibility into and control of data center technologies. The Trellis program is delivering a new-to-the-world technology to solve critical challenges for our data center customers.

Accelerating our technology and new product development is essential as we compete in an increasingly challenging global marketplace. Achieving this will require strategic hiring of application and development engineers, coupled with specialized sales engineers, to help our customers reduce costs and improve efficiencies through the application of these technologies.

Speed and deployment of innovation will be vital in order to continue to serve customers and deliver superior returns to our shareholders. We do it every day – solve problems through technological innovation. It's who we are.

Strengthen Business Platforms. Strong and second-to-none business platforms help us accelerate global growth and create value for our shareholders. The strategic process through which we shape our portfolio of businesses is vital to our competitive longevity. We have and will continue to strategically invest in businesses with high rates of return and growth profiles to provide superior long-term returns for our shareholders.

“WITH A FOCUS ON INNOVATION, TECHNOLOGY LEADERSHIP AND SERVICE CAPABILITIES IN MATURE AND EMERGING MARKETS AROUND THE WORLD, EMERSON IS IDEALLY POSITIONED TO CREATE ‘NEVER BEEN DONE BEFORE’ SOLUTIONS FOR OUR CUSTOMERS. WE CONTINUE TO REINVEST IN OUR BUSINESSES, MAKE ACQUISITIONS AND DIVEST UNDERPERFORMING ASSETS. EMERSON DRIVES FORWARD, ONE MEANINGFUL STEP AT A TIME, IN A WAY THAT WILL MAKE THE COMPANY STRONGER FOR DECADES TO COME.”



VIDEO MESSAGE FROM
CRAIG W. ASHMORE

We maintain a dynamic process for augmenting existing businesses through acquisitions. During the past two years, we invested capital and resources to strengthen our platforms by purchasing strategic technologies and market positions. These investments enhance our competitiveness by allowing us to offer more comprehensive solutions to our customers – while at the same time generating attractive returns. Business pruning is also part of this strategy. We have and will continue to divest non-strategic assets that no longer meet our expectations for growth and return.

The Chloride and Avocent acquisitions are significant additions to Emerson and are prime examples of

our focus at work. Both businesses have brought tremendous technologies and engineering capabilities to the Network Power platform. Their results are exceeding plans by outperforming expected returns.

Going forward, the challenge is to focus our business platforms to develop and create unique “incremental layers of growth” in our core global markets. A critical element to this strategy will be bolt-on product-line acquisitions that allow us to offer our customers the technologies they need while also penetrating faster-growing markets. This will enable Emerson to deliver above-average growth in a slower global economy.

“EMERSON’S GLOBAL MANAGEMENT PROCESS IS FOCUSED AND DISCIPLINED. BY EFFECTIVELY DRIVING OPERATIONAL IMPROVEMENT WE MEET OUR CUSTOMERS’ NEEDS, ACHIEVE SUPERIOR FINANCIAL PERFORMANCE AND GENERATE CASH TO REINVEST IN INNOVATION, TECHNOLOGY AND PRODUCTIVE ASSETS. OUR EMPHASIS ON EFFICIENCY AND PRODUCTIVITY ENABLES US TO CONSISTENTLY RETURN CASH TO OUR SHAREHOLDERS. THIS PROCESS IS AT THE FOUNDATION OF OUR BUSINESS CULTURE.”

VIDEO MESSAGE FROM
FRANK J. DELLAQUILA



Drive Business Efficiency. Emerson’s disciplined and proven management process identifies and prioritizes opportunities to improve how we operate. We challenge ourselves in all areas of the business to execute more efficiently and exceed expectations of our customers and shareholders. Whether it is investing in growth and technology or repositioning assets more competitively, we manage the business in a dynamic way to drive higher levels of return on total capital.

Business efficiency at Emerson means consistently improving trade working capital through optimized asset utilization, generating strong operating cash flow and managing capital expenditures

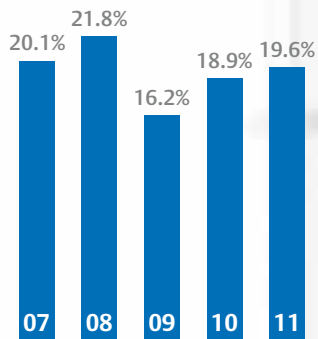
opportunistically. Our goal is to maintain a healthy, strong balance sheet and the flexibility to invest in growth throughout economic cycles.

Operating globally with high ethical standards and uncompromised integrity is core to our values. We don’t just deliver consistently improving results – we do it the right way, which is in the best interests of our customers, employees, communities and shareholders.

LOOKING AHEAD

Emerson’s measurements of success in creating and delivering value remain unchanged and are based on four fundamental targets:

Return on Total Capital



Frank J. Dellaquila
*Senior Vice President and
Chief Financial Officer*

- Underlying sales growth of 5 to 7 percent through the cycle
- Operating margin of 15 to 19+ percent through the cycle
- Free cash flow of 10 to 14 percent of sales
- Return on total capital of 15 to 25 percent

My forward-looking view of the business environment is not as optimistic as it was at this time a year ago. Globally, some economies look stronger than others, but we expect positive growth in the year ahead. Businesses are being managed for the long-term and many customers are maintaining strong

cash positions and protecting their balance sheets. Despite this caution and uncertainty, 2012 should be another very good year at Emerson, with continued growth and solid financial performance in tough and uncertain global economic conditions. Emerson is well-positioned for this type of challenging business environment – we are ready.

In 2012 we expect underlying sales to increase in the 5 to 7 percent range. Our profitability should be solid as we target 18 percent operating margins, and we expect earnings per share growth of 8 to 12 percent based on our anticipated underlying sales growth. We will continue to efficiently restructure and reposition the company, as we identify value-



VIDEO MESSAGE FROM
DAVID N. FARR

David N. Farr
*Chairman and
Chief Executive Officer*

creating opportunities. Our management team is focused on both the near and long term, ensuring that Emerson is an even stronger and better company when we turn it over to the next generation.

Remarkable talent continues to be the hallmark of Emerson. People throughout the company are disciplined, nimble, achievement-oriented, curious, innovative and passionate. This letter would not be complete without extending a sincere thank you to all the people of Emerson. I'm proud of their achievements and their ability to successfully

navigate an ever-changing and complicated global business environment.

I also thank the shareholders and Board of Directors for their support as we follow a promising course to consistent long-term growth and value creation.

David N. Farr
*Chairman and
Chief Executive Officer*