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## **FORM 10-K**

**EMERSON ELECTRIC CO - EMR**

**Filed: November 19, 2014 (period: September 30, 2014)**

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, 2014

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:

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
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, 2014: \$46.6 billion.

Common stock outstanding at October 31, 2014: 693,634,810 shares.

#### Documents Incorporated by Reference

1. Portions of Emerson Electric Co. 2014 Annual Report to Stockholders for the year ended September 30, 2014 incorporated by reference into Parts I and II hereof.
2. Portions of Emerson Electric Co. Notice of 2015 Annual Meeting of Stockholders and Proxy Statement incorporated by reference into Part III hereof.

## PART I

### **ITEM 1 - BUSINESS**

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

Emerson 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 air conditioning and refrigeration technology.
- **Commercial & Residential Solutions** - provides tools for professionals and homeowners, residential and commercial 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, 2014, are set forth in Note 17 of Notes to Consolidated Financial Statements of the 2014 Annual Report, which note is hereby incorporated by reference. Sales by segment in 2014, as a percentage of total Emerson, were: Process Management, 36 percent; Industrial Automation, 20 percent; Network Power, 20 percent; Climate Technologies, 16 percent; and Commercial & Residential Solutions, 8 percent. Total Emerson sales by geographic destination in 2014 were: the United States and Canada, 46 percent; Asia, 22 percent; Europe, 20 percent; Latin America, 6 percent; and Middle East/Africa, 6 percent. Information with respect to acquisition and divestiture activities and rationalization of operations is set forth in Notes 3 and 5 of Notes to Consolidated Financial Statements of the 2014 Annual Report, which notes are hereby incorporated by reference.

### **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 2014 for Process Management were: the United States and Canada, 39 percent; Asia, 24 percent; Europe, 19 percent; Latin America, 8 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 using that information to adjust valves, pumps, motors, drives and other control hardware for maximum product quality and process efficiency. 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.

These same 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 the plant devices and the control system 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 those processes and the plant assets. This capability gives 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 and Valvetop.

## **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, materials joining equipment and power transmission solutions. Through these offerings, the Company brings technology and enhanced quality to its customers' final products. Sales by geographic destination in 2014 for Industrial Automation were: the United States and Canada, 41 percent; Asia, 17 percent; Europe, 34 percent; Latin America, 4 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.

### Power Transmission

Power transmission products include belt and chain drives, helical and worm gearing, mounted and unmounted bearings, couplings, modular plastic belts and conveying chains and components. They are used to transmit power mechanically, provide anti-friction support or to enable automated materials handling in a wide variety of industrial and commercial applications. Product design and application experience enable the Company to provide both standard and customized automation and power transmission solutions to its customers.

### 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, Browning, Control Techniques, Jaure, Kato Engineering, Kop-Flex, Leroy Somer, McGill, Morse, Nutsteel, O-Z/Gedney, Power Transmission Solutions, Rollway, Sealmaster, SSB Wind Systems, System Plast and Trident.

## **NETWORK POWER**

The Network Power segment designs, manufactures, installs and maintains products providing "grid-to-chip" 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 2014 for Network Power were: the United States and Canada, 42 percent; Asia, 29 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 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 2014 for Climate Technologies were: the United States and Canada, 53 percent; Asia, 24 percent; Europe, 12 percent; Latin America, 7 percent; and Middle East/Africa, 4 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 2014 for this segment were: the United States and Canada, 83 percent; Asia, 4 percent; Europe, 8 percent; Latin America, 3 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 jettors, wet-dry vacuums, commercial vacuums and bolt cutters. Do-it-yourself tools, available at home improvement retail 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, commercial, health care and food service 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. Commercial storage solutions include storage and display shelving, stock-picking and kitting carts, cabinets, totes, bins, workstations, and merchandising and inventory storage racks. Products provided to the health care industry assist in medical response and treatment, including emergency and operating room carts, medication carts, polymer and wire shelving systems, and sterile worktables. The Company's food service equipment helps meet the storage needs of the food service and hospitality industries, and includes polymer and wire storage systems, busing carts, pan and tray racks, transport carts and workstations.

#### 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, particularly for storage solutions. 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, Flo Healthcare, InSinkErator, Lionville, MedDispense, METRO, 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 \$6,714 million and \$6,289 million at September 30, 2014 and 2013, respectively. The vast majority of the consolidated backlog as of September 30, 2014 is expected to be shipped within one year. Estimated backlog by business segment at September 30, 2014 and 2013 follows (dollars in millions):

	<b>2013</b>	<b>2014</b>
Process Management	\$ 3,719	<b>4,141</b>
Industrial Automation	597	<b>646</b>
Network Power	1,526	<b>1,368</b>
Climate Technologies	351	<b>452</b>
Commercial & Residential Solutions	96	<b>107</b>
Total Backlog	<b>\$ 6,289</b>	<b>6,714</b>

## 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 \$541 million, \$576 million and \$547 million in 2014, 2013 and 2012, respectively.

## ENVIRONMENT

The Company's manufacturing locations generate waste, the treatment, storage, transportation and disposal of which 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 upon Emerson'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 115,100 employees during 2014. 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 is considered significant. See Note 5 of Notes to Consolidated Financial Statements of the 2014 Annual Report, which note is hereby incorporated by reference, for further information.

## DOMESTIC AND FOREIGN OPERATIONS

International sales were \$14,227 million in 2014, \$14,669 million in 2013 and \$14,376 million in 2012, including U.S. exports of \$1,396 million, \$1,604 million and \$1,579 million in 2014, 2013 and 2012, respectively. Although there are additional risks attendant to foreign operations, such as possible nationalization of facilities, currency fluctuations and restrictions on the movement of funds, the Company's financial position has not been materially affected thereby to date. See Note 17 of Notes to Consolidated Financial Statements of the 2014 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](http://www.Emerson.com), Investor Relations, SEC Filings. Information on Emerson'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.

### *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 2014 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 (see Note 3 of Notes to Consolidated Financial Statements of the 2014 Annual Report, which note is hereby incorporated by reference). 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. Emerson 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, cyber attack 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 cyber security 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, 2014, Emerson had approximately 220 manufacturing locations worldwide, of which approximately 150 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, 70; Industrial Automation, 69; Network Power, 28; Climate Technologies, 36; and Commercial & Residential Solutions, 17. 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**

Emerson 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 2014 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 19, 2014 with respect to Emerson'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 3, 2015:

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Fiscal Year</u>
D. N. Farr	Chairman of the Board and Chief Executive Officer*	59	1985
F. J. Dellaquila	Executive Vice President and Chief Financial Officer	57	1991
E. L. Monser	President and Chief Operating Officer	64	2002
S. J. Pelch	Vice President - Organization Planning and Development	50	2005
C. A. Peters	Senior Executive Vice President	59	1990
R. J. Schlueter	Vice President, Controller and Chief Accounting Officer	60	1992
F. L. Steeves	Executive Vice President, Secretary and General Counsel	60	2007

\*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 has been Chief Operating Officer since November 2001. Steven J. Pelch was appointed Vice President - Organization Planning and Development in November 2014. Prior to his current position, Mr. Pelch 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 also appointed Chief Accounting Officer in February 2003. Frank L. Steeves was appointed Executive Vice President in October 2011. He was appointed Senior Vice President, Secretary and General Counsel in March 2007.

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 2014 Annual Report, which note is hereby incorporated by reference. There were approximately 20,901 stockholders of record at September 30, 2014.

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 2014	1,320	\$67.03	1,320	51,994
August 2014	1,440	\$63.48	1,440	50,494
September 2014	1,365	\$64.13	1,365	49,129
Total	4,125	\$64.83	4,125	49,129

The Company's Board of Directors authorized the purchase of up to 70 million shares of common stock under a May 2013 program.

**ITEM 6 - SELECTED FINANCIAL DATA**

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

	2010	2011	2012 (a)	2013 (a)	2014 (a)
Net sales	21,039	24,222	24,412	24,669	24,537
Earnings from continuing operations – common stockholders	1,978	2,454	1,968	2,004	2,147
Basic earnings per common share from continuing operations	2.62	3.26	2.68	2.78	3.05
Diluted earnings per common share from continuing operations	2.60	3.24	2.67	2.76	3.03
Cash dividends per common share	1.34	1.38	1.60	1.64	1.72
Long-term debt	4,586	4,324	3,787	4,055	3,559
Total assets	22,843	23,861	23,818	24,711	24,177

(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.

See Note 3 of Notes to Consolidated Financial Statements of the 2014 Annual Report, which note is hereby incorporated by reference, for information regarding the Company's acquisition and divestiture activities for the last three years. In 2010, the Company acquired Chloride Group PLC and Avocent Corporation. At acquisition, the combined annual sales for these businesses were approximately \$960 million, and actual sales of \$373 million were included in 2010 from their dates of acquisition. The divested U.S. Motors business, with annual sales of approximately \$820 million, was classified as discontinued operations in 2010.



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

The information from the 2014 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 Emerson'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 Emerson'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 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 2014 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 2014 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**

Emerson 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, 2014 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, 2014, 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 2014 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 2015 annual stockholders' meeting (the "2015 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 2015 Proxy Statement is hereby incorporated by reference.

Emerson 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. Emerson 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. Emerson 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](http://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 2015 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 Emerson 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 2015 Proxy Statement, is hereby incorporated by reference.

Information regarding the Company's equity compensation plans as of September 30, 2014, appearing under "Equity Compensation Plan Information" in the 2015 Proxy Statement, is hereby incorporated by reference. Information regarding stock option plans and incentive shares plans set forth in Note 14 of Notes to Consolidated Financial Statements of the 2014 Annual Report is hereby incorporated by reference.

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

Information appearing under "Director Independence" in the 2015 Proxy Statement is hereby incorporated by reference.

## **ITEM 14 - PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Information appearing under "Fees Paid to KPMG LLP" in the 2015 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 2014 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 2014 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 and 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).
- 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)\* Letter Agreement effective as of November 11, 2013 by and between Emerson Electric Co. and Craig W. Ashmore, incorporated by reference to Emerson Electric Co. Form 8-K filed February 5, 2014, Exhibit 10.1.
- 12 Ratio of Earnings to Fixed Charges
- 13 Portions of Emerson Electric Co. Annual Report to Stockholders for the year ended September 30, 2014, 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, 2012, 2013 and 2014, (ii) Consolidated Statements of Comprehensive Income for the years ended September 30, 2012, 2013, and 2014 (iii) Consolidated Balance Sheets at September 30, 2013 and 2014, (iv) Consolidated Statements of Equity for the years ended September 30, 2012, 2013 and 2014, (v) Consolidated Statements of Cash Flows for the years ended September 30, 2012, 2013 and 2014, and (vi) Notes to Consolidated Financial Statements for the year ended September 30, 2014.

\* 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 19, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on November 19, 2014, 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> H. Green	Director
<u>*</u> W. R. Johnson	Director
<u>*</u> C. Kendle	Director

*	_____ M. S. Levatich	Director
*	_____ C. A. Peters	Director
*	_____ J. W. Prueher	Director
*	_____ R. L. Stephenson	Director
*	_____ J. S. Turley	Director

\* By     /s/     F. J. Dellaquila  
                    F. J. Dellaquila  
                    Attorney-in-Fact



## 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>
12	Ratio of Earnings to Fixed Charges
13	Portions of Emerson Electric Co. Annual Report to Stockholders for the year ended September 30, 2014, 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, 2012, 2013 and 2014, (ii) Consolidated Statements of Comprehensive Income for the years ended September 30, 2012, 2013 and 2014, (iii) Consolidated Balance Sheets at September 30, 2013 and 2014, (iv) Consolidated Statements of Equity for the years ended September 30, 2012, 2013 and 2014, (v) Consolidated Statements of Cash Flows for the years ended September 30, 2012, 2013 and 2014, and (vi) Notes to Consolidated Financial Statements for the year ended September 30, 2014.

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

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

	Year Ended September 30,				
	2010	2011	2012	2013	2014
<b>Earnings:</b>					
Earnings from continuing operations before income taxes	\$ 2,879	3,631	3,115	3,196	3,348
Fixed charges	398	370	373	373	355
Earnings, as defined	<u>\$ 3,277</u>	<u>4,001</u>	<u>3,488</u>	<u>3,569</u>	<u>3,703</u>
<b>Fixed Charges:</b>					
Interest Expense	\$ 280	246	241	234	218
One-third of all rents	118	124	132	139	137
Total fixed charges	<u>\$ 398</u>	<u>370</u>	<u>373</u>	<u>373</u>	<u>355</u>
Ratio of Earnings to Fixed Charges	<u>8.2X</u>	<u>10.8X</u>	<u>9.4X</u>	<u>9.6X</u>	<u>10.4X</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, 2014 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 (1992)*, 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, 2014.

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)

	2012	2013	2014	Change '12 - '13	Change '13 - '14
Net sales	\$ 24,412	24,669	<b>24,537</b>	1%	<b>(1)%</b>
Gross profit	\$ 9,768	9,952	<b>10,158</b>	2%	<b>2 %</b>
<i>Percent of sales</i>	40.0%	40.3%	<b>41.4%</b>		
SG&A	\$ 5,436	5,648	<b>5,715</b>		
<i>Percent of sales</i>	22.3%	22.9%	<b>23.3%</b>		
Goodwill impairment	\$ 592	528	<b>508</b>		
Other deductions, net	\$ 401	362	<b>393</b>		
Interest expense, net	\$ 224	218	<b>194</b>		
Earnings before income taxes	\$ 3,115	3,196	<b>3,348</b>	3%	<b>5 %</b>
<i>Percent of sales</i>	12.8%	13.0%	<b>13.6%</b>		
Net earnings common stockholders	\$ 1,968	2,004	<b>2,147</b>	2%	<b>7 %</b>
<i>Percent of sales</i>	8.1%	8.1%	<b>8.7%</b>		
Diluted EPS – Net earnings	\$ 2.67	2.76	<b>3.03</b>	3%	<b>10 %</b>
Return on common stockholders' equity	19.0%	19.2%	<b>20.7%</b>		
Return on total capital	15.8%	16.4%	<b>17.5%</b>		

### OVERVIEW

Emerson's sales for 2014 were \$24.5 billion, a decrease of \$132 million, or 1 percent compared with prior year as divestitures negatively affected reported sales growth. Underlying sales growth was 3 percent, as global economic conditions remained sluggish for a third consecutive year due to geopolitical instability and structural challenges limiting growth in several emerging markets and in Europe. Sales growth was led by the U.S. and Asia, both of which increased 4 percent (China up 7 percent), while Europe grew 1 percent.

Net earnings common stockholders were \$2,147 million in 2014, up 7 percent compared with prior year earnings of \$2,004 million. Diluted earnings per share were \$3.03, up 10 percent versus \$2.76 per share in 2013. Excluding goodwill impairment and income tax charges, 2014 net earnings were \$2,655 million, up 3 percent compared with \$2,570 million in 2013, while diluted earnings per share were \$3.75, up 6 percent versus \$3.54 in 2013.

In 2014, the European network power business incurred a goodwill impairment charge of \$508 million, \$0.72 per share. In 2013, impairment and income tax charges totaling \$566 million, \$0.78 per share were recognized. These charges primarily related to the embedded computing and power business, which was divested in early 2014. The relatively smaller charges in 2014 aided both reported earnings and net earnings per share comparisons 4 percentage points.

Four of the Company's five operating segments reported increased sales and earnings. Process Management sales increased 7 percent on continued strong energy and chemicals end market demand, and acquisitions. Climate Technologies reported sales growth of 6 percent on demand in the refrigeration and air conditioning businesses. Slowly recovering industrial goods end markets led to a 2 percent sales increase in Industrial Automation, while improvement in U.S. residential and commercial construction markets aided sales growth of 3 percent in Commercial & Residential Solutions. The impact of the embedded computing and power and connectivity solutions divestitures resulted in a sales decrease of 18 percent in Network Power, while underlying sales increased 2 percent.

The Company generated record operating cash flow of \$3.7 billion, a slight increase from very strong cash flow in 2013, while free cash flow (operating cash flow less capital expenditures) of \$2.9 billion was down slightly due to increased capital spending. Emerson is well positioned moving into next year with its strong financial position, global footprint in both mature and emerging markets, and focus on products, technology and customer solutions.

## NET SALES

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. Underlying sales exclude divestitures, acquisitions and foreign currency translation. 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, while growth rates in emerging markets were slightly stronger than in mature markets. 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.

Net sales for 2013 were \$24.7 billion, an increase of \$257 million, or 1 percent compared with 2012. Consolidated results reflect a 2 percent (\$388 million) increase in underlying sales on volume gains. Foreign currency translation (\$55 million) and divestitures, net of acquisitions (\$76 million) had a combined negative 1 percent impact on net sales. Underlying sales were flat in the U.S. and grew 3 percent internationally as emerging markets growth exceeded that of mature economies. Segment results were mixed as sales in Process Management increased \$711 million and Climate Technologies increased \$110 million, while sales in Industrial Automation and Network Power decreased \$303 million and \$244 million, respectively. Commercial & Residential Solutions decreased \$12 million due to the 2012 divestiture of Knaack, largely offset by growth in the remaining businesses.

## INTERNATIONAL SALES

Emerson is a global business with international sales representing 58 percent of total sales, including U.S. exports. The Company generally expects faster economic growth in emerging markets in Asia, Latin America, Eastern Europe and Middle East/Africa.

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. Lingering European economic weakness, as well as recent political instability in Eastern Europe and Middle East/Africa have hampered growth in these regions. 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.

International destination sales increased 2 percent in 2013, to \$14.7 billion, reflecting increases in Process Management and Climate Technologies, offset by decreases in Network Power, Industrial Automation and Commercial & Residential Solutions. U.S. exports of \$1.6 billion were up 2 percent compared with 2012. Underlying international destination sales grew 3 percent on volume, as foreign currency translation had a 1 percent unfavorable impact on the comparison with 2012. Underlying sales increased 2 percent in Asia, 11 percent in Latin America, 13 percent in Middle East/Africa and 4 percent in Canada, and decreased 3 percent in Europe. Sales by international subsidiaries, including shipments to the U.S., totaled \$13.1 billion in 2013, up 2 percent compared with 2012.

## ACQUISITIONS AND DIVESTITURES

The Company acquired Virgo Valves and Controls Limited and Enardo Holdings in 2014. Virgo manufactures engineered valves and automation systems while Enardo manufactures tank and terminal safety equipment used in oil and gas, chemicals and other industries. Both businesses are reported in Process Management, complement the existing portfolio and create opportunities for additional growth. The Company also acquired four other smaller businesses in 2014, in Process Management and Network Power. Total cash paid for all businesses in 2014 was \$610 million, net of cash acquired, and the assumption of debt of \$76 million. Combined annualized sales for all businesses acquired in 2014 were approximately \$376 million. See Note 3.

Additionally in 2014, the Company acquired the remaining 44.5 percent noncontrolling interest in Appleton Group, in Industrial Automation, for \$574 million. Sales for this electrical distribution business were \$542 million in 2014. Full ownership of Appleton provides growth opportunities in oil and gas and chemicals end markets by leveraging the Company's Process Management and international distribution channels. The transaction does not affect

consolidated results of operations other than eliminating the noncontrolling interest's share of future earnings and distributions from this business.

Early in the fourth quarter of 2014, the Company sold its connectivity solutions business for \$99 million in cash. The Network Power segment includes sales in 2014 of \$63 million for this business through the closing date.

On November 22, 2013, the Company completed the divestiture of a 51 percent controlling interest in Artesyn and received proceeds of \$264 million, net of working capital adjustments. The Company retained an interest with a fair value of approximately \$60 million. Consolidated operating results for 2014 include sales of \$146 million and a net loss of \$9 million for this business through the closing date. Prior to the divestiture, cash of \$376 million (\$308 million, after tax provided for in fiscal 2013) was repatriated from this business. In fiscal 2013, the Company initiated the purchase of \$600 million 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.

In connection with its longer-term strategy to divest selected slower-growth businesses, management is considering strategic alternatives for the power transmission solutions business, and in the fourth quarter of 2014 received several nonbinding indications of interest. This business is a leader in the design and manufacturing of couplings, bearings, conveying components and gearing and drive components, and provides supporting services and solutions. In 2014, this business contributed sales of \$605 million and earnings of \$87 million in Industrial Automation. The Company expects to make a decision and announce plans for this business within the next three months.

#### **COST OF SALES**

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.

Cost of sales for 2013 and 2012 were \$14.7 billion and \$14.6 billion, resulting in gross profit of \$10.0 billion or 40.3 percent of sales in 2013, and \$9.8 billion or 40.0 percent of sales in 2012. The increases in gross profit and gross margin primarily reflected higher volume, particularly in Process Management, and materials cost containment and cost reduction actions across the businesses. Deleveraging in Industrial Automation and Network Power, product mix, and pension and other costs were unfavorable.

#### **SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

Selling, general and administrative (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.

SG&A expenses of \$5.6 billion in 2013 increased \$212 million compared with 2012. SG&A as a percent of sales was 22.9 percent in 2013, a 0.6 percentage point increase versus 22.3 percent in 2012. The increases primarily reflected costs associated with higher volume, \$121 million of higher incentive stock compensation expense from the overlap of two performance shares programs and a higher stock price, as well as higher pension and other costs. Cost containment and the comparison effect of a \$17 million charge in 2012 related to post-65 supplemental retiree medical benefits had a favorable impact.

#### **GOODWILL IMPAIRMENT**

The Network Power Europe business, which comprises the 2010 Chloride acquisition and pre-existing businesses, was the focus of the fourth quarter 2014 impairment review. The business has not been able to meet its operating objectives due to a weak Western Europe economy, which had less than 1 percent GDP growth since the acquisition. The weak economic recovery and intense competitive/market pressures have negatively affected the profitability of the combined Emerson and Chloride European network power business. The economics for Europe

are uncertain for 2015 and 2016 and the goodwill from the acquisition cannot be supported. A \$508 million, \$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. See Note 6.

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 million (\$475 million after-tax, \$0.65 per share). Income tax charges of \$70 million (\$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 million (\$21 million after-tax, \$0.03 per share).

In the fourth quarter of 2012, the Company incurred an impairment charge for the Artesyn business and the DC power systems business after its goodwill impairment testing revealed that the carrying values of these businesses exceeded the fair values. These businesses had been unable to meet operating objectives and the Company anticipated that growth in sales and earnings would be slower than previously expected given the end market circumstances noted above. The carrying value of these businesses was reduced by a noncash charge to earnings totaling \$592 million (\$528 million after-tax, \$0.72 per share).

#### **OTHER DEDUCTIONS, NET**

Other deductions, net were \$393 million in 2014, a \$31 million increase from 2013 primarily due to a \$34 million loss from the Artesyn equity investment, 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. See Notes 4 and 5.

Other deductions, net were \$362 million in 2013, a \$39 million decrease from 2012 primarily due to a \$41 million reduction in rationalization expense, lower intangibles amortization expense of \$21 million and other items, partially offset by a gain of \$43 million in 2012 from the receipt of dumping duties from U.S. Customs.

#### **INTEREST EXPENSE, NET**

Interest expense, net was \$194 million, \$218 million and \$224 million in 2014, 2013 and 2012, respectively. The decrease of \$24 million in 2014 primarily resulted from the maturity of long-term debt with a relatively higher interest rate in early fiscal 2014. The decrease of \$6 million in 2013 was primarily due to a long-term debt issuance in 2013 replacing maturing debt at relatively lower average interest rates.

#### **INCOME TAXES**

Income taxes were \$1,164 million, \$1,130 million and \$1,091 million for 2014, 2013 and 2012, respectively, resulting in effective tax rates of 35 percent for all periods presented. The relatively high effective tax rates resulted from the low tax deductibility of impaired goodwill in all years, as well as an income tax charge in 2013 for the repatriation of non-U.S. earnings related to Artesyn. These items had unfavorable impacts on the effective rate of 5 percentage points, 6 percentage points and 4 percentage points, respectively.

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

Net earnings attributable to common stockholders in 2014 were \$2.1 billion, 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. See the Business Segments discussion that follows and Note 17 for additional information.

Net earnings attributable to common stockholders of \$2.0 billion in 2013 were up 2 percent compared with 2012, and diluted earnings per share were \$2.76, up 3 percent versus \$2.67. Goodwill impairment and income tax charges in 2013 were \$38 million and \$0.06 per share higher than in 2012, and reduced earnings and earnings per share growth 1 percentage point. Segment earnings increased \$210 million in Process Management, \$48 million in Climate Technologies and \$8 million in Commercial & Residential Solutions. Earnings decreased \$94 million in Industrial Automation and \$70 million in Network Power.

Return on common stockholders' equity (net earnings attributable to common stockholders divided by average common stockholders' equity) was 20.7 percent in 2014 compared with 19.2 percent in 2013 and 19.0 percent in 2012. Return on total capital was 17.5 percent in 2014 compared with 16.4 percent in 2013 and 15.8 percent in 2012 (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). Goodwill impairment charges reduced the 2014 and 2013 returns on common stockholders' equity and total capital approximately 3 percentage points, and reduced the 2012 returns approximately 4 percentage points.

## Business Segments

Following is an analysis of segment results for 2014 compared with 2013, and 2013 compared with 2012. The Company defines segment earnings as earnings before interest and income taxes.

### PROCESS MANAGEMENT

(dollars in millions)	2012	2013	2014	Change '12 - '13	Change '13 - '14
Sales	\$ 7,899	8,610	<b>9,189</b>	9%	<b>7%</b>
Earnings	\$ 1,599	1,809	<b>1,918</b>	13%	<b>6%</b>
Margin	20.2%	21.0%	<b>20.9%</b>		

**2014 vs. 2013** - Process Management reported sales of \$9.2 billion in 2014, an increase of \$579 million, or 7 percent on continuing 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. Margin declined 0.1 percentage points. Recent order trends provide strong momentum into next year.

**2013 vs. 2012** - Process Management reported sales of \$8.6 billion in 2013, an increase of \$711 million or 9 percent, on strong growth in the measurement devices, final control and systems and solutions businesses, reflecting continued global oil and gas investment and demand in chemicals and power end markets. Underlying sales increased 9 percent on volume, while foreign currency translation had a \$23 million unfavorable impact. Underlying sales growth was modest in the U.S., up 3 percent, while growth was strong internationally. Asia was up 12 percent, Europe up 7 percent, Latin America up 22 percent, Middle East/Africa up 19 percent and Canada up 10 percent. Earnings increased \$210 million and margin expanded 0.8 percentage points on higher volume, leverage and lower materials costs, partially offset by higher other costs. Benefits from cost reductions were offset by unfavorable product mix. Foreign currency transactions were \$23 million favorable compared to 2012. The comparison for 2013 includes incremental costs incurred in the prior year related to Thailand flooding recovery.



## INDUSTRIAL AUTOMATION

(dollars in millions)	2012	2013	2014	Change '12 - '13	Change '13 - '14
Sales	\$ 5,188	4,885	<b>4,990</b>	(6)%	<b>2%</b>
Earnings	\$ 871	777	<b>802</b>	(11)%	<b>3%</b>
Margin	16.8%	15.9%	<b>16.1%</b>		

**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. Near-term expectations are favorable for North America and Asia, with Europe remaining weak.

**2013 vs. 2012** - Industrial Automation sales were \$4.9 billion in 2013, a decrease of \$303 million or 6 percent, on weak global demand for industrial goods, particularly in Europe. The power generating alternators and renewable energy businesses led the decline, largely due to customer inventory destocking in the alternators business for most of the year. Smaller decreases in the motors and drives, power transmission and materials joining businesses were slightly offset by an increase in hermetic motors from improved HVAC compressor demand. Underlying sales decreased 6 percent on lower volume, while foreign currency translation had a \$13 million unfavorable impact. Underlying sales decreased 11 percent in Europe and 6 percent in the U.S., while sales increased 4 percent in Latin America and 6 percent in Middle East/Africa. Sales in Asia were flat. Earnings of \$777 million were down \$94 million and margin decreased 0.9 percentage points on lower volume, deleverage in power generating alternators and motors and drives, and the comparative effect of a \$43 million gain in 2012 from the receipt of dumping duties. Savings from cost reduction actions and materials cost containment more than offset the volume decline and associated deleverage. The gain in 2012 had an unfavorable impact of 0.8 percentage points on the margin comparison.

## NETWORK POWER

(dollars in millions)	2012	2013	2014	Change '12 - '13	Change '13 - '14
Sales	\$ 6,399	6,155	<b>5,073</b>	(4)%	<b>(18)%</b>
Earnings	\$ 624	554	<b>459</b>	(11)%	<b>(17)%</b>
Margin	9.7%	9.0%	<b>9.0%</b>		

**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 supplies 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. Expectations are for gradual near-term improvement in the data center business and inconsistent demand in telecommunication markets.

**2013 vs. 2012** - Sales for Network Power were \$6.2 billion in 2013, a decrease of \$244 million or 4 percent, reflecting weakness in telecommunications and information technology end markets. The network power systems business was down modestly as decreases in the telecommunications power, infrastructure management, thermal management and uninterruptible power supplies businesses were partially offset by an increase in critical power. Comparisons were adversely affected by \$110 million of higher sales from the large Australian National Broadband Network project in 2012. The Artesyn business declined sharply due largely to lower end market demand and product rationalization, which had an approximate 2 percentage point negative impact on segment sales growth. Underlying sales were down 4 percent overall on 3 percent lower volume and 1 percent lower price. Foreign currency translation had a \$16 million unfavorable impact. Geographically, underlying sales decreased 6 percent in Asia, 5 percent in Europe, 2 percent in the U.S. and 8 percent in Canada, while sales increased 3 percent in Latin America and 5 percent in Middle East/Africa. Earnings of \$554 million decreased \$70 million and margin decreased 0.7 percentage points primarily due to lower volume, deleverage, higher other costs and an \$8 million unfavorable impact from foreign currency transactions. Savings from cost reduction actions and lower rationalization expense of \$28 million partially offset the decline. Materials cost containment offset the unfavorable impact of lower prices.

## CLIMATE TECHNOLOGIES

(dollars in millions)	2012	2013	2014	Change '12 - '13	Change '13 - '14
Sales	\$ 3,766	3,876	<b>4,109</b>	3%	<b>6%</b>
Earnings	\$ 668	716	<b>737</b>	7%	<b>3%</b>
Margin	17.7%	18.5%	<b>17.9%</b>		

**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. North America residential demand will accelerate into the next quarter and then slow in mid-year 2015 as customers work through inventory purchased ahead of regulatory changes. Other market conditions are expected to remain favorable in North America and Asia.

**2013 vs. 2012** - Sales for Climate Technologies were \$3.9 billion in 2013, an increase of \$110 million, or 3 percent, primarily due to moderate growth in the compressors business worldwide. The temperature controls and temperature sensors businesses were up slightly. The increase in compressor sales was driven by solid growth in global air conditioning while refrigeration sales declined slightly. Underlying segment sales increased 3 percent on volume growth and foreign currency had a \$1 million unfavorable impact. Underlying sales increased in nearly all geographies, with the U.S. up 2 percent, Asia up 5 percent, Europe up 2 percent and Latin America up 2 percent. Sales decreased 1 percent in Canada. Earnings increased \$48 million on higher volume in the compressors business, material cost containment and cost reduction actions. Margin increased 0.8 percentage points on cost reduction actions, materials cost containment and lower rationalization expense of \$8 million, partially offset by unfavorable mix.

## COMMERCIAL & RESIDENTIAL SOLUTIONS

(dollars in millions)	2012	2013	2014	Change '12 - '13	Change '13 - '14
Sales	\$ 1,877	1,865	<b>1,924</b>	(1)%	<b>3%</b>
Earnings	\$ 396	404	<b>424</b>	2 %	<b>5%</b>
Margin	21.1%	21.7%	<b>22.1%</b>		

**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. Solid trends are expected to continue in North American residential and commercial construction markets, supporting the outlook for moderate growth.

**2013 vs. 2012** - Commercial & Residential Solutions sales were \$1.9 billion in 2013, a decrease of \$12 million or 1 percent, including a negative 4 percent (\$76 million) comparative impact from the Knaack divestiture in 2012. Underlying sales grew 3 percent (\$64 million) from higher volume, led by strong growth in the food waste disposers business and modest growth in storage and professional tools, partially offset by a slight decrease in the wet/dry vacuums business. Underlying sales increased 6 percent in the U.S. and declined 3 percent internationally. Earnings of \$404 million were up \$8 million compared to the prior year. The Knaack divestiture in 2012 unfavorably impacted earnings by \$11 million. Margin increased 0.6 percentage points on savings from cost reduction actions and materials cost containment, partially offset by unfavorable product mix and higher other costs.

### 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 \$24 billion and common stockholders' equity of \$10 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)	2012	2013	2014
Operating Cash Flow	\$ 3,053	3,649	<b>3,692</b>
<i>Percent of sales</i>	12.5%	14.8%	<b>15.0%</b>
Capital Expenditures	\$ 665	678	<b>767</b>
<i>Percent of sales</i>	2.7%	2.7%	<b>3.1%</b>
Free Cash Flow (Operating Cash Flow less Capital Expenditures)	\$ 2,388	2,971	<b>2,925</b>
<i>Percent of sales</i>	9.8%	12.0%	<b>11.9%</b>
Operating Working Capital	\$ 2,132	1,686	<b>1,729</b>
<i>Percent of sales</i>	8.7%	6.8%	<b>7.0%</b>

Emerson generated operating cash flow of \$3.7 billion in 2014, a \$43 million or 1 percent increase compared to 2013 primarily due to increased earnings, continued improvements in working capital management and lower pension funding. Operating cash flow of \$3.6 billion in 2013 was a 20 percent increase compared to \$3.1 billion in 2012. At September 30, 2014, operating working capital as a percent of sales was 7.0 percent, compared with 6.8 percent and 8.7 percent in 2013 and 2012, respectively. Operating cash flow funded capital expenditures, dividends, purchases of common stock and acquisitions in all years presented. Contributions to pension plans were \$130 million in 2014, \$160 million in 2013 and \$163 million in 2012. 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 four years.

Capital expenditures were \$767 million, \$678 million and \$665 million in 2014, 2013 and 2012, respectively. Free cash flow was \$2.9 billion in 2014, down 2 percent and primarily reflecting the higher capital expenditures. Free cash flow was \$3.0 billion in 2013, compared with \$2.4 billion in 2012, on lower operating working capital. The Company is targeting capital spending of approximately \$825 million in 2015. Net cash paid in connection with acquisitions was \$610 million, \$19 million and \$187 million in 2014, 2013 and 2012, respectively. In addition, the Company purchased the noncontrolling interest in Appleton Group for \$574 million. Proceeds from divestitures in 2014, 2013 and 2012 were \$363 million, \$3 million and \$125 million, respectively.

Dividends were \$1,210 million (\$1.72 per share) in 2014, compared with \$1,181 million (\$1.64 per share) in 2013 and \$1,171 million (\$1.60 per share) in 2012. In November 2014, the Board of Directors voted to increase the quarterly cash dividend 9 percent, to an annualized rate of \$1.88 per share.

Purchases of Emerson common stock totaled \$971 million, \$1,189 million and \$787 million in 2014, 2013 and 2012, respectively, at average per share prices of \$65.54, \$58.51 and \$47.94. The Board of Directors authorized the purchase of up to 70 million common shares in May 2013, and 49.1 million shares remain available for purchase under this authorization. The Company purchased 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 2012, 16.4 million shares were purchased.

#### LEVERAGE/CAPITALIZATION

(dollars in millions)	2012	2013	2014
Total Assets	\$ 23,818	24,711	<b>24,177</b>
Long-term Debt	\$ 3,787	4,055	<b>3,559</b>
Common Stockholders' Equity	\$ 10,295	10,585	<b>10,119</b>
Total Debt-to-Total Capital Ratio	34.0%	34.8%	<b>37.3%</b>
Net Debt-to-Net Capital Ratio	22.1%	18.3%	<b>22.1%</b>
Operating Cash Flow-to-Debt Ratio	57.7%	64.7%	<b>61.3%</b>
Interest Coverage Ratio	13.9X	14.6X	<b>16.3X</b>

Total debt, which includes long-term debt, current maturities of long-term debt, commercial paper and other short-term borrowings, was \$6.0 billion, \$5.6 billion and \$5.3 billion for 2014, 2013 and 2012, respectively. The increase in 2014 is due to higher short-term borrowings. During the year, 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 short-term borrowings during the year and lower common stockholders' equity. The operating cash flow-to-debt ratio decreased in 2014 on higher total debt. The interest coverage ratio is computed as earnings before income taxes plus interest expense, divided by interest expense. The increases in interest coverage in 2014 and 2013 reflect higher pretax earnings 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 maintains a conservative financial structure which provides the strength and 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. Substantially all of the Company's cash is held outside the U.S., primarily in Europe and Asia, and is 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, 2014, 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)	\$ 5,670	700	859	1,138	2,973
Operating Leases	895	270	324	134	167
Purchase Obligations	1,107	996	86	20	5
Total	\$ 7,672	1,966	1,269	1,292	3,145

Purchase obligations consist primarily of inventory purchases made in the normal course of business to meet operational requirements. The table above does not include \$2.0 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 market risk sensitive derivative and other financial instruments is subject to change as a result of movements in market 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.

As of September 30, 2014, the Company's U.S. pension plans were overfunded by \$137 million and non-U.S. plans were underfunded by \$342 million. The U.S. funded status includes unfunded plans totaling \$182 million and the non-U.S. status includes unfunded plans totaling \$218 million. The Company contributed a total of \$130 million to defined benefit plans in 2014 and expects to contribute approximately \$60 million in 2015. At year-end 2014, the discount rate for U.S. plans was 4.25 percent, and was 4.75 percent in 2013. The assumed investment return on plan assets was 7.50 percent in 2014, 7.75 percent in both 2013 and 2012, and is expected to be 7.50 percent for 2015. Deferred actuarial losses to be amortized to expense in future years were \$1.3 billion (\$854 million after-tax) as of September 30, 2014. Defined benefit pension plan expense for 2015 is expected to be approximately \$165 million, compared with \$153 million in 2014. See Notes 10 and 11.

## 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, 3 and 13.

## Other Items

### LEGAL MATTERS

On October 22, 2012, Invensys Systems, Inc. filed a suit for patent infringement against the Company and its wholly-owned indirect subsidiary, Micro Motion, Inc., in the Eastern District of Texas captioned *Invensys Systems, Inc. v. Emerson Electric Co. and Micro Motion, Inc., USA*. The complaint alleges infringement on Invensys patents by Micro Motion's Coriolis flowmeter "Enhanced Core Processors." The Invensys suit seeks damages of \$182 million and an injunction preventing the Company and Micro Motion from engaging in future infringement. The Company has filed a petition seeking a ruling that the Invensys patents are invalid. It is too early in the litigation to assess any potential financial impact. The Company and Micro Motion believe that the Invensys claims are without merit and that they have strong defenses to the claims, and intend to aggressively defend the suit.

Two subsidiaries of the Company have unrelated judgments against them totaling \$50 million which, based on their merits, are expected to be overturned. At September 30, 2014, 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 April 2014, the Financial Accounting Standards Board (FASB) issued 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. The revised standard is effective for the Company in the first quarter of fiscal 2016. Early adoption is permitted.

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. The new standard is effective for the Company in the first quarter of fiscal 2018, and may be adopted on either a prospective or retrospective basis. Early adoption is prohibited. The Company is in the process of evaluating the impact of the revised standard on its financial statements and determining its method of adoption.

### FISCAL 2015 OUTLOOK

Recent global macroeconomic trends have been mixed but gradually improving, with solid momentum in the NAFTA region and China balanced by increasing uncertainty in Europe and some emerging markets. Based on current conditions, underlying sales growth for 2015 is expected between 4 and 5 percent, slightly better than 2014, with unfavorable currency translation and the potential power transmission divestiture deducting 2 percent each. Reported sales are expected to change 0 to 1 percent. Profitability is expected to continue to improve modestly.

**Consolidated Statements of Earnings**  
**EMERSON ELECTRIC CO. & SUBSIDIARIES**

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

	2012	2013	2014
<b>Net sales</b>	\$ 24,412	24,669	<b>24,537</b>
Costs and expenses:			
Cost of sales	14,644	14,717	<b>14,379</b>
Selling, general and administrative expenses	5,436	5,648	<b>5,715</b>
Goodwill impairment	592	528	<b>508</b>
Other deductions, net	401	362	<b>393</b>
Interest expense, net of interest income of: 2012, \$17; 2013, \$16; 2014, \$24	224	218	<b>194</b>
<b>Earnings before income taxes</b>	3,115	3,196	<b>3,348</b>
Income taxes	1,091	1,130	<b>1,164</b>
<b>Net earnings</b>	2,024	2,066	<b>2,184</b>
Less: Noncontrolling interests in earnings of subsidiaries	56	62	<b>37</b>
<b>Net earnings common stockholders</b>	\$ 1,968	2,004	<b>2,147</b>
<b>Basic earnings per share common stockholders</b>	\$ 2.68	2.78	<b>3.05</b>
<b>Diluted earnings per share common stockholders</b>	\$ 2.67	2.76	<b>3.03</b>

See accompanying Notes to Consolidated Financial Statements.



**Consolidated Statements of Comprehensive Income**  
**EMERSON ELECTRIC CO. & SUBSIDIARIES**

Years ended September 30  
(Dollars in millions)

	2012	2013	2014
<b>Net earnings</b>	\$ 2,024	2,066	<b>2,184</b>
Other comprehensive income (loss), net of tax:			
Foreign currency translation	(206)	32	<b>(344)</b>
Pension and postretirement	(49)	521	<b>(54)</b>
Cash flow hedges	85	(17)	<b>1</b>
Total other comprehensive income (loss)	(170)	536	<b>(397)</b>
<b>Comprehensive income</b>	1,854	2,602	<b>1,787</b>
Less: Noncontrolling interests in comprehensive income of subsidiaries	55	56	<b>34</b>
<b>Comprehensive income common stockholders</b>	<b>\$ 1,799</b>	<b>2,546</b>	<b>1,753</b>

See accompanying Notes to Consolidated Financial Statements.

**Consolidated Balance Sheets**  
**EMERSON ELECTRIC CO. & SUBSIDIARIES**

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

	2013	2014
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and equivalents	\$ 3,275	3,149
Receivables, less allowances of \$103 in 2013 and \$114 in 2014	4,808	5,019
Inventories	1,895	2,057
Other current assets	1,021	642
Total current assets	<u>10,999</u>	<u>10,867</u>
<b>Property, plant and equipment, net</b>	3,605	3,802
<b>Other assets</b>		
Goodwill	7,509	7,182
Other intangible assets	1,672	1,689
Other	926	637
Total other assets	<u>10,107</u>	<u>9,508</u>
<b>Total assets</b>	<u>\$ 24,711</u>	<u>24,177</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Short-term borrowings and current maturities of long-term debt	\$ 1,587	2,465
Accounts payable	2,725	2,951
Accrued expenses	3,184	2,876
Income taxes	129	162
Total current liabilities	<u>7,625</u>	<u>8,454</u>
<b>Long-term debt</b>	4,055	3,559
<b>Other liabilities</b>	2,313	1,997
<b>Equity</b>		
Common stock, \$0.50 par value; authorized, 1,200,000,000 shares; issued, 953,354,012 shares; outstanding, 706,660,259 shares in 2013; 696,605,222 shares in 2014	477	477
Additional paid-in-capital	352	161
Retained earnings	18,930	19,867
Accumulated other comprehensive income (loss)	(189)	(575)
	<u>19,570</u>	<u>19,930</u>
Less: Cost of common stock in treasury, 246,693,753 shares in 2013; 256,748,790 shares in 2014	8,985	9,811
<b>Common stockholders' equity</b>	<u>10,585</u>	<u>10,119</u>
Noncontrolling interests in subsidiaries	133	48
<b>Total equity</b>	<u>10,718</u>	<u>10,167</u>
<b>Total liabilities and equity</b>	<u>\$ 24,711</u>	<u>24,177</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)

	2012	2013	2014
<b>Common stock</b>	<b>\$ 477</b>	<b>477</b>	<b>477</b>
<b>Additional paid-in-capital</b>			
Beginning balance	317	324	352
Stock plans	16	37	160
Purchase of noncontrolling interests	(9)	(9)	(351)
Ending balance	324	352	161
<b>Retained earnings</b>			
Beginning balance	17,310	18,107	18,930
Net earnings common stockholders	1,968	2,004	2,147
Cash dividends (per share: 2012, \$1.60; 2013, \$1.64; 2014, \$1.72)	(1,171)	(1,181)	(1,210)
Ending balance	18,107	18,930	19,867
<b>Accumulated other comprehensive income (loss)</b>			
Beginning balance	(562)	(731)	(189)
Foreign currency translation	(205)	38	(333)
Pension and postretirement	(49)	521	(54)
Cash flow hedges and other	85	(17)	1
Ending balance	(731)	(189)	(575)
<b>Treasury stock</b>			
Beginning balance	(7,143)	(7,882)	(8,985)
Purchases	(787)	(1,189)	(971)
Issued under stock plans	48	86	145
Ending balance	(7,882)	(8,985)	(9,811)
<b>Common stockholders' equity</b>	<b>10,295</b>	<b>10,585</b>	<b>10,119</b>
<b>Noncontrolling interests in subsidiaries</b>			
Beginning balance	152	147	133
Net earnings	56	62	37
Other comprehensive income (loss)	(1)	(6)	(3)
Cash dividends	(56)	(69)	(18)
Purchase of noncontrolling interests	(4)	(1)	(101)
Ending balance	147	133	48
<b>Total equity</b>	<b>\$ 10,442</b>	<b>10,718</b>	<b>10,167</b>

See accompanying Notes to Consolidated Financial Statements.

**Consolidated Statements of Cash Flows**  
**EMERSON ELECTRIC CO. & SUBSIDIARIES**

Years ended September 30  
(Dollars in millions)

	2012	2013	2014
<b>Operating activities</b>			
Net earnings	\$ 2,024	2,066	2,184
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	823	819	831
Changes in operating working capital	(340)	42	114
Pension funding	(163)	(160)	(130)
Goodwill impairment, net of tax	528	496	508
Other, net	181	386	185
Net cash provided by operating activities	<u>3,053</u>	<u>3,649</u>	<u>3,692</u>
<b>Investing activities</b>			
Capital expenditures	(665)	(678)	(767)
Purchases of businesses, net of cash and equivalents acquired	(187)	(19)	(610)
Divestitures of businesses	125	3	363
Other, net	(79)	(95)	(145)
Net cash used by investing activities	<u>(806)</u>	<u>(789)</u>	<u>(1,159)</u>
<b>Financing activities</b>			
Net increase in short-term borrowings	348	45	180
Proceeds from short-term borrowings greater than three months	—	1,530	2,952
Payments of short-term borrowings greater than three months	—	(1,201)	(2,510)
Proceeds from long-term debt	4	496	1
Payments of long-term debt	(262)	(521)	(329)
Dividends paid	(1,171)	(1,181)	(1,210)
Purchases of common stock	(797)	(1,110)	(1,048)
Purchase of noncontrolling interests	(14)	(10)	(574)
Other, net	(7)	19	(21)
Net cash used by financing activities	<u>(1,899)</u>	<u>(1,933)</u>	<u>(2,559)</u>
Effect of exchange rate changes on cash and equivalents	(33)	(19)	(100)
<b>Increase (decrease) in cash and equivalents</b>	<u>315</u>	<u>908</u>	<u>(126)</u>
Beginning cash and equivalents	2,052	2,367	3,275
<b>Ending cash and equivalents</b>	<u>\$ 2,367</u>	<u>3,275</u>	<u>3,149</u>
<b>Changes in operating working capital</b>			
Receivables	\$ (536)	(84)	(263)
Inventories	(49)	83	(132)
Other current assets	19	(32)	59
Accounts payable	143	14	294
Accrued expenses	91	64	121
Income taxes	(8)	(3)	35
Total changes in operating working capital	<u>\$ (340)</u>	<u>42</u>	<u>114</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.

Effective October 2013, the Company adopted revisions to ASC 220, *Comprehensive Income*, which require entities to disclose 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:

	2013	2014
Finished products	\$ 678	741
Raw materials and work in process	1,217	1,316
Total inventories	<u>\$ 1,895</u>	<u>2,057</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 the 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 expected future undiscounted cash flows of the related assets is less than their carrying values. The components of property, plant and equipment as of September 30 follow:

	2013	2014
Land	\$ 278	275
Buildings	1,965	2,355
Machinery and equipment	6,440	6,353
Construction in progress	409	428
Property, plant and equipment, at cost	9,092	9,411
Less: Accumulated depreciation	5,487	5,609
Property, plant and equipment, net	<u>\$ 3,605</u>	<u>3,802</u>

### 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. Emerson'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 \$10. 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 \$7.1 billion of undistributed earnings of non-U.S. subsidiaries as of September 30, 2014, 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, although there is no current intention to do so. 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 4.6 million, 0.6 million and 7.7 million shares of common stock were excluded from the computation of diluted earnings per share in 2014, 2013 and 2012, 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):

	2012	2013	2014
Basic shares outstanding	730.6	717.7	<b>700.2</b>
Dilutive shares	4.0	5.2	<b>3.9</b>
Diluted shares outstanding	<b>734.6</b>	<b>722.9</b>	<b>704.1</b>

## (3) ACQUISITIONS AND DIVESTITURES

The Company acquired 100 percent of Virgo Valves and Controls Limited and Enardo Holdings, both in the Process Management final control business, during the first quarter of 2014. 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 smaller acquisitions were complementary to the existing business portfolios. Valuations of certain acquired assets and liabilities are in-process and subject to refinement.

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 does 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.

On November 22, 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); 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 charges in both 2013 and 2012, 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 sales of \$63 and net earnings of \$3 in 2014. Connectivity solutions offered industry-leading fiber optic, radio-frequency and microwave-coaxial technologies that safeguard network reliability.



In connection with its longer-term strategy to divest selected slower-growth businesses, management is considering strategic alternatives for the power transmission solutions business, and in the fourth quarter of 2014 received several nonbinding indications of interest. This business designs and manufactures market-leading couplings, bearings, conveying components and gearing and drive components, and provides supporting services and solutions. In 2014, this business contributed sales of \$605 and earnings of \$87 in Industrial Automation. As of September 30, 2014, this business had working capital of \$155 and net other assets of \$366, including net property, plant and equipment of \$122 and goodwill of \$223. The Company expects to make a decision and announce plans for this business within the next three months.

The Company acquired 100 percent of Avtron Loadbank and a marine controls business during the second quarter of 2012. Avtron is a designer and manufacturer of high-quality load banks and testing systems for power equipment industries and is included in Network Power. The marine controls business supplies controls and software solutions for optimal operation of refrigerated sea containers and marine boilers and is included in Climate Technologies. In addition, the Company acquired two smaller businesses during 2012 in Process Management and Network Power. Total cash paid for all businesses was approximately \$187, net of cash acquired of \$5. Annualized sales for businesses acquired in 2012 were approximately \$115. Goodwill of \$94 (approximately \$36 of which is tax deductible) and identifiable intangible assets of \$82, primarily customer relationships and patents and technology with a weighted-average life of approximately 9 years, were recognized from these transactions.

In the fourth quarter of 2012, the Company sold its Knaack business unit for \$114, resulting in an after-tax loss of \$5 (\$3 income tax benefit). Knaack had 2012 sales of \$95 and net earnings of \$7. Knaack, a leading provider of premium secure storage solutions for job sites and work vehicles, was reported in Commercial & Residential Solutions.

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:

	2012	2013	2014
Amortization of intangibles (intellectual property and customer relationships)	\$ 241	220	<b>225</b>
Rationalization of operations	119	78	<b>55</b>
Other	91	65	<b>113</b>
Gains, net	(50)	(1)	—
Total	<u>\$ 401</u>	<u>362</u>	<u><b>393</b></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. Other increased in 2014 primarily due to the Company's \$34 share of losses from its equity investment in Artesyn (principally restructuring costs), the impact of a \$13 China research credit in 2013 and several other items. Reduced foreign currency transaction losses of \$20 partially offset the increase. Other decreased in 2013 due to the research credit, lower foreign currency transaction losses and the comparative impact from a loss on the sale of the Knaack business in 2012. Gains, net in 2012 includes dumping duties of \$43 collected from U.S. Customs.

## (5) RATIONALIZATION OF OPERATIONS

Rationalization of operations expense reflects costs associated with the Company's efforts to continually improve operational efficiency and deploy assets globally to remain competitive on a worldwide basis. Each year the Company incurs costs to size its businesses to levels appropriate for current economic conditions and to improve its cost structure for future growth. Rationalization expenses result from numerous individual actions implemented across the Company's various operating units on an ongoing basis and include costs for moving facilities to best-cost locations, starting up plants after relocation or geographic expansion to serve local markets, exiting certain product lines, curtailing/downsizing operations because of changing economic conditions and other costs resulting from asset redeployment decisions. Shutdown costs include severance and benefits, stay bonuses, lease and contract termination costs and asset write-downs. In addition to the costs of moving fixed assets, start-up and moving costs include employee training and relocation. Vacant facility costs include security, maintenance, utilities and other costs.

Rationalization expenses were \$55, \$78 and \$119, respectively, for 2014, 2013 and 2012. The Company currently expects to incur 2015 rationalization expense of approximately \$60, including costs to complete actions initiated before the end of 2014 and for actions anticipated to be approved and initiated during 2015.

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

	2013	Expense	Paid/Utilized	2014
Severance and benefits	\$ 27	27	34	20
Lease and other contract terminations	3	3	5	1
Fixed asset write-downs	—	2	2	—
Vacant facility and other shutdown costs	1	5	6	—
Start-up and moving costs	1	18	18	1
Total	\$ 32	55	65	22

  

	2012	Expense	Paid/Utilized	2013
Severance and benefits	\$ 23	45	41	27
Lease and other contract terminations	5	3	5	3
Fixed asset write-downs	—	1	1	—
Vacant facility and other shutdown costs	3	6	8	1
Start-up and moving costs	1	23	23	1
Total	\$ 32	78	78	32

Rationalization of operations expense by business segment follows:

	2012	2013	2014
Process Management	\$ 19	15	17
Industrial Automation	27	27	7
Network Power	53	25	15
Climate Technologies	11	3	14
Commercial & Residential Solutions	9	8	2
Total	\$ 119	78	55

Expenses incurred during 2014, 2013 and 2012 include actions to exit 14, 13 and 20 production, distribution or office facilities, and eliminate approximately 2,000, 3,100 and 2,700 positions, respectively, as well as costs related to start up operations and facilities exited in previous periods. Costs largely relate to deployment of resources to higher growth regions and to directly serve local markets, and in 2014 were concentrated in Process Management, Network Power and Climate Technologies. The majority of costs have been incurred in Asia and Europe and to a lesser extent in North America. In 2013 and 2012, costs were concentrated in Network Power and Industrial Automation due to end market softness for those segments, including Artesyn, and acquisition integration activity in Network Power, and were primarily incurred in Europe, North America and Asia.

## (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.

The Network Power Europe business, which comprises the 2010 Chloride acquisition and pre-existing businesses, was the focus of the fourth quarter 2014 impairment review. The business has not been able to meet its operating objectives due to a weak Western Europe economy, which had less than 1 percent GDP growth since the acquisition. The weak economic recovery and intense competitive/market pressures have negatively affected the profitability of the combined Emerson and Chloride European network power business. The economics for Europe are uncertain for 2015 and 2016 and the goodwill from the acquisition cannot 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.

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.

In the fourth quarter of 2012, the Company incurred an impairment charge for the Artesyn business and the DC power systems business, after goodwill impairment testing revealed that the carrying values of these businesses exceeded the fair values. These businesses had been unable to meet operating objectives and the Company anticipated that growth in sales and earnings would be slower than previously expected given the end market circumstances noted above. The carrying value of these businesses was reduced by a noncash charge to earnings totaling \$592 (\$528 after-tax, \$0.72 per share).

The change in the carrying value of goodwill by business segment follows. Cumulative pretax impairment charges in Network Power total \$646 as of September 30, 2014.

	Process Management	Industrial Automation	Network Power	Climate Technologies	Commercial & Residential Solutions	Total
Balance, September 30, 2012	\$ 2,379	1,338	3,367	501	441	8,026
Acquisitions	11					11
Divestitures			(40)		(2)	(42)
Impairment			(528)			(528)
Foreign currency translation and other	(7)	14	33	2		42
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)
<b>Balance, September 30, 2014</b>	<b>\$ 2,701</b>	<b>1,329</b>	<b>2,218</b>	<b>500</b>	<b>434</b>	<b>7,182</b>

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

	Customer Relationships		Intellectual Property		Capitalized Software		Total	
	2013	2014	2013	2014	2013	2014	2013	2014
Gross carrying amount	\$ 1,482	1,594	1,023	1,052	1,110	1,190	3,615	3,836
Less: accumulated amortization	533	643	565	613	845	891	1,943	2,147
Net carrying amount	\$ 949	951	458	439	265	299	1,672	1,689

Total intangible asset amortization expense for 2014, 2013 and 2012 was \$313, \$298 and \$318, respectively. Based on intangible asset balances as of September 30, 2014, amortization expense is expected to approximate \$330 in 2015, \$278 in 2016, \$239 in 2017, \$195 in 2018 and \$163 in 2019.

## (7) FINANCIAL INSTRUMENTS

### Hedging Activities

As of September 30, 2014, the notional amount of foreign currency hedge positions was approximately \$1.7 billion, while commodity hedge contracts totaled approximately 66 million pounds (\$190) 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, 2014 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:

	Location	Gain (Loss) to Earnings			Gain (Loss) to OCI		
		2012	2013	2014	2012	2013	2014
Commodity	Cost of sales	\$ (42)	(15)	(12)	43	(22)	(16)
Foreign currency	Sales, cost of sales	8	24	10	58	4	15
Foreign currency	Other deductions, net	45	(5)	(3)			
Total		\$ 11	4	(5)	101	(18)	(1)

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 2014, 2013 and 2012.

#### Fair Value Measurement

The estimated fair value of long-term debt was \$4,492 and \$4,727, respectively, as of September 30, 2014 and 2013, which exceeded the carrying value by \$411 and \$405, respectively. As of September 30, 2014, 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:

	2013		2014	
	Assets	Liabilities	Assets	Liabilities
Foreign Currency	\$ 18	17	<b>32</b>	<b>20</b>
Commodity	\$ 2	8	<b>1</b>	<b>10</b>

#### (8) SHORT-TERM BORROWINGS AND LINES OF CREDIT

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

	2013	2014
Current maturities of long-term debt	\$ 267	<b>522</b>
Commercial paper	1,304	<b>1,938</b>
Payable to banks	16	<b>5</b>
Total	\$ 1,587	<b>2,465</b>
Weighted-average interest rate for short-term borrowings at year end	0.2%	<b>0.2%</b>

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 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.

## (9) LONG-TERM DEBT

The details of long-term debt follow:

	2013	2014
5.625% notes due November 2013	\$ 250	—
5.0% notes due December 2014	250	<b>250</b>
4.125% notes due April 2015	250	<b>250</b>
4.75% notes due October 2015	250	<b>250</b>
5.125% notes due December 2016	250	<b>250</b>
5.375% notes due October 2017	250	<b>250</b>
5.25% notes due October 2018	400	<b>400</b>
5.0% notes due April 2019	250	<b>250</b>
4.875% notes due October 2019	500	<b>500</b>
4.25% notes due November 2020	300	<b>300</b>
2.625% notes due February 2023	500	<b>500</b>
6.0% notes due August 2032	250	<b>250</b>
6.125% notes due April 2039	250	<b>250</b>
5.25% notes due November 2039	300	<b>300</b>
Other	72	<b>81</b>
Long-term debt	4,322	<b>4,081</b>
Less: Current maturities	267	<b>522</b>
Total, net	\$ 4,055	<b>3,559</b>

Long-term debt maturing during each of the four years after 2015 is \$304, \$251, \$251 and \$651, respectively. Total interest paid on all debt was approximately \$210, \$226 and \$234 in 2014, 2013 and 2012, respectively. During the year, the Company repaid \$250 of 5.625% notes that matured in November 2013. In 2013, the Company repaid \$250 of 4.625% notes that matured in October 2012 and \$250 of 4.5% notes that matured in May 2013, and also issued \$500 of 2.625% notes due February 2023.

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		
	2012	2013	2014	2012	2013	2014
Defined benefit plans:						
Service cost (benefits earned during the period)	\$ 55	70	<b>59</b>	27	31	<b>32</b>
Interest cost	172	167	<b>182</b>	50	46	<b>53</b>
Expected return on plan assets	(275)	(280)	<b>(286)</b>	(43)	(50)	<b>(58)</b>
Net amortization and other	168	226	<b>153</b>	19	18	<b>18</b>
Net periodic pension expense	120	183	<b>108</b>	53	45	<b>45</b>
Defined contribution plans	103	113	<b>119</b>	59	63	<b>59</b>
Total retirement plans expense	\$ 223	296	<b>227</b>	112	108	<b>104</b>

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. Pension expense increased in 2013 primarily due to a lower interest rate assumption. For defined contribution plans, the Company makes cash contributions based on plan requirements, which are expensed as incurred. The Company has two small businesses that participate 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.

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	
	2013	2014	2013	2014
Projected benefit obligation, beginning	\$ 4,203	<b>3,863</b>	1,143	<b>1,269</b>
Service cost	70	<b>59</b>	31	<b>32</b>
Interest cost	167	<b>182</b>	46	<b>53</b>
Actuarial (gain) loss	(403)	<b>415</b>	85	<b>89</b>
Benefits paid	(176)	<b>(188)</b>	(46)	<b>(47)</b>
Foreign currency translation and other	2	<b>5</b>	10	<b>(66)</b>
Projected benefit obligation, ending	<u>\$ 3,863</u>	<u><b>4,336</b></u>	<u>1,269</u>	<u><b>1,330</b></u>
Fair value of plan assets, beginning	\$ 3,719	<b>4,112</b>	809	<b>899</b>
Actual return on plan assets	454	<b>461</b>	86	<b>106</b>
Employer contributions	113	<b>85</b>	47	<b>45</b>
Benefits paid	(176)	<b>(188)</b>	(46)	<b>(47)</b>
Foreign currency translation and other	2	<b>3</b>	3	<b>(15)</b>
Fair value of plan assets, ending	<u>\$ 4,112</u>	<u><b>4,473</b></u>	<u>899</u>	<u><b>988</b></u>
Net amount recognized in the balance sheet	<u>\$ 249</u>	<u><b>137</b></u>	<u>(370)</u>	<u><b>(342)</b></u>
Location of net amount recognized in the balance sheet:				
Noncurrent asset	\$ 435	<b>344</b>	3	<b>33</b>
Current liability	\$ (10)	<b>(10)</b>	(10)	<b>(8)</b>
Noncurrent liability	\$ (176)	<b>(197)</b>	(363)	<b>(367)</b>
Net amount recognized in the balance sheet	<u>249</u>	<u><b>137</b></u>	<u>(370)</u>	<u><b>(342)</b></u>
Pretax accumulated other comprehensive loss	<u>\$ (871)</u>	<u><b>(961)</b></u>	<u>(343)</u>	<u><b>(346)</b></u>

Approximately \$193 of the \$1,307 of pretax losses deferred in accumulated other comprehensive income (loss) at September 30, 2014, will be amortized to expense in 2015. As of September 30, 2014, U.S. pension plans were overfunded by \$137 and non-U.S. plans were underfunded by \$342. The U.S. funded status includes unfunded plans totaling \$182 and the non-U.S. status includes unfunded plans totaling \$218.

As of the September 30, 2014 and 2013 measurement dates, the plans' total accumulated benefit obligation was \$5,277 and \$4,782, 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 \$1,028, \$928 and \$455, respectively, for 2014, and \$978, \$887 and \$464, respectively, for 2013.

Future benefit payments by U.S. plans are estimated to be \$197 in 2015, \$207 in 2016, \$217 in 2017, \$227 in 2018, \$237 in 2019 and \$1,304 in total over the five years 2020 through 2024. Based on foreign currency exchange rates as of September 30, 2014, future benefit payments by non-U.S. plans are estimated to be \$48 in 2015, \$50 in 2016, \$56 in 2017, \$58 in 2018, \$60 in 2019 and \$346 in total over the five years 2020 through 2024. The Company expects to contribute approximately \$60 to its retirement plans in 2015.

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

	U.S. Plans			Non-U.S. Plans		
	2012	2013	2014	2012	2013	2014
<u>Net pension expense</u>						
Discount rate	4.75%	4.00%	<b>4.75%</b>	5.2%	4.1%	<b>4.2%</b>
Expected return on plan assets	7.75%	7.75%	<b>7.50%</b>	5.9%	5.5%	<b>6.6%</b>
Rate of compensation increase	3.00%	3.25%	<b>3.25%</b>	3.5%	3.4%	<b>3.2%</b>
<u>Benefit obligations</u>						
Discount rate	4.00%	4.75%	<b>4.25%</b>	4.1%	4.2%	<b>3.6%</b>
Rate of compensation increase	3.25%	3.25%	<b>3.25%</b>	3.4%	3.2%	<b>3.4%</b>

The discount rate for the U.S. retirement plans was 4.25 percent as of September 30, 2014. 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. Defined benefit pension plan expense for 2015 is expected to be approximately \$165, versus \$153 in 2014.

The Company's asset allocations at September 30, 2014 and 2013, and weighted-average target allocations follow:

	U.S. Plans			Non-U.S. Plans		
	2013	2014	Target	2013	2014	Target
Equity securities	66%	<b>65%</b>	60-70%	56%	<b>55%</b>	50-60%
Debt securities	26	<b>26</b>	25-35	30	<b>32</b>	25-35
Other	8	<b>9</b>	3-10	14	<b>13</b>	10-20
Total	100%	<b>100%</b>	100%	100%	<b>100%</b>	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	%
<b>2014</b>					
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%
<b>Total</b>	<b>\$ 1,897</b>	<b>3,256</b>	<b>308</b>	<b>5,461</b>	<b>100%</b>
<b>2013</b>					
U.S. equities	\$ 1,078	560	121	1,759	35%
International equities	563	632		1,195	24%
Emerging market equities		263		263	5%
Corporate bonds		524		524	10%
Government bonds	22	614		636	13%
High-yield bonds		159		159	3%
Other	178	168	129	475	10%
<b>Total</b>	<b>\$ 1,841</b>	<b>2,920</b>	<b>250</b>	<b>5,011</b>	<b>100%</b>

#### Asset Classes

U.S. equities reflects companies domiciled in the U.S., including multinational companies. International equities is comprised of companies domiciled in developed nations outside the U.S. Emerging market equities is comprised of companies domiciled in portions of Asia, Eastern Europe and Latin America. Corporate bonds represents investment-grade debt of issuers primarily from the U.S. Government bonds includes investment-grade instruments issued by federal, state and local governments, primarily in the U.S. High-yield bonds includes 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, transferability 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:

	2013	2014
Level 3, beginning	\$ 250	<b>250</b>
Gains (Losses) on assets held	25	<b>(18)</b>
Gains (Losses) on assets sold	(22)	<b>21</b>
Purchases, sales and settlements, net	(3)	<b>55</b>
Level 3, ending	<u>\$ 250</u>	<u><b>308</b></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:

	2012	2013	2014
Service cost	\$ 2	2	<b>1</b>
Interest cost	16	12	<b>11</b>
Net amortization	(11)	(13)	<b>(21)</b>
Net postretirement expense	<u>\$ 7</u>	<u>1</u>	<u><b>(9)</b></u>

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

	2013	2014
Benefit obligation, beginning	\$ 367	<b>278</b>
Service cost	2	<b>1</b>
Interest cost	12	<b>11</b>
Actuarial (gain) loss	(83)	<b>(12)</b>
Benefits paid	(20)	<b>(17)</b>
Plan amendments	—	<b>(13)</b>
Benefit obligation, ending (recognized in balance sheet)	<u>\$ 278</u>	<u><b>248</b></u>

As of September 30, 2014 there were \$172 of deferred actuarial gains in accumulated other comprehensive income, of which approximately \$22 will be amortized into earnings in 2015. The assumed discount rates used in measuring the benefit obligations as of September 30, 2014, 2013 and 2012, were 3.75 percent, 4.00 percent and 3.25 percent, respectively. The assumed health care cost trend rate for 2015 is 6.5 percent declining to 5.0 percent in 2018, and for 2014 was 7.0 percent declining to 5.0 percent in 2018. A one percentage point increase or decrease in the assumed health care cost trend rate for each 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 \$22 per year for 2015 through 2019 and \$94 in total over the five years 2020 through 2024.

#### (12) CONTINGENT LIABILITIES AND COMMITMENTS

Emerson 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. Two subsidiaries of the Company have unrelated judgments against them totaling \$50 which, based on their merits, are expected to be overturned.

On October 22, 2012, Invensys Systems, Inc. filed a suit for patent infringement against the Company and its wholly-owned indirect subsidiary, Micro Motion, Inc., in the Eastern District of Texas captioned Invensys Systems, Inc. v. Emerson Electric Co. and Micro Motion, Inc., USA. The complaint alleges infringement on Invensys patents by Micro Motion's Coriolis flowmeter "Enhanced Core Processors." The Invensys suit seeks damages of \$182 and an injunction preventing the Company and Micro Motion from engaging in future infringement. The Company has filed a petition seeking a ruling that the Invensys patents are invalid. It is too early in the litigation to assess any potential financial impact. The Company and Micro Motion believe that the Invensys claims are without merit and that they have strong defenses to the claims, and intend to aggressively defend the suit.

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, as examples, 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, 2014, 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:

	2012	2013	2014
United States	\$ 1,742	1,724	<b>2,096</b>
Non-U.S.	1,373	1,472	<b>1,252</b>
Total pretax earnings from continuing operations	<u>\$ 3,115</u>	<u>3,196</u>	<u><b>3,348</b></u>

The principal components of income tax expense follow:

	2012	2013	2014
Current:			
Federal	\$ 750	704	<b>742</b>
State and local	61	60	<b>59</b>
Non-U.S.	466	480	<b>516</b>
Deferred:			
Federal	(129)	(56)	<b>(129)</b>
State and local	(4)	2	<b>(5)</b>
Non-U.S.	(53)	(60)	<b>(19)</b>
Income tax expense	<u>\$ 1,091</u>	<u>1,130</u>	<u><b>1,164</b></u>

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

	2012	2013	2014
Federal statutory rate	35.0 %	35.0 %	<b>35.0 %</b>
State and local taxes, net of federal tax benefit	1.3	1.3	<b>1.0</b>
Non-U.S. rate differential	(4.0)	(4.8)	<b>(4.2)</b>
Non-U.S. tax holidays	(1.7)	(1.8)	<b>(1.1)</b>
U.S. manufacturing deduction	(1.4)	(1.6)	<b>(1.5)</b>
Goodwill impairment	4.6	4.8	<b>5.3</b>
Artesyn repatriation	—	2.2	—
Other	1.2	0.2	<b>0.3</b>
Effective income tax rate	<u>35.0 %</u>	<u>35.3 %</u>	<u><b>34.8 %</b></u>

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

	2013	2014
Unrecognized tax benefits, beginning	\$ 157	<b>127</b>
Additions for current year tax positions	8	<b>9</b>
Additions for prior year tax positions	14	<b>25</b>
Reductions for prior year tax positions	(26)	<b>(19)</b>
Reductions for settlements with tax authorities	(4)	<b>(4)</b>
Reductions for expiration of statutes of limitations	(22)	<b>(18)</b>
Unrecognized tax benefits, ending	<u>\$ 127</u>	<u><b>120</b></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 \$80. The Company accrues interest and penalties related to income taxes in income tax expense. Total interest and penalties recognized were \$3, \$(6) and \$(1) in 2014, 2013 and 2012, respectively. As of September 30, 2014 and 2013, total accrued interest and penalties were \$25 and \$27, 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 2009. 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:

	2013	2014
Deferred tax assets:		
Net operating losses and tax credits	\$ 231	238
Accrued liabilities	262	311
Postretirement and postemployment benefits	102	93
Employee compensation and benefits	256	196
Pensions	—	28
Other	124	137
Total	<u>\$ 975</u>	<u>1,003</u>
Valuation allowances	<u>\$ (131)</u>	<u>(154)</u>
Deferred tax liabilities:		
Intangibles	\$ (780)	(649)
Pensions	(38)	—
Property, plant and equipment	(255)	(258)
Other	(158)	(98)
Total	<u>\$ (1,231)</u>	<u>(1,005)</u>
Net deferred income tax liability	<u>\$ (387)</u>	<u>(156)</u>

Current deferred tax assets, net were \$354 as of September 30, 2014 and 2013, and noncurrent deferred tax liabilities, net were \$510 and \$741, respectively. Total income taxes paid were approximately \$1,310, \$1,270 and \$1,300 in 2014, 2013 and 2012, respectively. Approximately half of the \$238 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, 2014, 14.4 million options were available for grant under the plans.

Changes in shares subject to options during the year ended September 30, 2014 follow (shares in thousands):

	Weighted- Average Exercise Price Per Share	Shares	Total Intrinsic Value of Shares	Average Remaining Life (Years)
Beginning of year	\$ 47.03	11,674		
Options granted	\$ 65.07	4,931		
Options exercised	\$ 41.29	(2,420)		
Options canceled	\$ 59.09	(277)		
End of year	<u>\$ 54.19</u>	<u>13,908</u>	<u>\$ 130</u>	<u>6.4</u>
Exercisable at end of year	<u>\$ 48.51</u>	<u>8,407</u>	<u>\$ 120</u>	<u>4.7</u>

The weighted-average grant date fair value per option was \$14.83, \$10.12 and \$7.53 in 2014, 2013 and 2012, respectively. Cash received for option exercises was \$77 in 2014, \$104 in 2013 and \$42 in 2012. The total intrinsic value of options exercised in 2014, 2013 and 2012 was \$61, \$66 and \$38, respectively, while the tax benefit realized by the Company from tax deductions related to option exercises was \$14, \$7 and \$11, 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 2014, 2013 and 2012 are: risk-free interest rate, based on U.S. Treasury yields, 2.0 percent, 1.2 percent and 1.3 percent; dividend yield, 2.6 percent, 3.2 percent and 3.7 percent; and expected volatility, based on historical volatility, 28 percent, 28 percent and 27 percent. 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.

As of September 30, 2013, the Company achieved the performance objectives at the 93 percent level for performance shares awarded primarily in 2010, resulting in the rights to 4,837,739 common shares vesting and becoming available for distribution. Of these, 2,902,647 shares were distributed in early 2014 as follows: 1,582,608 issued as shares, 1,125,122 withheld for income taxes, and the value of 194,917 paid in cash. The remaining 1,920,398 shares were distributed at the end of 2014 to employees who provided one additional year of service as follows: 1,199,535 issued as shares, 704,495 withheld for income taxes, and the value of 16,368 paid in cash. There were 14,694 shares canceled and not distributed. As of September 30, 2014, the rights to receive a maximum of 5,866,840 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 2014, 10,000 shares of restricted stock vested as a result of participants fulfilling the applicable service requirements. Consequently, 6,709 shares were issued while 3,291 shares were withheld for income taxes in accordance with minimum withholding requirements. As of September 30, 2014, there were 1,302,500 shares of unvested restricted stock outstanding.

Changes in shares outstanding but not yet earned under incentive shares plans during the year ended September 30, 2014 follow:

(shares in thousands)	Shares	Average Grant Date Fair Value Per Share
Beginning of year	<b>11,231</b>	<b>\$ 43.86</b>
Granted	<b>246</b>	<b>\$ 65.15</b>
Earned/vested	<b>(4,833)</b>	<b>\$ 39.52</b>
Canceled	<b>(240)</b>	<b>\$ 47.48</b>
End of year	<b>6,404</b>	<b>\$ 47.81</b>

The total fair value of shares vested under incentive shares plans was \$315, \$19 and \$15, respectively, in 2014, 2013 and 2012, of which \$134, \$8 and \$6, respectively, was paid in cash, primarily for tax withholding. As of September 30, 2014, 4.3 million shares remained available for award under incentive shares plans.

Total compensation expense for stock options and incentive shares was \$143, \$221 and \$100, for 2014, 2013 and 2012, respectively. The decrease in expense for 2014 is due to a reduced impact from performance shares plans overlap in the current year and the comparative benefit of a slightly lower stock price, partially offset by a stock option award in 2014. The increase in 2013 reflects the overlap of two performance shares plans (2010 awards for performance through 2013 and 2013 awards for performance through 2016) and a large increase in the stock price during the year. Income tax benefits recognized in the income statement for these compensation arrangements during 2014, 2013 and 2012 were \$39, \$68 and \$28, respectively. As of September 30, 2014, total unrecognized compensation expense related to unvested shares awarded under these plans was \$243, which is expected to be recognized over a weighted-average period of 2.3 years.

In addition to the employee stock option and incentive shares plans, in 2014 the Company awarded 17,676 shares of restricted stock and 3,928 restricted stock units under the restricted stock plan for nonmanagement directors. As of September 30, 2014, 248,146 shares were available for issuance under this plan.

#### (15) COMMON AND PREFERRED STOCK

At September 30, 2014, 38.7 million shares of common stock were reserved for issuance under the Company's stock-based compensation plans. During 2014, 14.8 million common shares were purchased and 4.7 million treasury shares were reissued. In 2013, 20.3 million common shares were purchased and 2.9 million treasury shares were reissued.

At September 30, 2014 and 2013, 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:

	2012	2013	2014
Foreign currency translation, beginning	\$ 671	466	504
Purchase of noncontrolling interest	—	—	8
Other comprehensive income (loss)	(205)	38	(341)
Foreign currency translation, ending	466	504	171
Pension and postretirement, beginning	(1,164)	(1,213)	(692)
Actuarial gains (losses) deferred during the period, net of taxes of: 2012, \$81; 2013, \$(233); 2014, \$87	(160)	375	(152)
Amortization of deferred losses into earnings, net of taxes of: 2012, \$(62); 2013, \$(85); 2014, \$(52)	111	146	98
Pension and postretirement, ending	(1,213)	(692)	(746)
Cash flow hedges, beginning	(69)	16	(1)
Gains (losses) deferred during the period, net of taxes of: 2012, \$(37); 2013, \$7; 2014, \$0	64	(11)	(1)
Reclassification of (gains) losses to sales and cost of sales, net of taxes of: 2012, \$(13); 2013, \$3; 2014, \$0	21	(6)	2
Cash flow hedges, ending	16	(1)	—
Accumulated other comprehensive income (loss)	\$ (731)	(189)	(575)

## (17) BUSINESS SEGMENTS INFORMATION

The Company designs and manufactures products bringing 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, power transmission and materials handling equipment, materials joining and precision cleaning products, fluid power and control mechanisms and electrical distribution equipment 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 elements 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 and commercial 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.

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. See Notes 3 through 6.



## Business Segments

	Sales			Earnings			Total Assets		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Process Management	\$ 7,899	8,610	<b>9,189</b>	\$ 1,599	1,809	<b>1,918</b>	\$ 6,607	6,878	<b>7,771</b>
Industrial Automation	5,188	4,885	<b>4,990</b>	871	777	<b>802</b>	3,619	3,606	<b>3,574</b>
Network Power	6,399	6,155	<b>5,073</b>	624	554	<b>459</b>	7,212	6,603	<b>5,233</b>
Climate Technologies	3,766	3,876	<b>4,109</b>	668	716	<b>737</b>	2,260	2,245	<b>2,378</b>
Commercial & Residential Solutions	1,877	1,865	<b>1,924</b>	396	404	<b>424</b>	1,155	1,153	<b>1,152</b>
	25,129	25,391	<b>25,285</b>	4,158	4,260	<b>4,340</b>	20,853	20,485	<b>20,108</b>
Differences in accounting methods				226	221	<b>252</b>			
Corporate and other (a)				(1,045)	(1,067)	<b>(1,050)</b>	2,965	4,226	<b>4,069</b>
Sales eliminations/Interest	(717)	(722)	<b>(748)</b>	(224)	(218)	<b>(194)</b>			
Total	\$ 24,412	24,669	<b>24,537</b>	\$ 3,115	3,196	<b>3,348</b>	\$ 23,818	24,711	<b>24,177</b>

(a) Corporate and other includes pretax goodwill impairment charges of \$508, \$528 and \$592 in 2014, 2013 and 2012, respectively. Corporate and other also includes stock compensation expense, which increased \$121 in 2013 and decreased \$78 in 2014. See Note 14.

	Intersegment Sales			Depreciation and Amortization			Capital Expenditures		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Process Management	\$ 13	6	<b>8</b>	\$ 198	201	<b>249</b>	\$ 228	276	<b>300</b>
Industrial Automation	619	631	<b>664</b>	138	145	<b>145</b>	134	124	<b>123</b>
Network Power	38	39	<b>27</b>	256	238	<b>198</b>	101	88	<b>68</b>
Climate Technologies	45	44	<b>47</b>	133	130	<b>132</b>	106	100	<b>145</b>
Commercial & Residential Solutions	2	2	<b>2</b>	53	53	<b>52</b>	46	40	<b>49</b>
Corporate and other				45	52	<b>55</b>	50	50	<b>82</b>
Total	\$ 717	722	<b>748</b>	\$ 823	819	<b>831</b>	\$ 665	678	<b>767</b>

## Geographic Information

	Sales by Destination			Property, Plant and Equipment		
	2012	2013	2014	2012	2013	2014
United States and Canada	\$ 10,980	10,964	<b>11,262</b>	\$ 1,918	1,969	<b>2,036</b>
Asia	5,790	5,888	<b>5,483</b>	592	518	<b>602</b>
Europe	4,946	4,841	<b>4,815</b>	689	772	<b>803</b>
Latin America	1,430	1,555	<b>1,508</b>	293	308	<b>306</b>
Middle East/Africa	1,266	1,421	<b>1,469</b>	17	38	<b>55</b>
Total	\$ 24,412	24,669	<b>24,537</b>	\$ 3,509	3,605	<b>3,802</b>

Sales in the U.S. were \$10,310, \$10,000 and \$10,036 for 2014, 2013 and 2012, respectively, while Asia includes sales in China of \$2,853, \$3,122 and \$3,012 in those years. Assets located in the U.S. were \$2,022 in 2014, \$1,952 in 2013 and \$1,900 in 2012.

## (18) OTHER FINANCIAL DATA

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

	2012	2013	2014
Research and development expense	\$ 547	576	<b>541</b>
Depreciation expense	\$ 505	521	<b>518</b>
Rent expense	\$ 395	414	<b>411</b>

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 \$270 in 2015, \$193 in 2016, \$131 in 2017, \$82 in 2018 and \$52 in 2019.

At September 30, 2014 and 2013, other assets included \$377 and \$438 of pension assets, respectively. Artesyn assets classified as held-for-sale at September 30, 2013 were \$408 in other current assets and \$190 in noncurrent assets.

Items reported in accrued expenses include the following:

	2013	2014
Employee compensation	\$ 650	<b>705</b>
Customer advanced payments	\$ 402	<b>455</b>
Product warranty	\$ 183	<b>193</b>

Other liabilities are summarized as follows:

	2013	2014
Pension plans	\$ 539	<b>564</b>
Deferred income taxes	823	<b>572</b>
Postretirement plans, excluding current portion	263	<b>233</b>
Other	688	<b>628</b>
Total	<b>\$ 2,313</b>	<b>1,997</b>

Other operating cash flow is comprised of the following:

	2012	2013	2014
Pension expense	\$ 173	228	<b>153</b>
Stock compensation expense	100	221	<b>143</b>
Deferred income taxes and other	(92)	(63)	<b>(111)</b>
Total	<b>\$ 181</b>	<b>386</b>	<b>185</b>

**(19) QUARTERLY FINANCIAL INFORMATION (UNAUDITED)**

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Full Year	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Net sales	\$ 5,553	<b>5,606</b>	5,960	<b>5,812</b>	6,344	<b>6,312</b>	6,812	<b>6,807</b>	24,669	<b>24,537</b>
Gross profit	\$ 2,207	<b>2,236</b>	2,373	<b>2,395</b>	2,568	<b>2,638</b>	2,804	<b>2,889</b>	9,952	<b>10,158</b>
Net earnings common stockholders	\$ 454	<b>462</b>	561	<b>547</b>	194	<b>728</b>	795	<b>410</b>	2,004	<b>2,147</b>
Net earnings per common share:										
Basic	\$ 0.63	<b>0.65</b>	0.77	<b>0.78</b>	0.27	<b>1.03</b>	1.11	<b>0.59</b>	2.78	<b>3.05</b>
Diluted	\$ 0.62	<b>0.65</b>	0.77	<b>0.77</b>	0.27	<b>1.03</b>	1.10	<b>0.58</b>	2.76	<b>3.03</b>
Dividends per common share	\$ 0.41	<b>0.43</b>	0.41	<b>0.43</b>	0.41	<b>0.43</b>	0.41	<b>0.43</b>	1.64	<b>1.72</b>
Common stock prices:										
High	\$ 53.62	<b>70.66</b>	58.67	<b>70.29</b>	59.44	<b>69.94</b>	66.79	<b>68.23</b>	66.79	<b>70.66</b>
Low	\$ 47.10	<b>62.73</b>	53.83	<b>62.25</b>	53.09	<b>64.70</b>	54.55	<b>60.85</b>	47.10	<b>60.85</b>

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 include a goodwill impairment charge of \$508 and \$0.72 per share in the fourth quarter of 2014, and goodwill impairment and income tax charges of \$508 and \$0.70 per share in the third quarter of 2013 and \$58 and \$0.08 per share in the fourth quarter of 2013.

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, 2014 and 2013, 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, 2014. We also have audited Emerson Electric Co.'s internal control over financial reporting as of September 30, 2014, based on criteria established in Internal Control - Integrated Framework (1992) 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, 2014 and 2013, and the results of its operations and its cash flows for each of the years in the three-year period ended September 30, 2014, 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, 2014, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG LLP  
St. Louis, Missouri  
November 19, 2014

## Safe Harbor Statement

This Annual Report contains various forward-looking statements and includes assumptions concerning Emerson's operations, future results and prospects. These forward-looking statements are based on current expectations and are subject to risk 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) current and future business environment, including capital and consumer spending, potential volatility of the end markets served, interest rates, and currency exchange rates; (2) competitive factors and competitor responses to Emerson initiatives; (3) development and market introduction of anticipated new products; (4) ability to defend and protect our intellectual property rights; (5) favorable environments for acquisitions, domestic and foreign, including regulatory requirements and market values of candidates; (6) integration of acquisitions; (7) availability of raw materials and purchased components; (8) ability to prevent security breaches or disruptions of our information technology systems; (9) stability of governments and business conditions in foreign countries which could result in nationalization of facilities or disruption of operations; (10) favorable access to capital markets; and (11) outcome of pending and future litigation, including environmental compliance.

**Subsidiaries and Affiliates of Emerson Electric Co.  
September 30, 2014**

<b><u>LEGAL NAME</u></b>	<b><u>JURISDICTION OF INCORPORATION</u></b>
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
CHC Holding LLC	Delaware
Chloride Power Electronics LLC	Delaware
U P Systems, Incorporated	Delaware
ClosetMaid Corporation	Florida
Clairson, Inc.	Delaware
Computational Systems, Incorporated	Tennessee
CSI Technology, Inc.	Delaware
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 Controls Limited	United Kingdom
Hytork LLC	Delaware
Hytork Services 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 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) Limited	India
Copeland Redevelopment Corporation	Missouri
CR Compressors LLC	Delaware
Scroll Compressors LLC	Delaware
Scroll Mexico LLC	Delaware
Emerson Electric do Brasil 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
Asco Joucomatic Pty. Ltd.	Australia
Asco Numatics Pty. Ltd.	Australia
Asco Valve Pty. Ltd.	Australia
Ascomation (NZ) Ltd.	New Zealand
Asco Numatics (NZ) Limited	New Zealand
Numatics Pty. Ltd.	Australia
Sirai Pty. Ltd.	Australia
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 Deutschland Holding GmbH	Germany
Emerson Dietzenbach 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 Joucomatic S.A.	France
Asco Numatics GmbH	Germany
Fluidcontrol 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 S.A.	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
ESO SAS	France
ESO CENTRE EST Sarl	France
ESO CENTRE OUEST 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 Gepekert Gyarto Kft	Hungary
La Francaise de Manutention SAS	France
Leroy-Somer Denmark A/S	Denmark
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 Norden AB	Sweden
Leroy-Somer S. E. A. 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
Control Techniques - Americas, Inc.	Delaware
Control Techniques - Americas LLC	Delaware
Fincor Holding, LLC	Delaware
Dieterich Standard, Inc.	Delaware
Emerson Process Management AB	Sweden
Emerson Process Management A/S (Denmark)	Denmark
Emerson Process Management AS	Norway

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
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
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 Uruguaya S.A.	Uruguay
Emerson Network Power Solutions, Inc.	Delaware
Emerson Power Transmission Corporation	Delaware
Emerson Chain, Inc.	Delaware
McGill Manufacturing Company, Inc.	Indiana
Rollway Bearing N.V.	Belgium
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
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 Limited	India
Emerson Network Power, Liebert Services, Inc.	Delaware
Emerson Network Power (Singapore) Pte. Ltd.	Singapore
Emerson Network Power (Malaysia) Sdn Bhd	Malaysia
Knürr Pte. Ltd.	Singapore
Emerson Network Power Surge Protection, Inc.	New York
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 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 Limited	United Kingdom
Energy Scitech Ltd.	United Kingdom
Roxar Flow Measurement Limited	United Kingdom
Roxar Maximum Reservoir Performance WLL	Bahrain
Roxar de Venezuela C.A.	Venezuela
Roxar Saudi Company	Saudi Arabia
Roxar Services AS	Norway
Roxar Services OOO	Russia
Roxar Technologies AS	Norway
Roxar Software Solutions 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
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
CDZ.T Srl	Italy
Dixell Srl	Italy
Emerson Network Power Holding Srl	Italy
Emerson Network Power Srl	Italy
Emerson Network Power Italia 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
System Plast Srl	Italy
System Plast GmbH	Germany
System Plast International B.V.	Netherlands

System Plast Ltd.	United Kingdom
System Plast Ltda	Brazil
System Plast France SAS	France
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 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
Copeland Compresores Hermeticos, S.A. de C.V.	Mexico
Copeland Korea Inc.	Korea
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
Inversiones Emerson Chile Limitada	Chile
Elevair S.A.	Chile
Instalaciones y Servicios Elevair Service S.A.	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 eResource (Xi'an) 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 Power Transmission (Zhangzhou) 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
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
Hytork Controls, Inc.	Florida
Emerson Electric Korea Ltd.	Korea
Emerson Electric (M) Sdn Bhd	Malaysia
Astec Electronics (Malaysia) Sdn Bhd	Malaysia
Astec Advanced Power Systems (Malaysia) Sdn Bhd	Malaysia
Astec Advanced Power Systems (Penang) 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
Jaure, S.A.	Spain
Emerson Panama S. de R.L.	Panama
Emerson Process Management Europe GmbH	Switzerland



Emerson Process Management Magyarország Kft.	Hungary
Emerson Process Management NV	Belgium
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
Intermetro de Acuna S. de R.L. de C.V.	Mexico
InterMetro de Mexico, S. de R.L. de C.V.	Mexico
Emersub XXXVI, Inc.	Delaware
Digital Appliance Controls (UK) Limited	United Kingdom
Control Techniques Limited	United Kingdom
Control Techniques GmbH	Germany
Reta Anlagenbau 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 Asia-Pacific Pte. Ltd.	Singapore
Control Techniques Drives (Malaysia) Sdn Bhd	Malaysia
Control Techniques Singapore Pte Limited	Singapore
Control Techniques Drives Limited	United Kingdom
Control Techniques Dynamics Limited	United Kingdom
Evershed Powerotor Limited	United Kingdom
Moore Reed & Company Limited	United Kingdom
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 Italy SpA	Italy

Emerson Industrial Automation Southern Africa (Pty) Ltd	South Africa
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
Computational Systems Limited	United Kingdom
Copeland Limited	United Kingdom
CSA Consulting Engineers Ltd.	United Kingdom
El-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
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
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

Mobrey Overseas Sales Limited	United Kingdom
Rosemount Measurement Limited	United Kingdom
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 Holdings UK Limited	United Kingdom
Chloride Limited	United Kingdom
Fleetness 174 Limited	United Kingdom
Chloride Nominees Limited	United Kingdom
Chloride Pension Trust Limited	United Kingdom
Chloride Power Protection Limited	Thailand
Chloride Power Protection Pty. Ltd.	Australia
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
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
Viper Security Limited	United Kingdom
Bardic Emergency Systems Limited	United Kingdom
Chloride Investments Limited	Guernsey
Chloride Financing Limited	United Kingdom
Chloride Financing UK Limited	United Kingdom
Emerson Process Management (India) Pvt. Ltd.	India
Virgo Valves & Controls Private Limited	India
Emerson Process Management Virgo Valves, Inc.	Delaware
Emerson Process Management Virgo Valves Srl	Italy
Shanghai Virgo Valves Technology Consulting Co., Ltd.	China
Vintrol, Inc.	Delaware
Virgo Valves & Controls (ME) FZE	UAE
Virgo Valves & Controls Korea Ltd.	Korea
Virgo Valves and Controls Sdn Bhd	Malaysia
Fisher-Rosemount Peru S.A.C.	Peru
F-R Tecnologias de Flujo, S.A. de C.V.	Mexico

Motoreductores U.S., 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
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 China Ltd.	Hong Kong
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 (Proprietary) Limited	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
Kop-Flex, Inc.	Delaware
Kop-Flex Canada Limited	Canada
Management Resources Group, Inc.	Connecticut
Asset Data Solutions, LLC	Connecticut
MRG Solutions Canada Inc.	British Columbia
Metropolitan International, Inc.	Nevada

InterMetro Industries Corporation	Nevada
InterMetro Industries Corporation	Delaware
InterMetro Industries B.V.	Netherlands
Metro Industries, Inc.	Nevada
Metropolitan Wire (Canada) Ltd.	Canada
Metropolitan Wire Corporation	Pennsylvania
Motores Hermeticos del Sur, S.A. de C.V.	Mexico
Numatics, Incorporated	Michigan
Asco Numatics (Taiwan) Co., Ltd.	Taiwan
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
Roxar, Inc.	Delaware
System Plast, LLC	North Carolina
SPPA LLC	Pennsylvania
Solus Industrial Innovations, LLC	Delaware
System Plast USA de Mexico, S. de R.L. de C.V.	Mexico
Termocontroles de Juarez, S.A. de C.V.	Mexico
Tescom Corporation	Minnesota
Tescom Europe Management GmbH	Germany
Tescom Europe GmbH & Co. KG	Germany
Thunderline Z, Inc.	Delaware
Transmisiones de Potencia Emerson, S.A. de C.V.	Mexico

**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. 333-173933, 333-154362, 333-154361, 333-152917, 333-152916, 333-90240 and 333-46919 on Form S-8 and Registration Statement Nos. 333-178110, 333-155674, 333-110546, 333-52658, 333-84673 and 333-66865 on Form S-3 of Emerson Electric Co. of our report dated November 19, 2014, with respect to the consolidated balance sheets of Emerson Electric Co. as of September 30, 2014 and 2013, 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, 2014, and the effectiveness of internal control over financial reporting as of September 30, 2014, which report is incorporated by reference in the September 30, 2014 annual report on Form 10-K of Emerson Electric Co.

/s/ KPMG LLP

St. Louis, Missouri  
November 19, 2014

## 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, 2014.

Dated: October 7, 2014

<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/ H. Green</u> H. Green	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



/s/ R. L. Stephenson

Director

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R. L. Stephenson

/s/ J. S. Turley

Director

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J. S. Turley

**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 19, 2014

/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 19, 2014

/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, 2014, 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 19, 2014

**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, 2014, 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 19, 2014

