

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, 2019

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)

**8000 W. Florissant Ave.
P.O. Box 4100
St. Louis, Missouri**

(Address of principal executive offices)



EMERSONTM

43-0259330

(I.R.S. Employer Identification No.)

63136

(Zip Code)

Registrant's telephone number, including area code: **(314) 553-2000**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock of \$0.50 par value per share	EMR	New York Stock Exchange Chicago Stock Exchange
0.375% Notes due 2024	EMR 24	New York Stock Exchange
1.250% Notes due 2025	EMR 25A	New York Stock Exchange
2.000% Notes due 2029	EMR 29	New York 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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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, 2019: \$41.8 billion.

Common stock outstanding at October 31, 2019: 609,153,835 shares.

Documents Incorporated by Reference

1. Portions of Emerson Electric Co. Notice of 2020 Annual Meeting of Shareholders 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 and divestitures from a regional manufacturer of electric motors and fans into a global leader that brings technology and engineering together to provide innovative solutions for customers in a wide range of industrial, commercial and consumer markets around the world. Sales by geographic destination in 2019 were: the Americas, 55 percent; Europe, 17 percent; and Asia, Middle East & Africa, 28 percent.

In connection with the strategic portfolio repositioning actions discussed below, the Company’s businesses and organization were realigned. In fiscal 2017, the Company began reporting three segments: **Automation Solutions**; and **Climate Technologies** and **Tools & Home Products**, which together comprise the **Commercial & Residential Solutions** business. A summary of the Company’s businesses is described below.

- **Automation Solutions** – enables process, hybrid and discrete manufacturers to maximize production, protect personnel and the environment, and optimize their energy efficiency and operating costs through a broad offering of products and integrated solutions, including measurement and analytical instrumentation, industrial valves and equipment, and process control software and systems.
- **Commercial & Residential Solutions** – provides products and solutions that promote energy efficiency, enhance household and commercial comfort, and protect food quality and sustainability through heating, air conditioning and refrigeration technology, as well as a broad range of tools and appliance solutions.

In 2017, the Company’s strategic portfolio repositioning actions resulted in the sale of the network power systems business and the sale of the power generation, motors and drives business. These businesses have been reported in discontinued operations until disposal. On April 28, 2017, the Company completed the acquisition of Pentair’s valves & controls business, which is reported in the Automation Solutions segment and complements the Valves, Actuators & Regulators product offering. In 2018, the Company continued to expand the product offerings within its two businesses. This included the acquisitions of Paradigm, a provider of software solutions for the oil and gas industry, and Aventics, a global provider of smart pneumatics technologies, which are reported in Automation Solutions. The Company also made strategic acquisitions to strengthen its Commercial & Residential Solutions business, which included Textron’s tools and test equipment business, a manufacturer of electrical and utility tools, diagnostics, and test and measurement instruments. In the first quarter of 2018 the Company also completed the sale of its residential storage business. In 2019, the Company acquired several smaller businesses to expand its Automation

Solutions product portfolio, which included the acquisition of Machine Automation Solutions (General Electric’s former Intelligent Platforms business). Information with respect to acquisition and divestiture activity, including the discontinued businesses, is set forth in Note 4. These references and all other Note references in this document refer to Notes to Consolidated Financial Statements set forth in Item 8 of this Annual Report on Form 10-K, which notes are hereby incorporated by reference. See also Item 1A - “Risk Factors” and Item 7 - “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

AUTOMATION SOLUTIONS

The Automation Solutions segment offers a broad array of products, integrated solutions, software and services which enable process, hybrid and discrete manufacturers to maximize production, protect personnel and the environment, reduce project costs, and optimize their energy efficiency and operating costs. Significant markets served include oil and gas, refining, chemicals and power generation, as well as pharmaceuticals, food and beverage, automotive, pulp and paper, metals and mining, and municipal water supplies. The segment’s major product offerings are Measurement & Analytical Instrumentation, Valves, Actuators & Regulators, Industrial Solutions and Process Control Systems & Solutions, which are further described below.

Across these product offerings, Automation Solutions offers the Plantweb™ Digital Ecosystem, a comprehensive Industrial Internet of Things (IIoT) architecture that provides remote monitoring by combining intelligent field sensors, communication gateways and controllers, software, and complementary partner technologies. This IIoT architecture delivers measurable business performance improvements to customers by providing insights into production performance, energy consumption, reliability of specific equipment or process units, and safety. Together with the broad offering of products and integrated solutions, Automation Solutions also provides a portfolio of services and lifecycle service centers which offer consulting, engineering, systems development, project management, training, maintenance, and troubleshooting expertise to aid in process optimization. Sales by geographic destination in 2019 for Automation Solutions were: the Americas, 48 percent; Europe, 20 percent; and Asia, Middle East & Africa, 32 percent.

Measurement & 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 or other software applications. Measurement technologies provided by the Company include Coriolis direct mass flow, magnetic flow, vortex flow, ultrasonic flow, differential pressure, ultra-low flow fluid measurement, corrosion measurement, acoustic measurement, temperature sensors, radar-based tank gauging and magnetic level gauging.

The Company's measurement products are 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, wet gas meters, downhole gauges and corrosion/erosion measuring instruments.

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

Measurement and analytical instrumentation technologies are also available with highly secure and reliable 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.

On December 1, 2017, the Company acquired Paradigm, enhancing its software solutions offerings in the oil and gas industry. This technology creates a more comprehensive digital portfolio from exploration to production and enables Emerson to help oil and gas operators increase efficiency and reduce costs. See Note 4.

Valves, Actuators & Regulators

The primary role of an industrial valve is to control, isolate, or regulate the flow of liquids or gases to achieve safe operation along with reliability and optimized performance.

Control, isolation and pressure relief valves respond to commands from a control system to continuously and precisely modulate the flow of process fluids. Engineered on/off valves are typically used to achieve tight shutoff, even in high-pressure and high-temperature processes. The Company designs, engineers and manufactures ball, gate, globe, check, sliding stem, rotary, high performance butterfly, triple offset, and severe services valves for critical applications. The Company also designs and manufactures sophisticated smart actuation and control technologies that continuously monitor valve health and remotely control valve positions to foster proactive and predictive maintenance as well as decrease the risk of unplanned shutdowns.

The Company provides pressure management products, including pressure relief, vacuum relief, and gauge valves designed to control fugitive emissions. The Company also supplies 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.

On April 28, 2017, the Company acquired Pentair's valves & controls business, which manufactures control, isolation and pressure relief valves and actuators. These products complement Emerson's existing offerings, creating a comprehensive valve solutions portfolio that is supported by an extensive service network. See Note 4.

Industrial Solutions

Industrial Solutions include fluid control and pneumatic mechanisms, electrical distribution equipment, materials joining solutions and precision cleaning products which are used in a variety of manufacturing operations to provide integrated solutions to customers. Pneumatic products transform air or gas into energy and power for use in manufacturing operations such as food processing and packaging, life sciences and petrochemical processing. Products include solenoid and pneumatic valves, valve position indicators, pneumatic cylinders and actuators, air preparation equipment, and pressure, vacuum, temperature switches and automobile assembly. 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. Electrical distribution products are used in hazardous, industrial and commercial environments, such as oil and gas drilling and production sites, petrochemical plants and commercial buildings. Plastic and metal joining technologies and equipment are supplied to a diversified manufacturing customer base, including automotive, medical devices, business and consumer electronics, and textile manufacturing. 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; and aqueous, semi-aqueous and vapor cleaning systems.

On July 17, 2018, the Company completed the acquisition of Aventics, a global provider of smart pneumatics technologies that power machine and factory automation applications. This acquisition significantly expands Emerson's fluid automation technologies for process and industrial applications. See Note 4.

Process Control Systems & Solutions

The Company provides process control systems and software that control plant processes by collecting and analyzing information from measurement devices in the plant, and then use that information to adjust valves, pumps, motors, drives and other control hardware for maximum product quality and process efficiency and safety. Software capabilities also include life sciences operations management, upstream oil and gas reservoir simulation and production optimization modeling, pipeline and terminal management, operations management simulation, and training systems. 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.

On January 31, 2019, the Company completed the acquisition of Machine Automation Solutions (General Electric's former Intelligent Platforms business). This business offers programmable logic controller technologies that expand the Company's capabilities in machine control and discrete applications, as well as for process and hybrid markets. The Company also completed several acquisitions of software providers, including Zedi, which offers a cloud-based supervisory control and data acquisition platform that helps oil and gas producers optimize and manage their operations. See Note 4.

Distribution

The principal worldwide distribution channel for Automation Solutions 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 and distributors. 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 (but not exclusive to) Automation Solutions include Emerson Automation Solutions, Appleton, ASCO, Aventics, Bettis, Branson, DeltaV, Fisher, Keystone, KTM, Micro Motion, Ovation, Plantweb, Rosemount and Vanessa.

COMMERCIAL & RESIDENTIAL SOLUTIONS

The Commercial & Residential Solutions business consists of the Climate Technologies and Tools & Home Products segments, and provides products and solutions that promote energy efficiency, enhance household and commercial comfort, and protect food quality and sustainability through heating, air conditioning and refrigeration technology, as well as a broad range of tools and appliance solutions. Sales by geographic destination in 2019 for Commercial & Residential Solutions were: the Americas, 69 percent; Europe, 12 percent; and Asia, Middle East & Africa, 19 percent.

CLIMATE TECHNOLOGIES

The Climate Technologies segment provides products and services for many areas of the climate control industry, including residential heating and cooling, commercial air conditioning, commercial and industrial refrigeration, and cold chain management. The Company's technologies enable homeowners and businesses to better manage their heating, air conditioning and refrigeration systems for improved control and comfort, and lower energy costs. Climate Technologies also

provides services that digitally control and remotely monitor refrigeration units in grocery stores and other food distribution outlets to enhance food freshness and safety, as well as cargo and transportation monitoring solutions. Sales by geographic destination in 2019 for Climate Technologies were: the Americas, 65 percent; Europe, 10 percent; and Asia, Middle East & Africa, 25 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 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

Commercial and industrial refrigeration technologies are 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. Transport and cargo monitoring solutions are also offered, which extend throughout the cold chain to ensure quality and safety as food travels from growers to processing and distribution facilities, and finally to retail points of sale.

Services and Solutions

Services and solutions provides air conditioning, refrigeration and lighting control technologies that enable global customers to optimize the performance of facilities, including large-scale retailers, supermarkets, convenience stores and food service operations. The Company's expertise allows customers to reduce energy and maintenance costs, thereby improving overall facility efficiency and uptime. In addition to industry-leading controls, services include facility design and product management, site commissioning, facility monitoring and energy modeling.

In 2018, the Company completed an acquisition to expand its cold chain portfolio of products and services to include temperature management and monitoring products for foodservice markets.

Distribution

Climate Technologies' sales, primarily to original equipment manufacturers and end users, are made predominantly through

worldwide direct sales forces. Remaining sales are primarily through independent distributor networks throughout the world. Approximately one-third of this segment's sales are made to a small number of original equipment manufacturers.

Brands

Service/trademarks and trade names within (but not exclusive to) the Climate Technologies segment include Emerson Commercial & Residential Solutions, Emerson Climate Technologies, Copeland, CoreSense, Dixell, Fusite, ProAct, Sensi, Therm-O-Disc, Vilter and White-Rodgers.

TOOLS & HOME PRODUCTS

The Company's Tools & Home Products segment offers tools for professionals and homeowners and appliance solutions. Sales by geographic destination in 2019 for this segment were: the Americas, 79 percent; Europe, 15 percent; and Asia, Middle East & Africa, 6 percent.

Professional 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. Electrical tools are used by industry professionals for numerous tasks related to the installation of wire and cable, including bending, termination and hole-making. Other professional tools include water jetters, wet-dry vacuums, commercial vacuums and bolt cutters. The Company also offers do-it-yourself tools, available at retail home improvement outlets, which include drain cleaning equipment, pipe and tube working tools, and wet-dry vacuums.

On July 2, 2018, the Company completed the acquisition of Textron's tools and test equipment business, which manufactures electrical and utility tools, diagnostics, and test and measurement instruments. These products expand Emerson's professional tools business, creating a broad offering for mechanical, electrical and plumbing contractors. See Note 4.

Appliance Solutions

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

Distribution

The principal worldwide distribution channels for Tools & Home Products are distributors and direct sales forces. Professional tools are sold worldwide almost exclusively through distributors. Appliance solutions are sold through direct sales force networks, distributors and online retailers. Approximately one-fourth of this segment's sales are made to a small number of big box retail outlets.

Brands

Service/trademarks and trade names within (but not exclusive to) the Tools & Home Products segment include Emerson, Emerson Professional Tools, Badger, Greenlee, Grind2Energy, InSinkErator, Klauke, ProTeam and RIDGID.

On October 2, 2017, the Company sold its residential storage business. See Note 4.

DISCONTINUED OPERATIONS

The network power systems business and the power generation, motors and drives business were sold in 2017 and are reported as discontinued operations in the Consolidated Financial Statements until disposal. See Note 4.

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 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 materials and 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. New patent applications are continuously filed to protect the Company's ongoing research and development activities. The Company's trademark registrations may be renewed and their duration is dependent upon national laws and trademark use. While this proprietary intellectual property portfolio is important to the Company in the aggregate, management does not regard any of its segments as being dependent on any single patent, trademark registration or license.

BACKLOG

The Company's estimated consolidated order backlog was \$5.1 billion and \$5.0 billion at September 30, 2019 and 2018, respectively. Approximately 85 percent of the Company's consolidated backlog is expected to be recognized as revenue over the next 12 months, with the remainder substantially over the subsequent two years thereafter. Backlog by business at September 30, 2019 and 2018 follows (dollars in millions).

	2018	2019
Automation Solutions	\$4,473	4,594
Commercial & Residential Solutions	493	467
Total Backlog	\$4,966	5,061

COMPETITION

The Company's businesses operate in highly competitive markets. The Company competes based on product performance, quality, branding, 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.

ENVIRONMENT

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

EMPLOYEES

The Company and its subsidiaries had approximately 88,000 employees at September 30, 2019. Management believes that the Company's employee relations are favorable. Some of the Company's employees are represented under collective bargaining agreements, but none of these agreements are considered significant.

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, Investors, SEC Filings. Information on the Company's website does not constitute part of this Form 10-K.

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

Item 1A – Risk Factors

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

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 potentially volatile, and we compete on the basis of product performance, quality, service and/or price across the industries and markets served. Our businesses are largely dependent on the current and future business environment, including capital and consumer spending. 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 Divestitures, Which Are Subject to Domestic and Foreign Regulatory Requirements, and May Encounter Difficulties in Integrating and Separating These Businesses and Therefore We May Not Realize the Anticipated Benefits

We regularly seek growth through strategic acquisitions as well as evaluate our portfolio for potential divestitures. These activities require favorable environments to execute these transactions, and we may encounter difficulties in obtaining the necessary regulatory approvals in both domestic and foreign jurisdictions. In 2019 and in past years, we have made various acquisitions, including the valves & controls business in 2017, and entered into joint venture arrangements intended to complement or expand our business, and may continue to do so in the future. The success of these transactions will depend on our ability to integrate assets and personnel acquired in these transactions and to cooperate with our strategic partners. We may encounter difficulties in integrating acquisitions with our operations as well as separating divested businesses, 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 petroleum-based chemicals. The Company seeks multiple sources of supply for each of its major requirements in order to avoid significant dependence on any one or a few suppliers. However, the supply of materials or other items could be disrupted by natural disasters or other events. Significant shortages or price increases could impact the prices our affected businesses charge, their operating costs and the competitive position of their products and services, which could adversely affect our results of operations. While

we monitor market prices of the commodities we require and attempt to mitigate 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 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 are dependent on the stability of governments and business conditions and may be more susceptible to changes in laws, policies and regulations in host countries, as well as economic and political upheaval, than our domestic facilities. These facilities face increased risks of nationalization as well as operational disruptions which 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 Both in the U.S. and Abroad Subject Us to Economic Risk as Our Results of Operations May Be Adversely Affected by Changes in Government Regulations and Policies and Currency Fluctuations

We sell, manufacture, engineer and purchase products globally, with significant sales in both mature and emerging markets. We expect sales in non-U.S. markets to continue to represent a significant portion of our total sales. Our U.S. and international operations subject the Company to changes in government regulations and policies in a large number of jurisdictions around the world, including those related to trade, investments, taxation, exchange controls and repatriation of earnings. Changes in laws or policies governing the terms of foreign trade, trade restrictions or barriers, tariffs or taxes, trade protection measures, and retaliatory countermeasures, including on imports from countries where we manufacture products, could adversely impact our business and financial results. In addition, 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 mitigate 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 restructuring actions and incur higher costs. If our restructuring 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.

Changes in Tax Rates, Laws or Regulations and the Resolution of Tax Disputes Could Adversely Impact Our Financial Results

As a global company, we are subject to taxation in the U.S. and numerous non-U.S. jurisdictions. Significant judgment is required to determine our consolidated income tax provision and related liabilities. The Company's effective tax rate, cash flows and operating results could be affected by changes in the mix of earnings in countries with different statutory tax rates, as well as by changes in the local tax laws and regulations, or the interpretations thereof. For example, on December 22, 2017, the U.S. government enacted tax reform, the Tax Cuts and Jobs Act (the "Act"), which made comprehensive changes to U.S. federal income tax laws by moving from a global to a modified territorial tax regime. The changes made by the Act are broad and complex. In addition, the Company's tax returns are subject to regular review and audit by U.S. and non-U.S. tax authorities. While we believe our tax provisions are appropriate, the final outcome of tax audits or disputes could result in adjustments to the Company's tax liabilities, which could adversely affect our financial results.

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.

Our Business Success Depends on the Ability to Attract, Develop and Retain Key Personnel

Our success depends in part on the efforts and abilities of our management and key employees. Their skills, experience and industry knowledge significantly benefit our operations and performance. The failure to attract, develop and retain highly qualified personnel could adversely affect our business and operating results.

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

The Company relies on information technology networks and systems, including the internet, to process, transmit and store electronic information, and to manage or support a variety of business processes and activities. Additionally, the Company collects and stores certain data, including proprietary business information, and may have access to confidential or personal information in certain of our businesses that is subject to privacy and security laws and regulations, which are potentially conflicting, and customer-imposed controls. These technology networks and systems may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components; power outages; telecommunications or system failures; terrorist attacks; natural disasters; employee error or malfeasance; server or cloud provider breaches; and computer viruses or cyberattacks. Cybersecurity threats and incidents can range from uncoordinated individual attempts to gain unauthorized access to information technology networks and systems to more sophisticated and targeted measures, known as advanced persistent threats, directed at the Company, its products, its customers and/or its third-party service providers. Despite the implementation of cybersecurity measures (including access controls, data encryption, vulnerability assessments, continuous monitoring, and maintenance of backup and protective systems), the Company's information technology systems may still be vulnerable to cybersecurity threats and other electronic security breaches. It is possible for such vulnerabilities to remain undetected for an extended period, up to and including several years. In addition, 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 or other damage to our information technology systems, disruptions could have an adverse effect on our operations, as well as expose the Company to litigation, liability or penalties under privacy laws, increased cybersecurity protection costs, reputational damage and product failure.

Our Products and Services are Highly Sophisticated and Specialized, and a Major Product Failure or Similar Event Caused by Defects, Cybersecurity Incidents or Other Failures, Could Adversely Affect Our Business, Reputation, Financial Position and Results of Operations

We produce highly sophisticated products and provide specialized services that incorporate or use complex or leading-edge technology, including both hardware and software. Many of our products and services, including measurement and analytical instrumentation, industrial valves and equipment, and process control systems, are integrated and used in complex process, hybrid and discrete manufacturing environments. As a result, the impact of a catastrophic product failure or similar event could be significant. While we have built operational processes to ensure that our product design, manufacture, performance and servicing meet rigorous quality standards, there can be no assurance that we or our customers or other third parties will not experience operational process or product failures and other problems, including through manufacturing or design defects, process or other failures of contractors or third-party suppliers, cybersecurity incidents or other intentional acts, that could result in potential product, safety, regulatory or environmental risks. Cybersecurity incidents aimed at the software embedded in our products could lead to third-party claims resulting from damages caused by our product failures, and this risk is enhanced by the increasingly connected nature of our products. The potential consequences of a material cybersecurity incident include financial loss, reputational damage, litigation with third parties, diminution in the value of our investment in research, development and engineering, and increased cybersecurity protection and remediation costs due to the increasing sophistication and proliferation of threats, which in turn could adversely affect our competitiveness and results of operations.

Our Reputation, Ability To Do Business and Results of Operations Could Be Impaired By Improper Conduct By Any of Our Employees, Agents or Business Partners

We are subject to regulation under a wide variety of U.S. federal and state and non-U.S. laws, regulations and policies, including laws related to anti-corruption, anti-bribery, export and import compliance, anti-trust and money laundering, due to our global operations. In particular, the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business, and we operate in many parts of the world that have experienced government corruption to some degree. We cannot provide assurance our internal controls will always protect us from the improper conduct of our employees, agents and business partners. Any such violation of law or improper actions could subject us to civil or criminal investigations in the U.S. and other jurisdictions, could lead to substantial civil or criminal, monetary and non-monetary penalties and related shareholder lawsuits, could lead to increased costs of compliance and could damage our reputation, our business and results of operations.

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 (including asbestos) 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, 2019, the Company had approximately 200 manufacturing locations worldwide, of which approximately 65 were located in the United States and 135 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 are: Automation Solutions, 140; and Commercial & Residential Solutions, 60, including 40 in the Climate Technologies segment and 20 in the Tools & Home Products segment. The majority of the locations are owned, with the remainder occupied under lease. The Company considers its facilities suitable and adequate for the purposes for which they are used.

Item 3 – Legal Proceedings

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

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

Information regarding legal proceedings is set forth in Note 13.

Item 4 – Mine Safety Disclosures

Not applicable.

Information About Our Executive Officers

The following sets forth certain information as of November 18, 2019 with respect to the Company's executive officers. The Fiscal Year column indicates the first year the executive served as an officer of the Company. These officers have been elected or appointed to terms which expire February 4, 2020:

NAME	POSITION	AGE	FISCAL YEAR
D. N. Farr	Chairman of the Board and Chief Executive Officer*	64	1985
F. J. Dellaquila	Senior Executive Vice President and Chief Financial Officer	62	1991
S. J. Pelch	Chief Operating Officer and Executive Vice President – Organization Planning and Development	55	2005
M. H. Train	President	57	1994
L. Karsanbhai	Executive President – Automation Solutions	50	2002
R. T. Sharp	Executive President – Commercial & Residential Solutions	52	1999
S. Y. Bosco	Senior Vice President, Secretary and General Counsel	61	2005
M. J. Bulanda	Senior Vice President - Planning and Development	53	2002
K. Button Bell	Senior Vice President and Chief Marketing Officer	61	1999
M. J. Baughman	Vice President, Controller and Chief Accounting Officer	54	2018

* 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 Senior Executive Vice President in November 2016, Executive Vice President in November 2012 and Senior Vice President and Chief Financial Officer in February 2010.

Steven J. Pelch was appointed Chief Operating Officer in January 2018, Executive Vice President in November 2016, Senior Vice President in November 2015 and Vice President - Organization Planning and Development in November 2014. Prior to that, Mr. Pelch was Vice President - Organization Planning from October 2012 to November 2014 and Vice President - Planning from October 2005 to October 2012.

Michael H. Train was appointed President in October 2018. Prior to that, Mr. Train was Executive President - Automation Solutions from October 2016 through October 2018, Executive Vice President - Automation Solutions from May 2016 through October 2016 and President of Global Sales for Emerson Process Management from 2010 through May 2016.

Lal Karsanbhai was appointed Executive President - Automation Solutions in October 2018. Prior to his current position, Mr. Karsanbhai was Group President - Measurement & Analytical from 2016 through September 2018, President Emerson Network Power Europe, Middle East and Africa from 2014 through 2016, Vice President Corporate Planning from 2012 through 2014, President of Emerson's Fisher Regulator Technologies business from 2008 through 2012, and Vice President and General Manager of its Natural Gas Unit from 2005 through 2008.

Robert T. Sharp was appointed Executive President - Commercial & Residential Solutions in October 2016. Prior to his current position, Mr. Sharp was Executive Vice President - Commercial & Residential Solutions from February 2016 through October 2016, Executive Vice President - Climate Technologies from February 2015 through February 2016, Vice President - Profit Planning from January 2013 through January 2015 and President - Emerson Process Management Europe from 2009 through January 2013.

Sara Y. Bosco was appointed to the position of Senior Vice President, Secretary and General Counsel in May 2016. Prior to her current position, Ms. Bosco was President, Emerson Asia-Pacific from 2008 through May 2016.

Mark J. Bulanda was appointed Senior Vice President in November 2016 and Vice President - Acquisition Planning and Development in May 2016. Prior to his current position, Mr. Bulanda was Executive Vice President - Emerson Industrial Automation from 2012 through May 2016 and President of Control Techniques from 2010 through 2012.

Katherine Button Bell was appointed Senior Vice President in November 2016 and Vice President and Chief Marketing Officer in 1999.

Michael J. Baughman was appointed Chief Accounting Officer in February 2018, and Vice President and Controller in October 2017. Prior to that Mr. Baughman was Vice President, Finance, Global Operations, Quality, and Research and Development of Baxter International Inc., a global healthcare products company, from 2015 through September 2017, Vice President, Finance, Medical Products of Baxter from 2013 to 2015 and Corporate Controller of Baxter from 2005 to 2013.

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 and dividend payments is set forth in Note 20.

There were approximately 17,776 stockholders of record at September 30, 2019.

PERIOD	TOTAL NUMBER OF SHARE 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 2019	—	—	—	26,121
August 2019	3,020	\$58.36	3,020	23,101
September 2019	1,161	\$63.51	1,161	21,940
Total	4,181	\$59.79	4,181	21,940

In November 2015, the Board of Directors authorized the purchase of up to 70 million shares, and 21.9 million shares remain available.

Item 6 – Selected Financial Data

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

	2015 ^(a)	2016	2017	2018 ^(b)	2019
Net sales	\$16,249	14,522	15,264	17,408	18,372
Earnings from continuing operations – common stockholders	\$ 2,517	1,590	1,643	2,203	2,306
Basic earnings per common share from continuing operations	\$ 3.72	2.46	2.54	3.48	3.74
Diluted earnings per common share from continuing operations	\$ 3.71	2.45	2.54	3.46	3.71
Cash dividends per common share	\$ 1.88	1.90	1.92	1.94	1.96
Long-term debt	\$ 4,289	4,051	3,794	3,137	4,277
Total assets	\$22,088	21,732	19,589	20,390	20,497

(a) Includes gains from divestitures of businesses of \$611 million and \$0.90 per share.

(b) Includes income tax benefit of \$189 million (\$0.30 per share) from the impacts of U.S. tax reform.

See Note 4 for information regarding the Company’s acquisition and divestiture activities for the last three years, and Note 14 for information regarding the impacts of U.S. tax reform.

Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations

SAFE HARBOR STATEMENT

This Annual Report on Form 10-K 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 risks and uncertainties. Emerson undertakes no obligation to update any such statements to reflect later developments. In connection with the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, Emerson provides the cautionary statements set forth under Item 1A - “Risk Factors,” which are hereby incorporated by reference and identify 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.

NON-GAAP FINANCIAL MEASURES

To supplement the Company’s financial information presented in accordance with U.S. generally accepted accounting principles (U.S. GAAP), management periodically uses certain “non-GAAP financial measures,” as such term is defined in Regulation G under SEC rules, 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 our strategic repositioning actions, other acquisitions or divestitures, U.S. tax reform, changes in reporting segments, gains, losses and impairments, or items outside of management’s control, such as foreign currency exchange rate fluctuations. Management believes that the following non-GAAP financial measures provide investors and analysts useful insight into the Company’s financial position and operating performance. Any non-GAAP measure provided should be viewed in addition to, and not as an alternative to, the most directly comparable measure determined in accordance with U.S. GAAP, as identified in italics below. Further, the calculation of these non-GAAP financial measures may differ from the calculation of similarly titled financial measures presented by other companies and therefore may not be comparable among companies.

Underlying sales, which exclude the impact of acquisitions, divestitures and fluctuations in foreign currency exchange rates during the periods presented, are provided to facilitate relevant

period-to-period comparisons of sales growth by excluding those items that impact overall comparability (U.S. GAAP measure: *net sales*).

Operating profit (defined as net sales less cost of sales and selling, general and administrative expenses) and operating profit margin (defined as operating profit divided by net sales) are indicative of short-term operational performance and ongoing profitability. Management closely monitors operating profit and operating profit margin of each business to evaluate past performance and actions required to improve profitability. EBIT (defined as earnings before deductions for interest expense, net and income taxes) and total segment EBIT, and EBIT margin (defined as EBIT divided by net sales) and total segment EBIT margin, are financial measures that exclude the impact of financing on the capital structure and income taxes. EBITDA (defined as EBIT excluding depreciation and amortization) and EBITDA margin (defined as EBITDA divided by net sales) are used as measures of the Company’s current operating performance, as they exclude the impact of capital and acquisition-related investments. All of these are commonly used financial measures 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, restructuring costs, impacts of the strategic portfolio repositioning actions and other acquisitions or divestitures, impacts of U.S. tax reform, 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) and free cash flow as a percent of net sales are indicators of the Company’s cash generating capabilities, and dividends as a percent of free cash flow is an indicator of the Company’s ability to support its dividend, 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, free cash flow as a percent of net sales and dividends as a percent of free cash flow are useful to both management and investors as measures of the Company’s ability to generate cash and support its dividend (U.S. GAAP measures: *operating cash flow*, *operating cash flow as a percent of net sales*, *dividends as a percent of operating cash flow*).

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 each of the years in the three-year period ended September 30, 2019 have been prepared in conformity with U.S. generally accepted accounting principles appropriate in the circumstances. In preparing the financial statements, management makes informed judgments and estimates where necessary to reflect the expected effects of events and transactions that have not been completed. The Company's disclosure controls and procedures ensure that material information required to be disclosed is recorded, processed, summarized and communicated to management and reported within the required time periods.

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

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

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

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. With the participation of the Chief Executive Officer and the Chief Financial Officer, management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework and the criteria established in *Internal Control - Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management has concluded that internal control over financial reporting was effective as of September 30, 2019.

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.



David N. Farr

*Chairman of the Board
and Chief Executive Officer*

Frank J. Dellaquila

*Senior Executive Vice President
and Chief Financial Officer*

Results of Operations

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

	2017	2018	2019	18 vs. 17	19 vs. 18
Net sales	\$15,264	17,408	18,372	14%	6%
Gross profit	\$ 6,431	7,432	7,815	16%	5%
<i>Percent of sales</i>	42.1%	42.7%	42.5%		
SG&A	\$ 3,607	4,269	4,457		
<i>Percent of sales</i>	23.6%	24.5%	24.2%		
Other deductions, net	\$ 324	337	325		
Interest expense, net	\$ 165	159	174		
Earnings from continuing operations before income taxes	\$ 2,335	2,667	2,859	14%	7%
<i>Percent of sales</i>	15.3%	15.3%	15.6%		
Earnings from continuing operations common stockholders	\$ 1,643	2,203	2,306	34%	5%
<i>Percent of sales</i>	10.8%	12.7%	12.6%		
Diluted EPS – Earnings from continuing operations	\$ 2.54	3.46	3.71	36%	7%
Return on common stockholders' equity	18.6%	24.9%	26.8%		
Return on total capital	15.3%	20.6%	19.5%		

OVERVIEW

Emerson's sales for 2019 were \$18.4 billion, an increase of \$1.0 billion, or 6 percent, supported by acquisitions, which added 5 percent. Underlying sales, which exclude acquisitions and a negative impact from foreign currency translation of 2 percent, were up 3 percent compared with the prior year.

Net earnings common stockholders were \$2.3 billion in 2019, up 5 percent compared with prior year earnings of \$2.2 billion. Diluted earnings per share were \$3.71, up 7 percent versus \$3.46 per share in 2018, due to modest sales growth and lower corporate expenses.

The Company generated operating cash flow of \$3.0 billion in 2019, an increase of \$114 million, or 4 percent.

NET SALES

Net sales for 2019 were \$18.4 billion, an increase of \$1.0 billion, or 6 percent compared with 2018. Sales increased \$761 million in Automation Solutions and \$187 million in Commercial & Residential Solutions. Underlying sales, which exclude foreign currency translation, acquisitions and divestitures, increased 3 percent (\$526 million) on higher volume and slightly higher price. Acquisitions added 5 percent (\$759 million) while foreign currency translation subtracted 2 percent (\$321 million). Underlying sales increased 2 percent in the U.S. and 4 percent internationally.

Net sales for 2018 were \$17.4 billion, an increase of \$2.1 billion, or 14 percent compared with 2017. Sales increased \$2.0 billion

in Automation Solutions and \$125 million in Commercial & Residential Solutions. Underlying sales increased 8 percent (\$1.1 billion) on higher volume. Acquisitions, net of the divestiture of the residential storage business, added 5 percent (\$819 million) and foreign currency translation added 1 percent (\$181 million). Underlying sales increased 9 percent in the U.S. and 7 percent internationally.

INTERNATIONAL SALES

Emerson is a global business with international sales representing 54 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, increased 5 percent, to \$10.0 billion in 2019, reflecting increases in both the Automation Solutions and Commercial & Residential Solutions businesses. U.S. exports of \$1.1 billion were up 2 percent compared with 2018. Underlying international destination sales were up 4 percent, as acquisitions had a 5 percent favorable impact, while foreign currency translation had a 4 percent unfavorable impact on the comparison. Underlying sales increased 3 percent in Europe, 2 percent in Asia, Middle East & Africa (China up 3 percent), 17 percent in Latin America and 4 percent in Canada. Origin sales by international subsidiaries, including shipments to the U.S., totaled \$9.0 billion in 2019, up 5 percent compared with 2018.

International destination sales, including U.S. exports, increased 18 percent, to \$9.5 billion in 2018, reflecting increases in both the Automation Solutions and Commercial & Residential Solutions businesses. U.S. exports of \$1.1 billion were up 19 percent compared with 2017, reflecting increases in both Automation Solutions and Commercial & Residential Solutions which benefited from acquisitions. Underlying international destination sales were up 7 percent, as foreign currency translation had a 2 percent favorable impact, while acquisitions, net of the divestiture of the residential storage business, had a 9 percent favorable impact on the comparison. Underlying sales increased 2 percent in Europe, 9 percent in Asia, Middle East & Africa (China up 17 percent), 4 percent in Latin America and 12 percent in Canada. Origin sales by international subsidiaries, including shipments to the U.S., totaled \$8.5 billion in 2018, up 19 percent compared with 2017, primarily reflecting acquisitions.

ACQUISITIONS AND DIVESTITURES

The Company acquired eight businesses in 2019, all in the Automation Solutions segment, for \$469 million, net of cash acquired. These eight businesses had combined annual sales of approximately \$300 million.

On July 17, 2018, the Company completed the acquisition of Aventics, a global provider of smart pneumatics technologies that power machine and factory automation applications, for \$622 million, net of cash acquired. This business, which has annual sales of approximately \$425 million, is included in the Industrial Solutions product offering within the Automation Solutions segment.

On July 2, 2018, the Company completed the acquisition of Textron's tools and test equipment business for \$810 million, net of cash acquired. This business, with annual sales of approximately \$470 million, is a manufacturer of electrical and utility tools, diagnostics, and test and measurement instruments, and is reported in the Tools & Home products segment.

On December 1, 2017, the Company acquired Paradigm, a provider of software solutions for the oil and gas industry, for \$505 million, net of cash acquired. This business had annual sales of approximately \$140 million and is included in the Measurement & Analytical Instrumentation product offering within Automation Solutions.

In fiscal 2018, the Company also acquired four smaller businesses, two in the Automation Solutions segment and two in the Climate Technologies segment.

On October 2, 2017, the Company sold its residential storage business for \$200 million in cash, and recognized a small pretax gain and an after-tax loss of \$24 million (\$0.04 per share) in 2018 due to income taxes resulting from nondeductible goodwill. The Company realized approximately \$150 million in after-tax cash proceeds from the sale. This business had

sales of \$298 million and pretax earnings of \$15 million in 2017, and was previously reported within the Tools & Home Products segment.

On April 28, 2017, the Company completed the acquisition of Pentair's valves & controls business for \$2.96 billion, net of cash acquired of \$207 million, subject to certain post-closing adjustments. This business, with annualized sales of approximately \$1.4 billion, is a manufacturer of control, isolation and pressure relief valves and actuators, and complements the Valves, Actuators & Regulators product offering within Automation Solutions. The Company also acquired two smaller businesses in the Automation Solutions segment. Total cash paid for all businesses in 2017 was \$3.0 billion, net of cash acquired.

See Note 4 for further information on acquisitions and divestitures, including pro forma financial information. See information under "Discontinued Operations" for a discussion of the Company's divestitures related to its portfolio repositioning actions.

COST OF SALES

Cost of sales for 2019 were \$10.6 billion, an increase of \$581 million compared with \$10.0 billion in 2018. The increase is primarily due to acquisitions and higher volume, partially offset by the impact of foreign currency translation. Gross profit was \$7.8 billion in 2019 compared to \$7.4 billion in 2018. Gross margin decreased 0.2 percentage points to 42.5 percent, reflecting unfavorable mix and the impact of acquisitions, partially offset by savings from cost reduction actions. Gross margin was 42.7 percent in 2018.

Cost of sales for 2018 were \$10.0 billion, an increase of \$1.1 billion compared with \$8.8 billion in 2017. The increase is primarily due to acquisitions, higher volume and the impact of foreign currency translation. Gross profit was \$7.4 billion in 2018 compared with \$6.4 billion in 2017. Gross margin increased 0.6 percentage points to 42.7 percent reflecting leverage on higher volume and savings from cost reduction actions, partially offset by the impact of acquisitions. Gross margin was 42.1 percent in 2017.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative (SG&A) expenses of \$4.5 billion in 2019 increased \$188 million compared with 2018 due to acquisitions and higher volume. SG&A as a percent of sales of 24.2 percent decreased 0.3 percentage points due to leverage on higher volume and lower incentive stock compensation of \$96 million, reflecting a decreasing stock price in the current year compared to an increasing stock price in the prior year, partially offset by a negative impact from acquisitions of 0.4 percentage points and higher investment spending.

SG&A expenses of \$4.3 billion in 2018 increased \$662 million compared with 2017, due to acquisitions and an increase in volume. SG&A as a percent of sales of 24.5 percent increased 0.9 percentage points due to higher incentive stock compensation of \$106 million, reflecting an increase in the Company's stock price and progress toward achieving its performance objectives, the impact of acquisitions, and higher investment spending in Automation Solutions, partially offset by leverage on higher volume.

OTHER DEDUCTIONS, NET

Other deductions, net were \$325 million in 2019, a decrease of \$12 million compared with 2018. The decrease primarily reflects lower acquisition/divestiture costs of \$29 million, pension expenses of \$42 million and foreign currency transactions of \$13 million, partially offset by higher intangibles amortization and restructuring expense of \$27 million and \$30 million, respectively. See Note 5.

Other deductions, net were \$337 million in 2018, an increase of \$13 million compared with 2017. The increase primarily reflects higher intangibles amortization of \$75 million due to acquisitions and higher acquisition/divestiture costs of \$18 million, partially offset by lower pension and restructuring expenses of \$78 million and \$13 million, respectively.

INTEREST EXPENSE, NET

Interest expense, net was \$174 million, \$159 million and \$165 million in 2019, 2018 and 2017, respectively. The increase in 2019 was due to lower interest income, while the decrease in 2018 reflects the maturity of long-term debt with relatively higher interest rates and higher interest income.

EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES

Pretax earnings of \$2.9 billion increased \$192 million in 2019, up 7 percent compared with 2018. Earnings increased \$61 million in Automation Solutions and decreased \$81 million in Commercial & Residential Solutions, while costs reported at corporate decreased \$227 million. See the Business discussion that follows and Note 18.

Pretax earnings of \$2.7 billion increased \$332 million in 2018, up 14 percent compared with 2017. Earnings increased \$364 million in Automation Solutions and decreased \$6 million in Commercial & Residential Solutions, while costs reported at corporate increased \$32 million.

INCOME TAXES

On December 22, 2017, the U.S. government enacted tax reform, the Tax Cuts and Jobs Act (the "Act"), which made comprehensive changes to U.S. federal income tax laws by moving from a global to a modified territorial tax regime. The Act includes a reduction of the U.S. corporate income tax rate from 35 percent to 21 percent in calendar year 2018 along

with the elimination of certain deductions and credits, and a one-time "deemed repatriation" of accumulated non-U.S. earnings. During 2018, the Company recognized a net tax benefit of \$189 million (\$0.30 per share) due to impacts of the Act, consisting of a \$94 million benefit on revaluation of net deferred income tax liabilities to the lower tax rate, \$35 million of expense for the tax on deemed repatriation of accumulated non-U.S. earnings and withholding taxes, and the reversal of \$130 million accrued in previous periods for the planned repatriation of non-U.S. cash. The Company completed its accounting for the Act in the first quarter of fiscal 2019.

Effective in fiscal 2019, the Act also subjects the Company to U.S. tax on global intangible low-taxed income earned by certain of its non-U.S. subsidiaries. The Company has elected to recognize this tax as a period expense when it is incurred.

In the second quarter of fiscal 2019, the Company recorded a \$13 million (\$0.02 per share) tax benefit due to the issuance of final regulations related to the one-time tax on deemed repatriation.

Income taxes were \$531 million, \$443 million and \$660 million for 2019, 2018 and 2017, respectively, resulting in effective tax rates of 19 percent, 17 percent and 28 percent in 2019, 2018 and 2017, respectively. The lower rates in 2019 and 2018 reflect the lower tax rate on earnings and discrete tax benefits due to the impacts of the Act described above. The effective tax rates in 2019, 2018 and 2017 also include benefits from restructuring subsidiaries of \$74 million (\$0.12 per share), \$53 million (\$0.08 per share) and \$47 million (\$0.07 per share), respectively.

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

Net earnings attributable to common stockholders in 2019 were \$2.3 billion, up 5 percent compared with 2018, and diluted earnings per share were \$3.71, up 7 percent, due to modest sales growth and lower corporate expenses. Earnings per share comparisons were also impacted by the prior year net tax benefit due to impacts of the Act of \$0.30 per share discussed above, which was partially offset by 2018 first year acquisition accounting charges of \$0.09 per share and a \$0.04 per share loss on the residential storage business.

Net earnings attributable to common stockholders in 2018 were \$2.2 billion, up 45 percent compared with 2017, and diluted earnings per share were \$3.46, up 47 percent. Earnings per share for 2018 included the net tax benefit due to impacts of the Act of \$0.30 per share. Results also included an \$0.18 per share benefit from the lower tax rate on 2018 earnings, partially offset by a \$0.04 per share loss on the residential storage business. The 2017 results included a net loss from discontinued operations of \$125 million which benefited net earnings and earnings per share comparisons 11 percentage points. Discontinued operations included the network power systems business, which was sold on November 30, 2016

for \$4.0 billion in cash, and the power generation, motors and drives business, which was sold on January 31, 2017 for approximately \$1.2 billion. See Note 4.

Return on common stockholders' equity (net earnings attributable to common stockholders divided by average common stockholders' equity) was 26.8 percent in 2019 compared with 24.9 percent in 2018 and 18.6 percent in 2017. Return on total capital was 19.5 percent in 2019 compared with 20.6 percent in 2018 and 15.3 percent in 2017 (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). Higher net earnings benefited the 2019 returns, while an increase in long-term debt negatively impacted the return on total capital. The impacts of U.S. tax reform discussed above benefited the 2018 return on common stockholders' equity and return on total capital, while the acquisition of the valves & controls business and discontinued operations reduced the 2017 returns.

Business Segments

Following is an analysis of segment results for 2019 compared with 2018, and 2018 compared with 2017. The Company defines segment earnings as earnings before interest and income taxes. In connection with the strategic portfolio repositioning actions completed in fiscal 2017, the Company began reporting three segments: Automation Solutions; and Climate Technologies and Tools & Home Products, which together comprise the Commercial & Residential Solutions business. See Note 18.

AUTOMATION SOLUTIONS

(DOLLARS IN MILLIONS)	2017	2018	2019	18 vs. 17	19 vs. 18
Sales	\$9,418	11,441	12,202	21%	7%
Earnings	\$1,522	1,886	1,947	24%	3%
Margin	16.2%	16.5%	16.0%		

Sales by Major Product Offering

Measurement & Analytical Instrumentation	\$3,070	3,604	3,807	17%	6%
Valves, Actuators & Regulators	2,659	3,749	3,794	41%	1%
Industrial Solutions	1,689	1,967	2,232	16%	14%
Process Control Systems & Solutions	2,000	2,121	2,369	6%	12%
Total	\$9,418	11,441	12,202	21%	7%

2019 vs. 2018 – Automation Solutions sales were \$12.2 billion in 2019, an increase of \$761 million, or 7 percent. Underlying sales increased 5 percent (\$582 million) on higher volume and slightly higher price. Acquisitions added 4 percent (\$426 million) and foreign currency translation had a 2 percent (\$247 million) unfavorable impact. Sales for Measurement & Analytical Instrumentation increased \$203 million, or 6 percent, reflecting broad-based strength across process and hybrid end markets. Valves, Actuators & Regulators increased \$45 million, or 1 percent, on favorable global oil and gas demand. Industrial Solutions sales increased \$265 million, or 14 percent, due to the Aventics acquisition (\$292 million), while discrete manufacturing end markets were slow in the U.S. and Europe. Process Control Systems & Solutions increased \$248 million, or 12 percent, driven by greenfield investment and modernization activity, while acquisitions added \$134 million. Underlying sales increased 4 percent in the Americas (U.S. up 2 percent), 4 percent in Europe, and 8 percent in Asia, Middle East & Africa (China up 13 percent), supported by infrastructure investment across the region. Earnings of \$1.9 billion increased \$61 million from the prior year driven by higher volume and price. Margin decreased 0.5 percentage points to 16.0 percent, reflecting a dilutive impact from acquisitions of 0.7 percentage points and increased restructuring expense of \$24 million. Excluding these items, margin increased due to leverage on the higher volume.

2018 vs. 2017 – Automation Solutions reported sales of \$11.4 billion in 2018, an increase of \$2.0 billion or 21 percent. Underlying sales increased 10 percent (\$922 million) on higher volume. Acquisitions added 10 percent (\$978 million) and foreign currency translation added 1 percent (\$123 million). Sales for Measurement & Analytical Instrumentation increased \$534 million, or 17 percent, and Process Control Systems & Solutions increased \$121 million, or 6 percent, due to increased spending by global oil and gas customers, strong MRO demand and growth of small and mid-sized projects focused on facility expansion and optimization. The acquisition of Paradigm (\$113 million) also supported Measurement & Analytical Instrumentation sales. Valves, Actuators & Regulators increased \$1.1 billion, or 41 percent, led by the valves & controls acquisition (\$771 million) and broad-based demand across end markets, including energy, power and life sciences. Industrial Solutions sales increased \$278 million, or 16 percent, driven by favorable global trends in general industrial end markets. Underlying sales increased 13 percent in the Americas (U.S. up 14 percent), 1 percent in Europe and 11 percent in Asia, Middle East & Africa (China up 21 percent). Earnings of \$1.9 billion increased \$364 million from the prior year on higher volume and leverage, cost reduction savings and lower restructuring expense of \$22 million, partially offset by higher investment spending. Margin increased 0.3 percentage points to 16.5 percent. These results reflect a dilutive impact on comparisons from the valves & controls acquisition of 1.2 percentage points, which included an impact from higher intangibles amortization of 0.4 percentage points, or \$45 million.

COMMERCIAL & RESIDENTIAL SOLUTIONS

(DOLLARS IN MILLIONS)	2017	2018	2019	18 vs. 17	19 vs. 18
Sales:					
Climate Technologies	\$4,212	4,454	4,313	6%	(3)%
Tools & Home Products	1,645	1,528	1,856	(7)%	22%
Total	\$5,857	5,982	6,169	2%	3%
Earnings:					
Climate Technologies	\$ 975	972	883	—%	(9)%
Tools & Home Products	383	380	388	(1)%	2%
Total	\$1,358	1,352	1,271	—%	(6)%
Margin	23.2%	22.6%	20.6%		

2019 vs. 2018 – Commercial & Residential Solutions sales were \$6.2 billion in 2019, an increase of \$187 million, or 3 percent. Underlying sales decreased 1 percent (\$59 million) on lower volume partially offset by higher price. Acquisitions added 5 percent (\$320 million) while foreign currency translation subtracted 1 percent (\$74 million). Climate Technologies sales were \$4.3 billion in 2019, a decrease of \$141 million, or 3 percent. HVAC sales were down sharply in Asia, Middle East & Africa, particularly in China air conditioning and heating markets, while growth in the U.S. was modest. Global cold chain sales were down slightly, as modest growth in the U.S. was more than offset by slower demand in Asia and Europe. Tools & Home Products sales were \$1.9 billion in 2019, up \$328 million or 22 percent compared to the prior year, reflecting the tools and test acquisition and modest growth for professional tools. Sales for wet/dry vacuums were up moderately due to higher price, while food waste disposers were flat. Overall, underlying sales increased 3 percent in the Americas (U.S. up 2 percent) and 1 percent in Europe, while Asia, Middle East & Africa decreased 12 percent (China down 15 percent). Earnings were \$1.3 billion, a decrease of \$81 million and margin was down 2.0 percentage points, primarily due to a dilutive impact from the tools and test acquisition of 0.8 percentage points, deleverage on lower volume in the Climate Technologies segment and unfavorable mix.

2018 vs. 2017 – Commercial & Residential Solutions sales were \$6.0 billion in 2018, an increase of \$125 million, or 2 percent. Underlying sales increased 4 percent (\$226 million) on higher volume and slightly higher price. Foreign currency translation added 1 percent (\$58 million) while the divestiture of the residential storage business, net of acquisitions, subtracted 3 percent (\$159 million). Climate Technologies sales were \$4.5 billion in 2018, an increase of \$242 million, or 6 percent. Global HVAC sales were up moderately, reflecting robust growth in China, while sales were up moderately in Europe and modestly in the U.S. Cold chain sales were strong, led by robust growth in China and solid growth in Europe, while sales in the U.S. were up slightly. Sensors had strong growth, while temperature controls was flat. Tools & Home

Products sales were \$1.5 billion in 2018, down \$117 million or 7 percent compared to the prior year, reflecting the impact of the residential storage divestiture (\$298 million). Sales for professional tools were strong on favorable demand in oil and gas and construction-related markets, and the tools and test acquisition added \$106 million. Wet/dry vacuums had solid growth and food waste disposers were up slightly. Overall, underlying sales increased 3 percent in the Americas (U.S. up 3 percent), 4 percent in Europe and 6 percent in Asia, Middle East & Africa (China up 11 percent). Earnings were \$1.4 billion, a decrease of \$6 million and margin was down 0.6 percentage points. Higher materials costs, the impact of acquisitions, unfavorable mix and increased restructuring expense of \$11 million were partially offset by leverage on higher volume, favorable price and savings from cost reduction actions. In addition, the residential storage divestiture reduced earnings by \$16 million, but benefited margin comparisons 1.0 percentage points, while higher warranty costs of \$10 million associated with a specific product issue in Climate Technologies partially offset this benefit.

Financial Position, Capital Resources and Liquidity

The Company continues to generate substantial cash from operations 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 FROM CONTINUING OPERATIONS

(DOLLARS IN MILLIONS)	2017	2018	2019
Operating Cash Flow	\$2,690	2,892	3,006
<i>Percent of sales</i>	17.6%	16.6%	16.4%
Capital Expenditures	\$ 476	617	594
<i>Percent of sales</i>	3.1%	3.5%	3.2%
Free Cash Flow (Operating Cash Flow less Capital Expenditures)	\$2,214	2,275	2,412
<i>Percent of sales</i>	14.5%	13.1%	13.1%
Operating Working Capital	\$1,007	985	1,113
<i>Percent of sales</i>	6.6%	5.7%	6.1%

Operating cash flow for 2019 was \$3.0 billion, a \$114 million, or 4 percent increase compared with 2018, due to higher earnings, partially offset by higher operating working capital. Operating cash flow from continuing operations of \$2.9 billion in 2018 increased 8 percent compared to \$2.7 billion in 2017, primarily due to higher earnings, partially offset by an increase in working capital investment to support higher levels of sales activity and income taxes paid on the residential storage divestiture. At September 30, 2019, operating working capital as a percent of sales was 6.1 percent compared with 5.7 percent in 2018 and 6.6 percent in 2017. Contributions to pension plans were \$60 million in 2019, \$61 million in 2018 and \$45 million in 2017.

Capital expenditures were \$594 million, \$617 million and \$476 million in 2019, 2018 and 2017, respectively. Free cash flow (operating cash flow less capital expenditures) was \$2.4 billion in 2019, up 6 percent. Free cash flow from continuing operations was \$2.3 billion in 2018, compared with \$2.2 billion in 2017. The Company is targeting capital spending of approximately \$600 million in 2020. Net cash paid in connection with acquisitions was \$469 million, \$2.2 billion and \$3.0 billion in 2019, 2018 and 2017, respectively. Proceeds from divestitures not classified as discontinued operations were \$14 million, \$201 million and \$39 million in 2019, 2018 and 2017, respectively.

Dividends were \$1.2 billion (\$1.96 per share) in 2019, compared with \$1.2 billion (\$1.94 per share) in 2018 and \$1.2 billion (\$1.92 per share) in 2017. In November 2019, the Board of Directors voted to increase the quarterly cash dividend 2 percent, to an annualized rate of \$2.00 per share.

Purchases of Emerson common stock totaled \$1.25 billion, \$1.0 billion and \$400 million in 2019, 2018 and 2017, respectively, at average per share prices of \$62.83, \$66.25 and \$60.51.

The Board of Directors authorized the purchase of up to 70 million common shares in November 2015, and 21.9 million shares remain available for purchase under this authorization. The Company purchased 19.9 million shares in 2019, 15.1 million shares in 2018, and 6.6 million shares in 2017 under this authorization.

LEVERAGE/CAPITALIZATION

(DOLLARS IN MILLIONS)	2017	2018	2019
Total Assets	\$19,589	20,390	20,497
Long-term Debt	\$ 3,794	3,137	4,277
Common Stockholders' Equity	\$ 8,718	8,947	8,233
Total Debt-to-Total Capital Ratio	34.8%	34.7%	41.0%
Net Debt-to-Net Capital Ratio	15.4%	29.1%	33.9%
Operating Cash Flow-to-Debt Ratio	57.8%	60.7%	52.5%
Interest Coverage Ratio	12.6X	14.2X	15.2X

Total debt, which includes long-term debt, current maturities of long-term debt, commercial paper and other short-term borrowings, was \$5.7 billion, \$4.8 billion and \$4.7 billion for 2019, 2018 and 2017, respectively. During the year, the Company repaid \$400 million of 5.25% notes that matured in October 2018 and \$250 million of 5.0% notes that matured in April 2019. In January 2019, the Company issued €500 million of 1.25% notes due October 2025 and €500 million of 2.0% notes due October 2029. In May 2019, the Company issued €500 million of 0.375% notes due May 2024. The net proceeds from the sale of the notes were used to reduce commercial paper borrowings and for general corporate purposes. In 2018 and 2017, respectively, the Company repaid \$250 million of 5.375%

notes that matured in October 2017 and \$250 million of 5.125% notes that matured in December 2016.

The total debt-to-capital ratio and the net debt-to-net capital ratio (less cash and short-term investments) increased in 2019 due to increased borrowings. In 2018 the net debt-to-net capital ratio increased due to a decrease in cash which was used for acquisitions during the year. The operating cash flow-to-debt ratio decreased in 2019 primarily due to the increased borrowings in the current year, partially offset by a modest increase in operating cash flows. The increase in 2018 was primarily due to higher operating cash flows. The interest coverage ratio is computed as earnings from continuing operations before income taxes plus interest expense, divided by interest expense. The increase in interest coverage in 2018 and 2019 reflects higher earnings in the respective years.

In May 2018, the Company entered into a \$3.5 billion five-year revolving backup credit facility with various banks, which replaced the April 2014 \$3.5 billion facility. The credit facility is maintained to support general corporate purposes, including commercial paper borrowings. The Company has not incurred any borrowings under this or previous facilities. The credit facility contains no financial covenants and is not subject to termination based on a change of credit rating or material adverse changes. The facility is unsecured and may be accessed under various interest rate and currency denomination alternatives at the Company's option. Fees to maintain the facility are immaterial. The Company also maintains a universal shelf registration statement on file with the SEC under which it can issue debt securities, preferred stock, common stock, warrants, share purchase contracts or share purchase units without a predetermined limit. Securities can be sold in one or more separate offerings with the size, price and terms to be determined at the time of sale.

Emerson's financial structure provides the flexibility necessary to achieve its strategic objectives. The Company has been successful in efficiently deploying cash where needed worldwide to fund operations, complete acquisitions and sustain long-term growth. At September 30, 2019, substantially all of the Company's cash was held outside the U.S. (primarily in Europe and Asia). 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 withholding taxes and any applicable 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, 2019, the Company's contractual obligations, including estimated payments, are as follows:

(DOLLARS IN MILLIONS)	AMOUNTS DUE BY PERIOD				
	TOTAL	LESS THAN 1 YEAR	1 – 3 YEARS	3 – 5 YEARS	MORE THAN 5 YEARS
Long-term Debt (including Interest)	\$6,163	663	1,080	1,226	3,194
Operating Leases	511	159	194	95	63
Purchase Obligations	854	738	94	16	6
Total	\$7,528	1,560	1,368	1,337	3,263

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 19, which consist primarily of pension and postretirement plan liabilities, asbestos litigation, deferred income taxes and unrecognized tax benefits, because it is not certain when these amounts will become due. See Notes 11 and 12 for estimated future benefit payments and Note 14 for additional information on deferred income taxes.

FINANCIAL INSTRUMENTS

The Company is exposed to market risk related to changes in interest rates, foreign currency exchange rates and commodity prices, and selectively uses derivative financial instruments, including forwards, swaps and purchased options to manage these risks. The Company does not hold derivatives for trading or speculative purposes. The value of derivatives and other financial instruments is subject to change as a result of market movements in rates and prices. Sensitivity analysis is one technique used to forecast the impact of these movements. Based on a hypothetical 10 percent increase in interest rates, a 10 percent decrease in commodity prices or a 10 percent weakening in the U.S. dollar across all currencies, the potential losses in future earnings, fair value or cash flows are not material. Sensitivity analysis has limitations; for example, a weaker U.S. dollar would benefit future earnings through favorable translation of non-U.S. operating results, and lower commodity prices would benefit future earnings through lower cost of sales. See Notes 1, and 8 through 10.

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 evaluates its contracts with customers to identify the promised goods or services and recognizes revenue for the identified performance obligations at the amount the Company expects to be entitled to in exchange for those goods or services. A performance obligation is a promise in a contract to transfer a distinct good or service to a customer. Revenue is recognized when, or as, performance obligations are satisfied and control has transferred to the customer, typically when products are shipped or delivered, title and risk of loss pass to the customer, and the Company has a present right to payment. The vast majority of the Company's revenues relate to a broad offering of manufactured products which are recognized at the point in time when control transfers, generally in accordance with shipping terms. A portion of the Company's revenues relate to the sale of software and post-contract customer support, parts and labor for repairs, and engineering services.

In limited circumstances, contracts include multiple performance obligations, where revenue is recognized separately for each good or service, as well as contracts where revenue is recognized over time as control transfers to the customer. Tangible products represent a large majority of the delivered items in contracts with multiple performance obligations or where revenue is recognized over time, while a smaller portion is attributable to installation, service and maintenance. In sales arrangements that involve multiple performance obligations, revenue is allocated based on the relative standalone selling price for each performance obligation. Observable selling prices from actual transactions are used whenever possible. In other instances, the Company determines the standalone selling price based on third-party pricing or management's best estimate. For revenues recognized over time, the Company typically uses an input method to determine progress and recognize revenue, based on costs incurred. The Company believes costs incurred closely correspond with its performance under the contract and the transfer of control to the customer.

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 consistent with the duration of 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 the assumptions used are appropriate; however, actual experience may differ. In accordance with U.S. generally accepted accounting principles, actual results that differ from the Company's assumptions are accumulated as deferred actuarial gains or losses and amortized to expense in future periods. The Company's principal U.S. defined benefit plan is closed to employees hired after January 1, 2016 while shorter-tenured employees ceased accruing benefits effective October 1, 2016.

As of September 30, 2019, the U.S. pension plans were underfunded by \$202 million in total, including unfunded plans totaling \$211 million. The non-U.S. plans were underfunded by \$300 million, including unfunded plans totaling \$311 million. The Company contributed a total of \$60 million to defined benefit plans in 2019 and expects to contribute approximately \$60 million in 2020. At year-end 2019, the discount rate for U.S. plans was 3.22 percent, and was 4.26 percent in 2018. The assumed investment return on plan assets was 7.00 percent in 2019, 7.00 percent in 2018 and 7.25 percent in 2017, and is expected to be 6.75 percent for 2020. Deferred actuarial losses to be amortized to expense in future years were \$1.3 billion (\$1.0 billion after-tax) as of September 30, 2019. See Notes 11 and 12.

CONTINGENT LIABILITIES

The Company is a party to a number of pending legal proceedings and claims, including those involving general and product liability (including asbestos) 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; and the Company's experience in contesting, litigating and settling similar matters. The Company engages an outside expert to develop an actuarial estimate of its expected costs to resolve all pending and future asbestos claims, including defense costs, as well as its related insurance receivables. The reserve for asbestos litigation, which is recorded on an undiscounted basis, is based on projected claims through 2065.

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. See Note 13.

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. Deferred tax assets and liabilities arise from temporary differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and consideration of 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. The impact on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. Valuation allowances are provided to reduce deferred tax assets to the amount that will more likely than not be realized. This requires management to make judgments and estimates regarding the amount and timing of the reversal of taxable temporary differences, expected future taxable income, and the impact of tax planning strategies.

Uncertainty exists regarding tax positions taken in previously filed tax returns which remain subject to examination, along with positions expected to be taken in future returns. The Company provides for unrecognized tax benefits, based on

the technical merits, when it is more likely than not that an uncertain tax position will not be sustained upon examination. Adjustments are made to the uncertain tax positions when facts and circumstances change, such as the closing of a tax audit; changes in applicable tax laws, including tax case rulings and legislative guidance; or expiration of the applicable statute of limitations.

On December 22, 2017, the U.S. government enacted the Tax Cuts and Jobs Act, which made comprehensive changes to U.S. federal income tax laws by moving from a global to a modified territorial tax regime. As a result, cash repatriated to the U.S. is generally no longer subject to U.S. federal income taxes. No provision is made for withholding taxes and any applicable U.S. income taxes on the undistributed earnings of non-U.S. subsidiaries where these earnings are considered indefinitely invested or otherwise retained for continuing international operations. Determination of the amount of taxes that might be paid on these undistributed earnings if eventually remitted is not practicable. See Notes 1 and 14.

Other Items

LEGAL MATTERS

At September 30, 2019, 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

On October 1, 2018, the Company adopted ASC 606, *Revenue from Contracts with Customers*, which updated and consolidated 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 the amount the Company expects to be entitled to in exchange for those goods and services. The Company adopted the new standard using the modified retrospective approach and applied the guidance to open contracts which were not completed at the date of adoption. The cumulative effect of adoption resulted in a \$30 million increase to beginning retained earnings as of October 1, 2018. This increase primarily related to contracts where a portion of revenue for delivered goods or services was previously deferred due to contingent payment terms. The adoption of ASC 606 did not materially impact the Company's consolidated financial statements as of and for the year ended September 30, 2019.

In the first quarter of fiscal 2019, the Company adopted updates to ASC 715, *Compensation - Retirement Benefits*, which permit only the service cost component of net periodic pension and postretirement expense to be reported with compensation costs, while all other components are required to be reported separately in other deductions. These updates were adopted retrospectively and resulted in the reclassification of \$40 million of income and \$38 million of expense for 2018 and 2017, respectively, from cost of sales and SG&A to other deductions, net. Segment earnings were not impacted by the updates to ASC 715.

In February 2016, the FASB issued ASC 842, *Leases*, which requires rights and obligations related to lease arrangements to be recognized on the balance sheet. Also required are additional disclosures regarding the amount, timing and uncertainty of cash flows resulting from lease arrangements. Currently, obligations classified as operating leases are not recorded on the balance sheet but must be disclosed. The Company adopted the new standard on October 1, 2019 using the optional transition method under which prior periods were not adjusted. The adoption of ASC 842 resulted in the recognition of operating lease right-of-use assets and related lease liabilities of approximately \$500 million, but is not expected to materially impact the Company's earnings or cash flows. The Company is in the process of finalizing changes to its business processes, systems, internal controls and accounting policies to support recognition and disclosure under the new guidance.

In August 2017, the FASB issued updates to ASC 815, *Derivatives and Hedging*, which permit hedging certain contractually specified risk components. Additionally, the updates eliminate the requirement to separately measure and report hedge ineffectiveness and simplify hedge documentation and effectiveness assessment requirements. These updates, which are effective in the first quarter of fiscal 2020 and must be adopted using a modified retrospective approach, are not expected to have a material impact at adoption or on the Company's results of operations.

In January 2017, the FASB issued updates to ASC 350, *Intangibles - Goodwill and Other*, eliminating the requirement to measure impairment based on the implied fair value of goodwill compared to the carrying amount of a reporting unit's goodwill. Instead, goodwill impairment will be measured as the excess of a reporting unit's carrying amount over its estimated fair value. These updates are effective prospectively for impairment tests beginning in fiscal 2021, with early adoption permitted.

In August 2018, the FASB issued updates to ASC 350, *Intangibles - Goodwill and Other*, which align the requirements for capitalizing implementation costs incurred in a software

hosting arrangement with the requirements for costs incurred to develop or obtain internal-use software. These updates are effective either prospectively or retrospectively in the first quarter of fiscal 2021, with early adoption permitted, and are not expected to materially impact the Company's results of operations.

In June 2016, the FASB issued ASC 326, *Financial Instruments - Credit Losses*, which amends the impairment model by requiring entities to use a forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including trade receivables. The new standard is effective in the first quarter of fiscal 2021. The Company is in the process of evaluating the impact of the new standard on its financial statements.

In August 2018, the FASB issued updates to ASC 715, *Compensation - Retirement Benefits*, which modify the disclosure requirements for employers that sponsor defined benefit plans or other postretirement plans. These updates are effective in fiscal 2021, with early adoption permitted, and must be adopted on a retrospective basis. The updates change disclosures only and will not impact the Company's results of operations.

Fiscal 2020 Outlook

As previously announced, the Company is conducting a comprehensive review of its operational, capital allocation and portfolio initiatives. The Company's Board is leading the evaluation and an update will be provided when the Board has concluded the review. The outlook discussed below excludes any potential impact from the Board's ongoing review.

The guidance for fiscal 2020 assumes that end market growth is muted, or even slightly negative, with consolidated net sales expected to be down 3 percent to up 1 percent and underlying sales down 2 percent to up 2 percent, excluding unfavorable currency translation of 1 percent. Automation Solutions net sales are expected to be down 2 percent to up 2 percent, with underlying sales down 1 percent to up 3 percent excluding unfavorable foreign currency translation of 1 percent. Commercial & Residential Solutions net sales are expected

to be down 5 percent to down 1 percent, with underlying sales down 3 percent to up 1 percent excluding unfavorable foreign currency translation of 1 percent and an impact from divestitures of 1 percent. Earnings per share are expected to be \$3.48 to \$3.72. Operating cash flow is expected to be approximately \$3.1 billion and free cash flow, which excludes targeted capital spending of \$600 million, is expected to be approximately \$2.5 billion. The Company's planned share repurchases are \$1.5 billion for fiscal 2020.

The United Kingdom (UK) continues to negotiate its withdrawal from the European Union (EU), commonly known as "Brexit." The EU agreed to postpone the withdrawal deadline to January 31, 2020. The Company's net sales in the UK are principally in the Automation Solutions segment and represent less than two percent of consolidated sales. Sales of products manufactured in the UK and sold within the EU are immaterial. The Company is evaluating several potential Brexit scenarios and believes the direct cost of incremental tariffs, logistics and other items would be immaterial.

Item 7A - Quantitative and Qualitative Disclosures about Market Risk

The information from this Annual Report on Form 10-K set forth in Item 7 under "Financial Instruments" is hereby incorporated by reference.

Item 8 - Financial Statements and Supplementary Data

See the Company's consolidated financial statements and accompanying notes and the report thereon of KPMG LLP that follow.

Consolidated Statements of Earnings

EMERSON ELECTRIC CO. & SUBSIDIARIES

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

	2017	2018	2019
Net sales	\$15,264	17,408	18,372
Costs and expenses:			
Cost of sales	8,833	9,976	10,557
Selling, general and administrative expenses	3,607	4,269	4,457
Other deductions, net	324	337	325
Interest expense, net of interest income of: 2017, \$36; 2018, \$43; 2019, \$27	165	159	174
Earnings from continuing operations before income taxes	2,335	2,667	2,859
Income taxes	660	443	531
Earnings from continuing operations	1,675	2,224	2,328
Discontinued operations, net of tax of \$671	(125)	—	—
Net earnings	1,550	2,224	2,328
Less: Noncontrolling interests in earnings of subsidiaries	32	21	22
Net earnings common stockholders	\$ 1,518	2,203	2,306
Earnings common stockholders:			
Earnings from continuing operations	\$ 1,643	2,203	2,306
Discontinued operations, net of tax	(125)	—	—
Net earnings common stockholders	\$ 1,518	2,203	2,306
Basic earnings per share common stockholders:			
Earnings from continuing operations	\$ 2.54	3.48	3.74
Discontinued operations	(0.19)	—	—
Basic earnings per common share	\$ 2.35	3.48	3.74
Diluted earnings per share common stockholders:			
Earnings from continuing operations	\$ 2.54	3.46	3.71
Discontinued operations	(0.19)	—	—
Diluted earnings per common share	\$ 2.35	3.46	3.71

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

EMERSON ELECTRIC CO. & SUBSIDIARIES

Years ended September 30 | Dollars in millions

	2017	2018	2019
Net earnings	\$1,550	2,224	2,328
Other comprehensive income (loss), net of tax:			
Foreign currency translation	441	(231)	(194)
Pension and postretirement	500	242	(508)
Cash flow hedges	37	(7)	(5)
Total other comprehensive income (loss)	978	4	(707)
Comprehensive income	2,528	2,228	1,621
Less: Noncontrolling interests in comprehensive income of subsidiaries	30	21	22
Comprehensive income common stockholders	\$2,498	2,207	1,599

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

EMERSON ELECTRIC CO. & SUBSIDIARIES

September 30 | Dollars and shares in millions, except per share amounts

	2018	2019
ASSETS		
Current assets		
Cash and equivalents	\$ 1,093	1,494
Receivables, less allowances of \$113 in 2018 and \$112 in 2019	3,023	2,985
Inventories	1,813	1,880
Other current assets	690	780
Total current assets	6,619	7,139
Property, plant and equipment, net	3,562	3,642
Other assets		
Goodwill	6,455	6,536
Other intangible assets	2,751	2,615
Other	1,003	565
Total other assets	10,209	9,716
Total assets	\$20,390	20,497
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings and current maturities of long-term debt	\$ 1,623	1,444
Accounts payable	1,943	1,874
Accrued expenses	2,598	2,658
Total current liabilities	6,164	5,976
Long-term debt	3,137	4,277
Other liabilities	2,099	1,971
Equity		
Common stock, \$0.50 par value; authorized, 1,200.0 shares; issued, 953.4 shares; outstanding, 629.2 shares in 2018; 611.0 shares in 2019	477	477
Additional paid-in-capital	348	393
Retained earnings	23,072	24,199
Accumulated other comprehensive income (loss)	(1,015)	(1,722)
	22,882	23,347
Less: Cost of common stock in treasury, 324.2 shares in 2018; 342.4 shares in 2019	13,935	15,114
Common stockholders' equity	8,947	8,233
Noncontrolling interests in subsidiaries	43	40
Total equity	8,990	8,273
Total liabilities and equity	\$20,390	20,497

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

	2017	2018	2019
Common stock	\$ 477	477	477
Additional paid-in-capital			
Beginning balance	205	297	348
Stock plans	92	51	45
Ending balance	297	348	393
Retained earnings			
Beginning balance	21,716	21,995	23,072
Net earnings common stockholders	1,518	2,203	2,306
Dividends paid (per share: 2017, \$1.92; 2018, \$1.94; 2019, \$1.96)	(1,239)	(1,229)	(1,209)
Adoption of accounting standard updates	—	103	30
Ending balance	21,995	23,072	24,199
Accumulated other comprehensive income (loss)			
Beginning balance	(1,999)	(1,019)	(1,015)
Foreign currency translation	443	(231)	(194)
Pension and postretirement	500	242	(508)
Cash flow hedges	37	(7)	(5)
Ending balance	(1,019)	(1,015)	(1,722)
Treasury stock			
Beginning balance	(12,831)	(13,032)	(13,935)
Purchases	(400)	(1,000)	(1,250)
Issued under stock plans	199	97	71
Ending balance	(13,032)	(13,935)	(15,114)
Common stockholders' equity	8,718	8,947	8,233
Noncontrolling interests in subsidiaries			
Beginning balance	50	52	43
Net earnings	32	21	22
Other comprehensive income (loss)	(2)	—	—
Dividends paid	(28)	(30)	(25)
Ending balance	52	43	40
Total equity	\$ 8,770	8,990	8,273

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

EMERSON ELECTRIC CO. & SUBSIDIARIES

Years ended September 30 | Dollars in millions

	2017	2018	2019
Operating activities			
Net earnings	\$ 1,550	2,224	2,328
Loss from discontinued operations, net of tax	125	—	—
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	636	758	822
Stock compensation expense	110	216	120
Pension expense	127	49	2
Pension funding	(45)	(61)	(60)
Transition impact of Tax Act	—	(189)	—
Changes in operating working capital	160	(83)	(150)
Other, net	27	(22)	(56)
Cash from continuing operations	2,690	2,892	3,006
Cash from discontinued operations	(778)	—	—
Cash provided by operating activities	1,912	2,892	3,006
Investing activities			
Capital expenditures	(476)	(617)	(594)
Purchases of businesses, net of cash and equivalents acquired	(2,990)	(2,203)	(469)
Divestitures of businesses	39	201	14
Other, net	(106)	(101)	(125)
Cash from continuing operations	(3,533)	(2,720)	(1,174)
Cash from discontinued operations	5,047	—	—
Cash provided by (used in) investing activities	1,514	(2,720)	(1,174)
Financing activities			
Net increase (decrease) in short-term borrowings	(1,635)	343	(6)
Payments of short-term borrowings greater than three months	(90)	—	—
Proceeds from long-term debt	—	—	1,691
Payments of long-term debt	(254)	(241)	(656)
Dividends paid	(1,239)	(1,229)	(1,209)
Purchases of common stock	(400)	(1,000)	(1,250)
Other, net	27	35	39
Cash used in financing activities	(3,591)	(2,092)	(1,391)
Effect of exchange rate changes on cash and equivalents	45	(49)	(40)
Increase (Decrease) in cash and equivalents	(120)	(1,969)	401
Beginning cash and equivalents	3,182	3,062	1,093
Ending cash and equivalents	\$ 3,062	1,093	1,494
Changes in operating working capital			
Receivables	\$ (25)	(175)	51
Inventories	32	17	(87)
Other current assets	(12)	(42)	(87)
Accounts payable	135	115	(37)
Accrued expenses	30	2	10
Total changes in operating working capital	\$ 160	(83)	(150)

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.

On October 1, 2018, the Company adopted ASC 606, *Revenue from Contracts with Customers*, which updated and consolidated 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 the amount the Company expects to be entitled to in exchange for those goods and services. The Company adopted the new standard using the modified retrospective approach and applied the guidance to open contracts which were not completed at the date of adoption. The cumulative effect of adoption resulted in a \$30 increase to beginning retained earnings as of October 1, 2018. This increase primarily related to contracts where a portion of revenue for delivered goods or services was previously deferred due to contingent payment terms. The adoption of ASC 606 did not materially impact the Company's consolidated financial statements as of and for the year ended September 30, 2019. Amounts reported for the years ended September 30, 2018 and 2017 continue to be reported in accordance with the Company's historic accounting under ASC 605, *Revenue Recognition*.

In the first quarter of fiscal 2019, the Company adopted updates to ASC 715, *Compensation - Retirement Benefits*, which permit only the service cost component of net periodic pension and postretirement expense to be reported with compensation costs, while all other components are required to be reported separately in other deductions. These updates were adopted retrospectively and resulted in the reclassification of \$40 of income and \$38 of expense in 2018 and 2017, respectively, from cost of sales and SG&A to other deductions, net. Segment earnings were not impacted by the updates to ASC 715.

In the fourth quarter of 2018, the Company adopted updates to ASC 220, *Comprehensive Income*, which permit reclassification of stranded tax effects resulting from U.S. tax reform from accumulated other comprehensive income to retained earnings. The Company reclassified \$100 of stranded tax effects from accumulated other comprehensive income to retained earnings upon adoption of these updates. See Note 17.

In the first quarter of 2018, the Company adopted updates to ASC 740, *Income Taxes*, which require recognition of the income tax effects of intra-entity transfers of assets other than inventory when the transfer occurs, on a modified retrospective basis. The adoption of these updates resulted in an increase of \$3 to retained earnings.

In the first quarter of 2018, the Company adopted updates to ASC 330, *Inventory*, which changed the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value. These updates were adopted prospectively and did not materially impact the Company's financial statements.

In the fourth quarter of 2017, the Company adopted updates to ASC 718, *Compensation - Stock Compensation*, which require all excess tax benefits and deficiencies related to share-based payments to be recognized in income tax expense rather than through additional paid-in-capital, and to be presented as operating cash flows instead of financing. These updates did not materially impact the Company's financial statements.

In the fourth quarter of 2017, the Company adopted updates to ASC 820, *Fair Value Measurement*, which require investments measured using the net asset value per share practical expedient to be removed from the fair value hierarchy and separately reported when making disclosures. These updates did not change the determination of fair value for any investments. Adoption affected disclosure presentation only; there was no impact on the Company's financial results.

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, minus impairment, and adjusted for observable price changes in orderly transactions.

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 and net realizable value. The majority of inventory is valued based on standard costs, which 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 year. The annual effect of resetting standards plus any operating variances incurred during each period are allocated to inventories and recognized in cost of sales as product is sold. Following are the components of inventory as of September 30:

	2018	2019
Finished products	\$ 592	578
Raw materials and work in process	1,221	1,302
Total inventories	\$1,813	1,880

FAIR VALUE MEASUREMENT

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

PROPERTY, PLANT AND EQUIPMENT

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

	2018	2019
Land	\$ 316	336
Buildings	2,145	2,219
Machinery and equipment	5,470	5,645
Construction in progress	439	471
Property, plant and equipment, at cost	8,370	8,671
Less: Accumulated depreciation	4,808	5,029
Property, plant and equipment, net	\$3,562	3,642

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, as well as earnings multiples or other techniques as warranted. Fair values are subject to changes in underlying economic conditions.

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 7.

PRODUCT WARRANTY

Warranties vary by product line and are competitive for the markets in which the Company operates. Warranties are largely offered to provide assurance that the product will function as intended and generally extend for a period of one to two years from the date of sale or installation. Provisions for warranty expense are estimated at the time of sale based on historical experience and adjusted quarterly for any known issues that may arise. Product warranty expense is less than one percent of sales.

REVENUE RECOGNITION

Emerson is a global manufacturer that combines technology and engineering to provide innovative solutions to its customers, largely in the form of tangible products. The Company evaluates its contracts with customers to identify the promised goods or services and recognizes revenue for the identified performance obligations at the amount the Company expects to be entitled to in exchange for those goods or services. A performance obligation is a promise in a contract to transfer a distinct good or service to a customer. Revenue is recognized when, or as, performance obligations are satisfied and control has transferred to the customer, typically when products are shipped or delivered, title and risk of loss pass to the customer, and the Company has a present right to payment. The vast majority of the Company's revenues relate to a broad offering of manufactured products which are recognized at the point in time when control transfers, generally in accordance with shipping terms. A portion of the Company's revenues relate to the sale of software and post-contract customer support, parts and labor for repairs, and engineering services. In limited circumstances, contracts include multiple performance obligations, where revenue is recognized separately for each good or service, as well as contracts where revenue is recognized over time as control transfers to the customer.

Revenue is recognized over time for approximately 5 percent of the Company's revenues. These contracts largely relate to projects in the Process Control Systems & Solutions product offering within the Automation Solutions segment where revenue is recognized using the percentage-of-completion method to reflect the transfer of control over time, while a small amount is attributable to long-term maintenance and service contracts where revenue is typically recognized on a straight-line basis as the services are provided. Approximately 5 percent of revenues relate to sales arrangements with multiple performance obligations, principally in the Automation Solutions segment. Tangible products represent a large majority of the delivered items in contracts with multiple performance obligations or where revenue is recognized over time, while a smaller portion is attributable to installation, service and maintenance.

For revenues recognized over time, the Company typically uses an input method to determine progress and recognize revenue, based on costs incurred. The Company believes costs incurred closely correspond with its performance under the contract and the transfer of control to the customer.

In sales arrangements that involve multiple performance obligations, revenue is allocated based on the relative standalone selling price for each performance obligation. Observable selling prices from actual transactions are used whenever possible. In other instances, the Company determines the standalone selling price based on third-party pricing or management's best estimate. Generally, contract duration is short-term, and cancellation, termination or refund provisions apply only in the event of contract breach and are rarely invoked.

Payment terms vary but are generally short-term in nature. The Company's long-term contracts, where revenue is generally recognized over time, are typically billed as work progresses in accordance with the contract terms and conditions, either at periodic intervals or upon achievement of certain milestones. The timing of revenue recognition and billings under these

contracts results in either unbilled receivables (contract assets) when revenue recognized exceeds billings, or customer advances (contract liabilities) when billings exceed revenue recognized. Unbilled receivables are reclassified to accounts receivable when an unconditional right to consideration exists, typically when a milestone in the contract is achieved. The Company does not evaluate whether the transaction price includes a significant financing component for contracts where the time between cash collection and performance is less than one year.

Certain arrangements with customers include variable consideration, typically in the form of rebates, cash discounts or penalties. In limited circumstances, the Company sells products with a general right of return. In most instances, returns are limited to product quality issues. The Company records a reduction to revenue at the time of sale to reflect the ultimate amount of consideration it expects to receive. The Company's estimates are updated quarterly based on historical experience, trend analysis, and expected market conditions. Variable consideration is typically not constrained at the time revenue is recognized. See Notes 2 and 18 for additional information about the Company's revenues.

DERIVATIVES AND HEDGING

In the normal course of business, the Company is exposed to changes in interest rates, foreign currency exchange rates and commodity prices due to its worldwide presence and diverse business profile. The Company's foreign currency exposures relate to transactions denominated in currencies that differ from the functional currencies of its business units, primarily in euros, Mexican pesos 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. Non-U.S. dollar obligations are utilized to reduce foreign currency risk associated with the Company's net investments in foreign operations. 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, except for the Company's net investment hedges.

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 hedge 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 net investments in foreign operations are recognized in accumulated other comprehensive income (loss) and reclassified to income in the same period when a foreign operation is sold and the gain or loss related to the sale is included in income. 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 hedge 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. If contractual thresholds had been exceeded, the maximum collateral the Company could have been required to post was \$8. 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 8.

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 withholding taxes and any applicable U.S. income taxes on earnings intended to be repatriated from non-U.S. locations. No provision has been made for these taxes on approximately \$4.0 billion of undistributed earnings of non-U.S. subsidiaries as of September 30, 2019, as these earnings are considered indefinitely invested or otherwise retained for continuing

international operations. Recognition of withholding taxes and any applicable U.S. income taxes on undistributed non-U.S. earnings would be triggered by a management decision to repatriate those earnings. Determination of the amount of taxes that might be paid on these undistributed earnings if eventually remitted is not practicable. See Note 14.

(2) Revenue Recognition

The following table summarizes the balances of the Company's unbilled receivables (contract assets), which are reported in Other current assets, and its customer advances (contract liabilities), which are reported in Accrued expenses.

	2018	2019
Unbilled receivables (contract assets)	\$ 321	456
Customer advances (contract liabilities)	(510)	(519)
Net contract liabilities	\$(189)	(63)

The majority of the Company's contract balances relate to arrangements where revenue is recognized over time and payments from customers are made according to a contractual billing schedule. The decrease in net contract liabilities was due to revenue recognized for performance completed during the period which exceeded customer billings. Revenue recognized for 2019 included approximately \$400 that was included in the beginning contract liability balance. Other factors that impacted the change in net contract liabilities were immaterial.

Revenue recognized for 2019 for performance obligations that were fully satisfied in previous periods, including cumulative catchup adjustments on the Company's long-term contracts, was not material. Capitalized amounts related to incremental costs to obtain customer contracts and costs to fulfill contracts are immaterial.

As of September 30, 2019, the Company's backlog relating to unsatisfied (or partially unsatisfied) performance obligations in contracts with its customers was approximately \$5.1 billion. The Company expects to recognize approximately 85 percent of its remaining performance obligations as revenue over the next 12 months, with the remainder substantially over the subsequent two years thereafter.

See Note 18 for additional information about the Company's revenues.

(3) 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. An inconsequential number of shares of common stock were excluded from the computation of dilutive earnings per share in 2019 and 2018 as the effect would have been antidilutive, while 4.5 million shares of common stock were excluded in 2017. 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):

	2017	2018	2019
Basic shares outstanding	642.1	632.0	616.2
Dilutive shares	1.3	3.3	4.4
Diluted shares outstanding	643.4	635.3	620.6

(4) Acquisitions and Divestitures

The Company acquired eight businesses in 2019, all in the Automation Solutions segment, for \$469, net of cash acquired. These eight businesses had combined annual sales of approximately \$300. The Company recognized goodwill of \$210 (\$173 of which is expected to be tax deductible) and other identifiable intangible assets of \$155, primarily customer relationships and intellectual property with a weighted-average life of approximately nine years. Valuations of certain acquired assets and liabilities are in-process and subject to refinement.

On July 17, 2018, the Company completed the acquisition of Aventics, a global provider of smart pneumatics technologies that power machine and factory automation applications, for \$622, net of cash acquired. This business, which has annual sales of

approximately \$425, is reported in the Industrial Solutions product offering in the Automation Solutions segment. The Company recognized goodwill of \$372 (\$20 of which is expected to be tax deductible), and identifiable intangible assets of \$278, primarily intellectual property and customer relationships with a weighted-average useful life of approximately 12 years.

On July 2, 2018, the Company completed the acquisition of Textron's tools and test equipment business for \$810, net of cash acquired. This business, with annual sales of approximately \$470, is a manufacturer of electrical and utility tools, diagnostics, and test and measurement instruments, and is reported in the Tools & Home products segment. The Company recognized goodwill of \$366 (\$11 of which is expected to be tax deductible), and identifiable intangible assets of \$358, primarily intellectual property and customer relationships with a weighted-average useful life of approximately 14 years.

On December 1, 2017, the Company acquired Paradigm, a provider of software solutions for the oil and gas industry, for \$505, net of cash acquired. This business had annual sales of approximately \$140 and is included in the Measurement & Analytical Instrumentation product offering within Automation Solutions. The Company recognized goodwill of \$309 (\$170 of which is expected to be tax deductible), and identifiable intangible assets of \$238, primarily intellectual property and customer relationships with a weighted-average useful life of approximately 11 years.

During 2018, the Company also acquired four smaller businesses, two in the Automation Solutions segment and two in the Climate Technologies segment.

Total cash paid for all businesses for the fiscal year ended 2018 was \$2.2 billion, net of cash acquired. The purchase price of the 2018 acquisitions was allocated to assets and liabilities as follows.

Accounts receivable	\$ 153
Inventory	187
Property, plant and equipment	140
Goodwill	1,176
Intangibles	1,013
Other assets	77
Total assets	2,746
Accounts payable	73
Other current liabilities	134
Deferred taxes and other liabilities	325
Cash paid, net of cash acquired	\$2,214

Results of operations for the 2018 acquisitions included sales of \$365 and a net loss of \$3, including intangibles amortization of \$40 and restructuring expense of \$3. These results also included first year pretax acquisition accounting charges related to inventory and deferred revenue of \$39 and \$11, respectively, which are reported in Corporate and other. See Note 18.

On April 28, 2017, the Company completed the acquisition of Pentair's valves & controls business for \$2.96 billion, net of cash acquired of \$207, subject to certain post-closing adjustments. This business, with annualized sales of approximately \$1.4 billion, is a manufacturer of control, isolation and pressure relief valves and actuators, and complements the Valves, Actuators & Regulators product offering within Automation Solutions. The Company recognized goodwill of \$1.5 billion (none of which is expected to be tax deductible), and other identifiable intangible assets of \$1.1 billion, primarily customer relationships and intellectual property with a weighted-average life of approximately 14 years. The Company also acquired two smaller businesses in the Automation Solutions segment. Total cash paid for all businesses was \$3.0 billion, net of cash acquired.

Results of operations for 2017 included sales of \$600 and a net loss of \$97, \$0.15 per share, including restructuring expense of \$25 and intangibles amortization of \$29. These results also included first year pretax acquisition accounting charges related to inventory of \$74 and backlog of \$19, or a total of \$93 (\$65 after-tax, \$0.10 per share), which are reported in Corporate and other in 2017. See Note 18.

On October 2, 2017, the Company sold its residential storage business for \$200 in cash, and recognized a small pretax gain and an after-tax loss of \$24 (\$0.04 per share) in 2018 due to income taxes resulting from nondeductible goodwill. The Company realized \$150 in after-tax cash proceeds from the sale. This business, with sales of \$298 and pretax earnings of \$15 in 2017, is a leader in home organization and storage systems, and was reported within the Tools & Home Products segment.

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.

PRO FORMA FINANCIAL INFORMATION (UNAUDITED)

The following pro forma consolidated condensed financial results of operations are presented as if the 2018 acquisitions occurred on October 1, 2016 and the acquisition of the valves & controls business occurred on October 1, 2015. The pro forma information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved had the acquisitions occurred as of that time.

	2017	2018
Net sales	\$17,148	18,186
Net earnings from continuing operations common stockholders	\$ 1,638	2,269
Diluted earnings per share from continuing operations	\$ 2.53	3.56

The 2018 pro forma results exclude acquisition costs and first year acquisition accounting charges related to inventory, backlog and deferred revenue of \$102. Of these charges, \$73 related to businesses acquired in 2018 and \$29 related to the valves & controls acquisition. The 2017 pro forma results include the charges related to the 2018 acquisitions. The 2017 pro forma results exclude first year acquisition accounting charges related to the valves & controls business of \$93 and acquisition costs of \$52.

DISCONTINUED OPERATIONS

In 2017, the Company completed the previously announced strategic actions to streamline its portfolio and drive growth in its core businesses. On November 30, 2016, the Company completed the sale of its network power systems business for \$4.0 billion in cash and retained a subordinated interest in distributions, contingent upon the equity holders first receiving a threshold return on their initial investment. This business comprised the former Network Power segment. Additionally, on January 31, 2017, the Company completed the sale of its power generation, motors and drives business for approximately \$1.2 billion, subject to post-closing adjustments. This business was previously reported in the former Industrial Automation segment.

The financial results of the network power systems business and power generation, motors and drives business reported as discontinued operations for the year ending September 30, 2017, were as follows:

	2017
Net sales	\$1,037
Cost of sales	701
SG&A	263
Other deductions, net	(473)
Earnings (Loss) before income taxes	546
Income taxes	671
Earnings (Loss), net of tax	\$ (125)

In 2017, the net loss from discontinued operations of \$125, \$0.19 per share, included an after-tax gain on the divestiture of the network power systems business of \$125 (\$519 pretax), a \$173 after-tax loss (\$36 pretax loss) on the divestiture of the power generation, motors and drives business, income tax expense of \$109 for repatriation of sales proceeds, and lower expense of \$32 primarily due to ceasing depreciation and amortization for the discontinued businesses held-for-sale.

Operating cash flow used by discontinued operations primarily included payments of approximately \$700 for income taxes on completion of the divestitures and repatriation of cash, cash used by operations and other costs.

(5) Other Deductions, Net

Other deductions, net are summarized as follows:

	2017	2018	2019
Amortization of intangibles (intellectual property and customer relationships)	\$136	211	238
Restructuring costs	78	65	95
Other	110	61	(8)
Total	\$324	337	325

The increase in amortization for 2019 is due to higher intangibles amortization of \$46 which largely relates to acquisitions completed in 2018, partially offset by backlog amortization of \$19 incurred in the prior year related to the valves & controls acquisition. Other, which is composed of several items, including acquisition/divestiture costs, foreign currency transaction gains and losses, bad debt expense, litigation, pension expense and other items, decreased in 2019 primarily due to lower acquisition/divestiture costs of \$29, pension expenses of \$42 and foreign currency transactions of \$13. The decrease in 2018 is primarily due to lower pension expenses of \$78, partially offset by higher acquisition/divestiture costs of \$18.

(6) Restructuring Costs

Each year the Company incurs costs to size its businesses to levels appropriate for current economic conditions and to continually improve its cost structure and operational efficiency, deploy assets globally, and remain competitive on a worldwide basis. Costs result from numerous individual actions implemented across the Company's various operating units on an ongoing basis and can include costs for moving facilities to best-cost locations, restarting plants after relocation or geographic expansion to better serve local markets, reducing forcecount or the number of facilities, exiting certain product lines, and other costs resulting from asset deployment decisions (such as contract termination costs, asset write-downs and vacant facility costs).

Restructuring expenses were \$95, \$65 and \$78 for 2019, 2018 and 2017, respectively, and included \$7, \$19 and \$25 related to acquisitions, respectively.

Restructuring costs by business segment follows:

	2017	2018	2019
Automation Solutions	\$63	41	65
Climate Technologies	10	20	20
Tools & Home Products	2	3	7
Commercial & Residential Solutions	12	23	27
Corporate	3	1	3
Total	\$78	65	95

Costs incurred in 2019, 2018 and 2017 primarily related to the deployment of resources to better serve local markets and higher growth areas, and the integration of acquisitions. In 2019, restructuring activities included actions to exit two production facilities worldwide and eliminate approximately 1,100 positions. Expenses incurred in 2018 and 2017 included actions to exit six and ten facilities, and eliminate approximately 1,200 and 1,200 positions, respectively.

The change in the liability for restructuring costs during the years ended September 30 follows:

	2018	EXPENSE	UTILIZED/PAID	2019
Severance and benefits	\$46	72	56	62
Other	6	23	22	7
Total	\$52	95	78	69

	2017	EXPENSE	UTILIZED/PAID	2018
Severance and benefits	\$60	43	57	46
Other	5	22	21	6
Total	\$65	65	78	52

(7) Goodwill and Other Intangibles

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

	AUTOMATION SOLUTIONS	CLIMATE TECHNOLOGIES	TOOLS & HOME PRODUCTS	COMMERCIAL & RESIDENTIAL SOLUTIONS	TOTAL
Balance, September 30, 2017	\$4,704	555	57	612	5,316
Acquisitions	696	118	374	492	1,188
Foreign currency translation and other	(45)	(3)	(1)	(4)	(49)
Balance, September 30, 2018	5,355	670	430	1,100	6,455
Acquisitions	210	—	—	—	210
Divestitures	—	—	(2)	(2)	(2)
Foreign currency translation and other	(98)	(2)	(27)	(29)	(127)
Balance, September 30, 2019	\$5,467	668	401	1,069	6,536

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

	CUSTOMER RELATIONSHIPS		INTELLECTUAL PROPERTY		CAPITALIZED SOFTWARE		TOTAL	
	2018	2019	2018	2019	2018	2019	2018	2019
Gross carrying amount	\$1,968	1,973	1,469	1,565	1,230	1,334	4,667	4,872
Less: Accumulated amortization	451	582	544	650	921	1,025	1,916	2,257
Net carrying amount	\$1,517	1,391	925	915	309	309	2,751	2,615

Intangible asset amortization expense for the major classes included above for 2019, 2018 and 2017 was \$359, \$314 and \$222, respectively. Based on intangible asset balances as of September 30, 2019, amortization expense is expected to approximate \$366 in 2020, \$329 in 2021, \$292 in 2022, \$265 in 2023 and \$242 in 2024.

The increase in goodwill and intangibles is primarily due to acquisitions. See Note 4.

(8) Financial Instruments

HEDGING ACTIVITIES

As of September 30, 2019, the notional amount of foreign currency hedge positions was approximately \$2.3 billion, while commodity hedge contracts totaled approximately \$117 (primarily 48 million pounds of copper and aluminum). All derivatives receiving hedge accounting are cash flow hedges. The majority of hedging gains and losses deferred as of September 30, 2019 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 hedge accounting.

Amounts included in earnings and other comprehensive income follow:

	Location	GAIN (LOSS) TO EARNINGS			GAIN (LOSS) TO OCI		
		2017	2018	2019	2017	2018	2019
Commodity	Cost of sales	\$ 10	13	(11)	25	(7)	(10)
Foreign currency	Sales, cost of sales	(15)	2	13	30	9	6
Foreign currency	Other deductions, net	(39)	(15)	66			
Total		\$(44)	—	68	55	2	(4)

Regardless of whether derivatives receive hedge 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 hedge accounting are highly effective and no amounts were excluded from the assessment of hedge effectiveness, including for the net investment hedge described below. Hedge ineffectiveness was immaterial in all years shown.

NET INVESTMENT HEDGE

In January 2019, the Company issued €500 of 1.25% notes due October 2025 and €500 of 2.0% notes due October 2029. In May 2019, the Company issued €500 of 0.375% notes due May 2024. The net proceeds from the sale of the notes were used to repay commercial paper borrowings and for general corporate purposes. The euro notes reduce foreign currency risk associated with the Company's international subsidiaries that use the euro as their functional currency and have been designated as a hedge of a portion of the investment in these operations. A pretax gain of \$70 (\$54 after-tax) was recognized in other comprehensive income (loss) related to the net investment hedge during 2019. Amounts deferred in accumulated other comprehensive income (loss) will remain until the hedged investment is sold or substantially liquidated.

FAIR VALUE MEASUREMENT

The estimated fair value of long-term debt was \$5.3 billion and \$4.0 billion, respectively, as of September 30, 2019 and 2018, which exceeded the carrying value by \$469 and \$135, respectively. The fair values of commodity and foreign currency contracts were reported in Other current assets and Accrued expenses as summarized below:

	2018		2019	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Commodity	\$ 1	10	—	8
Foreign currency	\$35	11	29	12

(9) Short-Term Borrowings and Lines of Credit

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

	2018	2019
Current maturities of long-term debt	\$ 688	515
Commercial paper	935	929
Total	\$1,623	1,444
Interest rate for weighted-average short-term borrowings at year end	2.1%	2.1%

In May 2018, the Company entered into a \$3.5 billion five-year revolving backup credit facility with various banks, which replaced the April 2014 \$3.5 billion facility. The credit facility is maintained to support general corporate purposes, including commercial paper borrowings. 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.

(10) Long-Term Debt

The details of long-term debt follow:

	2018	2019
5.25% notes due October 2018	\$ 400	—
5.0% notes due April 2019	250	—
4.875% notes due October 2019	500	500
4.25% notes due November 2020	300	300
2.625% notes due December 2021	500	500
2.625% notes due February 2023	500	500
0.375% notes due May 2024	—	545
3.15% notes due June 2025	500	500
1.25% notes due October 2025	—	545
2.0% notes due October 2029	—	545
6.0% notes due August 2032	250	250
6.125% notes due April 2039	250	250
5.25% notes due November 2039	300	300
Other	75	57
Long-term debt	3,825	4,792
Less: Current maturities	688	515
Total, net	\$3,137	4,277

Long-term debt maturing during each of the four years after 2020 is \$314, \$533, \$498 and \$544, respectively. Total interest paid on all debt was approximately \$195, \$193 and \$192 in 2019, 2018 and 2017, respectively. In January 2019, the Company issued €500 of 1.25% notes due October 2025 and €500 of 2.0% notes due October 2029. In May 2019, the Company issued €500 of 0.375% notes due May 2024. During the year, the Company repaid \$400 of 5.25% notes that matured in October 2018 and \$250 of 5.0% notes that matured in April 2019. In 2018, the Company repaid \$250 of 5.375% notes that matured in October 2017.

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.

(11) Retirement Plans

Retirement plans expense includes the following components:

	U.S. PLANS			NON-U.S. PLANS		
	2017	2018	2019	2017	2018	2019
Defined benefit plans:						
Service cost (benefits earned during the period)	\$ 60	52	47	19	24	24
Interest cost	134	141	155	30	39	38
Expected return on plan assets	(290)	(283)	(281)	(56)	(67)	(68)
Net amortization and other	211	129	81	22	14	6
Net periodic pension expense	115	39	2	15	10	—
Defined contribution plans	96	132	125	47	52	56
Total retirement plans expense	\$ 211	171	127	62	62	56

The decrease in net periodic pension expense in 2019 is primarily attributable to lower amortization expense compared to the prior year. In 2017, net periodic pension expense and defined contribution expense included \$3 and \$6, respectively, related to discontinued operations. For defined contribution plans, the Company makes cash contributions based on plan requirements, which are expensed as incurred.

The Company's principal U.S. defined benefit plan is closed to employees hired after January 1, 2016 while shorter-tenured employees ceased accruing benefits effective October 1, 2016.

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	
	2018	2019	2018	2019
Projected benefit obligation, beginning	\$4,369	3,957	1,489	1,442
Service cost	52	47	24	24
Interest cost	141	155	39	38
Actuarial (gain) loss	(262)	608	(51)	216
Benefits paid	(205)	(206)	(36)	(36)
Settlements	(152)	(152)	(49)	(41)
Acquisitions (Divestitures), net	13	—	54	2
Foreign currency translation and other	1	1	(28)	(61)
Projected benefit obligation, ending	\$3,957	4,410	1,442	1,584
Fair value of plan assets, beginning	\$4,292	4,233	1,236	1,243
Actual return on plan assets	265	316	69	135
Employer contributions	20	16	41	44
Benefits paid	(205)	(206)	(36)	(36)
Settlements	(152)	(152)	(49)	(41)
Acquisitions (Divestitures), net	12	—	10	—
Foreign currency translation and other	1	1	(28)	(61)
Fair value of plan assets, ending	\$4,233	4,208	1,243	1,284
Net amount recognized in the balance sheet	\$ 276	(202)	(199)	(300)
Location of net amount recognized in the balance sheet:				
Noncurrent asset	\$ 465	67	126	97
Current liability	(10)	(11)	(13)	(14)
Noncurrent liability	(179)	(258)	(312)	(383)
Net amount recognized in the balance sheet	276	(202)	(199)	(300)
Pretax accumulated other comprehensive loss	\$ (548)	(1,040)	(164)	(307)

Approximately \$162 of the \$1,347 of pretax losses deferred in accumulated other comprehensive income (loss) at September 30, 2019 will be amortized to expense in 2020. As of September 30, 2019, U.S. pension plans were underfunded by \$202 in total, including unfunded plans totaling \$211. The non-U.S. plans were underfunded by \$300, including unfunded plans totaling \$311.

As of the September 30, 2019 and 2018 measurement dates, the plans' total accumulated benefit obligation was \$5,682 and \$5,154, respectively. 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 \$1,113, \$991 and \$456, respectively, for 2019, and \$585, \$508 and \$87, respectively, for 2018.

Future benefit payments by U.S. plans are estimated to be \$208 in 2020, \$215 in 2021, \$222 in 2022, \$228 in 2023, \$234 in 2024 and \$1,233 in total over the five years 2025 through 2029. Based on foreign currency exchange rates as of September 30, 2019, future benefit payments by non-U.S. plans are estimated to be \$74 in 2020, \$72 in 2021, \$78 in 2022, \$80 in 2023, \$84 in 2024 and \$462 in total over the five years 2025 through 2029. The Company expects to contribute approximately \$60 to its retirement plans in 2020.

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

	U.S. PLANS			NON-U.S. PLANS		
	2017	2018	2019	2017	2018	2019
Net pension expense:						
Discount rate used to determine service cost	3.75%	3.95%	4.33%	2.3%	2.6%	2.7%
Discount rate used to determine interest cost	2.90%	3.25%	3.98%	2.3%	2.6%	2.7%
Expected return on plan assets	7.25%	7.00%	7.00%	6.2%	5.7%	6.1%
Rate of compensation increase	3.25%	3.25%	3.25%	3.2%	3.4%	3.5%
Benefit obligations:						
Discount rate	3.76%	4.26%	3.22%	2.6%	2.7%	1.9%
Rate of compensation increase	3.25%	3.25%	3.25%	3.4%	3.5%	3.7%

The discount rate for the U.S. retirement plans was 3.22 percent as of September 30, 2019. An actuarially developed, company-specific yield curve is used to determine the discount rate. To determine the service and interest cost components of pension expense for its U.S. retirement plans, the Company applies the specific spot rates along the yield curve, rather than the single weighted-average rate, to the projected cash flows to provide more precise measurement of these costs. The expected return on plan assets assumption is determined by reviewing the investment returns of the plans for the past 10 years plus longer-term historical returns of an asset mix approximating the Company's asset allocation targets, and periodically comparing these returns to expectations of investment advisors and actuaries to determine whether long-term future returns are expected to differ significantly from the past.

The Company's asset allocations at September 30, 2019 and 2018, and weighted-average target allocations follow:

	U.S. PLANS			NON-U.S. PLANS		
	2018	2019	TARGET	2018	2019	TARGET
Equity securities	62%	53%	50-60%	52%	42%	40-50%
Debt securities	34	46	40-50	38	47	45-55
Other	4	1	0-10	10	11	5-15
Total	100%	100%	100%	100%	100%	100%

The primary objective for the investment of pension assets is to secure participant retirement benefits by earning a reasonable rate of return. Plan assets are invested consistent with the provisions of the prudence and diversification rules of ERISA and with a long-term investment horizon. The Company continuously monitors the value of assets by class and routinely rebalances to remain within target allocations. The equity strategy is to minimize concentrations of risk by investing primarily in a mix of companies that are diversified across geographies, market capitalization, style, sectors and industries worldwide. 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. Investments valued based on the net asset value (NAV) of fund units held, as derived from the fair value of the underlying assets, are excluded from the fair value hierarchy.

	LEVEL 1	LEVEL 2	LEVEL 3	MEASURED AT NAV	TOTAL	PERCENTAGE
2019						
U.S. equities	\$ 789	5	386	284	1,464	27%
International equities	459	15		615	1,089	20%
Emerging market equities				213	213	4%
Corporate bonds		1,008		464	1,472	27%
Government bonds		512		540	1,052	19%
High-yield bonds						—%
Other	1	8	129	64	202	3%
Total	\$1,249	1,548	515	2,180	5,492	100%

	LEVEL 1	LEVEL 2	LEVEL 3	MEASURED AT NAV	TOTAL	PERCENTAGE
2018						
U.S. equities	\$ 968	5	350	320	1,643	30%
International equities	595	21		745	1,361	25%
Emerging market equities				243	243	5%
Corporate bonds		696		423	1,119	20%
Government bonds		350		438	788	14%
High-yield bonds				10	10	—%
Other	107	6	121	78	312	6%
Total	\$1,670	1,078	471	2,257	5,476	100%

Asset Classes

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

Fair Value Hierarchy Categories

Valuations of Level 1 assets for all classes are based on quoted closing market prices from the principal exchanges where the individual securities are traded. Cash is valued at cost, which approximates fair value. 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. U.S. equity securities classified as Level 3 are fund investments in private companies. Valuation techniques and inputs for these assets include discounted cash flow analysis, earnings multiple approaches, recent transactions, transfer restrictions, prevailing discount rates, volatilities, credit ratings and other factors. In the Other class, interests in mixed asset funds are Level 2, and U.S. life insurance contracts and non-U.S. general fund investments and insurance arrangements are Level 3. Investments measured at net asset value are primarily nonexchange-traded commingled or collective funds where the underlying securities have observable prices available from active markets.

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

	2018	2019
Level 3, beginning	\$451	471
Gains (Losses) on assets held	1	—
Gains (Losses) on assets sold	37	34
Purchases, sales and settlements, net	(18)	10
Level 3, ending	\$471	515

(12) 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:

	2017	2018	2019
Service cost	\$ 1	1	1
Interest cost	6	6	5
Net amortization	(19)	(19)	(18)
Net postretirement expense	\$(12)	(12)	(12)

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

	2018	2019
Benefit obligation, beginning	\$174	149
Service cost	1	1
Interest cost	6	5
Actuarial (gain) loss	(19)	5
Benefits paid	(13)	(13)
Benefit obligation, ending (recognized in balance sheet)	\$149	147

As of September 30, 2019 there were \$118 of deferred actuarial gains in accumulated other comprehensive income, of which approximately \$13 will be amortized into earnings in 2020. The discount rates used to measure the benefit obligation as of September 30, 2019, 2018 and 2017 were 2.99 percent, 4.08 percent and 3.45 percent, respectively. The health care cost trend rate used for 2020 is assumed to be 7.0 percent initially and was assumed to be 7.2 percent in 2019, declining to 5.0 percent over the subsequent nine years. A one percentage point increase or decrease in the health care cost trend rate assumption for either year would have an inconsequential impact on postretirement benefits expense and the benefit obligation. The Company estimates that future health care benefit payments will be approximately \$12 per year for 2020 through 2024, and \$49 in total over the five years 2025 through 2029.

(13) Contingent Liabilities and Commitments

The Company is a party to a number of pending legal proceedings and claims, including those involving general and product liability (including asbestos) 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; and the Company's experience in contesting, litigating and settling similar matters. The Company engages an outside expert to develop an actuarial estimate of its expected costs to resolve all pending and future asbestos claims, including defense costs, as well as its related insurance receivables. The reserve for asbestos litigation, which is recorded on an undiscounted basis, is based on projected claims through 2065.

Although it is not possible to predict the ultimate outcome of these matters, the Company historically has been largely successful in defending itself against claims and suits that have been brought against it, and will continue to defend itself vigorously in all such matters. While the Company believes a material adverse impact is unlikely, given the inherent uncertainty of litigation, a remote possibility exists that a future development could have a material adverse impact on the Company. The Company enters into certain indemnification agreements in the ordinary course of business in which the indemnified party is held harmless and is reimbursed for losses incurred from claims by third parties, usually up to a prespecified limit. In connection with divestitures of certain assets or businesses, the Company often provides indemnities to the buyer with respect to certain matters including, for example, environmental or unidentified tax liabilities related to periods prior to the disposition. Because of the uncertain nature of the indemnities, the maximum liability cannot be quantified. As such, contingent liabilities are recorded when they are both probable and reasonably estimable. Historically, payments under indemnity arrangements have been inconsequential.

At September 30, 2019, 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.

(14) Income Taxes

Pretax earnings from continuing operations consist of the following:

	2017	2018	2019
United States	\$1,350	1,652	1,771
Non-U.S.	985	1,015	1,088
Total pretax earnings	\$2,335	2,667	2,859

The principal components of income tax expense follow:

	2017	2018	2019
Current:			
U.S. federal	\$351	341	247
State and local	40	52	24
Non-U.S.	311	300	308
Deferred:			
U.S. federal	7	(224)	(2)
State and local	4	(11)	12
Non-U.S.	(53)	(15)	(58)
Income tax expense	\$660	443	531

Reconciliations of the U.S. federal statutory income tax rate to the Company's effective tax rate follow. For fiscal 2018, the U.S. federal statutory rate was 35 percent for one quarter and 21 percent for three quarters.

	2017	2018	2019
U.S. federal statutory rate	35.0%	24.5%	21.0%
State and local taxes, net of U.S. federal tax benefit	1.2	1.2	1.0
Non-U.S. rate differential	(3.6)	0.8	1.8
Non-U.S. tax holidays	(1.0)	(0.8)	(1.1)
U.S. manufacturing deduction	(1.7)	(1.1)	—
Foreign derived intangible income	—	—	(1.1)
Gain on divestiture	—	1.0	—
Subsidiary restructuring	(1.8)	(2.0)	(2.6)
Transition impact of Tax Act	—	(7.1)	—
Other	0.2	0.1	(0.4)
Effective income tax rate	28.3%	16.6%	18.6%

On December 22, 2017, the U.S. government enacted tax reform, the Tax Cuts and Jobs Act (the "Act"), which made comprehensive changes to U.S. federal income tax laws by moving from a global to a modified territorial tax regime. The Act includes a reduction of the U.S. corporate income tax rate from 35 percent to 21 percent in calendar year 2018 along with the elimination of certain deductions and credits, and a one-time "deemed repatriation" of accumulated non-U.S. earnings. During 2018, the Company recognized a net tax benefit of \$189 (\$0.30 per share) due to impacts of the Act, consisting of a \$94 benefit on revaluation of net deferred income tax liabilities to the lower tax rate, \$35 of expense for the tax on deemed repatriation of accumulated non-U.S. earnings and withholding taxes, and the reversal of \$130 accrued in previous periods for the planned repatriation of non-U.S. cash. The Company completed its accounting for the Act in the first quarter of fiscal 2019.

Effective in fiscal 2019, the Act also subjects the Company to U.S. tax on global intangible low-taxed income earned by certain of its non-U.S. subsidiaries. The Company has elected to recognize this tax as a period expense when it is incurred.

Non-U.S. tax holidays reduce tax rates in certain 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 (U.S. 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.

	2018	2019
Unrecognized tax benefits, beginning	\$ 132	158
Additions for current year tax positions	13	15
Additions for prior year tax positions	8	18
Reductions for prior year tax positions	(8)	(22)
Acquisitions and divestitures	21	4
Reductions for settlements with tax authorities	(3)	(5)
Reductions for expiration of statutes of limitations	(5)	(9)
Unrecognized tax benefits, ending	\$158	159

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 \$124, which is net of cross-jurisdictional tax credits and temporary differences. The Company accrues interest and penalties related to income taxes in income tax expense. Total interest and penalties recognized were \$4, \$2 and \$(1) in 2019, 2018 and 2017, respectively. As of September 30, 2019 and 2018, total accrued interest and penalties were \$27 and \$23, respectively.

The U.S. is the major jurisdiction for which the Company files income tax returns. U.S. federal tax returns are closed through 2013. 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:

	2018	2019
Deferred tax assets:		
Net operating losses and tax credits	\$ 396	407
Accrued liabilities	238	228
Postretirement and postemployment benefits	37	36
Employee compensation and benefits	119	110
Pensions	—	95
Other	151	121
Total	\$ 941	997
Valuation allowances	\$ (341)	(307)
Deferred tax liabilities:		
Intangibles	\$ (693)	(637)
Pensions	(43)	—
Property, plant and equipment	(187)	(195)
Undistributed non-U.S. earnings	(52)	(49)
Other	(35)	(39)
Total	\$(1,010)	(920)
Net deferred income tax liability	\$ (410)	(230)

Total income taxes paid were approximately \$650, \$680 and \$1,420 in 2019, 2018 and 2017, respectively. Approximately half of the \$407 of net operating losses and tax credits expire over the next 5 years, while most of the remainder can be carried forward indefinitely.

(15) 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, 2019, 11.6 million options were available for grant under the plans.

Changes in shares subject to options during the year ended September 30, 2019 follow (shares in thousands):

	WEIGHTED- AVERAGE EXERCISE PRICE PER SHARE	SHARES	TOTAL INTRINSIC VALUE OF SHARES	AVERAGE REMAINING LIFE (YEARS)
Beginning of year	\$56.37	7,801		
Options granted	—	—		
Options exercised	\$49.35	(854)		
Options canceled	\$57.85	(32)		
End of year	\$57.23	6,915	\$67	4.2
Exercisable at end of year	\$57.27	6,795	\$66	4.2

The weighted-average grant date fair value per option was \$12.13 and \$8.36 in 2018 and 2017, respectively. Cash received for option exercises was \$40 in 2019, \$143 in 2018 and \$148 in 2017. The total intrinsic value of options exercised in 2019, 2018 and 2017 was \$16, \$53 and \$36, while the tax benefit from tax deductions related to option exercises was \$8, \$7 and \$2, 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 2018 and 2017 are, respectively: risk-free interest rate, based on U.S. Treasury yield, 2.4 percent and 1.7 percent; dividend yield, 2.9 percent and 3.6 percent; and expected volatility, based on historical volatility, 23 percent and 24 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, 2016, 4,944,575 performance 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. The objectives for these shares were met at the 86 percent level at the end of 2016, or 4,252,335 shares. Of these, 2,549,083 shares were distributed in early 2017 as follows: 1,393,715 issued as shares, 944,002 withheld for income taxes, and the value of 211,366 paid in cash. An additional 1,691,986 shares were distributed at the end of 2017 to employees who provided one additional year of service as follows: 1,070,264 issued as shares, 616,734 withheld for income taxes, and the value of 4,988 paid in cash. There were 11,266 shares canceled and not distributed.

As of September 30, 2018, 1,874,750 shares awarded primarily in 2016 were outstanding, contingent on the Company achieving its performance objectives through 2018. The objectives for these shares were met at the 97 percent level at the end of 2018 and 1,818,510 shares were distributed in early 2019 as follows: 1,023,789 issued as shares, 588,094 withheld for income taxes, and the value of 206,627 paid in cash.

As of September 30, 2019, 1,877,650 shares awarded primarily in 2017 were outstanding, contingent on the Company achieving its performance objectives through 2019. The objectives for these shares were met at the 107 percent level at the end of 2019 and 2,009,085 shares will be distributed in early 2020.

Additionally, the rights to receive a maximum of 1,811,605 and 2,125,954 common shares were awarded in 2019 and 2018, respectively, under the new performance shares program, and are outstanding and contingent upon the Company achieving its performance objectives through 2021 and 2020, respectively.

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 2019, 250,000 shares of restricted stock vested as a result of participants fulfilling the applicable service requirements. Consequently, 148,707 shares were issued while 101,293 shares were withheld for income taxes in accordance with minimum withholding requirements. As of September 30, 2019, there were 1,262,700 shares of unvested restricted stock outstanding.

The total fair value of shares distributed under incentive shares plans was \$145, \$20 and \$245, respectively, in 2019, 2018 and 2017, of which \$73, \$9 and \$101 was paid in cash, primarily for tax withholding. As of September 30, 2019, 8.8 million shares remained available for award under incentive shares plans.

Changes in shares outstanding but not yet earned under incentive shares plans during the year ended September 30, 2019 follow (shares in thousands; assumes 100 percent payout of unvested awards):

	SHARES	AVERAGE GRANT DATE FAIR VALUE PER SHARE
Beginning of year	6,898	\$54.69
Granted	1,740	\$68.99
Earned/vested	(2,068)	\$47.93
Canceled	(245)	\$59.85
End of year	6,325	\$60.63

Total compensation expense for stock options and incentive shares was \$120, \$216 and \$115 for 2019, 2018 and 2017, respectively, of which \$5 was included in discontinued operations for 2017. The decrease in expense in 2019 reflects a decreasing stock price in the current year compared to an increasing stock price in the prior year. The increase in expense for 2018 reflects an increase in the Company's stock price and progress toward achieving its performance objectives. Income tax benefits recognized in the income statement for these compensation arrangements during 2019, 2018 and 2017 were \$20, \$42 and \$33, respectively. As of September 30, 2019, total unrecognized compensation expense related to unvested shares awarded under these plans was \$138, which is expected to be recognized over a weighted-average period of 1.6 years.

In addition to the employee stock option and incentive shares plans, in 2019 the Company awarded 17,466 shares of restricted stock and 2,264 restricted stock units under the restricted stock plan for non-management directors. As of September 30, 2019, 139,635 shares were available for issuance under this plan.

(16) Common and Preferred Stock

At September 30, 2019, 34.3 million shares of common stock were reserved for issuance under the Company's stock-based compensation plans. During 2019, 19.9 million common shares were purchased and 1.8 million treasury shares were reissued. In 2018, 15.1 million common shares were purchased and 2.6 million treasury shares were reissued.

At September 30, 2019 and 2018, the Company had 5.4 million shares of \$2.50 par value preferred stock authorized, with none issued.

(17) Accumulated Other Comprehensive Income (Loss)

Activity in Accumulated other comprehensive income (loss) is shown below:

	2017	2018	2019
Foreign currency translation			
Beginning balance	\$ (812)	(369)	(600)
Other comprehensive income (loss)	58	(214)	(194)
Reclassified to gain/loss on sale of businesses	385	(17)	—
Ending balance	(369)	(600)	(794)
Pension and postretirement			
Beginning balance	(1,162)	(662)	(420)
Actuarial gains (losses) deferred during the period	315	250	(560)
Amortization of deferred actuarial losses into earnings	135	94	52
Reclassified to gain/loss on sale of businesses	50	—	—
Adoption of accounting standard update	—	(102)	—
Ending balance	(662)	(420)	(928)
Cash flow hedges			
Beginning balance	(25)	12	5
Gains (Losses) deferred during the period	34	2	(3)
Reclassifications of realized (gains) losses to sales and cost of sales	3	(11)	(2)
Adoption of accounting standard update	—	2	—
Ending balance	12	5	—
Accumulated other comprehensive income (loss)	\$(1,019)	(1,015)	(1,722)

Activity above is shown net of income taxes for 2019, 2018 and 2017, respectively, as follows: foreign currency translation: \$(16), \$0 and \$0; deferral of pension and postretirement actuarial gains (losses): \$165, \$(76) and \$(170); amortization of pension and postretirement deferred actuarial losses: \$(15), \$(29) and \$(75); deferral of cash flow hedging gains (losses): \$1, \$0 and \$(21); reclassification of realized cash flow hedging (gains) losses: \$0, \$4 and \$(2).

(18) Business Segments Information

The Company designs and manufactures products and delivers services that bring technology and engineering together to provide innovative solutions for customers in a wide range of industrial, commercial and consumer markets around the world.

In connection with the strategic portfolio repositioning actions undertaken to transform the Company into a more focused enterprise, the Company realigned its businesses. Starting in fiscal 2017, the Company began reporting three segments:

Automation Solutions; and **Climate Technologies** and **Tools & Home Products**, which together comprise the Commercial & Residential Solutions business.

The **Automation Solutions** segment enables process, hybrid and discrete manufacturers to maximize production, protect personnel and the environment, reduce project costs, and optimize their energy efficiency and operating costs through a broad offering of integrated solutions, software, services and products, including measurement and analytical instrumentation, industrial valves and equipment, and process control software and systems. Significant markets served include oil and gas, refining, chemicals and power generation, as well as pharmaceuticals, food and beverage, automotive, pulp and paper, metals and mining, and municipal water supplies. The segment's major product offerings are described below.

- **Measurement & Analytical Instrumentation** products measure the physical properties of liquids or gases in a process stream and communicate this information to a process control system or other software applications, and analyze the chemical composition of process fluids and emissions to enhance quality and efficiency, as well as environmental compliance.
- **Valves, Actuators & Regulators** consists of control, isolation and pressure relief valves which respond to commands from a control system to continuously and precisely modulate the flow of process fluids, smart actuation and control technologies, pressure management products, and industrial and residential regulators that reduce the pressure of fluids moving from high-pressure supply lines into lower pressure systems.
- **Industrial Solutions** provides fluid control and pneumatic mechanisms, electrical distribution equipment, and materials joining and precision cleaning products which are used in a variety of manufacturing operations to provide integrated solutions to customers.
- **Process Control Systems & Solutions** provides a digital ecosystem that controls plant processes by communicating with and adjusting the "intelligent" plant devices described above to provide precision measurement, control, monitoring, asset optimization, and plant safety and reliability for plants that produce power, or process fluids or other items.

The **Commercial & Residential Solutions** business consists of the Climate Technologies and Tools & Home Products segments. This business provides products and solutions that promote energy efficiency, enhance household and commercial comfort, and protect food quality and sustainability through heating, air conditioning and refrigeration technology, as well as a broad range of tools and appliance solutions.

The **Climate Technologies** segment provides products, services and solutions for all areas of the climate control industry, including residential heating and cooling, commercial air conditioning, commercial and industrial refrigeration, and cold chain management. Products include compressors, temperature sensors and controls, thermostats, flow controls, and stationary and mobile remote monitoring technologies and services that enable homeowners and businesses to better manage their heating, air conditioning and refrigeration systems for improved control and comfort, and lower energy costs.

The **Tools & Home Products** segment offers tools for professionals and homeowners and appliance solutions. Products include professional pipe-working tools, electrical and utility tools, residential and commercial food waste disposers, and wet-dry vacuums.

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 including the stability of governments and business conditions in foreign countries which could result in adverse changes in exchange rates, changes in regulations or disruption of operations.

The primary income measure used for assessing segment performance and making operating decisions is earnings before interest and income taxes. Certain expenses are reported at Corporate, including stock compensation expense and a portion of pension and postretirement benefit costs. Corporate and other includes unallocated corporate expenses, acquisition/divestiture costs, first year

acquisition accounting charges (which include fair value adjustments related to inventory, backlog and deferred revenue) and other items. Corporate assets are primarily comprised of cash and equivalents, investments and certain fixed assets. Summarized below is information about the Company's operations by business segment and by geography.

BUSINESS SEGMENTS

	SALES			EARNINGS			TOTAL ASSETS		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
Automation Solutions	\$ 9,418	11,441	12,202	\$1,522	1,886	1,947	\$12,581	13,720	13,996
Climate Technologies	4,212	4,454	4,313	975	972	883	2,547	2,936	2,885
Tools & Home Products	1,645	1,528	1,856	383	380	388	830	1,560	1,462
Commercial & Residential Solutions	5,857	5,982	6,169	1,358	1,352	1,271	3,377	4,496	4,347
Corporate items:									
Stock compensation				(110)	(216)	(120)			
Pension and postretirement costs				27	79	108			
Corporate and other				(297)	(275)	(173)	3,631	2,174	2,154
Eliminations/Interest	(11)	(15)	1	(165)	(159)	(174)			
Total	\$15,264	17,408	18,372	\$2,335	2,667	2,859	\$19,589	20,390	20,497

Automation Solutions sales by major product offering are summarized below:

	2017	2018	2019
Measurement & Analytical Instrumentation	\$3,070	3,604	3,807
Valves, Actuators & Regulators	2,659	3,749	3,794
Industrial Solutions	1,689	1,967	2,232
Process Control Systems & Solutions	2,000	2,121	2,369
Total	\$9,418	11,441	12,202

	DEPRECIATION AND AMORTIZATION			CAPITAL EXPENDITURES		
	2017	2018	2019	2017	2018	2019
Automation Solutions	\$381	488	535	\$234	295	297
Climate Technologies	156	171	176	182	209	222
Tools & Home Products	45	44	71	45	64	59
Commercial & Residential Solutions	201	215	247	227	273	281
Corporate and other	54	55	40	15	49	16
Total	\$636	758	822	\$476	617	594

GEOGRAPHIC INFORMATION

	AUTOMATION SOLUTIONS			COMMERCIAL & RESIDENTIAL SOLUTIONS			TOTAL		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
Americas	\$4,581	5,517	5,850	\$4,051	3,967	4,253	\$ 8,632	9,484	10,103
Asia, Middle East & Africa	2,936	3,657	3,891	1,273	1,384	1,192	4,209	5,041	5,083
Europe	1,901	2,267	2,461	533	631	724	2,434	2,898	3,185
Total	\$9,418	11,441	12,202	\$5,857	5,982	6,169	\$15,275	17,423	18,371

Sales in the U.S. were \$8,390, \$7,939 and \$7,273 for 2019, 2018 and 2017, respectively, while Asia, Middle East & Africa includes sales in China of \$1,962, \$1,955 and \$1,540 in those years.

	PROPERTY, PLANT AND EQUIPMENT		
	2017	2018	2019
Americas	\$2,055	2,234	2,339
Asia, Middle East & Africa	640	652	671
Europe	626	676	632
Total	\$3,321	3,562	3,642

Assets located in the U.S. were \$2,128 in 2019, \$2,027 in 2018 and \$1,840 in 2017.

(19) Other Financial Data

Items reported in earnings from continuing operations during the years ended September 30 included the following:

	2017	2018	2019
Research and development expense	\$340	436	454
Depreciation expense	\$414	444	463
Rent expense	\$289	279	285

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 \$159 in 2020, \$112 in 2021, \$82 in 2022, \$57 in 2023, \$38 in 2024 and \$63 thereafter.

Items reported in other noncurrent assets included the following:

	2018	2019
Pension assets	\$591	164
Asbestos-related insurance receivables	\$124	115
Deferred income taxes	\$ 74	97

Items reported in accrued expenses included the following:

	2018	2019
Employee compensation	\$629	606
Customer advances (contract liabilities)	\$510	519
Product warranty	\$124	140

Other liabilities are summarized as follows:

	2018	2019
Pension and postretirement liabilities	\$ 625	775
Deferred income taxes	484	327
Asbestos litigation	334	313
Other	656	556
Total	\$2,099	1,971

(20) Quarterly Financial Information (Unaudited)

	FIRST QUARTER		SECOND QUARTER		THIRD QUARTER		FOURTH QUARTER		FULL YEAR	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Net sales	\$3,816	4,147	4,248	4,570	4,456	4,684	4,888	4,971	17,408	18,372
Gross profit	\$1,614	1,761	1,817	1,925	1,942	2,001	2,059	2,128	7,432	7,815
Net earnings common stockholders	\$ 392	465	482	520	712	604	617	717	2,203	2,306
Net earnings per common share:										
Basic	\$ 0.61	0.74	0.76	0.85	1.13	0.98	0.98	1.17	3.48	3.74
Diluted	\$ 0.61	0.74	0.76	0.84	1.12	0.97	0.97	1.16	3.46	3.71
Dividends per common share	\$0.485	0.49	0.485	0.49	0.485	0.49	0.485	0.49	1.94	1.96

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

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

Earnings from continuing operations and diluted earnings per share included an income tax benefit of \$43 (\$0.07 per share) and \$150 (\$0.24 per share) in the first quarter and third quarter of 2018, respectively, from the impacts of U.S. tax reform. The full-year impact for fiscal 2018 was an income tax benefit of \$189 (\$0.30 per share). See Note 14.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Emerson Electric Co.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Emerson Electric Co. and subsidiaries (the Company) as of September 30, 2019 and 2018, 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, 2019, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of September 30, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended September 30, 2019, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2019 based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

The Company'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 the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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.

Definition and Limitations of Internal Control Over Financial Reporting

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.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Evaluation of the Sufficiency of Audit Evidence over Net Sales

As discussed in Notes 1, 2 and 18 to the Company's consolidated financial statements, and disclosed in the consolidated statements of earnings, the Company recorded \$18.4 billion of net sales in 2019.

We identified the evaluation of the sufficiency of audit evidence over net sales as a critical audit matter. Net sales are recognized primarily from the sale of tangible products from hundreds of Company locations around the world. Evaluating the sufficiency of audit evidence obtained required especially subjective auditor judgment because of the geographical dispersion of the Company's net sales generating activities. This included determining the Company locations at which procedures were performed and the supervision and review of procedures performed at those locations.

The primary procedures we performed to address this critical audit matter included the following. We performed risk assessment procedures and applied auditor judgment to determine the nature and extent of procedures to be performed over net sales, including the determination of the Company locations at which those procedures were to be performed. At each Company location where procedures were performed, we:

- Tested certain internal controls over the Company's net sales processes, including the Company's controls over the accurate recording of amounts.
- Assessed the recorded net sales by selecting a sample of transactions and compared the amounts recognized for consistency with underlying documentation, including contracts with customers and shipping documentation.

After completion of these procedures, we evaluated the overall sufficiency of audit evidence over net sales.

KPMG LLP

We or our predecessor firms have served as the Company's auditor since 1938.

St. Louis, Missouri
November 18, 2019

Item 9 – Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A – Controls and Procedures

The Company maintains a system of disclosure controls and procedures which is designed to ensure that information required to be disclosed by the Company in the reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to management, including the Company's certifying officers, as appropriate to allow timely decisions regarding required disclosure. Based on an evaluation performed, the Company's certifying officers have concluded that the disclosure controls and procedures were effective as of September 30, 2019 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, 2019, 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, set forth in Item 7 and Item 8, respectively, of this Annual Report on Form 10-K, 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 "Proxy Item No. 1: Election of Directors" in the Emerson Electric Co. Notice of Annual Meeting of Shareholders and Proxy Statement for the February 2020 annual shareholders' meeting (the "2020 Proxy Statement") is hereby incorporated by reference. Information regarding executive officers is set forth in Part I of this report. Information appearing under "Delinquent Section 16(a) Reports" in the 2020 Proxy Statement is hereby incorporated by reference. Information regarding the Audit Committee and Audit Committee Financial Expert appearing under "Board and Committee Operations - Board and Corporate Governance - Committees of Our Board of Directors," "Board and Committee Operations - Corporate Governance and Nominating Committee - Nomination Process" and "- Proxy Access" in the 2020 Proxy Statement is hereby incorporated by reference.

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

Item 11 – Executive Compensation

Information appearing under “Executive Compensation” (including the information set forth under “Compensation Discussion and Analysis”), “Compensation Tables,” “Board and Committee Operations—Corporate Governance and Nominating Committee—Director Compensation,” “Board and Committee Operations—Compensation Committee” (including, but not limited to, the information set forth under “Role of Executive Officers and the Compensation Consultant,” “Compensation Committee Report” and “Compensation Committee Interlocks and Insider Participation”) in the 2020 Proxy Statement is hereby incorporated by reference.

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

Item 12 – Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information regarding beneficial ownership of shares by nominees and continuing directors, named executive officers, five percent beneficial owners, and by all directors and executive officers as a group appearing under “Ownership of Emerson Equity Securities” in the 2020 Proxy Statement is hereby incorporated by reference.

The following table sets forth aggregate information regarding the Company’s equity compensation plans as of September 30, 2019:

Plan Category	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMN ^(a))
(a)	(b)	(c)	
Equity compensation plans approved by security holders ⁽¹⁾	13,782,133	\$57.23	20,483,695
Equity compensation plans not approved by security holders	—	—	—
Total	13,782,133	\$57.23	20,483,695

- (1) Includes the Stock Option and Incentive Shares Plans previously approved by the Company’s security holders. Shares included in column (a) assume the maximum payouts, where applicable, and are as follows: (i) 6,915,248 shares reserved for outstanding stock option awards, (ii) 1,811,605 shares reserved for performance share awards granted in 2019, (iii) 2,125,954 shares reserved for performance share awards granted in 2018, (iv) 2,347,063 shares reserved for performance share awards granted in 2017 and (v) 582,263 shares reserved for outstanding restricted stock unit awards. As provided by the Company’s Incentive Shares Plans, performance shares awards represent a commitment to issue such shares without cash payment by the employee, contingent upon achievement of the performance objectives and continued service by the employee.

The price in column (b) represents the weighted-average exercise price for outstanding options. Included in column (c) are shares remaining available for award under previously approved plans as follows: (i) 11,591,161 under the 2011 Stock Option Plan, (ii) 7,961,165 under the 2015 Incentive Shares Plan, (iii) 791,734 under the 2006 Incentive Shares Plan, and (iv) 139,635 under the Restricted Stock Plan for Non-Management Directors.

Information regarding stock option plans and incentive shares plans is set forth in Note 15.

Item 13 – Certain Relationships and Related Transactions, and Director Independence

Information appearing under “Board and Committee Operations—Board and Corporate Governance—Review, Approval or Ratification of Transactions with Related Persons,” “—Certain Business Relationships and Related Party Transactions” and “—Director Independence” in the 2020 Proxy Statement is hereby incorporated by reference.

Item 14 – Principal Accountant Fees and Services

Information appearing under “Board and Committee Operations—Audit Committee—Fees Paid to KPMG LLP” in the 2020 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 set forth in Item 8 of this Annual Report on Form 10-K.
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 this Annual Report on Form 10-K.
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 June 5, 2018, incorporated by reference to the Company’s Form 8-K dated June 5, 2018, filed on June 11, 2018, File No. 1-278, Exhibit 3.1.
 - 4(a) Indenture dated as of December 10, 1998, between Emerson Electric Co. and Wells Fargo Bank, National Association, as successor trustee to The Bank of New York Mellon Trust Company, N.A. (successor to The Bank of New York Mellon (formerly known as the Bank of New York)), as trustee, incorporated by reference to Emerson Electric Co. 1998 Form 10-K, File No. 1-278, Exhibit 4(b).
 - 4(b) Agreement of Resignation, Appointment and Acceptance dated as of April 26, 2019 by and among Emerson Electric Co., Wells Fargo Bank, National Association, as successor trustee, and The Bank of New York Mellon Trust Company, N.A., as resigning trustee, incorporated by reference to the Company’s Form 8-K dated May 15, 2019, filed on May 17, 2019, File No. 1-278, Exhibit 4.4.
 - 4(c) Description of Capital Stock incorporated by reference to Emerson Electric Co. 2017 Form 10-K, File No. 1-278, Exhibit 99.1.
 - 4(d) Description of 0.375% Notes due 2024, 1.250% Notes due 2025 and 2.000% Notes due 2029.

No other long-term debt instruments are filed since the total amount of securities authorized under any such instrument does not exceed 10 percent of the total assets of Emerson Electric Co. and its subsidiaries on a consolidated basis. Emerson Electric Co. agrees to furnish a copy of such instruments to the SEC upon request.
- 10(a)* Third Amendment to the Emerson Electric Co. 1993 Incentive Shares Plan, as restated, incorporated by reference to Emerson Electric Co. 1996 Form 10-K, File No. 1-278, Exhibit 10(g) and Fourth Amendment thereto, incorporated by reference to Emerson Electric Co. 2001 Form 10-K, File No. 1-278, Exhibit 10(d).

- 10(b)* Amended and Restated Emerson Electric Co. Continuing Compensation Plan for Non-Management Directors, incorporated by reference to Emerson Electric Co. 2007 Form 10-K, File No. 1-278, Exhibit 10(c).
- 10(c)* Amended and Restated Deferred Compensation Plan for Non-Employee Directors and Forms of Payment Election Form, Initial Notice of Election and Notice of Election Change, incorporated by reference to Emerson Electric Co. 2007 Form 10-K, File No. 1-278, Exhibit 10(d).
- 10(d)* First Amendment to the Emerson Electric Co. Supplemental Executive Retirement Plan, incorporated by reference to Emerson Electric Co. 1999 Form 10-K, File No. 1-278, Exhibit 10(h), and Form of Change of Control Election, incorporated by reference to Emerson Electric Co. Form 8-K dated October 1, 2004, Exhibit 10.9 (applicable only with respect to benefits vested as of December 31, 2004).
- 10(e)* Amended and Restated Emerson Electric Co. Pension Restoration Plan dated October 6, 2015, incorporated by reference to Emerson Electric Co. 2015 Form 10-K, File No. 1-278, Exhibit 10(e); Forms of Participation Award Letter, Acceptance of Award and Benefit Election Forms (applicable only with respect to benefits after January 1, 2005), incorporated by reference to Emerson Electric Co. 2007 Form 10-K, File No. 1-278, Exhibit 10(f); and Lump Sum Distribution Election Forms.
- 10(f)* Fifth Amendment to the Supplemental Executive Savings Investment Plan, incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended March 31, 1999, File No. 1-278, Exhibit 10(j), and Form of Participation Agreement and Form of Annual Election, incorporated by reference to Emerson Electric Co. Form 8-K filed October 1, 2004, Exhibit 10.8 (applicable only with respect to benefits vested as of December 31, 2004).
- 10(g)* Amended and Restated Emerson Electric Co. Savings Investment Restoration Plan and Forms of Participation Agreement, Annual Election Form and Payment Election Form (applicable only with respect to benefits after January 1, 2005), incorporated by reference to Emerson Electric Co. 2007 Form 10-K, File No. 1-278, Exhibit 10(h), and First Amendment to Emerson Electric Co. Savings Investment Restoration Plan, incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended March 31, 2008, File No. 1-278, Exhibit 10.1.
- 10(h)* Amended and Restated Emerson Electric Co. Annual Incentive Plan and Form of Acceptance of Award, incorporated by reference to Emerson Electric Co. 2007 Form 10-K, File No. 1-278, Exhibit 10(i).
- 10(i)* 1997 Incentive Shares Plan, incorporated by reference to Emerson Electric Co. 1997 Proxy Statement dated December 6, 1996, File No. 1-278, Exhibit A, and First Amendment thereto, incorporated by reference to Emerson Electric Co. 2001 Form 10-K, File No. 1-278, Exhibit 10(j), Amendment for 409A Compliance, incorporated by reference to Emerson Electric Co. 2007 Form 10-K, File No. 1-278, Exhibit 10(j), Form of Performance Share Award Certificate, Forms of Acceptance of Award and Change of Control Election, incorporated by reference to Emerson Electric Co. Form 8-K filed October 1, 2004, Exhibit 10.5, and Form of Restricted Shares Award Agreement, incorporated by reference to Emerson Electric Co. Form 8-K filed October 1, 2004, Exhibit 10.6.
- 10(j)* 1998 Stock Option Plan, incorporated by reference to Emerson Electric Co. 1998 Proxy Statement dated December 12, 1997, File No. 1-278, Appendix A, and Amendment No. 1 thereto, incorporated by reference to Emerson Electric Co. 2000 Form 10-K, File No. 1-278, Exhibit 10(l), Form of Notice of Grant of Stock Options and Option Agreement and Form of Incentive Stock Option Agreement, incorporated by reference to Emerson Electric Co. Form 8-K filed October 1, 2004, Exhibit 10.1, and Form of Notice of Grant of Stock Options and Option Agreement and Form of Nonqualified Stock Option Agreement, incorporated by reference to Emerson Electric Co. Form 8-K filed October 1, 2004, Exhibit 10.2.
- 10(k)* 2001 Stock Option Plan, incorporated by reference to Emerson Electric Co. 2002 Proxy Statement dated December 12, 2001, File No. 1-278, Appendix A, Form of Notice of Grant of Stock Options and Option Agreement and Form of Incentive Stock Option Agreement, incorporated by reference to Emerson Electric Co. Form 8-K filed October 1, 2004, Exhibit 10.3 (used on or prior to September 30, 2011), Forms of Notice of Grant of Stock Options, Option Agreement and Incentive Stock Option Agreement, incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended December 31, 2011, File No. 1-278, Exhibit 10.1 (used after September 30, 2011), Form of Notice of Grant of Stock Options and Option Agreement and Form of Nonqualified Stock Option Agreement, incorporated by reference to Emerson Electric Co. Form 8-K filed October 1, 2004, Exhibit 10.4 (used on or prior to September 30, 2011), Forms of Notice of Grant of Stock Options, Option Agreement and Nonqualified Stock Option Agreement, incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended December 31, 2011, File No. 1-278, Exhibit 10.2 (used after September 30, 2011).

- 10(l)* Emerson Electric Co. Description of Split Dollar Life Insurance Program Transition, incorporated by reference to Emerson Electric Co. Form 8-K filed September 2, 2005, Exhibit 10.1.
- 10(m)* Amended and Restated Restricted Stock Plan for Non-Management Directors, incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended December 31, 2009, File No. 1-278, Exhibit 10.1, Form of Restricted Stock Award Letter under the Emerson Electric Co. Restricted Stock Plan for Non-Management Directors, incorporated by reference to Emerson Electric Co. Form 8-K filed February 1, 2005, Exhibit 10.2, and Form of Restricted Stock Unit Award Letter under the Emerson Electric Co. Restricted Stock Plan for Non-Management Directors, incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended December 31, 2009, File No. 1-278, Exhibit 10.1.
- 10(n)* Description of Non-Management Director Compensation, incorporated by reference to Emerson Electric Co. Form 10-K filed November 20, 2017, Exhibit 10(n).
- 10(o)* Description of Named Executive Officer Compensation, incorporated by reference to Emerson Electric Co. Form 10-K filed November 20, 2017, Exhibit 10(o).
- 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 Shares Award Certificate and Acceptance of Award (used on or prior to September 30, 2009) and Restricted Shares 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 Shares 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 Shares 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 Shares 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 May 23, 2018, incorporated by reference to Emerson Electric Co. Form 8-K dated May 23, 2018 and filed May 29, 2018, File No. 1-278, 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)* Emerson Electric Co. 2015 Incentive Shares Plan, incorporated by reference to Emerson Electric Co. 2015 Proxy Statement dated December 12, 2014, Appendix B, Forms of Performance Shares Award Certificate and Acceptance of Award (used on or prior to November 5, 2018), Performance Shares Program Award Summary (used on or prior to November 5, 2018) and Form of Restricted Shares Award Agreement (used on or prior to November 5, 2018), incorporated by reference to Emerson Electric Co. 2015 Form 10-K, File No. 1-278, Exhibit 10(u), Form of Restricted Shares Award Agreement (used after November 5, 2018), incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended December 31, 2018, Exhibit 10.1, Form of Restricted Stock Units Program Acceptance of Award (used after November 5, 2018), incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended December 31, 2018, Exhibit 10.2 and Form of Performance Share Program Acceptance of Award (used after November 5, 2018), incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended December 31, 2018, Exhibit 10.3.

- 10(t) Transaction Agreement dated as of July 29, 2016 among Emerson Electric Co., Cortes NP Holdings, LLC, Cortes NP Acquisition Corporation, ASCO Power Grp, LLC and Cortes NP JV Holdings, LLC, incorporated by reference to Emerson Electric Co. 2016 Form 10-K, File No. 1-278, Exhibit 10(w).
- 10(u)* Emerson Electric Co. Savings Investment Restoration Plan II, incorporated by reference to the Emerson Electric Co. Form 10-Q for the quarter ended June 30, 2018, File No. 1-278, Exhibit filed 10.1.
- 10(v)* Letter Agreement effective as of October 2, 2018, by and between Emerson Electric Co. and Edward L. Monser, incorporated by reference to the Emerson Electric Co. Form 8-K filed October 5, 2018, File No. 1-278, Exhibit filed 10.1.
- 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 iXBRL (Inline Extensible Business Reporting Language): (i) Consolidated Statements of Earnings for the years ended September 30, 2017, 2018 and 2019, (ii) Consolidated Statements of Comprehensive Income for the years ended September 30, 2017, 2018, and 2019 (iii) Consolidated Balance Sheets at September 30, 2018 and 2019, (iv) Consolidated Statements of Equity for the years ended September 30, 2017, 2018 and 2019, (v) Consolidated Statements of Cash Flows for the years ended September 30, 2017, 2018 and 2019, and (vi) Notes to Consolidated Financial Statements for the year ended September 30, 2019.
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* 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
Senior Executive Vice President and Chief Financial Officer
November 18, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on November 18, 2019, by the following persons on behalf of the registrant and in the capacities indicated.

Signature	Title
<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	Senior Executive Vice President and Chief Financial Officer
<u>/s/ M. J. Baughman</u> M. J. Baughman	Vice President, Controller and Chief Accounting Officer
<u>*</u> M. A. Blinn	Director
<u>*</u> C. A. H. Boersig	Director
<u>*</u> J. B. Bolten	Director
<u>*</u> M. S. Craighead	Director
<u>*</u> G. A. Flach	Director
<u>*</u> A. F. Golden	Director
<u>*</u> C. Kendle	Director
<u>*</u> L. Lee	Director
<u>*</u> M. S. Levatich	Director
<u>*</u> J. S. Turley	Director

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

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