



EMERSON

Rising

to the New Challenge

2016 Letter to Shareholders

This 2016 Letter to Shareholders and our 2016 Form 10-K together constitute our annual report to shareholders within the meaning of SEC rules. You should read our 2016 Form 10-K. Please see "Annual Report" herein.

NEW EMERSON PERFORMANCE

Years ended September 30 Dollars in millions, except per share amounts	2015	2016	PERCENT CHANGE
Sales	\$16,249	\$14,522	(11)%
Gross profit	\$ 7,008	\$ 6,262	(11)%
Operating profit	\$ 3,273	\$ 2,798	(15)%
Earnings before interest and taxes	\$ 3,982	\$ 2,504	(37)%
Earnings from continuing operations	\$ 2,517	\$ 1,590	(37)%
Net earnings	\$ 2,710	\$ 1,635	(40)%
Earnings per share from continuing operations	\$ 3.71	\$ 2.45	(34)%
Diluted earnings per share	\$ 3.99	\$ 2.52	(37)%
Dividends per share	\$ 1.88	\$ 1.90	1 %
Operating cash flow from continuing operations	\$ 2,040	\$ 2,499	23 %
Return on total capital	22.8%	15.5%	
Return on equity	29.8%	20.9%	

Earnings from continuing operations in 2015 include divestiture gains of \$611 (\$0.90 per share). Net earnings and diluted earnings per share include discontinued operations and repositioning items of \$45 (\$0.07 per share) and \$193 (\$0.28 per share) in 2016 and 2015, respectively. Operating cash flow includes income taxes paid of \$424 in 2015 on divestiture gains.

ADJUSTED BASIS PERFORMANCE

Years ended September 30 Dollars in millions, except per share amounts	2015	2016	PERCENT CHANGE
Sales	\$22,304	\$20,232	(9)%
Gross profit	\$ 9,048	\$ 8,256	(9)%
Operating profit	\$ 3,864	\$ 3,415	(12)%
Earnings before interest and taxes	\$ 3,303	\$ 2,991	(9)%
Net earnings	\$ 2,151	\$ 1,934	(10)%
Diluted earnings per share	\$ 3.17	\$ 2.98	(6)%
Operating cash flow	\$ 2,953	\$ 3,060	4 %

Adjusted basis performance includes the results of the discontinued businesses (Network Power, Leroy-Somer and Control Techniques) and excludes repositioning items of \$299 (\$0.46 per share) and \$52 (\$0.08 per share) in 2016 and 2015, respectively, and divestiture gains of \$611 million (\$0.90 per share) in 2015. Operating cash flow excludes payments of \$179 in 2016 for separation costs related to the portfolio repositioning and income taxes paid of \$424 in 2015 on divestiture gains.

See "Reconciliation of Non-GAAP Measures" on page 18.

60 Years of Increased Dividends



1956

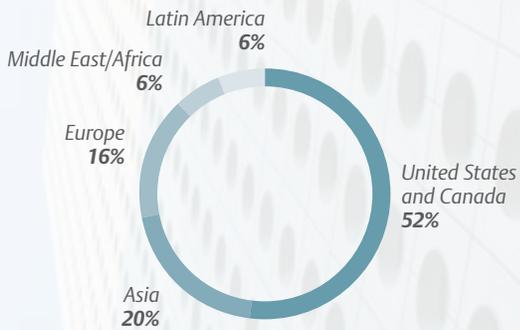
2016

\$2.52
EARNINGS
PER SHARE

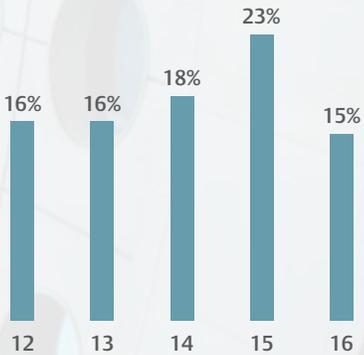
\$1.90
DIVIDENDS
PER SHARE

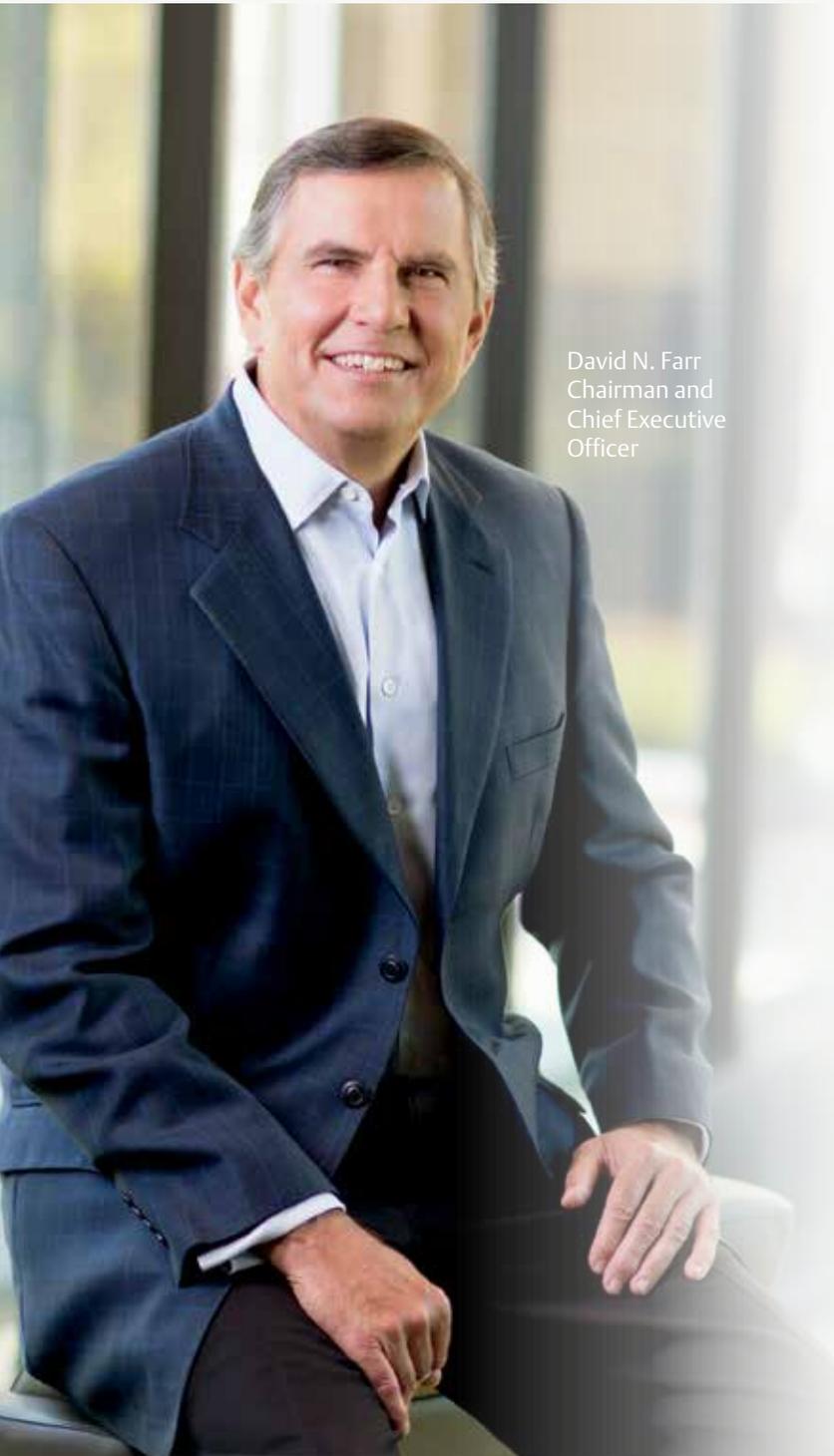
Addressing the World's Most Critical Needs

SALES BY GEOGRAPHIC DESTINATION



RETURN ON TOTAL CAPITAL





David N. Farr
Chairman and
Chief Executive
Officer

To Our Shareholders:

In fiscal 2016, Emerson made significant strides to transform the company into a more focused enterprise poised for stronger, long-term growth. We completed a number of the vital strategic initiatives outlined in last year's letter to reshape Emerson for the future, the most significant of which was the implementation of our One Emerson approach to realign our businesses and people into two key business platforms: Automation Solutions and Commercial & Residential Solutions. By taking this important first step, we ensured Emerson is ready and able to quickly adapt to ever-changing market dynamics and return to growth as we create broader and deeper solutions for our global customers' most complex challenges.

Our determination to create a new path to long-term growth and prosperity in the quickly evolving markets we serve became more evident in 2016. We signed agreements to sell the Network Power, Leroy-Somer and Control Techniques businesses at favorable values; all while working to streamline our total enterprise cost structure to best operate in a continued weak, low-growth global environment. Further, we acquired several strong and innovative businesses that strengthen the core of our two realigned business platforms. Much was accomplished during the year by the entire Emerson organization and there is much more work to be done entering 2017 as we rebuild sales and earnings momentum and strive to return our sales level to more than \$20 billion per year.

Given the challenging market conditions and the length of the industrial investment downturn that impacted our businesses in 2015 and 2016, we believe it is important to reiterate the strategic framework we have designed to drive long-term growth and shareholder value. We also believe it is equally important to provide further transparency into our strategic planning process and projected use of capital so that all of our stakeholders have a clear

understanding of the path forward and why Emerson will emerge stronger as a result of the significant transformation of our portfolio.

Strategic Framework

Emerson's strategic framework has been driven historically by our focus on creating value, delivering premium sales growth, increasing margins and cash flow and geographic expansion, particularly in emerging markets. The framework is set on a firm foundation: that Emerson is a well-managed, financially strong and highly focused enterprise with a history of delivering strong total shareholder return and 60 consecutive years of increasing dividends. Our products, technologies, systems and services hold leading positions in their served markets and support a broad range of customers that include some of the world's most recognizable brands. Our Automation Solutions business has strong leadership positions in many critical industries such as oil & gas, chemical, refining, power and life sciences and is actively working to help customers achieve top quartile performance in uncertain times and rapidly changing market conditions. Our Commercial & Residential Solutions business provides global business-to-business and business-to-consumer technologies that shape the industries which advance energy efficiency and environmental conservation, ensure human comfort and serve and protect food quality and sustainability along with other temperature-sensitive products such as medicines.

As we execute our core strategy, we look to increase our operating cash flow to above \$3 billion once again, for continued investment in both internal programs and acquisitions while maintaining our historical focus of returning cash to shareholders. By focusing our investments in our core served markets where we hold leading positions, we can tap into new revenue streams, expand our product and solutions offerings, drive margin growth and drive earnings

per share back to levels above three dollars. The acquisition strategy will continue to focus on both bolt-on and strategic acquisitions of products and technologies that complement our current offerings and/or expand our solutions capabilities. By doing so, we are able to provide our global customers with the most complete solutions.

Our recent acquisitions are tied closely to this strategy. The acquisition of Pentair's Valves & Controls business will allow us to expand the geographic and product footprint of our already broad automation portfolio. It also allows our Final Control business to offer the most complete valve solution available in the process market supported by an extensive global service network. In addition, its broad market exposure provides us the opportunity to further enhance our position as an industry leader in key served markets such as chemical, power, refining and oil and gas.

Our Commercial & Residential Solutions platform is comprised of market leading businesses and technologies that are poised for growth in 2017, supported by the expectation of improved end markets. We will leverage this growth to fund increased investments in unique technologies and solutions as we continue to reshape these businesses for long-term value creation. We will accomplish this by growing our core market segments and investing in innovation around energy efficiency and sustainability, environmentally friendly technologies, cold chain management and human comfort. Initiatives like The Helix Innovation Center, an investment we made during difficult economic times, ensure we are well positioned to take a leading role in shaping critical trends throughout the industry. We will also work to leverage our vast product domain knowledge in the air conditioning and refrigeration markets in order to pivot and offer more services and solutions to customers around the world. Bob Sharp's letter on the following pages outlines some examples of our focus in these areas.

We have and will continue to work very closely with our Board of Directors as we execute this strategy. The Emerson Board is highly engaged and they bring tremendous experience, insight and ideas to the table as we debate the challenges and opportunities ahead of us. Their support and willingness to actively engage with management as we reposition Emerson to enhance long-term value is one of the things I believe makes our Board unique and gives us a competitive advantage.

Our People

We will succeed and grow because Emerson has the smartest, most talented and engaged people – up and down the organization and around the globe. We're heavily invested in training and developing our people and ensuring they are challenged, supported and positioned to win. I firmly believe that as we continue to reshape the company and take the necessary steps to grow our business, we cannot accomplish this without the best and brightest talent. We must continue to identify and recruit the



The Office of the Chief Executive (from left): Sara Yang Bosco, Michael H. Train, David N. Farr, Robert T. Sharp, Katherine Button Bell, Mark J. Bulanda, Frank J. Dellaquila, Edgar M. Purvis Jr., Steven J. Pelch, Edward L. Monser.

next generation of leaders and provide them with an environment that encourages innovation, and new ways of thinking and tackling challenges to ensure Emerson's long-term success.

Responsible Business and Ethics

This year, we enhanced our approach to sustainability as we undertook a significant update to our Corporate Social Responsibility report. This report showcases our efforts to ensure our operations are efficient and environmentally responsible, an important issue for our Board,

employees, customers and shareholders. We have long been committed to conducting our business with the highest levels of integrity and responsibility, and we take this charge very seriously. The customers and industries we serve in process, industrial, commercial and residential markets provide key building blocks for critical human progress. This new report provides background on our efforts across Environmental Stewardship, Integrity & Ethics, Corporate Governance, People & Workplace, Supply Chain and Community Involvement. I encourage you to read this report which is available on our website.

2016 has been a successful year of change for Emerson, and that change could not have happened without the support, commitment and hard work of all our employees around the world. I want to extend a very special thank you to them for everything they do, day after day, to make Emerson a great company.

I would also like to thank our Board of Directors for their insight, guidance and active involvement in the company and their support during this transition. The Board has been instrumental in the transformation process, and we could not have achieved what we have in such a short amount of time without their help and willingness to take new and important risks.

On behalf of the Board of Directors and all of Emerson's global employees, we want to thank you, our shareholders, for your trust and confidence in us. I know we all share the same vision for a more focused, profitable, growth-oriented Emerson, and I look forward to working with you as we continue to reposition Emerson for the future.

Thank You



David N. Farr
Chairman and Chief Executive Officer



Stewarding industries to help develop the new normal

A Letter from Mike Train, Automation Solutions

It has been a year filled with substantial challenges, constant change and market volatility for the industries served by the Emerson Automation Solutions platform. Leaders in these industries, working in this difficult, low growth global environment are increasingly turning to technology to remain competitive. They're applying automation and the Industrial Internet of Things (IIoT) to increase agility, reliability and performance, allowing them to adjust their operations to match the pace of business today. With decades of experience and leadership we have significant opportunities, both within our existing installed base and with new customers, to provide the automation, software, solutions and expertise required to reduce operational costs on existing assets, improve health and safety measures, and deliver capital projects on time and on budget. And we are well positioned to capitalize on this opportunity to drive growth and create long-term shareholder value thanks to our recognition as a trusted partner, global presence and ability to support our customers through the design and implementation of complete solutions that utilize innovative technology.

Extending Our Leadership

During the past year we have reorganized our business into the new Emerson Automation Solutions platform. This reorganization increases our ability to collaborate across our automation businesses in order to develop more complete solutions for customers based upon our deep industry experience, and further leverage our global presence to achieve both sales and operational synergies across the platform. The combination of these businesses also allows us to more clearly and efficiently evaluate our automation portfolio to identify opportunities to add new and innovative technologies and complementary products that best position the platform for growth across the full automation marketplace. As a result, our first strategic move was the acquisition of Pentair's Valves

& Controls business. As noted in David's letter, this extends our solutions scope and problem-solving capabilities in our core process markets, most notably chemical, power and oil & gas. It also enables our Final Control business to offer the most complete valve solutions available in the process market supported by a vast global manufacturing and services network. This uniquely positions Emerson to support a customer's total valve and actuation requirements, filling a gap that has existed in the industry for years.

Enabling Top-Quartile Performance

The industries we serve, particularly energy-related markets that have faced an extended period of low oil prices, are under immense pressure today. In order for them to remain competitive with both restricted operating and capital spending, it is vital that customers operate existing assets at peak performance. In 2015, we launched our Top Quartile strategic initiative to help customers achieve business performance that ranks among the top 25 percent of their peer group in areas such as operational reliability and capital efficiency. Using our broad automation portfolio, Emerson is able to design complete solutions comprised of products, software and innovative sensing technologies that enable customers to achieve greater operational performance while maintaining fiscal responsibility.

In 2016, we expanded our Top Quartile focus by launching our Operational Certainty program, which targets the more than \$1 trillion in company value lost each year due to suboptimal performance according to our research. This program aims to reduce customer costs by achieving Top Quartile Performance in safety, reliability, production and emissions. In working with Longview Power, we helped transform an operation with frequent outages and performance issues into one of the cleanest, most efficient coal-fired power plants in the United States. Emerson implemented automation technologies at



Mike Train
Executive President,
Automation Solutions

Integrating people, organizations, and information technology to make smarter decisions



the Maidsville, West Virginia plant, which are expected to save \$3 million per year by avoiding unplanned outages. Emerson's automation technologies contributed to net power generation increasing by more than one-third, while using less fuel and producing carbon dioxide emissions 15 percent lower than the average U.S. coal-fired power plant.

As the markets recover, capital projects will face intense budget and timing scrutiny as internal and external stakeholders will demand improved levels of execution. Our research shows a potential \$430 billion in wasted capital in process industries due to inefficient execution, with nearly two-thirds of capital projects over \$1 billion failing due to budget overruns of more than 25 percent and/or missing schedules by more than 50 percent. With our Project Certainty approach, we are able to partner with customers to bring proven processes and technology during the project development phase. Emerson provides a range of project and support services that help ensure on-schedule project execution, including system design and engineering, configuration, testing, installation and commissioning. With Top Quartile Performance in mind, we leverage our industry expertise and technologies to bring innovative solutions that ensure projects are completed on time and on budget. This approach will continue to drive growth as we position Emerson Automation Solutions as a thought leader and trusted partner for our global customers.

Harnessing the Industrial Internet of Things

Operational Certainty will be powered in large part by PlantWeb, a comprehensive digital ecosystem that provides customers with new insights enabling improved safety, reliability, production and emissions via the Industrial Internet of Things (IIoT). Plantweb allows us to provide a fully integrated and secure framework for IIoT, covering intelligent sensors, secure communications, software, applications and services. With more than 25 years of experience in creating digital networks, diagnostics and analytics, we partner with customers to deploy technologies that elevate their business to run at optimal performance levels and analyze the data that inform decisions and drive results. And that data is provided by our Pervasive Sensing™ portfolio of innovative, easy to install and maintain sensors that deliver the information to enhance performance.

IIoT represents a great growth opportunity for Emerson, and we see it taking hold at first in operational areas such as predictive diagnostics that monitor equipment health to identify potential problems before they happen or managing energy

distribution within a facility to maximize efficiency and lower costs. Industrial facilities often are comprised of hundreds or thousands of pieces of equipment and early identification of potential failures or efficiency loss can have a significant impact on safety, reliability and production. Manufacturers are quickly realizing meaningful business results and returns from IIoT deployments in these areas. By leveraging IIoT, Emerson was able to help Denka Singapore reduce energy consumption and be more competitive and profitable. Using the PlantWeb digital ecosystem and Emerson Connected Services, Denka was able to reduce steam consumption, a significant portion of its operating cost, by approximately 7 percent.

We partner with our customers to deploy IIoT as a scalable solution that enables them to gain business insights where they need them: at the site level, at the enterprise level inside customer Integrated Operations Centers or served through remote monitoring. We are well positioned to help customers blend these approaches over time, creating a strong business pipeline for Emerson and to provide the best possible outcomes for customers.

The Path Forward

We believe our wealth of experience and approach to business enables us to help make the most use of the world's valuable resources and help nations move their economies forward in a responsible way as we support the industries that are the backbone of daily life. There is a great deal of opportunity ahead of us within these industries, and our reorganization has opened the door for us to capture that growth.

The emergence of IIoT will only accelerate the trend toward the proliferation of automation and sensing into different areas in the years to come, bringing with it opportunities for us to leverage our deep experience in the space and expand our portfolio of products and services. And as our portfolio grows, we are better positioned to assist customers across industries to reach Top Quartile Performance by providing unique and comprehensive automation solutions. With this strategic focus on expanding our already broad portfolio, combined with the opportunities from Project Certainty and Operational Certainty, we have a strong path for growth that positions us to generate greater returns for both our customers and shareholders.



Michael H. Train

Executive President, Automation Solutions

Collaborating to drive innovation of new technologies and higher efficiencies

A Letter from Bob Sharp, Commercial & Residential Solutions

More than 100 years ago, Emerson pioneered an important innovation in comfort that is still widely used today, the electric fan. That seed of creativity has grown dramatically over time. Our latest innovations include the capability for homeowners and commercial building managers to monitor and control their entire heating and cooling system, with exact precision, from anywhere in the world using an app on their smartphone.

We're not the same company we were in 1890, nor are we the same company we were just a year ago. We never stand still as we focus on long-term substantial value creation for the industry, our customers and shareholders. Our passion to continually evolve is what inspired the formation of Emerson's new Commercial & Residential Solutions platform to apply greater focus to the \$30 billion commercial and residential space we serve. Looking at the world through this new, larger lens is already opening up new opportunities for growth, while continuing our legacy of focused expertise to solve our customers' most complex challenges.

As we continue to build our business, we are developing new solutions in our long-standing areas of Heating, Ventilation, Air Conditioning and Refrigeration (HVACR), professional tools, cold chain monitoring and food waste management. At the same time, we are expanding our residential and commercial offerings into new, complementary spaces such as air quality, food sustainability and smart-home technology.

While the overall market has been challenging, we have continued to deliver value through productivity and cost reductions, and I believe we are poised for a solid year in 2017. There are significant long-term growth opportunities ahead driven by both emerging technologies and our ability to leverage Emerson's strong global installed base. We also see opportunities for growth as global construction trends remain favorable and as the demand for new energy-efficiency improvements and sustainability solutions around the world continue to accelerate.

Global Impact

Our focus on both innovation and international expansion helps us address some of the biggest needs on the horizon. To provide greater comfort and increase energy efficiency, we continue to rapidly develop a full range of modulated compressor and electronics technologies. Emerson solutions also help address clean-air objectives. For example, some countries still use inefficient coal-based boiler systems for residential and commercial heating. Such systems create significant emissions issues, and air source heat pumps with our compressors, electronics and other components have proven to be a superior solution to lower emissions and increase energy efficiency. Also, food waste in landfills is a significant issue, both in terms of space and harmful methane gas emissions. Emerson's InSinkErator commercial and residential food waste disposers enable food to be converted into a fine slurry that municipal water treatment and anaerobic digestion facilities can instead turn into energy and fertilizer.



Bob Sharp
Executive President,
Commercial &
Residential Solutions

Providing a collaborative environment
to **develop solutions** to
industry challenges



Investing in Growth and Innovation

In line with Emerson's overall strategic plan, we continue to pursue acquisitions and early-stage investments within our core market segments and emerging spaces related to both new products and Internet of Things-based services. These investments are enabling us to capitalize on the rapid change underway in our industry, and they strengthen our role as a leader in new initiatives such as intelligent stores, HVACR systems that can utilize environmentally friendly natural refrigerants and ultra-efficient air-conditioning systems. We are also expanding the role we play in the growing connected home space through innovative solutions in our Sensi™ Brand.

Our position as an industry leader is what inspired us to open The Helix Innovation Center, a \$35 million state-of-the-art investment at the University of Dayton. The Helix serves as a centerpiece for innovation where Emerson, as an industry steward, can bring business, academia and others together to solve global climate- and energy-related challenges. The Helix contains six full-scale, real-world environments – a supermarket, commercial kitchen, full-size residential home inside a controlled chamber, data center, industrial refrigeration and commercial building. This industry-first approach allows for rapid prototyping and use of actual applications to develop and test new ideas to solve today's most difficult challenges.

Cold Chain Leadership

We continue to expand our cold chain leadership, an important area that addresses the widespread need to safeguard the world's food supply and other temperature-sensitive products such as pharmaceuticals. Implementation of the Food and Drug Administration's Food Safety Modernization Act in the U.S., and increased attention to food spoilage around the world, are bringing the cold chain into the forefront, and with that comes the opportunity to help our customers navigate these challenges. In addition to internal developments, we recently completed two acquisitions that now make it possible for us to help customers continually monitor the temperature of products during transport, whether they are being transported five miles or 5,000.

Internet of Things

The Internet of Things (IoT) is playing an increasingly significant role in what we do. We are leveraging IoT in creative and strategic ways to enhance our products and provide new customer value. For example, home comfort has emerged as the bedrock of consumer IoT. Through our smart connected solution brand Sensi, we are managing the comfort and reliability of homes, and making a century of heating, ventilation and air-conditioning expertise visible to consumers. Sensi Comfort monitoring provides continual insight into the health of residential HVAC systems in order to anticipate problems, while the Sensi thermostat allows homeowners to more easily manage their temperature settings to improve comfort and energy efficiency all while reducing costs.

The Path Forward

For more than 126 years, Emerson has worked to create quality and innovative products and technologies while cultivating an industry-best customer focus. That focus comes from the amazing work our talented employees do on a daily basis. The depth of talent and broad industry experience they bring to our customers is what enables us to innovate and create the solutions our customers need. We are gratified to serve customers who view us not only as trusted partners but as industry stewards, helping them navigate complex, ever-changing regulations while creating new products and solutions that reduce costs and make the world a better place.

While 2016 was a pivotal, formational year, our team is energized by both the opportunities and challenges that lie ahead. We will work to leverage our global installed base, new technologies and a focus on energy efficiency, sustainability, innovation and new regulations to create significant long-term opportunities for growth.



Robert T. Sharp

Executive President, Commercial & Residential Solutions

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Management *continued*

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Vice President and
Senior Law Advisor

Giovanni Zullo
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Emerson India,
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Consolidated Statements of Earnings

EMERSON ELECTRIC CO. & SUBSIDIARIES

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

	2014	2015	2016
Net sales	\$17,733	16,249	14,522
Costs and expenses:			
Cost of sales	9,971	9,241	8,260
Selling, general and administrative expenses	4,164	3,735	3,464
Gains on divestitures of businesses	—	1,039	—
Other deductions, net	211	330	294
Interest expense, net of interest income of: 2014, \$18; 2015, \$23; 2016, \$27	196	175	188
Earnings from continuing operations before income taxes	3,191	3,807	2,316
Income taxes	953	1,267	697
Earnings from continuing operations	2,238	2,540	1,619
Discontinued operations, net of tax: 2014, \$211; 2015, \$161; 2016, \$269	(54)	193	45
Net earnings	2,184	2,733	1,664
Less: Noncontrolling interests in earnings of subsidiaries	37	23	29
Net earnings common stockholders	\$ 2,147	2,710	1,635
Earnings common stockholders:			
Earnings from continuing operations	\$ 2,201	2,517	1,590
Discontinued operations, net of tax	(54)	193	45
Net earnings common stockholders	\$ 2,147	2,710	1,635
Basic earnings per share common stockholders:			
Earnings from continuing operations	\$ 3.13	3.72	2.46
Discontinued operations	(0.08)	0.29	0.07
Basic earnings per common share	\$ 3.05	4.01	2.53
Diluted earnings per share common stockholders:			
Earnings from continuing operations	\$ 3.11	3.71	2.45
Discontinued operations	(0.08)	0.28	0.07
Diluted earnings per common share	\$ 3.03	3.99	2.52

Five-Year Summary

EMERSON ELECTRIC CO. & SUBSIDIARIES

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

	2012	2013	2014	2015	2016
Summary of Operations					
Net sales	\$17,349	17,935	17,733	16,249	14,522
Gross profit	\$ 7,227	7,565	7,762	7,008	6,262
Interest expense	\$ 225	219	196	175	188
Earnings from continuing operations common stockholders	\$ 1,444 ^a	1,506 ^a	2,201	2,517 ^b	1,590
Percent of net sales	8.3%	8.4%	12.4%	15.5%	11.0%
Net earnings common stockholders	\$ 1,968 ^a	2,004 ^a	2,147 ^a	2,710 ^b	1,635^b
Operating cash flow	\$ 3,053	3,649	3,692	2,529	2,881
Return on common stockholders' equity	19.0% ^a	19.2% ^a	20.7% ^a	29.8% ^b	20.9%^b
Per Share of Common Stock					
Diluted EPS – Earnings from continuing operations	\$ 1.96 ^a	2.08 ^a	3.11	3.71 ^b	2.45
Diluted EPS – Net earnings	\$ 2.67 ^a	2.76 ^a	3.03 ^a	3.99 ^b	2.52^b
Cash dividends	\$ 1.60	1.64	1.72	1.88	1.90
Book value	\$ 14.22	14.98	14.53	12.34	11.77
Year-End Financial Position					
Operating working capital	\$ 2,132	1,686	1,729	1,748	1,354
Percent of net sales	8.7%	6.8%	7.0%	7.8%	6.7%
Property, plant and equipment, net	\$ 3,509	3,605	3,802	3,585	3,542
Total assets	\$23,818	24,711	24,177	22,088	21,743
Long-term debt	\$ 3,787	4,055	3,559	4,289	4,062
Common stockholders' equity	\$10,295	10,585	10,119	8,081	7,568
Total debt to total capital	34.0%	34.8%	37.3%	45.8%	46.8%
Net debt to net capital	22.1%	18.3%	22.1%	31.3%	31.4%
Other Data					
Capital expenditures	\$ 665	678	767	685	523
Depreciation	\$ 505	521	518	507	477
Total taxes, including income taxes	\$ 1,745	1,821	1,856	2,056	1,554
Salaries and wages	\$ 4,856	4,967	4,961	4,713	4,521
Average number of employees	134,900	131,600	115,100	110,800	103,500
Approximate number of common stockholders					
of record at year end	22,960	21,898	20,901	20,130	19,724
Average common shares – diluted (in thousands)	734,618	722,912	704,071	676,450	646,837

See Note 3 in the Annual Report on Form 10-K for information regarding the Company's acquisition and divestiture activities for the last three years. The results for all periods presented in the Summary of Operations above reflect the impact of the Company's strategic portfolio repositioning actions in 2016.

Net sales, earnings and EPS for the network power systems and power generation, motors and drives businesses have been classified as discontinued operations for all periods. These businesses had combined annual sales of \$5,746, \$6,094, \$6,842, \$6,791 and \$7,156 in 2016, 2015, 2014, 2013 and 2012, respectively. See Note 4 in the Annual Report on Form 10-K.

a – 2013 and 2012 include goodwill impairment charges of \$496 after-tax (\$0.68 per share) and \$425 after-tax (\$0.58 per share). 2013 includes income tax charges of \$70 (\$0.10 per share). Additionally, 2014 and 2012 include goodwill impairment charges of \$508 after-tax (\$0.72 per share) and \$103 after-tax (\$0.14 per share), respectively, reported in discontinued operations.

b – 2015 includes gains from divestitures of businesses of \$611 after-tax (\$0.90 per share benefit). 2016 and 2015 also include repositioning items of \$299 after-tax (\$0.46 per share) and \$52 after-tax (\$0.08 per share), respectively, reported in discontinued operations.

Reconciliation of Non-GAAP Measures

RECONCILIATION OF NON-GAAP MEASURES – STRATEGIC REPOSITIONING ACTIONS

Dollars in millions, except per share amounts

	2015	2016	CHANGE
Adjusted basis sales (non-GAAP)	\$22,304	20,232	(9)%
Discontinued operations & eliminations	(6,055)	(5,710)	(2)%
Net sales	\$16,249	14,522	(11)%
Adjusted basis net earnings (non-GAAP)	\$ 2,151	1,934	(10)%
Repositioning items and divestiture gains	559	(299)	(30)%
Net earnings	\$ 2,710	1,635	(40)%
Adjusted basis earnings per share (non-GAAP)	\$ 3.17	2.98	(6)%
Repositioning items and divestiture gains	0.82	(0.46)	(31)%
Diluted earnings per share	\$ 3.99	2.52	(37)%
Adjusted basis operating cash flow (non-GAAP)	\$ 2,953	3,060	4 %
Separation costs and taxes paid on divestiture gains	(424)	(179)	10 %
Operating cash flow	\$ 2,529	2,881	14 %

RECONCILIATION OF NON-GAAP MEASURES – STRATEGIC REPOSITIONING ACTIONS

Dollars in millions, except per share amounts

	ADJUSTED BASIS (NON-GAAP)	DISCONTINUED OPERATIONS & ELIMINATIONS	CONTINUING OPERATIONS
Fiscal Year 2016			
Gross profit	\$8,256	(1,994)	6,262
Selling, general and administrative expenses	(4,841)		(3,464)
Operating profit (non-GAAP)	3,415	(617)	2,798
Other income (deductions)	(424)		(294)
EBIT (non-GAAP)	2,991	(487)	2,504
Interest expense	(182)		(188)
Pretax earnings	\$2,809	(493)	2,316

	ADJUSTED BASIS (NON-GAAP)	DISCONTINUED OPERATIONS, ELIMINATIONS & DIVESTITURE GAINS	CONTINUING OPERATIONS
Fiscal Year 2015			
Gross profit	\$9,048	(2,040)	7,008
Selling, general and administrative expenses	(5,184)		(3,735)
Operating profit (non-GAAP)	3,864	(591)	3,273
Other income (deductions)	(561)		709
EBIT (non-GAAP)	3,303	679	3,982
Interest expense	(171)		(175)
Pretax earnings	\$3,132	675	3,807

	2015	2016	CHANGE
Adjusted basis gross profit (non-GAAP)	\$9,048	8,256	(9)%
Discontinued operations and divestiture gains	(2,040)	(1,994)	(2)%
Gross profit	\$7,008	6,262	(11)%
Adjusted basis operating profit (non-GAAP)	\$3,864	3,415	(12)%
Discontinued operations and divestiture gains	(591)	(617)	(3)%
Operating profit	\$3,273	2,798	(15)%
Adjusted basis EBIT (non-GAAP)	\$3,303	2,991	(9)%
Discontinued operations and divestiture gains	679	(487)	(28)%
EBIT	\$3,982	2,504	(37)%

Adjusted basis performance includes the results of the discontinued businesses of \$344 (\$0.53 per share benefit) and \$245 (0.36 per share benefit) and excludes repositioning items of \$299 (\$0.46 per share) and \$52 (\$0.08 per share) in 2016 and 2015, respectively, and divestiture gains of \$611 million (\$0.90 per share) in 2015.

Stockholders Information

REGISTRAR AND TRANSFER AGENT

By Mail:
Computershare, Inc.
Attention: Emerson Electric Co.
211 Quality Circle, Suite 210
College Station, TX 77845

By Phone:
Toll-Free: (888) 213-0970
TDD for Hearing Impaired: (800) 952-9245
Foreign Shareholders: (201) 680-6578
TDD Foreign Shareholders: (781) 575-4592

By Internet:
www.computershare.com/investor

All other inquiries should be addressed to:
Emerson Investor Relations Department
8000 W. Florissant Ave.
St. Louis, MO 63136-8506
Telephone: (314) 553-2197

STOCKHOLDER SERVICES

Inquiries regarding dividend payments, loss or nonreceipt of a stock certificate or dividend check, stock transfers (including name changes), tax information and address changes should be directed to Computershare.

DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

The Plan is administered by Computershare, for individual investors who want a convenient way to purchase or sell Emerson Electric Co. stock (NYSE:EMR). Only registered holders of Emerson common stock can participate, however, an initial purchase can be made directly through the Plan. The Plan provides the opportunity to reinvest dividends and is an alternative to traditional methods of buying and selling Emerson common stock. The Plan is not sponsored or administered by Emerson. For further information and an authorization form, contact Computershare.

DIRECT DEPOSIT OF DIVIDENDS

Stockholders may elect to have dividends electronically deposited into a checking or savings account. For details, contact Computershare.

DUPLICATE MAILINGS

When stockholders own shares in more than one account or when several stockholders live at the same address, they may receive multiple copies of the annual report. To eliminate duplicate copies, contact Computershare.

INTERNET ACCESS

Corporate news releases, Forms 10-K, 10-Q and 8-K, the Annual Report, and other information about the Company are available at www.Emerson.com

ANNUAL MEETING

The annual meeting of stockholders will be held at 10 a.m. CST, Tuesday, February 7, 2017 in Emerson's World Headquarters Building, 8000 W. Florissant Ave., St. Louis, Missouri 63136. Notice of the meeting, proxy statement and proxy were sent or made available to stockholders with this annual report.

10-K REPORT

The Company's 2015 Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission is available to stockholders without charge by contacting the Emerson Investor Relations Department. The Company's Chief Executive Officer and Chief Financial Officer have furnished the required 10-K certifications.

ENVIRONMENTAL PROGRAMS

Information on Emerson's environmental programs may be obtained by contacting:
Emerson Environmental Affairs Department
8000 W. Florissant Ave.
P.O. Box 4100
St. Louis, MO 63136-8506

ANNUAL REPORT

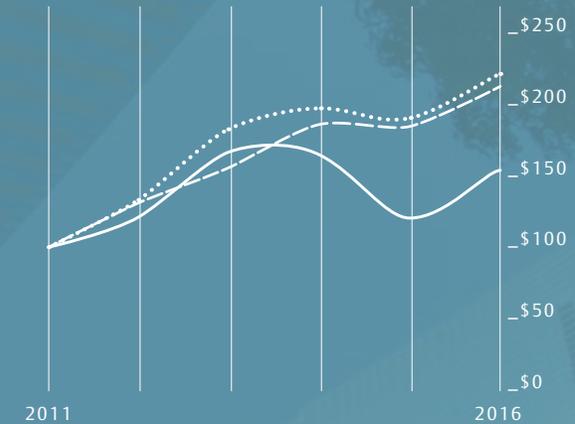
Included in this 2016 Letter to Shareholders are financial and operating highlights and summary financial information. For complete financial statements, including notes, please refer to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2016, filed with the Securities and Exchange Commission (the "Form 10-K"). The Form 10-K contains important financial and business information, including Management's Discussion and Analysis of Financial Condition and Results of Operations, Risk Factors, supplementary financial information, selected financial data, Report of Management, Management's Report on Internal Control over Financial Reporting, Report of Independent Registered Public Accounting Firm, market risk, description of industry segments, risks of foreign operations, market price, dividends, and related stockholder matters. You should read the Form 10-K in connection with this 2016 Letter to Shareholders. This 2016 Letter to Shareholders, together with our Form 10-K (excluding exhibits), constitute our annual report to security holders for purposes of Rule 14a-3(b) of the Securities Exchange Act of 1934, as amended. Our Form 10-K may be obtained by accessing the investor section of our company's website at www.Emerson.com, Investors, or by going to the SEC's website at www.sec.gov.

SAFE HARBOR STATEMENT

This 2016 Letter to Shareholders and our Form 10-K contain various forward-looking statements and include assumptions concerning Emerson’s operations, future results and prospects, including the planned sale of the network power systems, power generation and motors and drives businesses and other strategic repositioning actions. These forward-looking statements are based on current expectations and are subject to risks and uncertainties. Emerson undertakes no obligation to update any such statements to reflect later developments. In connection with the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, Emerson provides the following cautionary statement identifying important economic, political and technological factors, among others, changes in which could cause the actual results or events to differ materially from those set forth in or implied by the forward-looking statements and related assumptions.

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

COMPARISON OF FIVE-YEAR CUMULATIVE SHAREHOLDER RETURN



	2011	2012	2013	2014	2015	2016	CAGR
— Emerson	100	121	166	165	120	154	9.1%
- - S&P 500	100	130	155	186	185	213	16.4%
..... Peer Index*	100	132	182	197	190	221	17.2%

*Dow Jones US Electrical Components & Equipment Index \$100 invested on September 30, 2011 in stock or index, including reinvestment of dividends. Fiscal year ending September 30.

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