SCHERING PLOUGH CORP
Form 8-K
January 28, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 25, 2008

SCHERING PLOUGH CORPORATION
(Exact Name of Registrant as Specified in its Charter)

New Jersey	1-6571	22-1918501
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification Number)

2000 Galloping Hill Road
Kenilworth, NJ 07033
(Address of Principal Executive Office)

Registrant s telephone number, including area code: (908) 298-4000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01 Regulation FD Disclosure.

Schering-Plough Corporation from time to time issues Investor Frequently Asked Questions and Answers (FAQs) that are believed to be of interest to investors. The most recent FAQs, dated January 25, 2008, are furnished as Exhibit 99.1 to this 8-K and are posted on the Schering-Plough Website at www.schering-plough.com under investor relations/investor FAQ's.

Schering-Plough undertakes no obligation to update the FAQs and readers should note the date of information when referring to the FAQs or other historical information available on the website.

Item 9.01 Financial Statements and Exhibits

The following exhibits are furnished with this 8-K:

99.1 January 25, 2008 Investor Frequently Asked Questions and Answers

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Schering-Plough Corporation

By: /s/ Susan Ellen Wolf

Susan Ellen Wolf
Corporate Secretary,
Vice President Corporate Governance and
Associate General Counsel

Date: January 25, 2008

Exhibit Index

The following exhibits are furnished with this 8-K:

99.1 January 25, 2008 Investor Frequently Asked Questions and Answers

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250

6.125% notes due April 2039
250

250

5.25% notes due November 2039
300

300

Other
80

79

Long-term debt
4,580

4,329

Less: Current maturities
291

267

Total, net
$
4,289

4,062

Long-term debt maturing during each of the four years after 2017 is $270, $690, $502 and $300, respectively. Total interest paid on all debt was approximately $209, $196 and $210 in 2016, 2015 and 2014, respectively. During the year, the Company repaid $250 of 4.75% notes that matured in October 2015. In 2015, the Company repaid $250 of 5.0% notes that matured in December 2014 and $250 of 4.125% notes that matured in April 2015.

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		
	2014	2015	2016	2014	2015	2016
Defined benefit plans:						
Service cost (benefits earned during the period)	$59	69	59	32	37	26
Interest cost	182	182	148	53	46	39
Expected return on plan assets	(286)	(303)	(296)	(58)	(58)	(52)
Net amortization and other	153	174	166	18	20	17
Net periodic pension expense	108	122	77	45	45	30
Defined contribution plans	119	111	104	59	61	56
Total retirement plans expense	$227	233	181	104	106	86

Beginning in 2016, the Company refined the method used to determine the service and interest cost components of pension expense for its U.S. retirement plans. The specific spot rates along the yield curve, rather than the single weighted-average rate previously used, are now applied to the projected cash flows to provide more precise measurement of these costs. This is a change in estimate which has been accounted for prospectively in the 2016

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financial statements. The change reduced the 2016 service and interest cost by a total of $38 compared with the cost measured using the weighted-average approach. The increase in net periodic pension expense in 2015 is attributable to higher service costs and amortization compared to the prior year. Net periodic pension expense includes $12, $14 and $11 and defined contribution expense includes $34, $33 and $33, for 2016, 2015 and 2014, 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 transitioned from defined benefit to defined contribution retirement plans in 2016. The principal U.S. defined benefit pension plan closed to employees hired after January 1, 2016, and current employees not meeting combined age and years of service criteria ceased accruing benefits effective October 1, 2016. Affected employees were enrolled in an enhanced defined contribution plan. The impact of these actions had an inconsequential impact on the Company's financial statements at September 30, 2016. Over time, defined benefit plan expense will decline while defined contribution plan expense will increase, with an expectation of reduced earnings volatility.

All of the following tables include defined benefit plans related to continuing and discontinued operations.

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	
	2015	2016	2015	2016
Projected benefit obligation, beginning	$4,336	4,263	1,330	1,248
Service cost	69	59	37	26
Interest cost	182	148	46	39
Actuarial (gain) loss	137	565	44	275
Benefits paid	(181)	(191)	(36)	(31)
Settlements	(205)	(151)	(25)	(82)
Acquisitions (Divestitures), net	(70)	—	(4)	(6)
Foreign currency translation and other	(5)	3	(144)	(149)
Projected benefit obligation, ending	$4,263	4,696	1,248	1,320
Fair value of plan assets, beginning	$4,473	3,928	988	935
Actual return on plan assets	(137)	491	49	155
Employer contributions	20	31	33	35
Benefits paid	(181)	(191)	(36)	(31)
Settlements	(205)	(151)	(25)	(82)
Acquisitions (Divestitures), net	(44)	—	(2)	—
Foreign currency translation and other	2	2	(72)	(103)
Fair value of plan assets, ending	$3,928	4,110	935	909
Net amount recognized in the balance sheet	$(335)	(586)	(313)	(411)
Location of net amount recognized in the balance sheet:				
Noncurrent asset	$—	—	30	1
Current liability	(11)	(11)	(6)	(7)
Noncurrent liability	(316)	(565)	(227)	(279)
Net liability held-for-sale	(8)	(10)	(110)	(126)
Net amount recognized in the balance sheet	(335)	(586)	(313)	(411)

Pretax accumulated other comprehensive loss	$(1,322)	(1,527)	(306)	(389)

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Approximately $234 of the $1,916 of pretax losses deferred in accumulated other comprehensive income (loss) at September 30, 2016 will be amortized to expense in 2017. As of September 30, 2016, U.S. pension plans were underfunded by $586 and non-U.S. plans were underfunded by $411. The U.S. funded status includes unfunded plans totaling $216 and the non-U.S. status includes unfunded plans totaling $237.

As of the September 30, 2016 and 2015 measurement dates, the plans' total accumulated benefit obligation was $5,729 and $5,254, respectively. Also as of the measurement dates, the total projected benefit obligation, accumulated benefit obligation and fair value of plan assets for individual plans with accumulated benefit obligations in excess of plan assets were $5,951, $5,678 and $4,958, respectively, for 2016, and $1,245, $1,139 and $648, respectively, for 2015.

Future benefit payments by U.S. plans are estimated to be $215 in 2017, $224 in 2018, $233 in 2019, $241 in 2020, $249 in 2021 and $1,326 in total over the five years 2022 through 2026. Based on foreign currency exchange rates as of September 30, 2016, future benefit payments by non-U.S. plans are estimated to be $41 in 2017, $42 in 2018, $45 in 2019, $47 in 2020, $51 in 2021 and $306 in total over the five years 2022 through 2026. The Company expects to contribute approximately $40 to its retirement plans in 2017.

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

	U.S. Plans			Non-U.S. Plans		
	2014	2015	2016	2014	2015	2016
Net pension expense						
Discount rate used to determine service cost	4.75 %	4.25 %	4.60 %	4.2 %	3.6 %	3.3 %
Discount rate used to determine interest cost	4.75 %	4.25 %	3.50 %	4.2 %	3.6 %	3.3 %
Expected return on plan assets	7.50 %	7.50 %	7.50 %	6.6 %	6.6 %	6.4 %
Rate of compensation increase	3.25 %	3.25 %	3.25 %	3.2 %	3.4 %	3.4 %
Benefit obligations						
Discount rate	4.25 %	4.35 %	3.50 %	3.6 %	3.3 %	2.3 %
Rate of compensation increase	3.25 %	3.25 %	3.25 %	3.4 %	3.4 %	3.2 %

The discount rate for the U.S. retirement plans was 3.50 percent as of September 30, 2016. An actuarially developed, company-specific yield curve is used to determine the discount rate. The expected return on plan assets assumption is determined by reviewing the investment returns of the plans for the past 10 years plus longer-term historical returns of an asset mix approximating the Company's asset allocation targets, and periodically comparing these returns to expectations of investment advisors and actuaries to determine whether long-term future returns are expected to differ significantly from the past.

The Company's asset allocations at September 30, 2016 and 2015, and weighted-average target allocations follow:

	U.S. Plans			Non-U.S. Plans		
	2015	2016	Target	2015	2016	Target
Equity securities	65 %	66 %	60-70%	55 %	51 %	50-60%
Debt securities	30	29	25-35	32	36	25-35
Other	5	5	3-10	13	13	10-20
Total	100 %	100 %	100%	100 %	100 %	100%

The primary objective for the investment of pension assets is to secure participant retirement benefits by earning a reasonable rate of return. Plan assets are invested consistent with the provisions of the prudence and diversification rules of ERISA and with a long-term investment horizon. The Company continuously monitors the value of assets by class and routinely rebalances to remain within target allocations. The strategy for equity assets is to minimize concentrations of risk by investing primarily in companies in a diversified mix of industries worldwide, while targeting neutrality in exposure to market capitalization levels, growth versus value profile, global versus regional markets, fund types and fund managers. The approach for bonds emphasizes investment-grade corporate and government debt with maturities matching a portion of the longer duration pension liabilities. The bonds strategy also includes a high-yield element which is generally shorter in duration. For diversification, a small portion of U.S. plan assets is allocated to private equity partnerships and real asset fund investments, providing opportunities for above market returns. Leveraging techniques are not used and the use of derivatives in any fund is limited and inconsequential.

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

	Level 1	Level 2	Level 3	Total	%
2016					
U.S. equities	$1,081	305	292	1,678	33 %
International equities	627	607	—	1,234	25 %
Emerging market equities	—	257	—	257	5 %
Corporate bonds	—	648	—	648	13 %
Government bonds	3	749	—	752	15 %
High-yield bonds	—	122	—	122	2 %
Other	144	71	113	328	7 %
Total	$1,855	2,759	405	5,019	100%
2015					
U.S. equities	$956	460	257	1,673	34 %
International equities	502	677	—	1,179	24 %
Emerging market equities	—	211	—	211	4 %
Corporate bonds	—	628	—	628	13 %
Government bonds	2	674	—	676	14 %
High-yield bonds	—	175	—	175	4 %
Other	140	67	114	321	7 %
Total	$1,600	2,892	371	4,863	100%

Asset Classes

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

Fair Value Hierarchy Categories

Valuations of Level 1 assets for all classes are based on quoted closing market prices from the principal exchanges where the individual securities are traded. Cash is valued at cost, which approximates fair value. Equity securities categorized as Level 2 assets are primarily nonexchange-traded commingled or collective funds where the underlying securities have observable prices available from active markets. Valuation is based on the net asset value of fund units held as derived from the fair value of the underlying assets. Debt securities categorized as Level 2 assets are generally valued based on independent broker/dealer bids or by comparison to other debt securities having similar durations, yields and credit ratings. Other Level 2 assets are valued based on a net asset value of fund units held, which is derived from either market-observed pricing for the underlying assets or broker/dealer quotation. U.S. equity securities classified as Level 3 are fund investments in private companies. Valuation techniques and inputs for these assets include discounted cash flow analysis, earnings multiple approaches, recent transactions, transfer restrictions, prevailing discount rates, volatilities, credit ratings and other factors. In the Other class, interests in mixed assets funds are Level 2, and U.S. life insurance contracts and non-U.S. general fund investments and insurance arrangements are Level 3.

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

	2015	2016
Level 3, beginning	$308	371
Gains (Losses) on assets held	18	18
Gains (Losses) on assets sold	(20)	(20)
Purchases, sales and settlements, net	65	36
Level 3, ending	$371	405

(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:

	2014	2015	2016
Service cost	$ 1	1	1
Interest cost	11	9	8
Net amortization	(21)	(22)	(21)
Net postretirement expense	$ (9)	(12)	(12)

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

	2015	2016
Benefit obligation, beginning	$248	213
Service cost	1	1
Interest cost	9	8
Actuarial (gain) loss	(12)	—
Benefits paid	(18)	(16)
Divestitures	(15)	—
Benefit obligation, ending (recognized in balance sheet)	$213	206

As of September 30, 2016 there were $133 of deferred actuarial gains in accumulated other comprehensive income, of which approximately $19 will be amortized into earnings in 2017. The discount rates used to measure the benefit obligation as of September 30, 2016, 2015 and 2014 were 3.10 percent, 3.80 percent and 3.75 percent, respectively. The health care cost trend rate used for both 2017 and 2016 is assumed to be 6.5 percent initially, and declining to 5.0 percent over the subsequent three years. A one percentage point increase or decrease in the health care cost trend rate assumption for either year would have an inconsequential impact on postretirement benefits expense and the benefit obligation. The Company estimates that future health care benefit payments will be approximately $20 per year for 2017 through 2021, and $70 in total over the five years 2022 through 2026.

(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 and other matters, several of which claim substantial amounts of damages. The Company accrues for such liabilities when it is probable that future costs (including legal fees and expenses) will be incurred and such costs can be reasonably estimated. Accruals are based on developments to date; management's estimates of the outcomes of these matters; the Company's experience in contesting, litigating and settling similar matters; and any related insurance coverage. Although it is not possible to predict the ultimate outcome of these matters, the Company historically has been largely successful in defending itself against claims and suits that have been brought against it, and will continue to defend itself vigorously in all such matters. While the Company believes a material adverse impact is unlikely, given the inherent uncertainty of litigation, a remote possibility exists that a future development could have a material adverse impact on the Company. The Company enters into certain indemnification agreements in the ordinary course of business in which the indemnified party is held harmless and

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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, 2016, 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:

	2014	2015	2016
United States	$1,736	2,688	1,312
Non-U.S.	1,455	1,119	1,004
Total pretax earnings	$3,191	3,807	2,316

The principal components of income tax expense follow:

	2014	2015	2016
Current:			
Federal	$623	831	394
State and local	47	86	11
Non-U.S.	416	398	305
Deferred:			
Federal	(132)	12	2
State and local	(7)	(1)	4
Non-U.S.	6	(59)	(19)
Income tax expense	$953	1,267	697

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

	2014	2015	2016
Federal statutory rate	35.0 %	35.0 %	35.0 %
State and local taxes, net of federal tax benefit	0.8	0.7	0.5
Non-U.S. rate differential	(3.6)	(2.4)	(2.9)
Non-U.S. tax holidays	(0.8)	(0.9)	(1.1)
U.S. manufacturing deduction	(1.5)	(1.2)	(1.8)
Gains on divestitures	—	1.8	—
Other	—	0.3	0.4
Effective income tax rate	29.9 %	33.3 %	30.1 %

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

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

	2015	2016
Unrecognized tax benefits, beginning	$120	84
Additions for current year tax positions	7	12
Additions for prior year tax positions	8	16
Reductions for prior year tax positions	(9)	(13)
Reductions for settlements with tax authorities	—	(4)
Reductions for expiration of statutes of limitations	(42)	(9)
Unrecognized tax benefits, ending	$84	86

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 $48, 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 $2, $(4) and $3 in 2016, 2015 and 2014, respectively. As of September 30, 2016 and 2015, total accrued interest and penalties were $21 and $20, respectively.

The U.S. is the major jurisdiction for which the Company files income tax returns. U.S. federal tax returns are closed through 2012. 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:

	2015	2016
Deferred tax assets:		
Net operating losses and tax credits	$138	164
Accrued liabilities	245	277
Postretirement and postemployment benefits	86	82
Employee compensation and benefits	168	206
Pensions	164	271
Other	161	158
Total	$962	1,158
Valuation allowances	$(109)	(132)
Deferred tax liabilities:		
Intangibles	$(500)	(510)
Property, plant and equipment	(236)	(239)
Other	(51)	(51)
Total	$(787)	(800)
Net deferred income tax asset	$66	226

Current deferred tax assets, net were $400 and $305 as of September 30, 2016 and 2015, respectively, and noncurrent deferred tax liabilities, net were $174 and $239. Total income taxes paid were approximately $950, $1,590 and $1,310 in 2016, 2015 and 2014, respectively. Approximately half of the $164 of net operating losses and tax credits can be carried forward indefinitely, while the remainder expire over varying periods.

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(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, 2016, 10.9 million options were available for grant under the plans.

Changes in shares subject to options during the year ended September 30, 2016 follow (shares in thousands):

	Weighted-Average Exercise Price Per Share	Shares	Total Intrinsic Value of Shares	Average Remaining Life (Years)
Beginning of year	$ 55.40	13,646		
Options granted	$ 49.68	3,077		
Options exercised	$ 40.14	(701)		
Options canceled	$ 56.78	(746)		
End of year	$ 54.87	15,276	$ 43	5.8
Exercisable at end of year	$ 54.56	10,105	$ 30	4.4

The weighted-average grant date fair value per option was $9.02, $12.48 and $14.83 in 2016, 2015 and 2014, respectively. Cash received for option exercises was $31 in 2016, $36 in 2015 and $77 in 2014. The total intrinsic value of options exercised in 2016, 2015 and 2014 was $9, $16 and $61, respectively, while the tax benefit realized by the Company from tax deductions related to option exercises was $2, $10 and $14, 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 2016, 2015 and 2014 are, respectively: risk-free interest rate, based on U.S. Treasury yields, 1.9 percent, 1.9 percent and 2.0 percent; dividend yield, 3.8 percent, 3.1 percent and 2.6 percent; and expected volatility, based on historical volatility, 27 percent, 28 percent and 28 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, 2,552,949 shares will be distributed in early 2017 while 1,699,386 shares remain subject to employees providing one additional year of service. Additionally, the rights to receive a maximum of 2,186,150 common shares awarded in 2016, under the new performance shares program, are outstanding and contingent upon the Company achieving its performance objectives through 2018. As a result of the Company's level of achievement of its performance shares objective at the end of 2013 for performance shares awarded primarily in 2010, and employees providing an additional year of service, rights to receive 4,823,045 common shares vested and were distributed to participants in 2014 as follows: 2,782,143 issued as shares, 1,829,617 withheld for income taxes and the value of 211,285 paid in cash. 14,694 shares were canceled and not distributed.

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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 2016, 235,000 shares of restricted stock vested as a result of participants fulfilling the applicable service requirements. Consequently, 139,436 shares were issued while 95,564 shares were withheld for income taxes in accordance with minimum withholding requirements. As of September 30, 2016, there were 1,174,500 shares of unvested restricted stock outstanding.

The total fair value of shares vested under incentive shares plans was $11, $9 and $315, respectively, in 2016, 2015 and 2014, of which $4, $5 and $134 was paid in cash, primarily for tax withholding. As of September 30, 2016, 15.4 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, 2016 follow (shares in thousands):

	Shares	Average Grant Date Fair Value Per Share
Beginning of year	6,377	$48.97
Granted	2,126	$49.20
Earned/vested	(235)	$44.12
Canceled	(940)	$49.15
End of year	7,328	$49.17

Total compensation expense for stock options and incentive shares was $159, $30 and $143 for 2016, 2015 and 2014, respectively, of which $14, $6 and $20 was included in discontinued operations. The increase in expense for 2016 reflects an increasing stock price in the current year compared with a decreasing price in 2015, and overlap of awards. The decrease in expense for 2015 reflects a stock option award in 2014 and no incentive stock plan overlap in 2015, and a lower stock price in 2015. Income tax benefits recognized in the income statement for these compensation arrangements during 2016, 2015 and 2014 were $45, $2 and $39, respectively. As of September 30, 2016, total unrecognized compensation expense related to unvested shares awarded under these plans was $133, which is expected to be recognized over a weighted-average period of 1.8 years.

In addition to the employee stock option and incentive shares plans, in 2016 the Company awarded 24,336 shares of restricted stock and 3,042 restricted stock units under the restricted stock plan for nonmanagement directors. As of September 30, 2016, 194,577 shares were available for issuance under this plan.

(16) COMMON AND PREFERRED STOCK

At September 30, 2016, 48.3 million shares of common stock were reserved for issuance under the Company's stock-based compensation plans. During 2016, 12.5 million common shares were purchased and 0.7 million treasury shares were reissued. In 2015, 43.1 million common shares were purchased and 1.1 million treasury shares were reissued.

At September 30, 2016 and 2015, 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) attributable to common stockholders is shown below:

Foreign currency translation	2014	2015	2016
Beginning balance	$504	171	(622)
Other comprehensive income (loss)	(341)	(793)	(190)
Purchase of noncontrolling interest	8	—	—
Ending balance	171	(622)	(812)
Pension and postretirement			
Beginning balance	(692)	(746)	(952)
Actuarial gains (losses) deferred during the period	(152)	(315)	(310)
Amortization of deferred actuarial losses into earnings	98	109	100
Ending balance	(746)	(952)	(1,162)
Cash flow hedges			
Beginning balance	(1)	—	(43)
Gains (Losses) deferred during the period	(1)	(66)	(30)
Reclassifications of realized (gains) losses to sales and cost of sales	2	23	48
Ending balance	—	(43)	(25)
Accumulated other comprehensive income (loss)	$(575)	(1,617)	(1,999)

Activity above is shown net of income taxes for 2016, 2015 and 2014, respectively, as follows: deferral of pension and postretirement actuarial gains (losses): $159, $192 and $87; amortization of pension and postretirement deferred actuarial losses: $(59), $(59) and $(52); deferral of cash flow hedging gains (losses): $17, $38 and $-; reclassification of realized cash flow hedging (gains) losses: $(28), $(13) and $-. Amortization of deferred actuarial losses includes $(3), $(3) and $(2) in 2016, 2015 and 2014, respectively, related to discontinued operations.

(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. The business segments of the Company are organized primarily by the nature of the products and services they sell.

The Process Management segment provides systems and software, measurement and analytical instrumentation, valves, actuators and regulators, services and solutions and reliability consulting including digital plant architecture that allows communication of devices with centralized systems, to provide precision measurement, control, monitoring, asset optimization, and plant safety and reliability for plants that produce power or process fluids or items such as petroleum, chemicals, food and beverages, pulp and paper, pharmaceuticals and municipal water supplies. The Industrial Automation segment provides fluid power and control mechanisms, electrical distribution equipment, and materials joining and precision cleaning products which are used in a wide variety of manufacturing operations to provide integrated manufacturing solutions to customers. The Climate Technologies segment supplies compressors, temperature sensors and controls, thermostats, flow controls and remote monitoring technology and services to all areas of the climate control industry, including residential heating and cooling, commercial air conditioning, commercial and industrial refrigeration and marine controls. The Commercial & Residential Solutions segment provides tools for professionals and homeowners, home storage systems and appliance solutions. The principal distribution method for each segment is direct sales forces, although the Company also uses independent sales representatives and distributors. Due to its global presence, certain of the Company's international operations are subject to risks such as significant currency exchange rate fluctuations, restrictions on the movement of funds and potential nationalization of operations. See Notes 3 through 7.

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

Business Segments

	Sales			Earnings			Total Assets		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
Process Management	$9,189	8,516	7,484	$1,918	1,493	1,131	$7,771	7,704	7,622
Industrial Automation	3,004	2,448	2,072	640	509	458	1,810	1,254	1,276
Climate Technologies	4,109	4,011	3,949	737	698	769	2,378	2,314	2,350
Commercial & Residential Solutions	1,891	1,913	1,611	421	403	384	1,152	817	809
	18,193	16,888	15,116	3,716	3,103	2,742	13,111	12,089	12,057
Differences in accounting methods				197	174	189			
Corporate and other (a)	209			(526)	705	(427)	11,066	9,999	9,686
Sales eliminations/ interest (b)	(669)	(639)	(594)	(196)	(175)	(188)			
Total	$17,733	16,249	14,522	$3,191	3,807	2,316	$24,177	22,088	21,743

(a) Corporate and other in 2015 includes gains on divestitures of $1,039, and in 2014 includes combined sales and earnings of $209 and $(6), respectively, related to the Artesyn and Connectivity Solutions businesses, which were reported in the former Network Power segment. See Note 3. Assets held-for-sale of $6,030, $6,222 and $6,904 are included in Corporate and other for 2016, 2015 and 2014, respectively. See Note 4.

(b) Industrial Automation intersegment sales for the years ended September 30, 2016, 2015 and 2014 were $578, $622 and $650, respectively.

	Depreciation and Amortization			Capital Expenditures		
	2014	2015	2016	2014	2015	2016
Process Management	$249	276	297	$300	244	181
Industrial Automation	74	59	50	71	79	79
Climate Technologies	132	132	133	145	134	119
Commercial & Residential Solutions	52	51	44	49	52	44
Corporate and other	62	55	44	86	79	24
Total	$569	573	568	$651	588	447

Geographic Information

	Sales by Destination			Property, Plant and Equipment		
	2014	2015	2016	2014	2015	2016
United States and Canada	$8,753	8,370	7,505	$1,803	1,756	1,780
Asia	3,737	3,363	2,926	504	481	459
Europe	2,896	2,381	2,300	441	426	435
Latin America	1,194	981	834	266	216	203
Middle East/Africa	1,153	1,154	957	48	50	54

Total	$17,733	16,249	14,522	$3,062	2,929	2,931

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Sales in the U.S. were $6,940, $7,608 and $7,929 for 2016, 2015 and 2014, respectively, while Asia includes sales in China of $1,320, $1,575 and $1,831 in those years. Assets located in the U.S. were $1,772 in 2016, $1,746 in 2015 and $1,789 in 2014.

(19) OTHER FINANCIAL DATA

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

	2014	2015	2016
Research and development expense	$356	336	320
Depreciation expense	$402	399	391
Rent expense	$304	287	273

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 $183 in 2017, $130 in 2018, $94 in 2019, $57 in 2020 and $36 in 2021.

At September 30, 2015, other current assets included short-term investments of $99, which matured in 2016.

Items reported in accrued expenses include the following:

	2015	2016
Employee compensation	$448	431
Customer advanced payments	$400	433
Product warranty	$101	106

Other liabilities are summarized as follows:

	2015	2016
Pension liabilities	$543	844
Deferred income taxes	270	210
Postretirement liabilities, excluding current portion	199	193
Other	527	482
Total	$1,539	1,729

Other operating cash flow is comprised of the following:

	2014	2015	2016
Pension expense	$142	153	95
Stock compensation expense	123	24	145
Deferred income taxes and other	(102)	19	45
Total	$163	196	285

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(20) QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Full Year	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Net sales	$4,026	3,337	3,934	3,579	4,085	3,674	4,204	3,932	16,249	14,522
Gross profit	$1,740	1,414	1,686	1,542	1,759	1,593	1,823	1,713	7,008	6,262
Earnings from continuing operations common stockholders	$452	303	936	367	502	441	627	479	2,517	1,590
Net earnings common stockholders	$525	349	973	369	564	479	648	438	2,710	1,635
Earnings per common share from continuing operations:										
Basic	$0.65	0.47	1.37	0.57	0.75	0.68	0.95	0.74	3.72	2.46
Diluted	$0.65	0.46	1.36	0.57	0.75	0.68	0.95	0.74	3.71	2.45
Net earnings per common share:										
Basic	$0.76	0.54	1.42	0.57	0.84	0.74	0.98	0.68	4.01	2.53
Diluted	$0.75	0.53	1.42	0.57	0.84	0.74	0.98	0.68	3.99	2.52
Dividends per common share	$0.47	0.475	0.47	0.475	0.47	0.475	0.47	0.475	1.88	1.90
Common stock prices:										
High	$65.94	51.47	62.25	55.54	62.75	56.82	56.12	56.72	65.94	56.82
Low	$57.76	42.21	54.95	41.25	55.23	48.45	42.80	50.41	42.80	41.25

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

Earnings from continuing operations and diluted earnings per share, respectively, include the following: a gain on the divestiture of a business of $528 and $0.77 in the second quarter of 2015; and gains on divestitures of businesses of $83 and $0.13 in the fourth quarter of 2015.

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

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Emerson Electric Co.:

We have audited the accompanying consolidated balance sheets of Emerson Electric Co. and subsidiaries as of September 30, 2016 and 2015, and the related consolidated statements of earnings, comprehensive income, equity, and cash flows for each of the years in the three-year period ended September 30, 2016. We also have audited Emerson Electric Co.'s internal control over financial reporting as of September 30, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Emerson Electric Co.'s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

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

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Emerson Electric Co. and subsidiaries as of September 30, 2016 and 2015, and the results of its operations and its cash flows for each of the years in the three-year period ended September 30, 2016, in conformity with U.S. generally accepted accounting principles. Also in our opinion, Emerson Electric Co. maintained, in all material respects, effective internal control over financial reporting as of September 30, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG LLP
St. Louis, Missouri
November 16, 2016

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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, 2016 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, 2016, 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 "Nominees and Continuing Directors" in the Emerson Electric Co. Notice of Annual Meeting of Stockholders and Proxy Statement for the February 2017 annual stockholders' meeting (the "2017 Proxy Statement") is hereby incorporated by reference. Information regarding executive officers is set forth in Part I of this report. Information appearing under "Section 16(a) Beneficial Ownership Reporting Compliance" in the 2016 Proxy Statement is hereby incorporated by reference. Information regarding the Audit Committee and Audit Committee Financial Expert appearing under "Board of Directors and Committees" in the 2017 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.

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ITEM 11 - EXECUTIVE COMPENSATION

Information appearing under “Board of Directors and Committees—Compensation Committee,” “Board of Directors and Committees—Corporate Governance and Nominating Committee,” “Director Compensation,” “Executive Compensation” (including, but not limited to, the information set forth under “Compensation Discussion and Analysis,” “Compensation Committee Report” and “Summary Compensation Table”) and “Compensation Committee Interlocks and Insider Participation” in the 2017 Proxy Statement is hereby incorporated by reference.

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

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

The information regarding beneficial ownership of shares by nominees and continuing directors, named executive officers, five percent beneficial owners, and by all directors and executive officers as a group appearing under, "Stock Ownership of Directors, Executive Officers and 5% Beneficial Owners" in the 2017 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, 2016:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders (1)	21,731,572	$54.87	26,554,538
Equity compensation plans not approved by security holders	—	—	—
Total	21,731,572	$54.87	26,554,538

(1) Includes the Stock Option and Incentive Shares Plans previously approved by the Company's security holders. Included in column (a) are: (i) 15,276,335 shares reserved for outstanding stock option awards, (ii) 2,186,150 shares reserved for performance share awards granted in 2016, (iii) 4,252,335 shares reserved for performance share awards granted primarily in 2013, (iv) 16,513 reserved for outstanding restricted stock unit awards, and (v) 239 shares which have been earned under prior performance share programs but for which participants elected to defer payment. As provided by the Company’s Incentive Shares Plans, performance shares awards represent a commitment to issue such shares without cash payment by the employee, contingent upon achievement of the performance objectives and continued service by the employee.

The price in column (b) represents the weighted-average exercise price for outstanding options. Included in column (c) are shares remaining available for award under previously approved plans as follows: (i) 10,917,345 under the 2011 Stock Option Plan, (ii) 11,230,650 under the 2015 Incentive Shares Plan, (iii) 4,211,966 under the 2006 Incentive Shares Plan, and (iv) 194,577 under the Restricted Stock Plan for Non-Management Directors.

Information regarding stock option plans and incentive shares plans is set forth in Item 8 of this Annual Report on Form 10-K in Note 15 of Notes to Consolidated Financial Statements, which note is hereby incorporated by reference.

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

Information appearing under “Director Independence” in the 2017 Proxy Statement is hereby incorporated by reference.

ITEM 14 - PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information appearing under "Fees Paid to KPMG LLP" in the 2017 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 October 6, 2016, incorporated by reference to Emerson Electric Co. Form 8-K filed October 6, 2016, Exhibit 3.1.

4(a) Indenture dated as of December 10, 1998, between Emerson Electric Co. and The Bank of New York, Trustee, incorporated by reference to Emerson Electric Co. 1998 Form 10-K, File No. 1-278, Exhibit 4(b).

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

10(a)* Third Amendment to the Emerson Electric Co. 1993 Incentive Shares Plan, as restated, incorporated by reference to Emerson Electric Co. 1996 Form 10-K, File No. 1-278, Exhibit 10(g), and Fourth Amendment thereto, incorporated by reference to Emerson Electric Co. 2001 Form 10-K, File No. 1-278, Exhibit 10(d).

10(b)* Amended and Restated Emerson Electric Co. Continuing Compensation Plan for Non-Management Directors, incorporated by reference to Emerson Electric Co. 2007 Form 10-K, File No. 1-278, Exhibit 10(c).

10(c)* Amended and Restated Deferred Compensation Plan for Non-Employee Directors and Forms of Payment Election Form, Initial Notice of Election and Notice of Election Change, incorporated by reference to Emerson

Electric Co. 2007 Form 10-K, File No. 1-278, Exhibit 10(d).

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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. 2012 Form 10-K, File No. 1-278, Exhibit 10(n).
10(o)*	Description of Named Executive Officer Compensation, incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended December 31, 2004, Exhibit 10.1.
10(p)*	Emerson Electric Co. 2006 Incentive Shares Plan, incorporated by reference to Emerson Electric Co. 2006 Proxy Statement dated December 16, 2005, Appendix C, Amendment for 409A Compliance, incorporated by reference to Emerson Electric Co. 2007 Form 10-K, File No. 1-278, Exhibit 10(q), Forms of Performance 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 April 30, 2014, incorporated by reference to Emerson Electric Co. Form 8-K filed May 2, 2014, Exhibit 10.1.

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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, 2016 Performance Shares Program Award Summary and Form of Restricted Shares Award Agreement, incorporated by reference to Emerson Electric Co. 2015 Form 10-K, File No. 1-278, Exhibit 10(u).
10(t)*	Letter Agreement effective as of January 15, 2014 between Emerson Electric Co. and Edgar M. Purvis, incorporated by reference to Emerson Electric Co. 2015 Form 10-K, File No. 1-278, Exhibit 10(v).
10(u)*	Letter Agreement dated December 7, 2015 by and between Emerson Electric Co. and Charles A. Peters, incorporated by reference to Emerson Electric Co. form 10-Q for the quarter ended December 31, 2015, Exhibit 10.1.
10(v)*	Letter Agreement effective as of January 15, 2014 between Emerson Electric Co. and Steven J. Pelch.
10(w)	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.
10(x)	Share Purchase Agreement by and between Emerson Electric Co. and Pentair plc dated August 18, 2016.
12	Ratio of Earnings to Fixed Charges
21	Subsidiaries of Emerson Electric Co.
23	Consent of Independent Registered Public Accounting Firm
24	Power of Attorney
31	Certifications pursuant to Exchange Act Rule 13a-14(a)
32	Certifications pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. Section 1350
101	Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statements of Earnings for the years ended September 30, 2014, 2015 and 2016, (ii) Consolidated Statements of Comprehensive Income for the years ended September 30, 2014, 2015, and 2016 (iii) Consolidated Balance Sheets at September 30, 2015 and 2016, (iv) Consolidated Statements of Equity for the years ended September 30, 2014, 2015 and 2016, (v) Consolidated Statements of Cash Flows for the years ended September 30, 2014, 2015 and 2016, and (vi) Notes to Consolidated Financial Statements for the year ended September 30, 2016.

* Management contract or compensatory plan.

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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 16, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on November 16, 2016, by the following persons on behalf of the registrant and in the capacities indicated.

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

M. S. Levatich

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*	Director
J. W. Prueher	
*	Director
R. L. Stephenson	
*	Director
J. S. Turley	

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

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INDEX TO EXHIBITS

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

Exhibit No.	Exhibit
10(v)	Letter Agreement effective as of January 15, 2014 between Emerson Electric Co. and Steven J. Pelch.
10(w)	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.
10(x)	Share Purchase Agreement by and between Emerson Electric Co. and Pentair plc dated August 18, 2016.
12	Ratio of Earnings to Fixed Charges
21	Subsidiaries of Emerson Electric Co.
23	Consent of Independent Registered Public Accounting Firm
24	Power of Attorney
31	Certifications pursuant to Exchange Act Rule 13a – 14(a)
32	Certifications pursuant to Exchange Act Rule 13a – 14(b) and 18 U.S.C. Section 1350
101	Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statements of Earnings for the years ended September 30, 2014, 2015 and 2016, (ii) Consolidated Statements of Comprehensive Income for the years ended September 30, 2014, 2015 and 2016, (iii) Consolidated Balance Sheets as of September 30, 2015 and 2016, (iv) Consolidated Statements of Equity for the years ended September 30, 2014, 2015 and 2016, (v) Consolidated Statements of Cash Flows for the years ended September 30, 2014, 2015 and 2016, and (vi) Notes to Consolidated Financial Statements for the year ended September 30, 2016.

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

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