

# CONSOLIDATED STATEMENTS OF EARNINGS

## EMERSON ELECTRIC CO. & SUBSIDIARIES

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

	2005	2006	2007
<b>Net sales</b>	\$17,305	20,133	<b>22,572</b>
Costs and expenses:			
Cost of sales	11,122	12,965	<b>14,461</b>
Selling, general and administrative expenses	3,595	4,099	<b>4,593</b>
Other deductions, net	230	178	<b>183</b>
Interest expense (net of interest income: 2005, \$34; 2006, \$18; 2007, \$33)	209	207	<b>228</b>
<b>Earnings before income taxes</b>	2,149	2,684	<b>3,107</b>
Income taxes	727	839	<b>971</b>
<b>Net earnings</b>	\$ 1,422	1,845	<b>2,136</b>
<b>Basic earnings per common share</b>	\$ 1.71	2.26	<b>2.69</b>
<b>Diluted earnings per common share</b>	\$ 1.70	2.24	<b>2.66</b>

See accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED BALANCE SHEETS

## EMERSON ELECTRIC CO. & SUBSIDIARIES

September 30 | Dollars in millions, except per share amounts

ASSETS	2006	2007
<b>Current assets</b>		
Cash and equivalents	\$ 810	1,008
Receivables, less allowances of \$74 in 2006 and \$86 in 2007	3,716	4,260
Inventories:		
Finished products	887	884
Raw materials and work in process	1,335	1,343
Total inventories	2,222	2,227
Other current assets	582	570
Total current assets	7,330	8,065
<b>Property, plant and equipment</b>		
Land	188	199
Buildings	1,536	1,683
Machinery and equipment	5,811	6,138
Construction in progress	354	414
	7,889	8,434
Less accumulated depreciation	4,669	5,003
Property, plant and equipment, net	3,220	3,431
<b>Other assets</b>		
Goodwill	6,013	6,412
Other	2,109	1,772
Total other assets	8,122	8,184
	\$18,672	19,680

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	2006	2007
<b>Current liabilities</b>		
Short-term borrowings and current maturities of long-term debt	\$ 898	404
Accounts payable	2,305	2,501
Accrued expenses	1,933	2,337
Income taxes	238	304
Total current liabilities	5,374	5,546
<b>Long-term debt</b>	3,128	3,372
<b>Other liabilities</b>	2,016	1,990
<b>Stockholders' equity</b>		
Preferred stock of \$2.50 par value per share		
Authorized 5,400,000 shares; issued - none	—	—
Common stock of \$0.50 par value per share		
Authorized 1,200,000,000 shares; issued 953,354,012 shares;		
outstanding 804,693,798 shares in 2006 and 788,434,076 shares in 2007	238	477
Additional paid-in capital	161	31
Retained earnings	11,314	12,536
Accumulated other comprehensive income	306	382
	12,019	13,426
Less cost of common stock in treasury, 148,660,214 shares in 2006 and 164,919,936 shares in 2007	3,865	4,654
Total stockholders' equity	8,154	8,772
	\$18,672	19,680

# CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

## EMERSON ELECTRIC CO. & SUBSIDIARIES

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

	2005	2006	2007
<b>Common stock</b>			
Beginning balance	\$ 238	238	238
Adjustment for stock split	-	-	239
Ending balance	238	238	477
<b>Additional paid-in capital</b>			
Beginning balance	87	120	161
Stock plans and other	33	41	31
Adjustment for stock split	-	-	(161)
Ending balance	120	161	31
<b>Retained earnings</b>			
Beginning balance	9,471	10,199	11,314
Net earnings	1,422	1,845	2,136
Cash dividends (per share: 2005, \$0.83; 2006, \$0.89; 2007, \$1.05)	(694)	(730)	(837)
Adjustment for stock split	-	-	(77)
Ending balance	10,199	11,314	12,536
<b>Accumulated other comprehensive income</b>			
Beginning balance	(88)	(65)	306
Foreign currency translation	11	175	459
Minimum pension liability (net of tax of: 2005, \$10; 2006, \$(71); 2007, \$(1))	(18)	121	2
Cash flow hedges and other (net of tax of: 2005, \$(17); 2006, \$(43); 2007, \$29)	30	75	(56)
Adjustment for adoption of FAS 158 (net of tax of: 2007, \$193)	-	-	(329)
Ending balance	(65)	306	382
<b>Treasury stock</b>			
Beginning balance	(2,470)	(3,092)	(3,865)
Acquired	(671)	(871)	(849)
Issued under stock plans and other	49	98	60
Ending balance	(3,092)	(3,865)	(4,654)
<b>Total stockholders' equity</b>	<b>\$ 7,400</b>	<b>8,154</b>	<b>8,772</b>
<b>Comprehensive income</b>			
Net earnings	\$ 1,422	1,845	2,136
Foreign currency translation	11	175	459
Minimum pension liability	(18)	121	2
Cash flow hedges and other	30	75	(56)
<b>Total</b>	<b>\$ 1,445</b>	<b>2,216</b>	<b>2,541</b>

See accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

## EMERSON ELECTRIC CO. & SUBSIDIARIES

Years ended September 30 | Dollars in millions

	2005	2006	2007
<b>Operating activities</b>			
Net earnings	\$ 1,422	1,845	2,136
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	562	607	656
Changes in operating working capital	110	(152)	137
Pension funding	(124)	(124)	(136)
Other	217	336	223
Net cash provided by operating activities	2,187	2,512	3,016
<b>Investing activities</b>			
Capital expenditures	(518)	(601)	(681)
Purchases of businesses, net of cash and equivalents acquired	(366)	(752)	(295)
Other	(12)	137	106
Net cash used in investing activities	(896)	(1,216)	(870)
<b>Financing activities</b>			
Net increase (decrease) in short-term borrowings	320	89	(800)
Proceeds from long-term debt	251	6	496
Principal payments on long-term debt	(625)	(266)	(5)
Dividends paid	(694)	(730)	(837)
Purchases of treasury stock	(668)	(862)	(853)
Other	15	32	5
Net cash used in financing activities	(1,401)	(1,731)	(1,994)
Effect of exchange rate changes on cash and equivalents	(3)	12	46
<b>Increase (decrease) in cash and equivalents</b>	<b>(113)</b>	<b>(423)</b>	<b>198</b>
Beginning cash and equivalents	1,346	1,233	810
<b>Ending cash and equivalents</b>	<b>\$ 1,233</b>	<b>810</b>	<b>1,008</b>
<b>Changes in operating working capital</b>			
Receivables	\$ (261)	(246)	(349)
Inventories	8	(274)	96
Other current assets	(44)	36	36
Accounts payable	161	324	104
Accrued expenses	77	71	200
Income taxes	169	(63)	50
	\$ 110	(152)	137

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