

FINANCIAL REVIEW

Report of Management

The Company's management is responsible for the integrity and accuracy of the financial statements. Management believes that the financial statements for the three years ended September 30, 2009 have been prepared in conformity with U.S. generally accepted accounting principles appropriate in the circumstances. In preparing the financial statements, management makes informed judgments and estimates where necessary to reflect the expected effects of events and transactions that have not been completed. The Company's disclosure controls and procedures ensure that material information required to be disclosed is recorded, processed, summarized and communicated to management and reported within the required time periods.

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

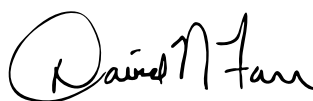
The Audit Committee of the Board of Directors, which is composed solely of independent Directors, is responsible for overseeing the Company's financial reporting process. The Audit Committee meets with management and the Company's internal auditors periodically to review the work of each and to monitor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

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

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. With the participation of the Chief Executive Officer and the Chief Financial Officer, management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework and the criteria established in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management has concluded that internal control over financial reporting was effective as of September 30, 2009.

The Company's auditor, KPMG LLP, an independent registered public accounting firm, has issued an audit report on the effectiveness of the Company's internal control over financial reporting.



David N. Farr
*Chairman of the Board,
Chief Executive Officer,
and President*



Walter J. Galvin
*Vice Chairman
and Chief Financial Officer*

Results of Operations

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

	2007	2008	2009	CHANGE 2007 - 2008	CHANGE 2008 - 2009
Net sales	\$22,131	24,807	20,915	12%	(16)%
Gross profit	\$ 8,065	9,139	7,699	13%	(16)%
<i>Percent of sales</i>	36.4%	36.8%	36.8%		
SG&A	\$ 4,569	5,057	4,532		
<i>Percent of sales</i>	20.6%	20.3%	21.7%		
Other deductions, net	\$ 175	303	530		
Interest expense, net	\$ 228	188	220		
Earnings from continuing operations					
before income taxes	\$ 3,093	3,591	2,417	16%	(33)%
<i>Percent of sales</i>	14.0%	14.5%	11.6%		
Earnings from continuing operations	\$ 2,129	2,454	1,724	15%	(30)%
Net earnings	\$ 2,136	2,412	1,724	13%	(29)%
<i>Percent of sales</i>	9.7%	9.7%	8.2%		
Diluted EPS – Earnings from continuing operations	\$ 2.65	3.11	2.27	17%	(27)%
Diluted EPS – Net earnings	\$ 2.66	3.06	2.27	15%	(26)%
Return on equity	25.2%	27.0%	19.5%		
Return on total capital	20.1%	21.8%	16.2%		

OVERVIEW

Fiscal 2009 was a very challenging year as a significant decline in gross fixed investment worldwide, particularly for capital goods and nonresidential construction, as well as housing and consumer spending, adversely impacted sales and earnings for all of the Company's business segments. These declines began in the third quarter of fiscal 2008, continued throughout 2009, and the Company anticipates continued weakness stemming from these factors for much of fiscal 2010. Given the difficult economic environment, the Company took aggressive actions and incurred significant costs to rationalize its businesses to the level appropriate for the conditions and to improve its cost structure in preparation for the ultimate recovery. Fiscal 2009 net sales were \$20.9 billion, a decrease of 16 percent; earnings from continuing operations and earnings from continuing operations per share were \$1.7 billion and \$2.27, decreases of 30 percent and 27 percent, respectively; net earnings and net earnings per share were \$1.7 billion and \$2.27, decreases of 29 percent and 26 percent, respectively, from fiscal 2008. Underlying sales declined across all major geographic regions, particularly in the United States and Europe. Sales in Asia were down slightly but included a 2 percent increase in China. Unfavorable foreign currency translation also negatively impacted results for the year due to the strength of the U.S. dollar as compared with 2008. Sales and earnings for fiscal 2009

decreased versus prior year in all segments, reflecting lower spending and investment by both businesses and consumers as confidence declined and remained low. Although operating in a challenging environment, the Company was able to achieve gross margin consistent with prior year due to the benefits of rationalization actions and other productivity improvements, as well as higher pricing in certain markets and materials cost containment. Earnings margins decreased primarily because of deleverage on lower sales volume and higher rationalization expense. Despite the economic environment, Emerson's financial position remains strong and in 2009 the Company generated cash near the same level as the prior year with operating cash flow of \$3.1 billion and free cash flow (operating cash flow less capital expenditures) of \$2.6 billion. Emerson maintains a conservative financial structure to provide the strength and flexibility necessary to achieve its strategic objectives.

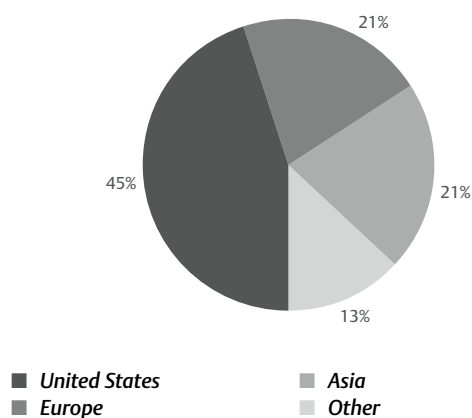
NET SALES

Net sales for fiscal 2009 were \$20.9 billion, a decrease of approximately \$3.9 billion, or 16 percent, from fiscal 2008. Sales declined across all segments as the Company's businesses continued to be impacted by the broad slowdown in consumer and capital goods businesses. Consolidated results reflect an approximate 13 percent (\$3,090 million) decrease in underlying sales (which

exclude acquisitions, divestitures and foreign currency translation), a 4 percent (\$933 million) unfavorable impact from foreign currency translation and a 1 percent (\$131 million) contribution from acquisitions. The underlying sales decrease for fiscal 2009 included an 18 percent decrease in the United States and a 9 percent decrease internationally, composed of Europe (16 percent), Latin America (7 percent), Middle East/Africa (6 percent), Asia (2 percent) and Canada (6 percent). The Company estimates that the underlying sales decline primarily reflects an approximate 14 percent decline from volume and an approximate 1 percent impact from higher pricing.

Net sales for fiscal 2008 were \$24.8 billion, an increase of approximately \$2.7 billion, or 12 percent, over fiscal 2007, with international sales leading overall growth. Consolidated sales results reflect increases in four of the Company's five business segments with an approximate 7 percent (\$1,523 million) increase in underlying sales, a 4 percent (\$809 million) favorable impact from foreign currency translation and a 1 percent (\$344 million) contribution from acquisitions, net of divestitures. The Network Power, Process Management and Industrial Automation businesses drove sales growth, while the Appliance and Tools and Climate Technologies businesses were impacted by the U.S. consumer spending slowdown. The underlying sales increase for fiscal 2008 was driven by an international sales increase of more than 10 percent plus a 3 percent increase in the United States. The international sales increase primarily reflects growth in Asia (17 percent), Latin America (18 percent), Middle East/Africa (17 percent) and Europe (3 percent). The Company estimates that the underlying sales growth of approximately 7 percent primarily reflects an approximate 6 percent gain from volume, aided by penetration gains, and an approximate 1 percent impact from higher selling prices.

SALES BY GEOGRAPHIC DESTINATION



INTERNATIONAL SALES

Emerson is a global business for which international sales have grown over the years and now constitute 55 percent of the Company's total sales. The Company expects this trend to continue due to faster economic growth in emerging markets in Asia, Latin America and Middle East/Africa.

International destination sales, including U.S. exports, decreased approximately 14 percent, to \$11.6 billion in 2009. U.S. exports of \$1,290 million were down 16 percent compared with 2008, reflecting declines in Industrial Automation, Network Power, Climate Technologies and Process Management as these businesses were impacted by lower volume and the stronger U.S. dollar. International subsidiary sales, including shipments to the United States, were \$10.3 billion in 2009, down 14 percent from 2008. Excluding the 7 percent net unfavorable impact from acquisitions and foreign currency translation, international subsidiary sales decreased 7 percent compared with 2008. Underlying destination sales declined 16 percent in Europe; 2 percent overall in Asia, including 2 percent growth in China; 7 percent in Latin America and 6 percent in Middle East/Africa.

International destination sales, including U.S. exports, increased approximately 20 percent, to \$13.5 billion in 2008, representing 54 percent of the Company's total sales. U.S. exports of \$1,537 million were up 20 percent compared with 2007, reflecting strong growth in the Network Power, Process Management and Climate Technologies businesses, aided by the weaker U.S. dollar as well as the benefit from acquisitions. Underlying destination sales grew 17 percent in Asia during the year, driven mainly by 21 percent growth in China, while sales grew 18 percent in Latin America, 17 percent in Middle East/Africa and 3 percent in Europe. International subsidiary sales, including shipments to the United States, were \$12.0 billion in 2008, up 19 percent over 2007. Excluding the 8 percent net favorable impact from acquisitions, divestitures and foreign currency translation, international subsidiary sales increased 11 percent compared with 2007.

ACQUISITIONS AND DIVESTITURES

The Company acquired Roxar ASA, Trident Powercraft Private Limited, System Plast S.p.A. and several smaller businesses during 2009. Roxar supplies measurement solutions and software for reservoir production optimization, enhanced oil and gas recovery and flow assurance. Trident Power manufactures and supplies power generating alternators and associated products. System Plast manufactures engineered modular belts and custom conveyer components for food processing and packaging industries. Total cash paid for these businesses

was approximately \$776 million (net of cash acquired of approximately \$31 million and debt assumed of approximately \$230 million). Annualized sales for acquired businesses were approximately \$530 million in 2009.

During the first quarter of fiscal 2010, the Company entered into a definitive agreement and commenced a tender offer to acquire Avocent Corporation for approximately \$1.2 billion in cash. Avocent is a leader in delivering information technology operations management solutions that reduce operating costs, simplify management and increase availability of critical information technology environments via integrated, centralized software. Avocent products complement the Network Power segment's power systems, energy management and precision cooling solutions. The transaction is expected to be completed in December 2009 and is subject to acceptance of the tender offer by a majority of Avocent shareholders, customary closing conditions and regulatory approvals.

The Company acquired Motorola Inc.'s Embedded Computing business and several smaller businesses during 2008. Embedded Computing provides communication platforms and enabling software used by manufacturers of equipment for telecommunications, medical imaging, defense and aerospace and industrial automation markets. Total cash paid for these businesses (net of cash and equivalents acquired of approximately \$2 million) was approximately \$561 million.

In the first quarter of fiscal 2008, the Company divested its Brooks Instrument flow meters and flow controls unit, which had sales for the first quarter of 2008 of \$21 million and net earnings of \$1 million. Proceeds from the sale of Brooks were \$100 million, resulting in a pretax gain of \$63 million (\$42 million after-tax). The net gain on divestiture and Brooks' results of operations for fiscal 2008 are classified as discontinued operations; prior year results of operations were inconsequential. Also in fiscal 2008, the Company received approximately \$101 million from the divestiture of the European appliance motor and pump business, resulting in a loss of \$92 million. The European appliance motor and pump business had total annual sales of \$453 million and \$441 million in 2008 and 2007, respectively and net earnings, excluding the divestiture loss, of \$7 million in both years. The divestiture loss and results of operations are classified as discontinued operations.

COST OF SALES

Costs of sales for fiscal 2009 and 2008 were \$13.2 billion and \$15.7 billion, respectively, while gross profit was \$7.7 billion in 2009 compared with \$9.1 billion for 2008. The decrease in gross profit primarily reflects lower sales volume and unfavorable foreign currency translation. As a percent of net sales, cost of sales was 63.2 percent for

both 2009 and 2008, resulting in consistent gross margin of 36.8 percent for both years. The level gross margin compared with 2008 reflects benefits realized from rationalization actions and other productivity improvements, materials cost containment and selective price increases, which were offset by deleverage on lower sales volume, inventory liquidation and unfavorable product mix. In addition, due to the economic slowdown the Company's inventory obsolescence allowance increased approximately \$40 million in 2009.

Costs of sales for fiscal 2007 were \$14.1 billion and cost of sales as a percent of net sales was 63.6 percent. Gross profit was \$8.1 billion for 2007, resulting in a gross profit margin of 36.4 percent. The increase in the gross profit margin in 2008 primarily reflects leverage on higher sales volume and benefits realized from productivity improvements, which were partially offset by negative product mix. Higher sales prices, together with the benefits received from commodity hedging of approximately \$42 million, were more than offset by higher raw material and wage costs. The increase in the gross profit amount in 2008 primarily reflects higher sales volume and foreign currency translation, as well as acquisitions.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative (SG&A) expenses for 2009 were \$4.5 billion, or 21.7 percent of net sales, compared with \$5.1 billion, or 20.3 percent of net sales for 2008. The \$0.6 billion decrease in SG&A was primarily due to lower sales volume, benefits from rationalization, favorable foreign currency translation and a \$28 million decrease in incentive stock compensation expense (see Note 14). The increase in SG&A as a percent of sales was primarily the result of deleverage on lower sales volume, partially offset by cost reduction actions and the lower incentive stock compensation expense.

SG&A expenses for 2008 were \$5.1 billion, or 20.3 percent of net sales, compared with \$4.6 billion, or 20.6 percent of net sales for 2007. The increase of approximately \$0.5 billion in 2008 was primarily due to an increase in variable costs on higher sales volume, acquisitions and foreign currency translation, partially offset by a \$103 million decrease in incentive stock compensation (see Note 14). The reduction in SG&A as a percent of sales was primarily the result of lower incentive stock compensation, leverage on higher sales and benefits realized from cost reduction actions, particularly in the Process Management and Network Power businesses.

OTHER DEDUCTIONS, NET

Other deductions, net were \$530 million in 2009, a \$227 million increase from 2008 that primarily reflects \$203 million of incremental rationalization expense. The Company continuously makes investments in its operations to improve efficiency and remain competitive on a global basis, and in 2009 incurred costs of \$295 million for actions to rationalize its businesses to the level appropriate for current economic conditions and improve its cost structure in preparation for the ultimate economic recovery. The 2009 increase also includes higher intangible asset amortization of \$27 million due to acquisitions, lower nonrecurring gains of \$25 million and other items. Gains in 2009 included the sale of an asset for which the Company received \$41 million and recognized a gain of \$25 million (\$17 million after-tax). See Notes 4 and 5 for further details regarding other deductions, net and rationalization costs.

Other deductions, net of \$303 million in 2008 represented a \$128 million increase from \$175 million in 2007. The increase in 2008 versus 2007 includes a \$31 million impairment charge related to the North American appliance control business, higher intangible asset amortization of \$18 million due to acquisitions, incremental rationalization expense of \$17 million, a \$12 million charge for in-process research and development in connection with the Embedded Computing acquisition, \$12 million of incremental foreign currency transaction losses, lower one-time gains of \$10 million and other items. In 2008, the Company received \$54 million and recognized a gain of \$39 million (\$20 million after-tax) on the sale of its equity investment in Industrial Motion Control Holdings, a manufacturer of motion control components for automation equipment, and also recorded a gain of \$18 million related to the sale of a facility.

INTEREST EXPENSE, NET

Interest expense, net was \$220 million, \$188 million and \$228 million in 2009, 2008 and 2007, respectively. The increase of \$32 million in 2009 was due to lower interest income, driven by lower worldwide interest rates, and higher average long-term borrowings reflecting a change in debt mix. The \$40 million decrease in interest expense in 2008 was primarily due to lower interest rates and lower average borrowings.

INCOME TAXES

Income taxes were \$693 million, \$1,137 million and \$964 million for 2009, 2008 and 2007, respectively, resulting in effective tax rates of 29 percent, 32 percent and 31 percent. The lower effective tax rate in 2009 reflects the Company recognizing a benefit from a net

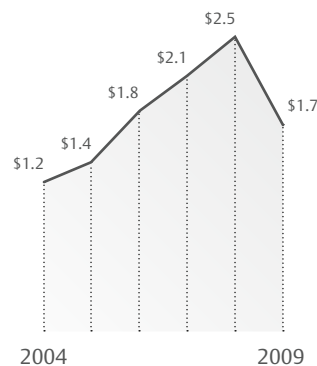
operating loss carryforward at a foreign subsidiary, a credit related to the repatriation of certain non-U.S. earnings, and a change in the mix of regional pretax income as operating results declined significantly in the United States and Europe while declining only slightly in Asia.

EARNINGS FROM CONTINUING OPERATIONS

Earnings from continuing operations were \$1.7 billion for 2009, while earnings from continuing operations per share were \$2.27, decreases of 30 percent and 27 percent, respectively, compared with \$2.5 billion and \$3.11 for 2008. The earnings decline is due to decreases in all of the Company's business segments and reflects lower sales volume, increased rationalization expense and unfavorable product mix, partially offset by savings from cost reduction actions and materials cost containment. Earnings declined \$373 million in Industrial Automation, \$238 million in Process Management, \$227 million in Network Power, \$162 million in Appliance and Tools and \$154 million in Climate Technologies. Earnings per share results reflect the benefit of share repurchases. See the Business Segments discussion that follows for additional information.

Earnings from continuing operations and earnings from continuing operations per share for 2008 increased 15 percent and 17 percent, respectively, compared with \$2.1 billion and \$2.65 for 2007, reflecting increases in four of the five business segments, including \$240 million in Process Management, \$149 million in Network Power and \$62 million in Industrial Automation. The increased earnings reflect leverage from higher sales, benefits realized from cost containment and higher selling prices, partially offset by higher raw material and wage costs.

EARNINGS FROM CONTINUING OPERATIONS (dollars in billions)



Earnings from continuing operations were \$1.7 billion in 2009, a 7 percent compound annual growth rate since 2004.

DISCONTINUED OPERATIONS

There were no discontinued operations in fiscal 2009. The \$42 million loss from discontinued operations (\$0.05 per share) in fiscal 2008 included the \$42 million gain on the divestiture of Brooks, the \$92 million loss related to the divestiture of the European appliance motor and pump business, and \$8 million of combined earnings related to these divestitures. Fiscal 2007 income from discontinued operations related to the European appliance motor and pump business was \$7 million, or \$0.01 per share. See previous discussion under Acquisitions and Divestitures and Note 3 for additional information regarding prior year discontinued operations.

NET EARNINGS, RETURN ON EQUITY AND RETURN ON TOTAL CAPITAL

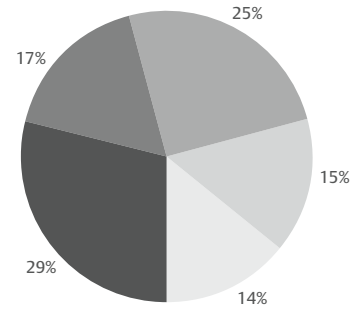
Net earnings were \$1.7 billion and earnings per share were \$2.27 for 2009, decreases of 29 percent and 26 percent, respectively, compared with 2008, due to the same factors discussed previously. Net earnings as a percent of net sales were 8.2 percent and 9.7 percent in 2009 and 2008. Return on stockholders' equity (net earnings divided by average stockholders' equity) was 19.5 percent in 2009 compared with 27.0 percent in 2008. Return on total capital was 16.2 percent in 2009 compared with 21.8 percent in 2008, and is computed as net earnings excluding after-tax net interest expense, divided by average stockholders' equity plus short- and long-term debt less cash and short-term investments.

Net earnings were \$2.4 billion and earnings per share were \$3.06 for 2008, increases of 13 percent and 15 percent, respectively, compared with net earnings and earnings per share of \$2.1 billion and \$2.66, respectively, in 2007. Net earnings as a percent of net sales were 9.7 percent in 2008 and 2007. Net earnings in 2008 included the net loss from discontinued operations discussed previously. Return on stockholders' equity reached 27.0 percent in 2008 compared with 25.2 percent in 2007, and the Company realized a 2008 return on total capital of 21.8 percent compared with 20.1 percent in 2007.

Business Segments

Following is a summary of segment results for fiscal 2009 compared with fiscal 2008, and also 2008 compared with fiscal 2007. The Company defines segment earnings as earnings before interest and taxes.

SALES BY SEGMENT



Process Management
 Climate Technologies
 Industrial Automation
 Appliance and Tools
 Network Power

PROCESS MANAGEMENT

(DOLLARS IN MILLIONS)	2007	2008	2009	CHANGE	CHANGE
				'07 - '08	'08 - '09
Sales	\$5,699	6,652	6,233	17%	(6)%
Earnings	\$1,066	1,306	1,068	23%	(18)%
Margin	18.7%	19.6%	17.1%		

2009 vs. 2008 - Process Management segment sales were \$6.2 billion in 2009, a decrease of \$419 million, or 6 percent, from 2008. Nearly all of the Process businesses reported lower sales and earnings, particularly for the measurement and flow business resulting primarily from weakness in the chemical, refining and marine markets. Sales were down slightly for the valves business while the power and water business had a small sales increase. The segment sales decrease reflects a 2 percent decline in underlying sales on lower volume, a 6 percent (\$373 million) unfavorable impact from foreign currency translation and a 2 percent (\$94 million) favorable impact primarily from the Roxar acquisition. Regionally, sales declined 6 percent in the United States while international sales were flat, as growth in Asia (7 percent) offset decreases in Europe (4 percent), Middle East/Africa (3 percent), Canada (6 percent) and Latin America (2 percent). Earnings decreased 18 percent to \$1,068 million from \$1,306 million in the prior year, reflecting the lower sales volume, negative product mix, higher rationalization costs of \$43 million and a \$12 million negative impact from foreign currency transactions related to the strengthening of the U.S. dollar in 2009 versus weakening in the prior year, partially offset by savings from cost reduction actions. The margin decrease primarily reflects unfavorable product mix (approximately 2 points) and deleverage on lower volume, which were partially offset by productivity

improvements. Price increases and materials cost containment were substantially offset by higher wage costs.

2008 vs. 2007 - Process Management segment sales were \$6.7 billion in 2008, an increase of \$953 million, or 17 percent, over 2007, reflecting higher volume and favorable foreign currency translation. These results reflect the Company's continued investment in next-generation technologies and expanding the global reach of the solutions and services businesses, as well as the strong worldwide growth in energy and power markets. All of the Process businesses reported higher revenues, with sales particularly strong for the valves, measurement and systems businesses. Underlying sales increased approximately 14 percent, reflecting 13 percent from volume, which includes an estimated 3 percent from penetration gains, and 1 percent from higher pricing. Foreign currency translation had a 4 percent (\$225 million) favorable impact and the Brooks divestiture, net of acquisitions, had an unfavorable impact of 1 percent (\$35 million). The underlying sales increase reflects growth in all geographic regions compared with the prior year, including Asia (21 percent), the United States (12 percent), Europe (7 percent), Latin America (22 percent), Canada (13 percent) and Middle East/Africa (14 percent). Earnings increased 23 percent to \$1,306 million from \$1,066 million in the prior year, reflecting higher sales volume, savings from cost reductions and materials cost containment and the benefit from foreign currency translation. The margin increase primarily reflects leverage on the higher volume, price increases and cost containment actions, which were partially offset by higher wage costs, unfavorable product mix and strategic investments to support the growth of these businesses.

INDUSTRIAL AUTOMATION

(DOLLARS IN MILLIONS)	2007	2008	2009	CHANGE	
				'07 - '08	'08 - '09
Sales	\$4,269	4,852	3,698	14%	(24)%
Earnings	\$ 665	727	354	9%	(51)%
Margin	15.6%	15.0%	9.6%		

2009 vs. 2008 - Industrial Automation segment sales decreased 24 percent to \$3.7 billion in 2009, compared with \$4.9 billion in 2008. Sales results reflect steep declines for all businesses due to the slowdown in the capital goods markets. Underlying sales declined 22 percent, unfavorable foreign currency translation subtracted 4 percent (\$236 million) and the System Plast and Trident Power acquisitions contributed 2 percent (\$97 million). Underlying sales decreased 25 percent in the United States and 19 percent internationally,

including decreases in Europe (22 percent) and Asia (15 percent). Underlying sales reflect a 23 percent decline in volume and an approximate 1 percent positive impact from higher selling prices. Earnings decreased 51 percent to \$354 million for 2009, compared with \$727 million in 2008, primarily reflecting the lower sales volume. The margin decrease of 5.4 percentage points reflects deleverage on the lower sales volume (approximately 4 points) with significant inventory reduction (approximately 1 point) and higher rationalization costs of \$28 million, partially offset by savings from cost reduction actions and price increases.

2008 vs. 2007 - Industrial Automation sales increased 14 percent to \$4.9 billion in 2008, compared with \$4.3 billion in 2007. Sales grew in all lines of business and in nearly all geographic regions, reflecting strength in the power generating alternator, fluid automation, electronic drives, electrical distribution and materials joining businesses. Underlying sales growth was 7 percent, including 8 percent in the United States and 6 percent internationally, and favorable foreign currency translation added 7 percent (\$278 million). The U.S. growth particularly reflects the alternator business, which was driven by increased demand for backup generators. The international sales growth primarily reflects increases in Europe (4 percent) and Asia (17 percent). The underlying growth reflects 6 percent from volume, as well as an approximate 1 percent positive impact from price. Earnings increased 9 percent to \$727 million for 2008, compared with \$665 million in 2007, reflecting higher sales volume and the benefit from foreign currency translation. The margin decrease reflects a lower payment received by the power transmission business for dumping duties under the U.S. Continued Dumping and Subsidy Offset Act. The Company received only \$3 million in 2008 versus \$24 million received in fiscal 2007. The Company does not expect to receive any significant payments in the future. Margin was positively impacted by leverage on the higher sales volume and benefits from prior cost reduction efforts. Higher sales prices were substantially offset by higher material and wage costs, as well as unfavorable product mix, which negatively impacted margin.

NETWORK POWER

(DOLLARS IN MILLIONS)	2007	2008	2009	CHANGE	
				'07 - '08	'08 - '09
Sales	\$5,150	6,312	5,359	23%	(15)%
Earnings	\$ 645	794	567	23%	(29)%
Margin	12.5%	12.6%	10.6%		

2009 vs. 2008 - Sales in the Network Power segment decreased 15 percent to \$5.4 billion in 2009 compared with \$6.3 billion in 2008, reflecting declines in the

inbound power, uninterruptible power supply, precision cooling and embedded power businesses due to the continued slowdown in customers' capital spending, partially offset by growth in the China network power systems business. Underlying sales declined 11 percent, foreign currency translation had a 3 percent (\$191 million) unfavorable impact and a decline in sales for the Embedding Computing acquisition had a 1 percent (\$101 million) unfavorable impact. The underlying sales decrease reflects a 10 percent decline in volume and a 1 percent impact from lower selling prices. Geographically, underlying sales reflect decreases in the United States (19 percent), Europe (22 percent) and Latin America (3 percent), which were partially offset by increases in Asia (1 percent), as the Company continues to penetrate the Chinese market, Canada (9 percent), and Middle East/Africa (6 percent). Earnings decreased 29 percent to \$567 million, compared with \$794 million in 2008, primarily due to lower sales volume and higher rationalization costs of \$90 million (particularly for the integration of Embedded Computing), partially offset by solid earnings growth for the energy systems and China network power businesses. The segment margin decrease reflects deleverage on lower sales volume and a negative impact from acquisitions, partially offset by savings from cost reduction actions which contributed to margin improvement for both the energy systems and China network power systems businesses. Materials cost containment was partially offset by lower selling prices and increased wage costs.

2008 vs. 2007 - Sales in the Network Power segment increased 23 percent to \$6.3 billion in 2008 compared with \$5.2 billion in 2007. The increase in sales reflects continued growth in the precision cooling, global services, uninterruptible power supply, inbound power and power systems businesses. Underlying sales grew 11 percent, while the Embedded Computing and Stratos acquisitions contributed approximately 9 percent (\$449 million) and foreign currency translation had a 3 percent (\$156 million) favorable impact. The underlying sales increase of 11 percent reflects higher volume, which includes an approximate 4 percent impact from penetration gains. Geographically, underlying sales reflect a 17 percent increase in Asia, an 8 percent increase in the United States, a 14 percent increase in Latin America, a 55 percent increase in Middle East/Africa and a 2 percent increase in Europe. The U.S. growth reflects continued demand for data room construction, non-residential computer equipment and telecommunications power. Internationally, the Company continues to penetrate the Chinese, Indian and other Asian markets. Earnings increased 23 percent, or \$149 million, to \$794 million, compared with \$645 million in 2007, primarily due to higher sales volume and savings from cost reduction actions. The margin increase reflects these savings and

leverage on the higher volume, partially offset by a nearly 1 percentage point dilution from the Embedded Computing acquisition and higher wage costs.

CLIMATE TECHNOLOGIES

(DOLLARS IN MILLIONS)	2007	2008	2009	CHANGE	
				'07 - '08	'08 - '09
Sales	\$3,614	3,822	3,197	6%	(16)%
Earnings	\$ 538	551	397	2%	(28)%
Margin	14.9%	14.4%	12.4%		

2009 vs. 2008 - Climate Technologies reported sales of \$3.2 billion for 2009, a 16 percent decrease from 2008, reflecting declines across all businesses, especially for compressors, temperature sensors and heater controls. Underlying sales decreased approximately 15 percent, foreign currency translation had a 2 percent (\$92 million) unfavorable impact and acquisitions added 1 percent (\$38 million). The underlying sales decrease reflects an approximate 17 percent decline from lower volume and an estimated 2 percent positive impact from higher selling prices. Sales declines in the compressor business reflect the worldwide slowdown in air-conditioning and refrigeration markets, particularly in the United States and Asia. The underlying sales decrease reflects a 15 percent decrease in both the United States and internationally, including declines of 18 percent in Asia, 10 percent in Europe and 15 percent in Latin America. Earnings decreased 28 percent to \$397 million compared with \$551 million in 2008, primarily due to lower sales volume, higher rationalization costs of \$26 million, a \$15 million commercial litigation charge and a \$12 million negative impact from foreign currency transactions related to the strengthening of the U.S. dollar in 2009 versus weakening in the prior year, partially offset by savings from cost reduction actions. The margin decrease reflects deleverage on lower sales volume (approximately 2 points), as well as higher materials costs, which were only partially offset by price increases.

2008 vs. 2007 - Climate Technologies reported sales of \$3.8 billion for 2008, representing a 6 percent increase over 2007, as underlying sales increased approximately 3 percent and foreign currency translation had a 3 percent (\$110 million) favorable impact. The underlying sales increase of 3 percent reflects an approximate 2 percent positive contribution from price increases and an approximate 1 percent gain from higher volume, which includes a 2 percent impact from penetration gains. The underlying sales increase was led by the water-heater controls business, which primarily reflects penetration in the U.S. water-heater market. The compressors business grew modestly, primarily in the refrigeration and the U.S. and Asian air-conditioning

markets; while the temperature sensors and flow controls businesses declined. The growth in refrigeration was driven by the transport container market. The underlying sales increase reflects a 2 percent increase in the United States and 4 percent growth internationally, with Asia growing 9 percent and Europe declining 6 percent. Earnings increased 2 percent to \$551 million in 2008 compared with \$538 million in 2007. The margin was diluted as higher sales prices were more than offset by material inflation and higher restructuring costs of \$13 million.

APPLIANCE AND TOOLS

(DOLLARS IN MILLIONS)	2007	2008	2009	CHANGE	CHANGE
				'07 - '08	'08 - '09
Sales	\$4,006	3,861	3,029	(4)%	(22)%
Earnings	\$ 564	527	365	(7)%	(31)%
Margin	14.1%	13.6%	12.0%		

2009 vs. 2008 - Sales for the Appliance and Tools segment were \$3.0 billion in 2009, a 22 percent decrease from 2008. Declines in the storage, tools and appliance businesses were due to the continued downturn in the U.S. residential and nonresidential markets, while declines in the motors and appliance and solutions businesses reflect major customers reducing inventory and production levels due to the difficult economic conditions. The sales decrease reflects a 21 percent decline in underlying sales and an unfavorable impact from foreign currency translation of 1 percent (\$41 million). Underlying sales in the United States were down 21 percent while underlying international sales decreased 17 percent. The underlying sales decrease reflects an estimated 23 percent decline in volume and an approximate 2 percent positive impact from pricing. Earnings for 2009 were \$365 million, a 31 percent decrease from 2008, reflecting deleverage on lower sales volume and higher rationalization costs of \$16 million, which were partially offset by savings from cost reductions, higher selling prices and a 2008 impairment charge of \$31 million in the appliance control business (see Note 4).

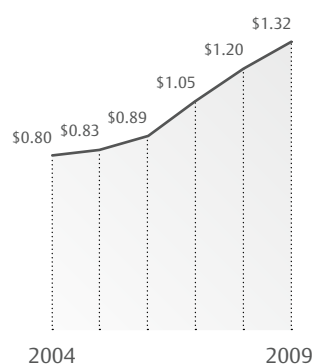
2008 vs. 2007 - Sales in the Appliance and Tools segment were \$3.9 billion in 2008, a 4 percent decrease from 2007. Results for 2008 were mixed, reflecting the different sectors served by these businesses. The professional tools, commercial storage and hermetic motor businesses showed increases, while the residential storage, appliance components, and appliance and commercial motors businesses declined. The growth in the professional tools business was driven by U.S. and Latin American markets. The declines in the residential storage and appliance-related businesses primarily reflect

the downturn in the U.S. consumer appliance and residential end-markets, as the U.S. markets represented more than 80 percent of sales for this segment. Underlying sales in the United States were down 6 percent from the prior year, while international underlying sales increased 13 percent in total. The decrease in total sales reflects a 3 percent decline in underlying sales, an unfavorable impact from divestitures of 2 percent (\$65 million) and a favorable impact from foreign currency translation of 1 percent (\$40 million). The underlying sales decrease reflects an estimated 7 percent decline in volume and an approximate 4 percent positive impact from higher pricing. Earnings for 2008 were \$527 million, a 7 percent decrease from 2007. Earnings decreased because of deleverage on lower sales volume and the \$31 million impairment charge in the appliance control business (see Note 4), which was partially offset by savings from cost reduction actions. The increase in sales prices was substantially offset by higher material (copper and other commodities) and wage costs. The 2007 sale of the consumer hand tools product line favorably impacted the margin.

Financial Position, Capital Resources and Liquidity

The Company continues to generate substantial cash from operations, is in a strong financial position with total assets of \$20 billion and stockholders' equity of \$9 billion and has the resources available for reinvestment in existing businesses, strategic acquisitions and managing its capital structure on a short- and long-term basis.

DIVIDENDS PER SHARE



Annual dividends increased to a record \$1.32 per share in 2009, representing the 53rd consecutive year of increases.

CASH FLOW

(DOLLARS IN MILLIONS)	2007	2008	2009
Operating Cash Flow	\$3,016	3,293	3,086
<i>Percent of sales</i>	13.4%	13.3%	14.8%
Capital Expenditures	\$ 681	714	531
<i>Percent of sales</i>	3.0%	2.9%	2.6%
Free Cash Flow (Operating Cash Flow less Capital Expenditures)	\$2,335	2,579	2,555
<i>Percent of sales</i>	10.3%	10.4%	12.2%
Operating Working Capital	\$1,915	2,202	1,714
<i>Percent of sales</i>	8.5%	8.9%	8.2%

Emerson generated operating cash flow of \$3.1 billion in 2009, a 6 percent decrease from 2008 due to lower earnings and increased pension funding, partially offset by significant savings from continued improvements in operating working capital management. The cash operating working capital reduction of \$620 million included accounts receivable and inventory liquidations of \$1,011 million and \$580 million, respectively, partially offset by an accounts payable reduction of \$709 million. Given the significant operating working capital reduction in 2009, the Company expects operating cash flow to decline in fiscal 2010. Operating cash flow was \$3.3 billion in 2008, a 9 percent increase from 2007, driven by higher net earnings. At September 30, 2009, operating working capital as a percent of sales was 8.2 percent, compared with 8.9 percent and 8.5 percent in 2008 and 2007, respectively. Pension contributions were \$303 million, \$135 million and \$136 million in 2009, 2008 and 2007, respectively.

Free cash flow (operating cash flow less capital expenditures) was \$2.6 billion in both 2009 and 2008, compared with \$2.3 billion in 2007. The 10 percent increase in free cash flow in 2008 compared with 2007 reflects the increase in operating cash flow, partially offset by higher capital spending. Capital expenditures were \$531 million, \$714 million and \$681 million in 2009, 2008 and 2007, respectively. The decrease in capital expenditures during 2009 compared with the prior year was primarily due to the overall decline in worldwide business, while the increase in 2008 compared with 2007 was primarily due to capacity expansion in the Process Management and Industrial Automation segments and construction of a corporate data center. In 2010, the Company is targeting capital spending of approximately \$500 million. Net cash paid in connection with acquisitions was \$776 million, \$561 million and \$295 million in 2009, 2008 and 2007, respectively.

Dividends were \$998 million (\$1.32 per share, up 10 percent) in 2009, compared with \$940 million

(\$1.20 per share) in 2008 and \$837 million (\$1.05 per share) in 2007. In November 2009, the Board of Directors voted to increase the quarterly cash dividend 1.5 percent to an annualized rate of \$1.34 per share. In 2008, the Board of Directors approved a program for the repurchase of up to 80 million common shares to augment an existing 2002 plan. In 2009, 21.0 million shares were repurchased under the fiscal 2008 authorization; in 2008, 22.4 million shares were repurchased under the fiscal 2002 and 2008 authorizations; and in 2007, 18.9 million shares were repurchased under the 2002 authorization. 51.4 million shares remain available for repurchase under the 2008 authorization and zero remain available under the 2002 authorization. Purchases of Emerson common stock totaled \$695 million, \$1,128 million and \$849 million in 2009, 2008 and 2007, respectively, at an average price paid per share of \$33.09, \$50.31 and \$44.98, respectively.

LEVERAGE/CAPITALIZATION

(DOLLARS IN MILLIONS)	2007	2008	2009
Total Assets	\$19,680	21,040	19,763
Long-term Debt	\$ 3,372	3,297	3,998
Stockholders' Equity	\$ 8,772	9,113	8,555
Total Debt-to-Capital Ratio	30.1%	33.1%	34.8%
Net Debt-to-Net Capital Ratio	23.6%	22.7%	25.7%
Operating Cash Flow-to-Debt Ratio	79.9%	72.9%	67.5%
Interest Coverage Ratio	12.9X	15.7X	10.9X

Total debt, which includes short-term borrowings and current maturities of long-term debt, was \$4.6 billion, \$4.5 billion and \$3.8 billion for 2009, 2008 and 2007, respectively. During 2009, the Company issued \$250 million of 4.125% notes due April 2015, \$250 million of 5.00% notes due April 2019, \$250 million of 6.125% notes due April 2039 and \$500 million of 4.875% notes due October 2019, and repaid \$175 million of 5% notes and \$250 million of 5.85% notes that had matured. In November 2009, the Company issued \$300 million of 4.25% notes due November 2020 and \$300 million of 5.25% notes due November 2039. During 2008, the Company issued \$400 million of 5.25% notes due October 2018 and repaid \$250 million of 5.5% notes that had matured. During 2007, the Company issued \$250 million of 5.125% notes due December 2016 and \$250 million of 5.375% notes due October 2017.

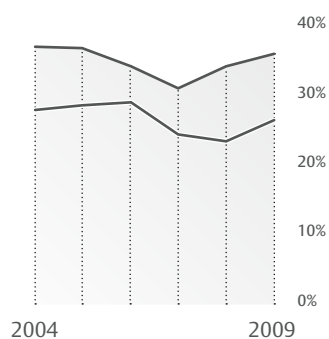
The total debt-to-capital ratio was 34.8 percent at year end 2009, compared with 33.1 percent for 2008 and 30.1 percent for 2007. At September 30, 2009, net debt (total debt less cash and short-term investments) was 25.7 percent of net capital, compared with 22.7 percent

in 2008 and 23.6 percent in 2007. The operating cash flow-to-debt ratio was 67.5 percent, 72.9 percent and 79.9 percent in 2009, 2008 and 2007, respectively. The Company's interest coverage ratio (earnings before income taxes plus interest expense, divided by interest expense) was 10.9 times in 2009, compared with 15.7 times and 12.9 times in 2008 and 2007. The decrease in the interest coverage ratio from 2008 to 2009 was primarily due to lower earnings and the increase from 2007 to 2008 reflects higher earnings and lower interest rates. See Notes 3, 8 and 9 for additional information. The Company's strong financial position supports long-term debt ratings of A2 by Moody's Investors Service and A by Standard and Poor's. The Company anticipates no change in credit rating due to the Avocent acquisition discussed in Note 3.

The Company has a universal shelf registration statement on file with the U.S. Securities and Exchange Commission (SEC) under which it can issue debt securities, preferred stock, common stock, warrants, share purchase contracts and 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.

At year end 2009, the Company maintained, but has not drawn upon, a \$2.8 billion, five-year, revolving backup credit facility that expires in April 2011 to support short-term borrowings. The credit facility contains no financial covenants and is not subject to termination based on a change in credit ratings or a material adverse change. The Company expects to renew the backup credit facility in 2010.

DEBT AS A PERCENT OF CAPITAL



Total debt was 35 percent of total capital and net debt was 26 percent of net capital at year end 2009.

Although credit markets in the U.S., including the commercial paper market, have stabilized, there remains a risk of volatility and illiquidity that could affect the Company's ability to access those markets. However, despite the adverse market conditions over the past year,

the Company has thus far been able to readily meet all its funding needs and currently believes that sufficient funds will be available to meet the Company's needs in the foreseeable future through existing resources, ongoing operations, short- and long-term debt or backup credit lines.

CONTRACTUAL OBLIGATIONS

At September 30, 2009, the Company's contractual obligations, including estimated payments due by period, are as follows (dollars in millions):

(DOLLARS IN MILLIONS)	PAYMENTS DUE BY PERIOD				
	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS
Long-term Debt (including interest)	\$6,508	796	734	1,072	3,906
Operating Leases	766	227	275	116	148
Purchase Obligations	1,029	807	209	13	-
Total	\$8,303	1,830	1,218	1,201	4,054

Purchase obligations consist primarily of inventory purchases made in the normal course of business to meet operational requirements. The above table does not include \$2.3 billion of other noncurrent liabilities recorded in the balance sheet and summarized in Note 17, which consist primarily of retirement and postretirement plan liabilities and deferred income taxes (including unrecognized tax benefits), because it is not certain when these amounts will become due. See Notes 10, 11 and 13 for additional information.

FINANCIAL INSTRUMENTS

The Company is exposed to market risk related to changes in interest rates, commodity prices and foreign currency exchange rates, and selectively uses derivative financial instruments, including forwards, swaps and purchased options, to manage these risks. The Company does not hold derivatives for trading purposes. The value of market risk sensitive derivative and other financial instruments is subject to change as a result of movements in market rates and prices. Sensitivity analysis is one technique used to evaluate the impact of these movements. Based on a hypothetical 10 percent increase in interest rates, 10 percent decrease in commodity prices or 10 percent weakening in the U.S. dollar across all currencies, the potential losses in future earnings, fair value and cash flows are immaterial. This method has limitations; for example, a weaker U.S. dollar would benefit future earnings through favorable translation of non-U.S. operating results, and lower commodity prices would benefit future earnings through lower cost of sales. See Notes 1, 7, 8 and 9.

Critical Accounting Policies

Preparation of the Company's financial statements requires management to make judgments, assumptions and estimates regarding uncertainties that affect reported revenue, expenses, assets, liabilities and stockholders' equity. Note 1 describes the significant accounting policies used in preparation of the Consolidated Financial Statements. The most significant areas where management judgments and estimates impact the primary financial statements are described below. Actual results in these areas could differ materially from management's estimates under different assumptions or conditions.

REVENUE RECOGNITION

The Company recognizes nearly all of its revenues through the sale of manufactured products and records the sale when products are shipped or delivered and title passes to the customer with collection reasonably assured. In certain instances, revenue is recognized on the percentage-of-completion method, when services are rendered, or in accordance with FASB Accounting Standards Codification (ASC) Subtopic 985-605, Software: Revenue Recognition. Sales sometimes involve delivering multiple items, including services such as installation. In these instances, the revenue assigned to each item is based on that item's objectively determined fair value, and revenue is recognized individually for delivered items only if the delivered items have value to the customer on a stand-alone basis, and the performance of the undelivered items is probable and substantially in the Company's control or the undelivered items are inconsequential or perfunctory. Management believes that all relevant criteria and conditions are considered when recognizing sales.

INVENTORIES

Inventories are stated at the lower of cost or market. The majority of inventory values are based on standard costs that approximate average costs, while the remainder are principally valued on a first-in, first-out basis. Standard costs are revised at the beginning of each fiscal year. The effects of resetting standards and operating variances incurred during each period are allocated between inventories and cost of sales. The Company's divisions review inventory for obsolescence, make appropriate provisions and dispose of obsolete inventory on a regular basis. Various factors are considered in these reviews, including sales history and recent trends, industry conditions and general economic conditions.

LONG-LIVED ASSETS

Long-lived assets, which include property, plant and equipment, goodwill and identifiable intangible assets are reviewed for impairment whenever events or changes in business circumstances indicate an impairment may

exist. If the Company determines that the carrying value of the long-lived asset may not be recoverable, a permanent impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its fair value. Reporting units are also reviewed for possible goodwill impairment at least annually, in the fourth quarter, by comparing the fair value of each unit to its carrying value. Fair value is generally measured based on a discounted future cash flow method using a discount rate judged by management to be commensurate with the applicable risk. Estimates of future sales and operating results, and therefore cash flows, as well as discount rates, are subject to change depending on the economic environment, including such factors as the general level of interest rates in the credit markets, expected equity market returns and volatility of markets served, particularly if the current recessionary economic environment continues for an extended period of time.

At the end of fiscal 2009, Emerson's total market value based on its exchange traded stock price was approximately \$30 billion and stockholders' equity was \$8.6 billion. There are two units in the Network Power segment with \$367 million of goodwill, including recent acquisitions, where estimated fair value exceeds carrying value by approximately 7 percent. Assumptions used in determining value include successful execution of business plans, completion of integration and restructuring actions, and economic recovery in served markets, primarily network communications and connectivity. There are two units in the Appliance and Tools segment with \$249 million of goodwill, where estimated fair value exceeds carrying value by 35 percent and assumes execution of business plan and recovery in residential and construction-related markets. Management believes the estimates of future cash flows and fair values are reasonable; however, changes in estimates due to variance from assumptions could materially affect the evaluations.

In 2008, the slowdown in consumer appliance and residential end-markets over the prior two years, along with strategic decisions in connection with two businesses, resulted in a \$31 million impairment charge in the North American appliance control business and a \$92 million loss on the divestiture of the European appliance motor and pump business. See Notes 1, 3, 4 and 6.

RETIREMENT PLANS

The Company continues to focus on a prudent long-term investment strategy for its pension-related assets, and the calculation of defined benefit plan expense and obligations are dependent on assumptions made regarding these assets. These assumptions include the discount rate, rate of annual compensation increases and expected annual return on plan assets. In accordance with U.S. generally accepted accounting principles, actual results that differ from the assumptions are accumulated and

amortized in future periods. While management believes that the assumptions used are appropriate, differences versus actual experience or changes in assumptions may affect the Company's retirement plan obligations and future expense.

As of September 30, 2009, U.S. and non-U.S. retirement plans were underfunded by \$380 million and \$230 million, respectively, with the increase in underfunding primarily due to a decline in the discount rate for U.S. plans from 6.5 percent in 2008 to 5.5 percent in 2009, and the decline in asset values during fiscal 2009. Deferred actuarial losses, which will be recognized in earnings in future years, were \$1,692 million as of September 30, 2009. The Company contributed \$303 million to defined benefit plans in 2009 and expects to contribute approximately \$250 million in 2010. Defined benefit pension plan expense for fiscal 2010 is expected to be approximately \$130 million, versus \$94 million in 2009. See Notes 10 and 11.

INCOME TAXES

Income tax expense and deferred tax assets and liabilities reflect management's assessment of future taxes expected to be paid on items reflected in the financial statements. Uncertainty exists regarding tax positions taken in previously filed tax returns still under examination and positions expected to be taken in future returns. Deferred tax assets and liabilities arise because of temporary differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards. Deferred income taxes are measured using enacted tax rates in effect for the year in which the temporary differences are expected to be recovered or settled. The impact on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. Generally, no provision is made for U.S. income taxes on the undistributed earnings of non-U.S. subsidiaries, as these earnings are considered permanently invested or otherwise indefinitely retained for continuing international operations. Determination of the amount of taxes that might be paid on these undistributed earnings if eventually remitted is not practicable. See Note 13.

NEW ACCOUNTING PRONOUNCEMENTS

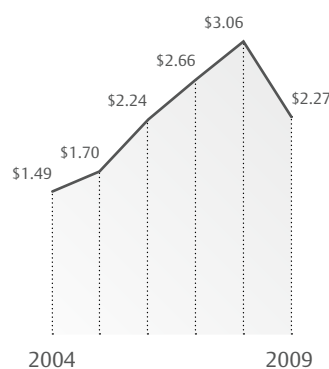
Effective October 1, 2009, the Company adopted ASC 805, Business Combinations (formerly FAS No. 141(R), "Business Combinations"). ASC 805 requires assets acquired and liabilities assumed to be measured at fair value as of the acquisition date, all acquisition costs to be expensed as incurred and contractual contingencies to be recognized at fair value as of the acquisition date. The impact of adoption, if any, will depend on acquisitions completed in the future.

Effective October 1, 2009, the Company adopted updates to ASC 810, Consolidation (formerly FAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements"). The updated portion of ASC 810 requires an entity to separately disclose noncontrolling interests as a separate component of equity in the balance sheet and clearly identify on the face of the income statement net income related to noncontrolling interests. Adoption is not expected to have a material impact on the Company's financial statements.

Effective October 1, 2009, the Company adopted updates to ASC 260, Earnings per Share (formerly FASB Staff Position No. EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities"). The updated portion of ASC 260 clarifies whether instruments granted in share-based payment transactions should be included in the computation of EPS using the two-class method prior to vesting. Adoption is not expected to have a material impact on the Company's financial statements.

In December 2008, the FASB issued Staff Position No. FAS 132 (R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets" (now part of ASC 715, Compensation - Retirement Benefits). This portion of ASC 715 is effective for fiscal 2010 annual disclosure, and expands disclosure about an entity's investment policies and strategies for assets held by defined benefit pension or postretirement plans, including information regarding major categories of plan assets, inputs and valuation techniques used to measure the fair value of assets, and significant concentrations of risk within the plans. Adoption is not expected to have a material impact on the Company's financial statements.

EARNINGS PER SHARE



Net earnings per share were \$2.27 in 2009, a 9 percent compound annual growth rate since 2004.
