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## **FORM 10-K**

**EMERSON ELECTRIC CO - EMR**

**Filed: November 25, 2008 (period: September 30, 2008)**

Annual report with a comprehensive overview of the company

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-278

**EMERSON ELECTRIC CO.**

(Exact name of registrant as specified in its charter)

**Missouri**  
(State or other jurisdiction of  
incorporation or organization)

**43-0259330**  
(I.R.S. Employer  
Identification No.)

**8000 W. Florissant Ave.**  
**P.O. Box 4100**  
**St. Louis, Missouri**  
(Address of principal executive offices)

**63136**  
(Zip Code)

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

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

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
Common Stock of \$0.50 par value per share	New York Stock Exchange Chicago Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange Chicago Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Small Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No

Aggregate market value of the voting stock held by nonaffiliates of the registrant as of close of business on March 31, 2008: \$40.1 billion.

Common stock outstanding at October 31, 2008: 767,063,304 shares.

#### **Documents Incorporated by Reference**

1. Portions of Emerson Electric Co. 2008 Annual Report to Stockholders (Parts I and II).
2. Portions of Emerson Electric Co. Notice of 2009 Annual Meeting of Stockholders and Proxy Statement (Part III).

## PART I

### **Item 1. Business**

Emerson was incorporated in Missouri in 1890, and has grown from a regional manufacturer of electric motors and fans into a diversified global technology company. Having expanded its product lines through internal growth and acquisition, Emerson today is designing and supplying product technology and delivering engineering services in a wide range of industrial, commercial and consumer markets around the world.

Emerson is organized into the following business segments, based on the nature of the products and services rendered:

- Process Management, providing measurement, control and diagnostic capabilities for automated industrial processes producing items such as foods, fuels, medicines and power
- Industrial Automation, bringing integrated manufacturing solutions to diverse industries worldwide
- Network Power, providing power and environmental conditioning and reliability to help keep telecommunication systems, data networks and critical business applications continuously operating
- Climate Technologies, enhancing household and commercial comfort as well as food safety and energy efficiency through air-conditioning and refrigeration technology
- Appliance and Tools, providing uniquely designed motors for a broad range of applications, appliances and integrated appliance solutions, and tools for both homeowners and professionals, as well as home and commercial storage systems

Sales, earnings before interest and income taxes, and total assets attributable to each segment for the three years ended September 30, 2008, are set forth in Note 16 of Notes to Consolidated Financial Statements of the 2008 Annual Report, which note is hereby incorporated by reference. Sales by segment in 2008 were Process Management 26 percent, Industrial Automation 19 percent, Network Power 25 percent, Climate Technologies 15 percent, and Appliance and Tools 15 percent. Sales by geographic destination in 2008 were United States 46 percent, Europe 23 percent, Asia 18 percent and other regions 13 percent. Information with respect to acquisition and divestiture activities by Emerson is set forth in Note 3 of Notes to Consolidated Financial Statements of the 2008 Annual Report, which note is hereby incorporated by reference.

### **PROCESS MANAGEMENT**

The Process Management segment offers customers product technology as well as engineering and project management services for precision control, monitoring and asset optimization of plants that produce power or that process or treat such items as oil, natural gas and petrochemicals; food and beverages; pulp and paper; pharmaceuticals; and municipal water supplies. This array of products and services helps customers optimize their process plant capabilities in the areas of plant safety and reliability, and product quality and output. In 2008, sales by geographic destination for this segment were United States 32 percent, Europe 24 percent, Asia 21 percent and other regions 23 percent.

#### Process Management Systems and Software

Emerson's Process Management systems and software control plant processes by collecting and analyzing information from measurement devices in the plant, and by using that information to adjust valves, pumps, motors, drives and other control hardware in the plant for maximum product quality and process efficiency. Emerson's process control systems can be extended wirelessly to support a mobile workforce with handheld tools/communicators, provide site-wide location tracking of people and assets, enable video monitoring and communicate with wireless field devices, increasing the information available to operations.

## Measurement and Analytical Instrumentation

Measurement instrumentation measures the physical properties of liquids or gases in a process stream, such as pressure, temperature, level, or rate and amount of flow, and communicates this information to the control system. Measurement technologies provided by Emerson include Coriolis direct mass flow, magnetic flow, vortex flow, ultrasonic flow, differential pressure, ultralow-flow fluid measurement, temperature sensors and radar based tank gauging. Emerson measurement products also are used in custody transfer applications, such as the transfer of gasoline from a storage tank to a tanker truck, where precise metering of the amount of fluid transferred helps ensure accurate asset management.

Analytical instrumentation analyzes the chemical composition of process fluids and emissions to enhance quality and efficiency, as well as environmental compliance. Emerson's analytical technologies include process gas chromatographs, in-situ oxygen analyzers, infrared gas and process fluid analyzers, combustion analyzers and systems, and analyzers that measure pH, conductivity and water quality.

Emerson also provides these same technologies with wireless communication capability. This allows customers to monitor processes or equipment that were previously not measurable (remote, moving/rotating) or not economical to measure due to the cost and difficulty of running wires in industrial process plants.

## Valves, Actuators and Regulators

Control valves respond to commands from the control system by continuously and precisely modulating the flow of process fluids to provide maximum process efficiency and product quality. Emerson provides sliding stem valves, rotary valves, butterfly valves and related valve actuators and controllers. Emerson also provides a line of industrial and residential regulators, whose function is to reduce the pressure of fluids such as natural gas and liquid petroleum gas for transfer from high-pressure supply lines to lower pressure systems.

## PlantWeb<sup>®</sup> Digital Plant Architecture

Emerson's PlantWeb digital plant architecture combines the technologies described above with the advantages of "intelligent" plant devices (valves and measurement instruments that have advanced diagnostic capabilities), open communication standards (non-proprietary wired and wireless digital protocols allowing the plant devices and the control system to "talk" with one another) and integrated modular software, not only to control the process better but also to collect and analyze valuable information about plant assets and processes. This capability gives customers the ability to detect or predict changes in equipment and process performance and the impact they can have on plant operations. The PlantWeb architecture provides the insight to improve plant availability and safety, and also furnishes a platform to continually improve asset management and standards compliance, and to reduce startup, operations and maintenance costs.

## Industry Services and Solutions

Emerson's array of process automation and asset optimization services can improve automation project implementation time and costs, increase process availability and productivity, and reduce total cost of ownership. Global industry centers offer engineering and project management services to help customers extract maximum performance and reliability from their process equipment and automation assets. These centers serve industries such as oil and gas, pulp and paper, chemical, power, food and beverage, and life sciences. They also assist customers in diagnosing equipment problems and plant inefficiencies.

## Distribution

The principal worldwide distribution channel for the Process Management segment is a direct sales force, although a network of independent sales representatives, and to a lesser extent, independent distributors purchasing these products for resale are also utilized. The majority of sales in the United States are made through a direct sales force with the remainder primarily through independent sales representatives. In Europe and Asia, sales are almost exclusively made through a direct sales force with the remainder split evenly between independent sales representatives and distributors.

## Brands

Service/trademarks and trade names within the Process Management segment include Emerson Process Management, AMS Suite, Baumann, Bettis, Bristol, CSI, Damcos, Daniel, DeltaV, El-O-Matic, Fisher, Guardian, Micro Motion, Ovation, PlantWeb, ROC, Rosemount, Smart Process, SureService, Tescom and TopWorx.

## INDUSTRIAL AUTOMATION

The Industrial Automation segment provides integrated manufacturing solutions to our customers at the source of manufacturing their own products. Products include motors, transmissions, alternators, fluid controls and materials joining equipment. Through these offerings, Emerson brings technology and enhanced quality to the customer's final product. In 2008, sales by geographic destination for this segment were United States 39 percent, Europe 42 percent, Asia 11 percent and other regions 8 percent.

### Motors and Drives

Emerson provides a broad line of drives and electric motors that are used in a wide variety of manufacturing operations and products, from production assembly lines to escalators in shopping malls or supermarket checkout stations. Products in this category include alternating current (AC) and direct current (DC) electronic variable speed drives, servo motors, pump motors, drive control systems, integral horsepower motors (1 HP and above), fractional horsepower motors (less than 1 HP) and gear drives.

### Power Transmission

Emerson's power transmission products include belt and chain drives, helical and worm gearing, gear motors, motor sheaves, pulleys, mounted and unmounted bearings, couplings, chains and sprockets. They are used to transmit power mechanically in a wide range of manufacturing and material handling operations and products. Our design and application experience enable us to provide both standard and customized automation and power transmission solutions to our customers.

### Power Generation

Emerson provides alternators (low, medium and high voltage) for use in diesel or gas powered generator sets, as well as high frequency alternators, AC motor/generator sets, traction generators and wind power generators.

### Fluid Power and Fluid Control

Products in this category control and power the flow of fluids (liquids and gases) in manufacturing operations such as automobile assembly, food processing, textile manufacturing and petrochemical processing. They include solenoid and pneumatic valves, valve position indicators, pneumatic cylinders, air preparation equipment, and pressure, vacuum and temperature switches.

## Materials Joining and Precision Cleaning

Emerson supplies both plastics joining technologies and equipment, and metal welding and joining processes to a diversified manufacturing customer base, including automotive, medical devices and toys. We also provide precision cleaning and liquid processing solutions to industrial and commercial manufacturers. Products include ultrasonic joining and cleaning equipment, linear and orbital vibration welding equipment, systems for hot plate welding, spin welding, and laser welding, and aqueous, semi-aqueous and vapor cleaning systems.

## Electrical Distribution

Emerson's majority-owned EGS Electrical Group joint venture with SPX Corporation manufactures a broad line of components for current- and noncurrent-carrying electrical distribution devices. These products include conduit and cable fittings, plugs and receptacles, industrial lighting, and enclosures and controls. Products in this category are used in hazardous, industrial, commercial and construction environments, such as oil and gas drilling and production sites, pulp and paper mills and petrochemical plants.

## Distribution

On a worldwide basis, the primary distribution channel for the Industrial Automation segment is through direct sales forces. Most products sold worldwide to original equipment manufacturers are through a direct sales force. Independent distributors constitute the next significant sales channel, mostly to reach end users; and, to a lesser extent, independent sales representatives are utilized, particularly for electrical distribution products in the United States.

## Brands

Service/trademarks and trade names within the Industrial Automation segment include Emerson Industrial Automation, Appleton, ASCO, ASCO Joucomatic, Branson Ultrasonics, Browning, Control Techniques, Emerson Power Transmission, Kato Engineering, Kop-Flex, Leroy Somer, McGill, Morse, Numatics and O-Z/Gedney.

## NETWORK POWER

Emerson's Network Power segment designs, manufactures, installs and maintains products providing "grid to chip" electric power conditioning, power reliability and environmental control for telecommunications networks, data centers and other critical applications. Products in this segment include power systems, embedded power supplies, precision cooling and inbound power systems, along with 24-hour service. In 2008, sales by geographic destination for this segment were United States 41 percent, Europe 20 percent, Asia 28 percent and other regions 11 percent.

## Power Systems

Emerson supplies uninterruptible AC and DC power systems, which provide reliable, conditioned power to telecommunication networks, data centers and other critical equipment in the event of a blackout or line surges and spikes. Power Systems' products range from stand-alone units to complete systems incorporating rectifiers, distribution units, surge protection, batteries and system supervision.

## Embedded Power

Embedded power supplies are installed by original equipment manufacturers to convert or condition power for microprocessors and peripherals in a wide range of telecommunication, health care, computer and industrial applications using standard or custom AC/DC or DC/DC designs. They are also used in consumer products, in the form of power adaptors for ink jet printers and in chargers for mobile phones.

## Embedded Computing

Embedded Computing designs and develops embedded computer systems for original equipment manufacturers and systems integrators serving telecommunications, defense, aerospace, medical and industrial automation end markets. Products range from communication platforms, blades and modules to enabling software and professional services.

## Precision Cooling

Emerson's precision cooling products provide temperature and humidity control for computers, telecommunications and other sensitive equipment. These products range from 14,000 to 4 million BTUs in capacity and are available in up flow, down flow and overhead configurations.

## Inbound Power Systems

Emerson inbound power technology provides reliable power systems which automatically transfer critical application loads from a utility to emergency backup generators in the event of a blackout or brownout. Products include automatic transfer switches, paralleling and synchronizing gear and related distribution equipment and control systems.

## Connectivity Solutions

Emerson's connectivity products serve the needs of the wireless communications, telephony and data network, CATV, defense, security systems and health care industries and other industrial customers globally with a broad range of radio frequency, microwave and fiber optic interconnect components and assemblies.

## Service and Site Operations

Emerson staffs Energy Operation Centers in more than 30 countries, and deploys field service personnel worldwide to assist customers in managing their network support systems. Our services include on-site operations management, energy consumption monitoring, preventive maintenance, electrical testing, remote monitoring and management, and 24-hour service capability.

## Distribution

The Network Power segment sells primarily through worldwide direct sales force networks, particularly in Europe and Asia. The remainder of sales is handled by independent sales representatives, particularly in the United States, and independent distributors.

## Brands

Service/trademarks and trade names within the Network Power segment include Emerson Network Power, Aperture, Artesyn, ASCO Power Technologies, Astec, Engineered Endeavors, Knürr, Liebert, Liebert Services, Netsure, Netspan, Semflex, Stratos and Trompeter.

## CLIMATE TECHNOLOGIES

The Climate Technologies segment provides products and services for all areas of the climate control industry, including residential, commercial and industrial heating and air conditioning, and commercial refrigeration. Our technology enables homeowners and businesses to better manage their heating, air-conditioning, and refrigeration systems for improved control and lower energy bills. This segment also digitally controls and remotely monitors refrigeration units in grocery stores and other food distribution outlets to enhance freshness and food safety. In 2008, sales by geographic destination for this segment were United States 55 percent, Europe 16 percent, Asia 18 percent and other regions 11 percent.



## Residential, Commercial and Industrial Heating and Air Conditioning

Emerson provides a full range of heating and air-conditioning products that help reduce operational and energy costs and create comfortable environments in all types of buildings. These products include reciprocating and scroll air-conditioning compressors, including an ultra-efficient residential scroll compressor with two stages of cooling capacity which runs at full capacity only during the hottest time periods; standard and programmable thermostats; monitoring equipment and electronic controls for gas and electric heating systems; gas valves for furnaces and water heaters; nitride ignition systems for furnaces; sensors and thermistors for home appliances; and temperature sensors and controls.

## Commercial Refrigeration

Emerson's technology is incorporated into equipment to refrigerate food and beverages in supermarkets, convenience stores, food service operations and refrigerated trucks and transport containers. Our refrigeration products are also used in industrial applications, such as environmental test chambers, and in medical applications, such as magnetic resonance imaging (MRI) machines. These products include compressors; precision flow controls; system diagnostics and controls that provide precise temperature management; and environmental control systems.

## Services and Solutions

Emerson's services in this segment assist customers in improving their climate control systems for better control and efficiency relating to new refrigerants, energy efficiency standards, indoor air quality and food safety. We also provide remote monitoring of food refrigeration control systems, 24-hour energy supervision and service dispatch, and a process that audits food store mechanical systems to identify potential energy savings.

## Distribution

Climate Technologies segment sales, primarily to original equipment manufacturers and end users, are made predominately through worldwide direct sales force networks. The remaining sales are primarily through independent distributor networks throughout the world.

## Brands

Service/trademarks and trade names within the Climate Technologies segment include Emerson Climate Technologies, Alco Controls, Clive Samuels & Associates, Computer Process Controls, Copeland, Design Services Network, Emerson Climate Technologies Distribution Services, Emerson Climate Technologies Educational Services, Emerson Climate Technologies Flow Controls, Emerson Climate Technologies Retail Services, Fusite, Therm-O-Disc and White-Rodgers.

## APPLIANCE AND TOOLS

Emerson's Appliance and Tools segment includes a broad range of products and solutions in motors, appliances and components, tools and storage. In 2008, sales by geographic destination for this segment were United States 82 percent, Europe 5 percent, Asia 3 percent and other regions 10 percent.

## Motors

Emerson provides a broad range of electric motors, controls and assemblies from fractional to several thousand horsepower output. Each of these products is designed to give our customers the quality, reliability, and energy efficiency needed in their specific applications. Emerson's electric motors are used in a variety of home appliances. They include variable, fixed and multi-speed motors used in horizontal and vertical axis washers, dryers, and dishwashers. Our motors are also used in residential and commercial pumps, such as those provided in spas, pools and golf course irrigation equipment; in HVAC equipment, such as furnaces, compressors, condenser fans, heat pumps, cooling towers and commercial air handlers; and in industrial, farming and mining applications, where we offer products such as explosion-proof motors, paint-free washdown motors and industrial severe duty motors.

## Appliances and Appliance Components

Emerson provides a number of appliances and appliance technology solutions, ranging from water valves and controls to heating elements and switches. Our appliance offering includes residential and commercial garbage disposers and ceiling fans, instant hot-water dispensers, and compact electric water heaters. Our appliance solutions provide integrated systems, sub-systems and components for appliances that include electronic and electromechanical controls for washers, dryers, dishwashers, refrigerators and other home appliances as well as heating elements for dishwashers, electric ovens and water heaters.

## Professional and Do-It-Yourself Tools

Our pipe-working tools are used by plumbing and mechanical professionals to install and repair piping systems. These tools include pipe wrenches, pipe cutters, pipe threading and roll grooving equipment; a time-saving system that joins tubing through mechanical crimping; drain cleaners; diagnostic systems including closed-circuit television pipe inspection and locating equipment; and tubing tools. Other professional tools include water jetters, wet-dry vacuums, rolling storage boxes, truck work boxes, bolt cutters, and van and truck ladder racks. Do-it-yourself tools, available at home improvement retail outlets, include drain cleaning equipment, pipe and tube working tools, and wet-dry vacuums.

## Storage Solutions

Emerson provides a wide variety of freestanding, fixed and mobile storage products for residential, commercial, healthcare and food service applications. Our products for the home include wall-mounted and freestanding shelving systems, cabinet and closet organizers, home office storage, and drawer systems and containers, available in wire, stainless steel and laminate. Our storage solutions also help commercial customers utilize space in the most efficient manner. These solutions include storage and display shelving, stock-picking and kitting carts, cabinets, totes, bins, workstations, and merchandising and inventory storage racks. Products provided to the healthcare industry assist in medical response and treatment; they include emergency and operating room carts, medication carts, polymer and wire shelving systems, and sterile worktables. Our food service equipment helps meet the storage needs of the food service and hospitality industries, such as restaurants and hotels. This equipment includes polymer and wire storage systems, busing carts, pan and tray racks, transport carts and workstations.

## Distribution

The principal worldwide distribution channel for the Appliance and Tools segment is direct sales forces. Motors and appliance components and solutions for original equipment manufacturers are sold almost exclusively worldwide through direct sales force networks. Independent distributors constitute the next most significant sales channel, with professional tools sold almost exclusively worldwide through distributors; and, to a lesser extent, independent sales representatives are utilized, particularly for storage solutions.

## Brands

Service/trademarks and trade names within the Appliance and Tools segment include Emerson Appliance Solutions, Emerson Heating Products, Emerson Motor Technologies, Emerson Professional Tools, Emerson Storage Solutions, ClosetMaid, Digital Appliance Controls, Emerson, Flo Healthcare, InSinkErator, Knaack, Lionville, Mallory, METRO, RIDGID, U.S. Electrical Motors and Weather Guard.

## PRODUCTION

Emerson utilizes various production operations and methods. The principal production operations are metal stamping, forming, casting, machining, welding, plating, heat treating, painting and assembly. In addition, Emerson uses specialized production operations, including automatic and semiautomatic testing, automated material handling and storage, ferrous and nonferrous machining and special furnaces for heat treating and foundry applications. Management believes the equipment, machinery and tooling used in these processes are of modern design and are well maintained.

## RAW MATERIALS

Emerson's major requirements for basic raw materials include steel, copper, cast iron, electronics, aluminum and brass and, to a lesser extent, plastics and other petroleum-based chemicals. Emerson has multiple sources of supply for each of its major requirements and is not significantly dependent on any one or a few suppliers. Although recent high prices for some raw materials have caused pricing pressures to some of our businesses, the raw materials and various purchased components required for its products have generally been available in sufficient quantities.

## PATENTS, TRADEMARKS AND LICENSES

The Company has a number of patents, trademarks and licenses, obtained over a number of years and expiring at various times. While proprietary intellectual property is important to the Company, management believes the loss or expiration of any intellectual property right would not materially impact the Company or any of its segments.

## BACKLOG

The estimated consolidated order backlog of the Company was \$5,518 million and \$4,917 million at September 30, 2008 and 2007, respectively. Nearly all of the September 30, 2008 consolidated backlog amount is expected to be shipped within one year. The estimated backlog by business segment at September 30, 2008 and 2007 follows:

(dollars in millions)	2007	2008
Process Management	\$ 2,531	2,897
Industrial Automation	599	760
Network Power	1,093	1,230
Climate Technologies	375	396
Appliance and Tools	319	235
Consolidated Order Backlog	\$ 4,917	5,518

## **COMPETITION**

Emerson's businesses operate in markets that are highly competitive, and Emerson competes on product performance, quality, service and/or price across the industries and markets served. A significant element of the Company's competitive strategy is to deliver solutions to our customers by manufacturing high quality products at the best relevant global cost. Although no single company competes directly with Emerson in all of the Company's product lines, various companies compete in one or more product lines. Some of these companies have substantially greater sales and assets than Emerson, and Emerson also competes with many smaller companies. The number of Emerson's competitors varies by product line, and management believes that Emerson has a market leadership position in many of these product lines.

## **RESEARCH AND DEVELOPMENT**

Costs associated with Company-sponsored research and development activities were \$458 million, \$397 million and \$356 million in 2008, 2007 and 2006, respectively.

## **ENVIRONMENT**

The Company's manufacturing locations generate waste, the treatment, storage, transportation and disposal of which are subject to federal, state and/or local laws and regulations relating to the protection of the environment. Compliance with laws regulating the discharge of materials into the environment or otherwise relating to the protection of the environment has not had a material effect upon Emerson's capital expenditures, earnings or competitive position. It is not anticipated that Emerson will have material capital expenditures for environmental control facilities during the next fiscal year.

## **EMPLOYEES**

Emerson and its subsidiaries had an average of approximately 140,700 employees during 2008. Management believes that the Company's employee relations are favorable. Some of the Company's employees are represented under collective bargaining agreements, but none of these agreements is considered significant.

## **DOMESTIC AND FOREIGN OPERATIONS**

International sales were \$13,479 million in 2008, \$11,219 million in 2007 and \$9,166 million in 2006, including U.S. exports of \$1,537 million, \$1,277 million and \$1,127 million in 2008, 2007 and 2006, respectively. Although there are additional risks attendant to foreign operations, such as possible nationalization of facilities, currency fluctuations and restrictions on the movement of funds, Emerson's financial position has not been materially affected thereby to date. See Note 16 of Notes to Consolidated Financial Statements of the 2008 Annual Report, which note is hereby incorporated by reference, for further information with respect to foreign operations.

## **INTERNET ACCESS**

Emerson's Forms 10-K, 10-Q, 8-K and all amendments to those reports are available without charge through Emerson's web site on the Internet as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission. They may be accessed as follows: [www.emerson.com](http://www.emerson.com), Investor Relations, SEC Filings. Information on Emerson's web site does not constitute part of this Form 10-K.

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

### **Item 1A. Risk Factors**

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

#### *We Operate In Businesses That Are Subject To Competitive Pressures That Could Affect Prices Or Demand For Our Products*

Our businesses operate in markets that are highly competitive, and we compete on the basis of product performance, quality, service and/or price across the industries and markets served. A significant element of our competitive strategy is to deliver solutions to our customers by manufacturing high quality products at the best relevant global cost. Some of our competitors have greater sales, assets and financial resources than our Company. Competitive pressures could affect prices or customer demand for our products, impacting our profit margins and/or resulting in a loss of market share.

#### *Our Operating Results Depend In Part On Continued Successful Research, Development And Marketing Of New And/Or Improved Products And Services, And There Can Be No Assurance That We Will Continue To Successfully Introduce New Products And Services*

The success of new and improved products and services depends on their initial and continued acceptance by our customers. Our businesses are affected by varying degrees of technological change and corresponding shifts in customer demand, which result in unpredictable product transitions, shortened life cycles and increased importance of being first to market with new products and services. We may experience difficulties or delays in the research, development, production and/or marketing of new products and services which may negatively impact our operating results and prevent us from recouping or realizing a return on the investments required to bring new products and services to market.

#### *We Engage In Acquisitions, And May Encounter Difficulties In Integrating These Businesses And Therefore We May Not Realize The Anticipated Benefits Of The Acquisitions*

We are a company that, from time to time, seeks to grow through strategic acquisitions. In the past several years, we have made various acquisitions and entered into joint venture arrangements intended to complement or expand our business, and may continue to do so in the future. The success of these transactions will depend on our ability to integrate assets and personnel acquired in these transactions and to cooperate with our strategic partners. We may encounter difficulties in integrating acquisitions with our operations, and in managing strategic investments. Furthermore, we may not realize the degree, or timing, of benefits we anticipate when we first enter into a transaction. Any of the foregoing could adversely affect our business and results of operations.

#### *Access To Funding Through The Capital Markets Is Essential To The Execution Of Our Business Plan And If We Are Unable To Maintain Such Access We Could Experience A Material Adverse Effect On Our Business And Financial Results*

Our ability to invest in our businesses, make strategic acquisitions and refinance maturing debt obligations requires access to the capital markets and sufficient bank credit lines to support short-term borrowings. If we are unable to continue to access the capital markets, we could experience a material adverse effect on our business and financial results.

*We Use A Variety Of Raw Materials And Components In Our Businesses, And Significant Shortages Or Price Increases Could Increase Our Operating Costs And Adversely Impact The Competitive Positions Of Our Products*

Our major requirements for raw materials include steel, copper, cast iron, electronics, aluminum and brass and, to a lesser extent, plastics and other petroleum-based chemicals. Emerson has multiple sources of supply for each of its major requirements and is not significantly dependent on any one or a few suppliers. Significant shortages or price increases could affect the prices our affected businesses charge, their operating costs and the competitive position of their products and services, which could adversely affect our results of operations.

*Our Operations Depend On Production Facilities Throughout The World, A Majority Of Which Are Located Outside The United States And Subject To Increased Risks Of Disrupted Production Causing Delays In Shipments And Loss Of Customers And Revenue*

We manage businesses with manufacturing facilities worldwide, a majority of which are located outside the United States. Serving a global customer base requires that we place more production in emerging markets to capitalize on market opportunities and maintain our best-cost position. Our international production facilities and operations could be disrupted by a natural disaster, labor strike, war, political unrest, terrorist activity or public health concerns, particularly in emerging countries that are not well-equipped to handle such occurrences.

Our manufacturing facilities abroad also may be more susceptible to changes in laws and policies in host countries and economic and political upheaval than our domestic facilities. Any such disruption could cause delays in shipments of products and the loss of sales and customers, and insurance proceeds may not adequately compensate us.

*Our Substantial Sales Abroad Subject Us To Economic Risk As Our Results Of Operations May Be Adversely Affected By Foreign Currency Fluctuations And Changes In Local Government Regulations And Policies*

We sell, manufacture, engineer, and purchase products in overseas markets. A significant portion of our sales is outside the United States, and we expect sales from non - U.S. markets to continue to represent a significant portion of our total sales. International sales and operations are subject to changes in local government regulations and policies, including those related to tariffs and trade barriers, investments, taxation, exchange controls, and repatriation of earnings. Changes in the relative values of currencies occur from time to time and could affect our operating results. While we monitor our exchange rate exposures and attempt to reduce this exposure through hedging activities, this risk could adversely affect our operating results.

*Downturns In The End Markets That We Serve May Negatively Impact Our Segment Revenues And Profitability*

Our segment revenues, operating results and profitability have varied in the past and may vary significantly from quarter to quarter in the future. Profitability can be negatively impacted by volatility in the end markets that we serve. Future downturns in any of the markets that we serve could adversely affect our overall sales and operating results.

*We Are Subject To Litigation And Environmental Regulations That Could Adversely Impact Our Operating Results*

We are, and may in the future be, a party to a number of legal proceedings and claims, including those involving product liability and environmental matters, several of which claim, or may in the future claim, significant damages. Given the inherent uncertainty of litigation, we can offer no assurance that existing litigation or a future adverse development will not have a material adverse impact. We also are subject to various laws and regulations relating to environmental protection and the discharge of materials into the environment, and we could incur substantial costs as a result of the noncompliance with or liability for cleanup or other costs or damages under environmental laws.

**Item 1B. Unresolved Staff Comments**

None.

## **Item 2. Properties**

At September 30, 2008, Emerson had approximately 255 manufacturing locations worldwide, of which approximately 165 were located outside the United States, primarily in Europe and to a lesser extent in Asia, Canada and Latin America. The approximate numbers of manufacturing locations by business segment are: Process Management, 60; Industrial Automation, 75; Network Power, 40; Climate Technologies, 40; and Appliance and Tools, 40. The majority of the locations are owned, with the remainder occupied under operating or capital leases. The Company considers its facilities suitable and adequate for the purposes for which they are used.

## **Item 3. Legal Proceedings**

The information regarding legal proceedings set forth in Note 12 of Notes to Consolidated Financial Statements of the 2008 Annual Report is hereby incorporated by reference.

## **Item 4. Submission of Matters to a Vote of Security Holders**

There were no matters submitted to a vote of security holders during the quarter ended September 30, 2008.

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### Executive Officers of the Registrant

The following sets forth certain information as of November 2008 with respect to Emerson's executive officers. Fiscal Year column indicates the first year the executive served as an officer of the Company. These officers have been elected or appointed to terms which will expire February 3, 2009:

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Fiscal Year</u>
D. N. Farr*	Chairman of the Board, Chief Executive Officer and President	53	1985
C. W. Ashmore	Senior Vice President - Planning and Development	46	2001
W. J. Galvin	Senior Executive Vice President and Chief Financial Officer	62	1984
E. L. Monser	Chief Operating Officer	58	2002
C. A. Peters	Senior Executive Vice President	53	1990
R. J. Schlueter	Vice President and Chief Accounting Officer	54	1992
F. L. Steeves	Senior Vice President, Secretary and General Counsel	54	2007

\*Also chairman of the Executive Committee of the Board of Directors.

There are no family relationships among any of the executive officers and directors.

David N. Farr has been Chief Executive Officer since October 2000 and was also appointed Chairman of the Board in September 2004 and appointed President in November 2005. Craig W. Ashmore has been Senior Vice President - Planning and Development since October 2004. Prior to his current position, Mr. Ashmore was Group Vice President from 2003 to 2004 and Vice President - Profit Planning from 2001 to 2003. Walter J. Galvin was appointed Senior Executive Vice President in October 2004 and has been Chief Financial Officer since 1993. Prior to his current position, Mr. Galvin was Executive Vice President from February 2000 to October 2004. Edward L. Monser was appointed Chief Operating Officer in November 2001. Charles A. Peters has been Senior Executive Vice President since October 2000. Richard J. Schlueter has been Vice President Accounting since 1999 and was also appointed Chief Accounting Officer in February 2003. Frank L. Steeves was appointed Senior Vice President, Secretary and General Counsel in March 2007, prior to which he was Vice Chairman of the Milwaukee-based law firm of von Briesen & Roper, S.C., which has provided legal services to the Company since 2001. Mr. Steeves joined von Briesen and Roper as a partner in 2001, and became Vice Chairman of the firm in 2004.

## PART II

### **Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

The information regarding the market for the Company's common stock, quarterly market price ranges and dividend payments set forth in Note 18 of Notes to Consolidated Financial Statements of the 2008 Annual Report is hereby incorporated by reference. There were approximately 26,445 stockholders of record at September 30, 2008.

Repurchases of equity securities during the fourth quarter of 2008 are listed in the following table.

Period	(a) Total Number of Shares Purchased (000s)	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (000s)	(d) Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs (000s)
July 2008	2,460	\$49.54	2,460	78,542
August 2008	2,580	\$48.03	2,580	75,962
September 2008	3,570	\$42.65	3,570	72,392
Total	8,610	\$46.23	8,610	72,392

The Company's Board of Directors authorized the repurchase of up to 80 million shares under the November 2001 program, as adjusted for the Company's December 2006 two-for-one stock split. The Board of Directors approved a new program on May 6, 2008, for the repurchase of up to 80 million additional shares. The maximum number of shares that may yet be purchased under the 2008 program was 72.4 million and no shares remain under the November 2001 program.



## **Item 6. Selected Financial Data**

Years ended September 30

(dollars in millions, except per share amounts)

	2004	2005 (a)	2006	2007	2008
Net sales	\$ 15,226	16,902	19,734	22,131	24,807
Earnings from continuing operations	\$ 1,246	1,413	1,839	2,129	2,454
Earnings from continuing operations per common share (basic)	\$ 1.49	1.70	2.25	2.68	3.14
Earnings from continuing operations per common share (diluted)	\$ 1.48	1.69	2.23	2.65	3.11
Cash dividends per common share	\$ 0.80	0.83	0.89	1.05	1.20
Long-term debt	\$ 3,136	3,128	3,128	3,372	3,297
Total assets	\$ 16,361	17,227	18,672	19,680	21,040

Information presented in the selected financial data reflects the December 2006 two-for-one stock split. The European appliance motor and pump business for all periods presented and the Brooks Instrument flow meters and flow controls unit for 2008 only are classified as discontinued operations. See Note 3 of Notes to Consolidated Financial Statements of the 2008 Annual Report, which note is hereby incorporated by reference, for information regarding the Company's acquisition and divestiture activities.

(a) Fiscal 2005 includes tax expense of \$63 million (\$0.07 per share) related to the repatriation of foreign earnings under the American Jobs Creation Act of 2004.

## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Information appearing under "Results of Operations," "Financial Position, Capital Resources and Liquidity," "Critical Accounting Policies" and the "Safe Harbor Statement" in the 2008 Annual Report are hereby incorporated by reference.

### **Fiscal 2009 Outlook**

Fiscal year 2008 was a record year and Emerson is well positioned moving into an uncertain 2009 recessionary environment. Reported sales are forecast to be in the range of \$23.5 billion to \$25.5 billion, or negative 5 percent to positive 3 percent compared to 2008 sales of \$24.8 billion. Underlying sales growth is expected to be in the range of negative 4 percent to positive 4 percent, which excludes an estimated 5 percent unfavorable impact of foreign currency translation at current exchange rates, and a favorable impact from completed and assumed future acquisitions of approximately 4 percent. Based on this level of sales, the Company forecasts 2009 earnings per share in the range of \$2.80 to \$3.20. There can be no assurance when and if future acquisitions will be completed, and what impact future exchange rates will have.

## Non-GAAP Financial Measures

To supplement Emerson's financial information presented in accordance with generally accepted accounting principles (GAAP), management uses additional measures, including non-GAAP financial measures as such term is defined in Regulation G under the rules of the Securities and Exchange Commission, to clarify and enhance understanding of past performance and prospects for the future. Generally, a non-GAAP financial measure is a numerical measure of a company's financial performance, financial position or cash flows that exclude (or include) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. For example, these financial measures may exclude the impact of certain unique items such as acquisitions, divestitures, one-time gains and losses or items outside of management's control (e.g., foreign currency exchange rates). Management believes that the following non-GAAP financial measures provide investors and analysts useful insight into Emerson's financial position and performance.

Underlying sales, which exclude the impact of acquisitions and divestitures during the periods presented, and fluctuations in foreign currency exchange rates, are provided to facilitate relevant period-to-period comparisons of sales growth by excluding these unique items that impact the overall comparability. Underlying sales should be viewed in addition to, and not as an alternative to net sales as determined in accordance with U.S. GAAP.

Operating profit (defined as net sales less cost of sales and selling, general and administrative expenses) and operating profit margin (defined as operating profit divided by net sales) are indicative of short-term operational performance and ongoing profitability. Management closely monitors operating profit and operating profit margin of each business to evaluate past performance and actions required to improve profitability. Operating profit and operating profit margin should be viewed in addition to, and not as an alternative to pretax earnings or profit margin as determined in accordance with U.S. GAAP.

Earnings, earnings per share, return on equity and return on total capital excluding one-time gains and losses provide additional insight into the underlying, ongoing operating performance of the Company and facilitate period-to-period comparisons by excluding the earnings impact of these items. Given the unique nature of these items, management believes that presenting earnings, earnings per share, return on equity and return on total capital excluding them is more representative of the Company's operational performance and may be more useful for investors. However, these financial measures are not intended to replace earnings, earnings per share, return on equity or return on total capital as determined in accordance with U.S. GAAP.

Free cash flow (operating cash flow less capital expenditures) is an indicator of the Company's cash generating capabilities after considering investments in capital assets which are necessary to maintain and enhance existing operations. Operating cash flow adds back non-cash depreciation expense to earnings and thereby does not reflect a charge for necessary capital expenditures. Although management believes that free cash flow is useful to both management and investors as a measure of the Company's ability to generate cash, it is not intended to replace operating cash flow as determined in accordance with U.S. GAAP.

Overall, while Emerson believes these non-GAAP financial measures are useful in evaluating the Company, this information should be considered as supplemental in nature and not as a substitute for or superior to the related financial information prepared in accordance with GAAP. Further, the calculation of these non-GAAP financial measures may differ from the calculation of similarly titled financial measures presented by other companies, and therefore they may not be comparable among companies.

### **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

Information appearing under "Financial Instruments" in the 2008 Annual Report is hereby incorporated by reference.

### **Item 8. Financial Statements and Supplementary Data**

The consolidated financial statements of the Company and its subsidiaries and the report thereon of KPMG LLP in the 2008 Annual Report are hereby incorporated by reference.

## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

### **Item 9A. Controls and Procedures**

Emerson maintains a system of disclosure controls and procedures which are 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, 2008, to provide reasonable assurance of the achievement of 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, 2008, 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, appearing in the 2008 Annual Report 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 2009 annual stockholders' meeting (the "2009 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 2009 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 2009 Proxy Statement is hereby incorporated by reference.

Emerson has adopted a Code of Ethics that applies to the Company's chief executive officer, chief financial officer, chief accounting officer and controller; has posted such Code of Ethics on its Internet web site; and intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K by posting such information on its Internet web site. Emerson 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 Internet web site and are available in print to any shareholder who requests them. Emerson has also adopted Corporate Governance Principles and Practices, which are available on its Internet web site and are available in print to any shareholder who requests them. The Company's Internet web site may be accessed as follows: [www.emerson.com](http://www.emerson.com), Investor Relations, Corporate Governance.

## **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 2009 Proxy Statement is hereby incorporated by reference.

The information contained in “Compensation Committee Report” shall not be deemed to be “filed” with the Securities and Exchange Commission or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”), except to the extent that Emerson 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 and by all directors and executive officers as a group appearing under "Stock Ownership of Directors and Executive Officers" in the 2009 Proxy Statement is hereby incorporated by reference.

## **Equity Compensation Plan Information**

The following table sets forth aggregate information regarding the Company’s equity compensation plans as of September 30, 2008:

<b><u>Plan Category</u></b>	<b><u>Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights</u></b>	<b><u>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</u></b>	<b><u>Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a))</u></b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
Equity compensation plans approved by security holders(1)	19,359,953	\$36.31	27,729,440
Equity compensation plans not approved by security holders	-	-	-
<b>Total</b>	<b>19,359,953</b>	<b>\$36.31</b>	<b>27,729,440</b>

- (1) Includes the Company’s Stock Option and previously approved Incentive Shares Plans. Included in column (a) are 5,008,800 shares reserved for performance share awards (awarded in 2007), which will be distributed primarily in shares of common stock and partially in cash contingent upon the Company achieving the financial objective through 2010 and performance of services by the employees. As provided by the Company’s Incentive Shares Plans, performance share awards represent a commitment to issue such shares without cash payment by the employee, contingent upon achievement of the objective and the performance of services by the employee. The price in column (b) represents the weighted-average exercise price for outstanding options. Included in column (c) are 15,958,094 shares remaining available for award under the previously approved 2006 Incentive Shares Plan and 410,254 shares remaining available under the previously approved Restricted Stock Plan for Non-Management Directors.

Information regarding stock option plans and incentive shares plans set forth in Note 14 of Notes to Consolidated Financial Statements of the 2008 Annual Report is hereby incorporated by reference.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

Information appearing under "Director Independence" in the 2009 Proxy Statement is hereby incorporated by reference.

**Item 14. Principal Accounting Fees and Services**

Information appearing under "Fees Paid to KPMG LLP" in the 2009 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 of the Company and its subsidiaries and the report thereon of KPMG LLP in the 2008 Annual Report.
2. Financial Statement Schedules

All schedules are omitted because they are not required, not applicable or the information is given in the financial statements or notes thereto contained in the 2008 Annual Report.

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 February 5, 2008, incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended March 31, 2008, File No. 1-278, Exhibit 3.1.
  - 4(a) Indenture dated as of April 17, 1991, between Emerson Electric Co. and The Boatmen's National Bank of St. Louis, Trustee, incorporated by reference to Emerson Electric Co. Registration Statement on Form S-3, File No. 33-62545, Exhibit 4.1.
  - 4(b) 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 Securities and Exchange Commission upon request.

- 4(c) Rights Agreement dated as of November 1, 1998, between Emerson Electric Co. and ChaseMellon Shareholder Services, L.L.C., incorporated by reference to Emerson Electric Co. Form 8-A, dated October 6, 1998, File No. 1-278, Exhibit 1.
- 10(a)\* 1991 Stock Option Plan, as amended, incorporated by reference to Emerson Electric Co. 1997 Form 10-K, File No. 1-278, Exhibit 10(e) and Amendment No. 1 thereto, incorporated by reference to Emerson Electric Co. 2000 Form 10-K, File No. 1-278, Exhibit 10(c).
- 10(b)\* 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(c)\* 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(d)\* Amended and Restated Deferred Compensation Plan for Non-Employee Directors and Forms of Payment Election Form, Initial Notice of Election and Notice of Election Change, incorporated by reference to Emerson Electric Co. 2007 Form 10-K, File No. 1-278, Exhibit 10(d).
- 10(e)\* 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(f)\* Amended and Restated Emerson Electric Co. Pension Restoration Plan and 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).
- 10(g)\* 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 dated October 1, 2004, Exhibit 10.8 (applicable only with respect to benefits vested as of December 31, 2004).
- 10(h)\* 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(i)\* 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(j)\* 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 dated October 1, 2004, Exhibit 10.5, and Form of Restricted Shares Award Agreement, incorporated by reference to Emerson Electric Co. Form 8-K dated October 1, 2004, Exhibit 10.6.
- 10(k)\* 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 dated 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 dated October 1, 2004, Exhibit 10.2.
- 10(l)\* 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 dated October 1, 2004, Exhibit 10.3, 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 dated October 1, 2004, Exhibit 10.4.
- 10(m)\* Emerson Electric Co. Description of Split Dollar Life Insurance Program Transition, incorporated by reference to Emerson Electric Co. Form 8-K dated August 31, 2005, Exhibit 10.1.
- 10(n)\* Emerson Electric Co. Restricted Stock Plan for Non-Management Directors, incorporated by reference to Emerson Electric Co. 2005 Proxy Statement dated December 8, 2004, Appendix B, and Form of Award Letter under the Emerson Electric Co. Restricted Stock Plan for Non-Management Directors, incorporated by reference to Emerson Electric Co. Form 8-K dated February 1, 2005, Exhibit 10.2.
- 10(o)\* Description of Non-Management Director Compensation, incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended March 31, 2007, File No. 1-278, Exhibit 10.1, and Summary of Changes to Compensation Arrangements for Non-Management Directors, incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended June 30, 2008, File No. 1-278, Exhibit 10.2.
- 10(p)\* 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(q)\* 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 Share Award Certificate, Acceptance of Award and Restricted Share Award Agreement, incorporated by reference to Emerson Electric Co. 2007 Form 10-K, File No. 1-278, Exhibit 10(q), and 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.

- 10(r) Long-Term Credit Agreement dated as of April 28, 2006, incorporated by reference to Emerson Electric Co. Form 8-K dated May 2, 2006, Exhibit 10.1.
- 10(s)\* Letter Agreement effective as of April 4, 2007, by and between Emerson Electric Co. and W. Wayne Withers, incorporated by reference to Emerson Electric Co. Form 8-K dated April 4, 2007, Exhibit 10.1.
- 10(t)\* Consulting Contract made and entered into as of April 4, 2007, by and between Emerson Electric Co. and W. Wayne Withers, incorporated by reference to Emerson Electric Co. Form 8-K dated April 4, 2007, Exhibit 10.2.
- 12 Ratio of Earnings to Fixed Charges.
- 13 Portions of Emerson Electric Co. Annual Report to Stockholders for the year ended September 30, 2008, incorporated by reference herein.
- 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.

\* Management contract or compensatory plan.



SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EMERSON ELECTRIC CO.

By /s/ W. J. Galvin \_\_\_\_\_

W. J. Galvin  
Senior Executive Vice President  
and Chief Financial Officer

Date: November 24, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on November 24, 2008, 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, Chief Executive Officer and President
_____ /s/ W. J. Galvin W. J. Galvin	Senior Executive Vice President, Chief Financial Officer and Director
_____ /s/ R. J. Schlueter R. J. Schlueter	Vice President and Chief Accounting Officer
_____ * A. A. Busch III	Director
_____ * D. C. Farrell	Director
_____ * C. Fernandez G.	Director
_____ * A. F. Golden	Director
_____ * H. Green	Director

*	Director
_____ R. B. Horton	
*	Director
_____ W. R. Johnson	
*	Director
_____ V. R. Loucks, Jr.	
*	Director
_____ J. B. Menzer	
*	Director
_____ C. A. Peters	
*	Director
_____ J. W. Prueher	
*	Director
_____ R. L. Ridgway	
*	Director
_____ R. L. Stephenson	

\* By /s/ W. J. Galvin  
W. J. Galvin  
Attorney-in-fact

## INDEX TO EXHIBITS

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

<u>Exhibit No.</u>	<u>Exhibit</u>
12	Ratio of Earnings to Fixed Charges
13	Portions of Emerson Electric Co. Annual Report to Stockholders for the year ended September 30, 2008, incorporated by reference herein
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

\*Management contract or compensatory plan.

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

**EMERSON ELECTRIC CO. AND SUBSIDIARIES**  
**COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**  
(Dollars in Millions)

	YEAR ENDED SEPTEMBER 30,				
	2004	2005	2006	2007	2008
<b>Earnings:</b>					
Earnings before income taxes (a)	\$ 1,893	2,200	2,749	3,178	3,666
Fixed charges	311	323	313	361	356
<b>Earnings, as defined</b>	<b>\$ 2,204</b>	<b>2,523</b>	<b>3,062</b>	<b>3,539</b>	<b>4,022</b>
<b>Fixed Charges:</b>					
Interest expense	\$ 234	243	225	261	244
One-third of all rents	77	80	88	100	112
<b>Total fixed charges</b>	<b>\$ 311</b>	<b>323</b>	<b>313</b>	<b>361</b>	<b>356</b>
<b>Ratio of Earnings to Fixed Charges</b>	<b>7.1x</b>	<b>7.8x</b>	<b>9.8x</b>	<b>9.8x</b>	<b>11.3x</b>

(a) Represents earnings from continuing operations before income taxes and minority interests in the income of consolidated subsidiaries with fixed charges.

[ 16 ] Emerson 2008

## 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, 2008, 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 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 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, 2008.

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.

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

/s/ Walter J. Gavin  
Walter J. Galvin  
*Senior Executive Vice President  
and Chief Financial Officer*

## Results of Operations

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

	2006	2007	2008	CHANGE 2006 - 2007	CHANGE 2007 - 2008
Net sales	\$ 19,734	22,131	24,807	12%	12%
Gross profit	\$ 7,129	8,065	9,139	13%	13%
<i>Percent of sales</i>	36.1%	36.4%	36.8%		
SG&A	\$ 4,076	4,569	5,057		
<i>Percent of sales</i>	20.6%	20.6%	20.3%		
Other deductions, net	\$ 173	175	303		
Interest expense, net	\$ 207	228	188		
Earnings from continuing operations before income taxes	\$ 2,673	3,093	3,591	16%	16%
Earnings from continuing operations	\$ 1,839	2,129	2,454	16%	15%
Net earnings	\$ 1,845	2,136	2,412	16%	13%
<i>Percent of sales</i>	9.4%	9.7%	9.7%		
EPS – Continuing operations	\$ 2.23	2.65	3.11	19%	17%
EPS – Net earnings	\$ 2.24	2.66	3.06	19%	15%
Return on equity	23.7%	25.2%	27.0%		
Return on total capital	18.4%	20.1%	21.8%		

## OVERVIEW

Emerson achieved record sales, earnings and earnings per share in the fiscal year ended September 30, 2008. For fiscal 2008 net sales were \$24.8 billion, an increase of 12 percent; earnings from continuing operations and earnings from continuing operations per share were \$2.5 billion and \$3.11, increases of 15 percent and 17 percent, respectively; net earnings and net earnings per share were \$2.4 billion and \$3.06, increases of 13 percent and 15 percent, respectively, over fiscal 2007. Four of the five business segments generated higher sales and earnings compared with the prior year. The Process Management, Network Power and Industrial Automation businesses drove gains, while growth in the Climate Technologies and Appliance and Tools businesses was moderated by weakness in the U.S. consumer appliance and residential end-markets. Strong growth in Asia, Latin America and Middle East/Africa, favorable foreign currency translation, and acquisitions contributed to these results. Profit margins remained at high levels, primarily because of leverage on higher sales volume and benefits derived from previous rationalization actions. Emerson's financial position remains strong and the Company generated substantial operating cash flow in 2008 of \$3.3 billion, an increase of 9 percent, and free cash flow (operating cash flow less capital expenditures) of \$2.6 billion, an increase of 10 percent. Emerson maintains a conservative financial structure to provide the strength and flexibility necessary to achieve our strategic objectives.

## NET SALES

Net sales for fiscal 2008 were a record \$24.8 billion, an increase of approximately \$2.7 billion, or 12 percent, over fiscal 2007, with international sales leading the overall growth. The Network Power, Process Management and Industrial Automation businesses drove sales growth, while the Appliance and Tools and Climate Technologies businesses continued to be impacted by the U.S. consumer slowdown. The consolidated results reflect increases in four of the five business segments with an approximate 7 percent (\$1,523 million) increase in underlying sales (which exclude acquisitions, divestitures and foreign currency translation), a 4 percent (\$809 million) favorable impact from foreign currency translation and a 1 percent (\$344 million) contribution from acquisitions, net of divestitures. The underlying sales increase for the fiscal 2008 year was driven by a total international sales increase of more than 10 percent and 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, which includes an approximate 2 percent impact from penetration gains, and an approximate 1 percent impact from higher sales prices.

Net sales for fiscal 2007 were \$22.1 billion, an increase of approximately \$2.4 billion, or 12 percent, over fiscal 2006, with international sales leading the overall growth. The consolidated results reflect increases in all five business segments with an approximate 7 percent (\$1,349 million) increase in underlying sales, a nearly 3 percent (\$566 million) contribution from acquisitions, net of divestitures, and a more than 2 percent (\$482 million) favorable impact from foreign currency translation. The underlying sales increase for fiscal 2007 was driven by international sales growth of 13 percent and a 2 percent increase in the United States. The U.S. results reflect a modest decline in the first quarter with moderate growth during the remainder of the year. The international sales increase primarily reflects growth in Asia (16 percent) and Europe (9 percent). The Company estimates that the underlying sales growth of approximately 7 percent primarily reflects an approximate 5 percent gain from volume, which includes an approximate 2 percent impact from penetration gains, and an approximate 2 percent impact from higher sales prices.

## **INTERNATIONAL SALES**

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. International subsidiary sales, including shipments to the United States, were \$12.0 billion in 2008, up 19 percent over 2007. Excluding the net 8 percent favorable impact from acquisitions, divestitures and foreign currency translation, international subsidiary sales increased 11 percent compared with 2007. 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 destination sales, including U.S. exports, increased approximately 22 percent including acquisitions, to \$11.2 billion in 2007, representing 51 percent of the Company's total sales. U.S. exports of \$1,277 million were up 13 percent compared with 2006, aided by the weaker U.S. dollar. International subsidiary sales, including shipments to the United States, were \$10.1 billion in 2007, up 22 percent over 2006. Excluding the net 6 percent favorable impact from acquisitions, divestitures and foreign currency translation, international subsidiary sales increased 16 percent compared with 2006. Underlying destination sales grew 16 percent in Asia during the year, driven mainly by 11 percent growth in China, while sales grew 44 percent in the Middle East, 11 percent in Latin America and 9 percent in Europe.

## **ACQUISITIONS AND DIVESTITURES**

The Company acquired Motorola Inc.'s Embedded Computing business (Embedded Computing) 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. Annualized sales for acquired businesses were \$665 million in 2008.

In the first quarter of fiscal 2008, the Company divested the Brooks Instrument flow meters and flow controls unit (Brooks), which had sales for the first quarter of 2008 of \$21 million and net earnings of \$1 million. The Company received \$100 million from the sale of Brooks, resulting in a pretax gain of \$63 million (\$42 million after-tax). The net gain and results of operations for fiscal 2008 were classified as discontinued operations; prior year results of operations were inconsequential. 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, \$441 million and \$399 million and net earnings, excluding the loss, of \$7 million, \$7 million and \$6 million in 2008, 2007 and 2006, respectively. The loss and results of operations were classified as discontinued operations for all periods presented.

The Company acquired Damcos Holding AS (Damcos) and Stratos International, Inc. (Stratos), as well as several smaller businesses during 2007. Damcos supplies valve remote control systems and tank monitoring equipment to the marine and shipbuilding industries. Stratos is a designer and manufacturer of radio-frequency and microwave interconnect products. Total cash paid for these businesses (net of cash and equivalents acquired of approximately \$40 million, and debt assumed of approximately \$56 million) was approximately \$295 million. Annualized sales for acquired businesses were \$240 million in 2007.

In 2007, the Company divested two small business units that had total annual sales of \$113 million and \$115 million for fiscal years 2006 and 2005, respectively. These businesses were not reclassified as discontinued operations because of immateriality. See Note 3 for additional information regarding acquisitions and divestitures.

## **COST OF SALES**

Costs of sales for fiscal 2008 and 2007 were \$15.7 billion and \$14.1 billion, respectively. Cost of sales as a percent of net sales was 63.2 percent for 2008, compared with 63.6 percent in 2007. Gross profit was \$9.1 billion and \$8.1 billion for fiscal 2008 and 2007, respectively, resulting in gross profit margins of 36.8 percent and 36.4 percent. The increase in the gross profit margin 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 primarily reflects higher sales volume and foreign currency translation, as well as acquisitions.

Costs of sales for fiscal 2007 and 2006 were \$14.1 billion and \$12.6 billion, respectively. Cost of sales as a percent of net sales was 63.6 percent for 2007, compared with 63.9 percent in 2006. Gross profit was \$8.1 billion and \$7.1 billion for fiscal 2007 and 2006, respectively, resulting in gross profit margins of 36.4 percent and 36.1 percent. The gross profit margin improvement was diminished as higher sales prices, together with the benefits received from commodity hedging of approximately \$115 million, were substantially offset by higher material costs and wages. The increase in the gross profit amount primarily reflects higher sales volume, acquisitions, foreign currency translation and savings from cost reduction actions.

## **SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

Selling, general and administrative (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 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 reflecting the overlap of two performance share programs in the prior year and the decrease in Emerson's stock price in the current year (see Note 14). The reduction in SG&A as a percent of sales was primarily the result of lower incentive stock compensation, leveraging fixed costs on higher sales and benefits realized from cost reduction actions, particularly in the Process Management and Network Power businesses.

SG&A expenses for 2007 were \$4.6 billion, or 20.6 percent of net sales, compared with \$4.1 billion, or 20.6 percent of net sales for 2006. The increase of approximately \$0.5 billion was primarily due to an increase in variable costs on higher sales volume, acquisitions, foreign currency translation and a \$104 million increase in incentive stock compensation reflecting the increase in Emerson's stock price and the overlap of two performance share programs (see Note 14).

## **OTHER DEDUCTIONS, NET**

Other deductions, net were \$303 million in 2008, a \$128 million increase from the \$175 million in 2007. The increase reflects numerous items including a \$31 million impairment charge related to the North American appliance control business due to a slow economic environment for consumer appliance and residential end-markets and a major customer's strategy to diversify suppliers and transition to and internalize the production of electronic controls. As a result, the operations of this business will be restructured and integrated into the North American appliance motors business to leverage the combined cost structure and improve profitability on the lower volume, including elimination of redundant manufacturing capacity and a substantial reduction in overhead.

Higher rationalization costs of \$17 million in 2008 also contributed to the increase in other deductions, net. Rationalization expense, including amounts reported in discontinued operations, was \$98 million, \$83 million and \$84 million in 2008, 2007 and 2006, respectively, or a total of \$265 million over the three-year period. The Company continuously makes investments in the rationalization of operations to improve operational efficiency and remain competitive on a global basis, and to position the Company for difficult economic conditions that may arise. These actions include relocating facilities to best cost locations and geographic expansion to serve local markets. During the past three years, approximately 45 production, warehouse or office facilities have been exited and more than 6,000 positions have been eliminated. Based on the current economic conditions, the Company expects rationalization expense, including start-up and moving, severance and shutdown costs, to be approximately \$125 million to \$150 million in 2009.

The increase in other deductions, net in 2008 also includes higher amortization of intangibles related to acquisitions of \$18 million, a \$12 million charge for in-process research and development in connection with the acquisition of Embedded Computing, \$12 million of additional losses on foreign exchange transactions compared with 2007, lower gains of \$10 million and other items. Gains in 2008 included the following items. The Company received \$54 million and recognized a gain of \$39 million (\$20 million after-tax) on the sale of an equity investment in Industrial Motion Control Holdings, LLC, a manufacturer of motion control components for automation equipment. The Company also recorded a gain of \$18 million related to the sale of a facility.



Other deductions, net were \$175 million in 2007, a \$2 million increase from the \$173 million in 2006. Gains in 2007 included approximately \$32 million related to the sale of the Company's remaining shares in MKS Instruments, Inc. and approximately \$24 million related to a payment received under the U.S. Continued Dumping and Subsidy Offset Act (Offset Act). Ongoing costs for the rationalization of operations were \$75 million in 2007, compared with \$80 million in 2006. The higher gains and lower other costs were more than offset by higher amortization of intangibles related to acquisitions. See Notes 4 and 5 for further details regarding other deductions, net and rationalization costs.

#### **INTEREST EXPENSE, NET**

Interest expense, net was \$188 million, \$228 million and \$207 million in 2008, 2007 and 2006, respectively. The decrease of \$40 million from 2007 to 2008 was primarily due to lower interest rates and lower average borrowings.

#### **INCOME TAXES**

Income taxes were \$1,137 million, \$964 million and \$834 million for 2008, 2007 and 2006, respectively, resulting in effective tax rates of 32 percent, 31 percent and 31 percent.

#### **EARNINGS FROM CONTINUING OPERATIONS**

Earnings from continuing operations were \$2.5 billion and earnings from continuing operations per share were \$3.11 for 2008, increases of 15 percent and 17 percent, respectively, compared with \$2.1 billion and \$2.65 for 2007. These earnings results reflect 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 higher earnings also reflect leverage from higher sales, benefits realized from cost containment, and higher sales prices, partially offset by higher raw material and wage costs. See Business Segments discussion that follows for additional information.

Earnings from continuing operations were \$2.1 billion and earnings from continuing operations per share were \$2.65 for 2007, increases of 16 percent and 19 percent, respectively, compared with \$1.8 billion and \$2.23 for 2006. These earnings results reflect increases in all five business segments, including \$188 million in Process Management, \$161 million in Network Power and \$96 million in Industrial Automation. The higher earnings also reflect leverage from higher sales, benefits realized from cost containment, and higher sales prices, partially offset by higher raw material and wage costs.

#### **DISCONTINUED OPERATIONS**

The loss from discontinued operations of \$42 million, or \$0.05 per share, in fiscal 2008 included a gain of \$42 million related to the divestiture of the Brooks unit, a loss of \$92 million related to the divestiture of the European appliance motor and pump business, as well as \$8 million of operating results related to these divestitures. Discontinued operations for fiscal 2007 and 2006 related to the European appliance motor and pump business were \$7 million, or \$0.01 per share, and \$6 million, or \$0.01 per share, respectively. See previous discussion under Acquisitions and Divestitures and Note 3 for additional information regarding discontinued operations.

#### **NET EARNINGS, RETURN ON EQUITY AND RETURN ON TOTAL CAPITAL**

Net earnings were a record \$2.4 billion and earnings per share were a record \$3.06 per share 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 a net loss from discontinued operations of \$42 million, or \$0.05 per share, related to the divestitures of the Brooks unit and the European appliance motor and pump business. The 15 percent increase in earnings per share also reflects the purchase of treasury shares. Return on stockholders' equity (net earnings divided by average stockholders' equity) reached 27.0 percent in 2008 compared with 25.2 percent in 2007. The Company achieved return on total capital of 21.8 percent in 2008 compared with 20.1 percent in 2007 (net earnings excluding interest income and expense, net of taxes, divided by average stockholders' equity plus short- and long-term debt less cash and short-term investments).

Net earnings were \$2.1 billion and earnings per share were \$2.66 for 2007, increases of 16 percent and 19 percent, respectively, compared with net earnings and earnings per share of \$1.8 billion and \$2.24, respectively, in 2006. Net earnings as a percent of net sales were 9.7 percent in 2007 compared with 9.4 percent in 2006. The 19 percent increase in earnings per share also reflects the purchase of treasury shares. Return on stockholders' equity reached 25.2 percent in 2007 compared with 23.7 percent in 2006. The Company achieved return on total capital of 20.1 percent in 2007 compared with 18.4 percent in 2006. The Company consummated a two-for-one stock split in December 2006. All share and per share data have been restated to reflect this split.

## Business Segments

### PROCESS MANAGEMENT

(DOLLARS IN MILLIONS)	2006	2007	2008	CHANGE '06 - '07	CHANGE '07 - '08
Sales	\$ 4,875	5,699	6,652	17%	17%
Earnings	\$ 878	1,066	1,306	21%	23%
Margin	18.0%	18.7%	19.6%		

**2008 vs. 2007** - The Process Management segment sales were \$6.7 billion in 2008, an increase of \$953 million, or 17 percent, over 2007, reflecting higher volume and 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 businesses reported higher sales, 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 approximately 1 percent from higher sales prices. 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, Asia (21 percent), the United States (12 percent), Europe (7 percent), Latin America (22 percent), Canada (13 percent) and Middle East/Africa (14 percent), compared with the prior year. Earnings (defined as earnings before interest and taxes for the business segments discussion) increased 23 percent to \$1,306 million from \$1,066 million in the prior year, reflecting the higher sales volume, savings from cost reductions and material containment and the benefit from foreign currency translation. The margin increase primarily reflects leverage on the higher volume, increase in sales prices 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.

**2007 vs. 2006** - The Process Management segment sales were \$5.7 billion in 2007, an increase of \$824 million, or 17 percent, over 2006, reflecting higher volume and acquisitions. Nearly all of the businesses reported higher sales, with sales and earnings particularly strong for the measurement, systems and valves businesses, reflecting very strong worldwide growth in oil and gas and power projects, and expansion in the Middle East. Underlying sales increased 11 percent, reflecting approximately more than 10 percent from volume, which includes approximately 3 percent from penetrating global markets, and approximately less than 1 percent from slightly higher sales prices. Foreign currency translation had a 4 percent (\$169 million) favorable impact and the Bristol and Damcos acquisitions contributed 2 percent (\$120 million). The underlying sales increase reflects growth in nearly all of the major geographic regions, including the United States (10 percent), Asia (12 percent), Europe (6 percent) and Latin America (6 percent), as well as the Middle East (63 percent), compared with the prior year. Earnings increased 21 percent to \$1,066 million from \$878 million in the prior year, primarily reflecting the higher sales volume and prices, as well as acquisitions. The margin increase reflects leverage on the higher sales and cost containment actions, which were partially offset by higher wages and an \$11 million adverse commercial litigation judgment.

### INDUSTRIAL AUTOMATION

(DOLLARS IN MILLIONS)	2006	2007	2008	CHANGE '06 - '07	CHANGE '07 - '08
Sales	\$ 3,767	4,269	4,852	13%	14%
Earnings	\$ 569	665	727	17%	9%
Margin	15.1%	15.6%	15.0%		

**2008 vs. 2007** - The Industrial Automation segment increased sales by 14 percent to \$4.9 billion in 2008, compared with \$4.3 billion in 2007. Sales growth was strong across the businesses with increased global demand for capital goods and foreign currency contributing to the increase. Sales grew in all of the businesses and in nearly all of the geographic regions, reflecting the strength in the power generating alternator, fluid automation, electronic drives, electrical distribution and materials joining businesses. Underlying sales growth was 7 percent and favorable foreign currency translation contributed 7 percent (\$278 million). Underlying sales grew 8 percent in the United States and 6 percent internationally. 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 from dumping duties related to the Offset Act. A \$24 million payment was received in fiscal 2007, while only a \$3 million payment was received in fiscal 2008. The Company does not expect to receive any significant payments in the future. The margin was positively impacted by leverage on the higher sales volume and benefits from prior cost reductions efforts. Higher sales prices were substantially offset by higher material and wage costs, as well as unfavorable product mix, which negatively impacted the margin.

**2007 vs. 2006** - The Industrial Automation segment increased sales by 13 percent to \$4.3 billion in 2007, compared with \$3.8 billion in 2006. Nearly all of the businesses reported higher sales in 2007, with particular strength in the power generating alternator, the electrical distribution and the electronic drives businesses, as the favorable economic environment for capital goods continued. The very strong growth in the U.S. and European alternator businesses was driven by increased demand for backup generators and alternative power sources, such as wind turbines. The underlying sales growth of 10 percent and the favorable impact from foreign currency translation of 4 percent (\$143 million) was slightly offset by an unfavorable impact of 1 percent from divestitures, net of acquisitions. Underlying sales grew 13 percent internationally and 5 percent in the United States. The international sales growth primarily reflects increases in Europe (12 percent) and Asia (19 percent). The underlying growth reflects approximately 7 percent from volume, including slight penetration gains, caused by increased global industrial demand and an approximate 3 percent positive impact from price. Earnings increased 17 percent to \$665 million for 2007, compared with \$569 million in 2006, reflecting leverage from higher sales volume and benefits from cost containment, as nearly all of the businesses reported higher earnings. The margin increase was primarily due to leverage on higher sales volume. The earnings increase was also aided by an approximate \$24 million payment received by the power transmission business from dumping duties related to the Offset Act in 2007, compared with an \$18 million payment received in 2006. Sales price increases were offset by higher material and wage costs, as well as unfavorable product mix.

## NETWORK POWER

(DOLLARS IN MILLIONS)	2006	2007	2008	CHANGE '06 - '07	CHANGE '07 - '08
Sales	\$ 4,350	5,150	6,312	18%	23%
Earnings	\$ 484	645	794	33%	23%
Margin	11.1%	12.5%	12.6%		

**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 very strong growth in the precision cooling, global services, uninterruptible power supply and inbound power businesses, as well as growth in the power systems businesses. Underlying sales grew 11 percent, while the Embedded Computing and Stratos acquisitions contributed approximately 9 percent (\$449 million) and favorable 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 and non-residential computer equipment as well as in the telecommunications power market. 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 because of the 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.

**2007 vs. 2006** - Sales in the Network Power segment increased 18 percent to \$5.2 billion in 2007 compared with \$4.4 billion in 2006. The sales increase was driven by continued strong demand in the uninterruptible power supply, precision cooling and inbound power businesses and the full year impact of the Artesyn and Knürr acquisitions. Underlying sales grew 9 percent, while acquisitions, net of divestitures, contributed approximately 7 percent (\$332 million) and favorable foreign currency translation had a 2 percent (\$98 million) favorable impact. The underlying sales increase of 9 percent reflects an estimated 9 percent gain from higher volume, which includes 3 percent from penetration gains, partially offset by a slight decline in sales prices. Geographically, underlying sales reflect a 20 percent increase in Asia, a 7 percent increase in the United States, while sales in Europe were flat compared with the prior year. The Company's market penetration gains in China and other Asian markets continued. The U.S. growth reflects strong demand for data room and non-residential computer equipment. Earnings increased 33 percent, or \$161 million, to \$645 million, compared with \$484 million in 2006, primarily because of the Artesyn and Knürr acquisitions and the higher sales volume. The margin increase reflects leverage on higher sales volume, savings from integrating acquisitions and improvement over the prior year in the DC power business. These benefits were partially offset by higher material and wage costs.

## CLIMATE TECHNOLOGIES

(DOLLARS IN MILLIONS)	2006	2007	2008	CHANGE '06 - '07	CHANGE '07 - '08
Sales	\$ 3,424	3,614	<b>3,822</b>	6%	<b>6%</b>
Earnings	\$ 523	538	<b>551</b>	3%	<b>2%</b>
Margin	15.3%	14.9%	<b>14.4%</b>		

**2008 vs. 2007** - The Climate Technologies segment reported sales of \$3.8 billion for 2008, representing a 6 percent increase over 2007. 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 sales 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. Asia grew 9 percent and Europe declined 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. The Company continued its capacity expansion begun in 2006 in Mexico where the next generation scroll compressor design and hermetic motors for the North American market will be produced.

**2007 vs. 2006** - The Climate Technologies segment reported sales of \$3.6 billion for 2007, representing a 6 percent improvement over 2006. Underlying sales increased approximately 1 percent, while acquisitions contributed 3 percent (\$86 million) and foreign currency translation had a 2 percent (\$53 million) favorable impact. Lower sales volume of approximately less than 2 percent, which includes a positive 2 percent from penetration gains, was more than offset by an approximate 3 percent positive impact from sales price increases. The underlying sales growth reflects a 16 percent increase in international sales, led by growth in Europe (18 percent) and Asia (17 percent). This growth was partially offset by a 7 percent decline in U.S. sales, which is primarily attributable to difficult comparisons to a very strong prior year for the air-conditioning compressor business, as well as an impact from the downturn in the U.S. housing market. The volume decline in the U.S. air-conditioning business was only partially offset by a modest increase in U.S. refrigeration sales. The very strong growth in Europe and Asia reflects overall favorable market conditions, penetration in the European heat pump market, and penetration gains in Asia, particularly in digital scroll compressor products. Earnings increased 3 percent to \$538 million in 2007 compared with \$523 million in 2006, primarily because of savings from cost reduction efforts and lower restructuring costs of \$5 million. The profit margin declined as the result of deleverage on the lower volume and an acquisition, while higher sales prices were offset by higher material and wage costs.

## APPLIANCE AND TOOLS

(DOLLARS IN MILLIONS)	2006	2007	2008	CHANGE '06 - '07	CHANGE '07 - '08
Sales	\$ 3,914	4,006	<b>3,861</b>	2%	<b>(4%)</b>
Earnings	\$ 539	564	<b>527</b>	5%	<b>(7%)</b>
Margin	13.8%	14.1%	<b>13.6%</b>		

**2008 vs. 2007** - Sales in the Appliance and Tools segment were \$3.9 billion in 2008, a 4 percent decrease from 2007. The results of 2008 were mixed reflecting the different sectors served by these businesses. The professional tools, commercial storage and hermetic motor businesses showed strong increases, while the residential storage, appliance components, and appliance and commercial motors businesses declined. The strong growth in the professional tools business was driven by U.S. non-residential and Latin American markets. The declines in the residential storage and appliance-related businesses primarily reflect the continued and ongoing downturn in the U.S. consumer appliance and residential end-markets. The U.S. markets represent 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 sales decrease 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 of 3 percent reflects an estimated 7 percent decline in volume and an approximate 4 percent positive impact from higher sales prices. Earnings for 2008 were \$527 million, a 7 percent decrease from 2007. Earnings decreased because of deleverage on the lower sales volume and an impairment charge of \$31 million 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.

**2007 vs. 2006** - Sales in the Appliance and Tools segment were \$4.0 billion in 2007, a 2 percent increase from 2006. The sales increase reflects a 1 percent increase in underlying sales and a contribution from acquisitions of 1 percent (\$37 million). The underlying sales increase of 1 percent reflects an estimated 4 percent decline in volume, which includes a positive 1 percent impact from penetration gains, and an approximate 5 percent positive impact from higher sales prices. The results were mixed across the businesses for this segment. The tools and storage businesses showed moderate growth, while sales increased slightly in the motors businesses when compared with 2006. These increases were partially offset by declines in the appliance controls businesses. The growth in the tools businesses was driven by the professional tools and disposer businesses, reflecting the success of new product launches. The volume declines in the appliance controls and certain motors and storage businesses were primarily caused by the downturn in U.S. residential construction. International underlying sales increased 13 percent in total, while underlying sales in the United States were down 1 percent from the prior year. Earnings for 2007 were \$564 million, a 5 percent increase from 2006. The earnings increases in tools and motor businesses were partially offset by declines in appliance component and certain storage businesses. Overall, the slight margin improvement primarily reflects the benefits from prior year actions, as well as lower restructuring inefficiencies and costs compared with the prior year. Sales price increases were offset by higher material and wage costs, as well as deleverage from the lower volume.

## Financial Position, Capital Resources and Liquidity

The Company continues to generate substantial cash from operations and is in a strong financial position with total assets of \$21 billion and stockholders' equity of \$9 billion, and has the resources available for reinvestment in existing businesses, strategic acquisitions and managing the capital structure on a short- and long-term basis.

### CASH FLOW

(DOLLARS IN MILLIONS)	2006	2007	2008
Operating Cash Flow	\$2,512	3,016	3,293
<i>Percent of sales</i>	<i>12.5%</i>	<i>13.4%</i>	<i>13.3%</i>
Capital Expenditures	\$601	681	714
<i>Percent of sales</i>	<i>3.0%</i>	<i>3.0%</i>	<i>2.9%</i>
Free Cash Flow (Operating Cash Flow Less Capital Expenditures)	\$1,911	2,335	2,579
<i>Percent of sales</i>	<i>9.5%</i>	<i>10.3%</i>	<i>10.4%</i>
Operating Working Capital	\$2,044	1,915	2,202
<i>Percent of sales</i>	<i>10.1%</i>	<i>8.5%</i>	<i>8.9%</i>

Emerson generated operating cash flow of \$3.3 billion in 2008, a 9 percent increase from 2007, driven by higher net earnings. Cash flow in 2008 also reflects continued improvements in operating working capital management. Operating cash flow was \$3.0 billion in 2007, a 20 percent increase from 2006, driven by higher net earnings. At September 30, 2008, operating working capital as a percent of sales was 8.9 percent, compared with 8.5 percent and 10.1 percent in 2007 and 2006, respectively. Operating cash flow also reflects pension contributions of \$135 million, \$136 million and \$124 million in 2008, 2007 and 2006, respectively.

Free cash flow (operating cash flow less capital expenditures) was \$2.6 billion in 2008, compared with \$2.3 billion and \$1.9 billion in 2007 and 2006, respectively. The 10 percent increase in free cash flow in 2008 compared with 2007 and the 22 percent increase in 2007 compared with 2006 reflect the increases in operating cash flow, partially offset by higher capital spending. Capital expenditures were \$714 million, \$681 million and \$601 million in 2008, 2007 and 2006, respectively. The increase in capital expenditures during 2008 compared with the prior year was primarily due to capacity expansion in the Process Management and Industrial Automation segments and construction of a corporate technology facility, while the increase in 2007 compared with 2006 included capacity expansion in the Process Management and Climate Technologies segments. In 2009, the Company is targeting capital spending of approximately 3 percent of net sales. Cash paid in connection with Emerson's acquisitions was \$561 million, \$295 million and \$752 million in 2008, 2007 and 2006, respectively.

Dividends were \$940 million (\$1.20 per share, up 14 percent) in 2008, compared with \$837 million (\$1.05 per share) in 2007, and \$730 million (\$0.89 per share) in 2006. In November 2008, the Board of Directors voted to increase the quarterly cash dividend 10 percent to an annualized rate of \$1.32 per share. In 2008, the Board of Directors approved a new program for the repurchase of up to 80 million additional shares. In 2008, 22,404,000 shares were repurchased under the fiscal 2002 and 2008 Board of Directors' authorizations; in 2007, 18,877,000 shares were repurchased under the 2002 authorization, and in 2006, 21,451,000 shares were repurchased under the 2002 authorization; 72.4 million shares remain available for repurchase under the 2008 authorization and none remain available under the 2002 authorization. Purchases of treasury stock totaled \$1,128 million, \$849 million and \$871 million in 2008, 2007 and 2006, respectively.

## LEVERAGE/CAPITALIZATION

(DOLLARS IN MILLIONS)	2006	2007	2008
Total Assets	\$18,672	19,680	21,040
Long-term Debt	\$3,128	3,372	3,297
Stockholders' Equity	\$8,154	8,772	9,113
Total Debt-to-Capital Ratio	33.1%	30.1%	33.1%
Net Debt-to-Net Capital Ratio	28.1%	23.6%	22.7%
Operating Cash Flow-to-Debt Ratio	62.4%	79.9%	72.9%
Interest Coverage Ratio	12.9	12.9	15.7

Total debt was \$4.5 billion, \$3.8 billion and \$4.0 billion for 2008, 2007 and 2006, respectively. During 2008, the Company issued \$400 million of 5.250% notes due October 2018, under a shelf registration statement filed with the Securities and Exchange Commission and \$250 million of 5½% notes matured. During 2007, the Company issued \$250 million of 5.125%, ten-year notes due December 2016 and \$250 million of 5.375%, ten-year notes due October 2017. During 2006, \$250 million of 6.3% notes matured. The total debt-to-capital ratio was 33.1 percent at year-end 2008, compared with 30.1 percent for 2007 and 33.1 percent for 2006. At September 30, 2008, net debt (total debt less cash and equivalents and short-term investments) was 22.7 percent of net capital, compared with 23.6 percent of net capital in 2007 and 28.1 percent of net capital in 2006. The operating cash flow-to-debt ratio was 72.9 percent, 79.9 percent and 62.4 percent in 2008, 2007 and 2006, respectively. The Company's interest coverage ratio (earnings before income taxes and interest expense, divided by interest expense) was 15.7 times in 2008, compared with 12.9 times in 2007 and 2006. The increase in the interest coverage ratio 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.

At year-end 2008, the Company maintained, but has not drawn upon, a five-year revolving credit facility effective until April 2011 amounting to \$2.8 billion to support short-term borrowings. The credit facility does not contain any financial covenants and is not subject to termination based on a change in credit ratings or a material adverse change. In addition, as of September 30, 2008, the Company could issue up to \$1.35 billion in debt securities, preferred stock, common stock, warrants, share purchase contracts and share purchase units under the shelf registration statement filed with the Securities and Exchange Commission. The Company intends to file a new shelf registration statement prior to the expiration of the existing registration in December 2008.

The credit markets, including the commercial paper sector in the United States, have recently experienced adverse conditions. Continuing volatility in the capital markets may increase costs associated with issuing commercial paper or other debt instruments, or affect the Company's ability to access those markets. Notwithstanding these adverse market conditions, the Company has been able to issue commercial paper and currently believes that sufficient funds will be available to meet the Company's needs in the foreseeable future through existing resources, ongoing operations and commercial paper (or backup credit lines). However, the Company could be adversely affected if the credit market conditions deteriorate further or continue for an extended period of time and customers, suppliers and financial institutions are unable to meet their commitments to the Company.

**CONTRACTUAL OBLIGATIONS**

At September 30, 2008, the Company's contractual obligations, including estimated payments due by period, are as follows:

(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)	\$5,024	654	941	990	2,439
Operating Leases	649	194	231	108	116
Purchase Obligations	1,616	1,185	313	114	4
Total	\$7,289	2,033	1,485	1,212	2,559

Purchase obligations consist primarily of inventory purchases made in the normal course of business to meet operational requirements. The above table does not include \$2.1 billion of other noncurrent liabilities recorded in the balance sheet, as summarized in Note 17, which consist primarily of deferred income tax (including unrecognized tax benefits) and retirement and postretirement plan liabilities, because it is not certain when these liabilities 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, copper and other commodity prices and European and other 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 these impacts. Based on a hypothetical ten-percent increase in interest rates, ten-percent decrease in commodity prices or ten-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 the reported amounts of assets, liabilities, stockholders' equity, revenues and expenses. Note 1 of the Notes to Consolidated Financial Statements describes the significant accounting policies used in preparation of the Consolidated Financial Statements. The most significant areas involving management judgments and estimates are described in the following paragraphs. 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 and title passes to the customer and collection is reasonably assured. In certain instances, revenue is recognized on the percentage-of-completion method, when services are rendered, or in accordance with AICPA Statement of Position No. 97-2, "Software Revenue Recognition." Sales sometimes include multiple items including services such as installation. In such instances, 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 standalone basis and performance of the undelivered items is probable and substantially in the Company's control, or the undelivered items are inconsequential or perfunctor. 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 upon 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 regularly review inventory for obsolescence, make appropriate provisions and dispose of obsolete inventory on an ongoing basis. Various factors are considered in making this determination, including recent sales history and predicted trends, industry market conditions and general economic conditions.

## LONG-LIVED ASSETS

Long-lived assets, which include primarily goodwill and property, plant and equipment, are reviewed for impairment whenever events or changes in business circumstances indicate the carrying value of the assets may not be recoverable, as well as annually for goodwill. 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. Fair value is generally measured based on a discounted cash flow method using a discount rate determined by management to be commensurate with the risk inherent in the Company's current business model. The estimates of cash flows and discount rate are subject to change depending on the economic environment, including such factors as interest rates, expected market returns and volatility of markets served, particularly if the current downturn continues for an extended period of time. Management believes that the estimates of future cash flows and fair value are reasonable; however, changes in estimates could materially affect the evaluations. The slowdown in consumer appliance and residential end-markets over the past two years, along with strategic decisions in connection with two businesses, resulted in a \$31 million impairment 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. Defined benefit plan expense and obligations are dependent on assumptions used in calculating such amounts. These assumptions include discount rate, rate of compensation increases and expected return on plan assets. In accordance with U.S. generally accepted accounting principles, actual results that differ from the assumptions are accumulated and amortized over future periods. While management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect the Company's retirement plan obligations and future expense. The discount rate for the U.S. retirement plans was 6.50 percent as of June 30, 2008. As of June 30, 2008, the U.S. retirement plans were overfunded by \$331 million and non-U.S. plans were underfunded by \$224 million. Unrecognized losses, which will be recognized in future years, were \$804 million as of June 30, 2008. Subsequent to the June 30 measurement date, asset values have declined as a result of recent volatility in the capital markets, while pension liabilities have decreased with higher interest rates. The Company estimates that retirement plans in total were underfunded by approximately \$400 million as of October 31, 2008. The Company contributed \$135 million to defined benefit plans in 2008 and expects to contribute approximately \$200 million in 2009. Defined benefit pension plan expense is expected to decline slightly in 2009.

Effective September 30, 2007, the Company adopted the recognition and disclosure provisions of Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" (FAS 158). This statement requires employers to recognize the funded status of defined benefit plans and other postretirement plans in the balance sheet and to recognize changes in the funded status through comprehensive income in the year in which they occur. The incremental effect of adopting FAS 158 resulted in a pretax charge to accumulated other comprehensive income of \$522 million (\$329 million after-tax). Also see Notes 10 and 11 for additional disclosures. Effective for fiscal year 2009, FAS 158 requires plan assets and liabilities to be measured as of year-end, rather than the June 30 measurement date that the Company presently uses.

## INCOME TAXES

Income tax expense and deferred tax assets and liabilities reflect management's assessment of actual future taxes 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 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 effect 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. These earnings are 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.

Effective October 1, 2007, the Company adopted the recognition and disclosure provisions of Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement 109" (FIN 48). FIN 48 addresses the accounting for uncertain tax positions that a company has taken or expects to take on a tax return. As of October 1, 2007, the Company had total unrecognized tax benefits of \$149 million before recoverability of cross-jurisdictional tax credits (U.S., state and non-U.S.) and temporary differences, and including amounts related to acquisitions that would reduce goodwill. If none of these liabilities is ultimately paid, the tax provision and tax rate would be favorably impacted by \$90 million. As a result of adoption, the Company recorded a charge of \$6 million to beginning retained earnings. See Note 13 for additional disclosures regarding the adoption.



## NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (FAS 157). FAS 157 defines fair value, establishes a formal framework for measuring fair value and expands disclosures about fair value measurements. The Company believes FAS 157, which is required to be adopted in the first quarter of fiscal 2009, will not have a material impact on the financial statements.

In March 2008, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities" (FAS 161). FAS 161 requires additional derivative disclosures, including objectives and strategies for using derivatives, fair value amounts of and gains and losses on derivative instruments, and credit-risk-related contingent features in derivative agreements. The Company believes FAS 161, which is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, will not have a material impact on the financial statements.

In December 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141(R), "Business Combinations" (FAS 141(R)). FAS 141(R) requires assets acquired and liabilities assumed to be measured at fair value as of the acquisition date, acquisition related costs incurred prior to the acquisition to be expensed and contractual contingencies to be recognized at fair value as of the acquisition date. FAS 141(R) is effective for acquisitions completed after October 1, 2009.

In December 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51" (FAS 160). FAS 160 requires an entity to separately disclose non-controlling 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 non-controlling interests. FAS 160 is effective for fiscal years beginning after December 15, 2008. The Company does not expect the adoption of FAS 160 to have a material impact on the financial statements.

In June 2008, the Financial Accounting Standards Board issued FASB Staff Position No. EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" (FSP EITF 03-6-1). FSP EITF 03-6-1 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. The Company is in the process of analyzing the impact of FSP EITF 03-6-1, which is effective for financial statements issued for fiscal years beginning after December 15, 2008. The Company does not expect the adoption of FSP EITF 06-3-1 to have a material impact on the financial statements.

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**CONSOLIDATED STATEMENTS OF EARNINGS****EMERSON ELECTRIC CO. & SUBSIDIARIES***Years ended September 30 | Dollars in millions, except per share amounts*

	2006	2007	2008
<b>Net sales</b>	\$ 19,734	22,131	<b>24,807</b>
Costs and expenses:			
Cost of sales	12,605	14,066	<b>15,668</b>
Selling, general and administrative expenses	4,076	4,569	<b>5,057</b>
Other deductions, net	173	175	<b>303</b>
Interest expense (net of interest income: 2006, \$18; 2007, \$33; 2008, \$56)	207	228	<b>188</b>
<b>Earnings from continuing operations before income taxes</b>	<b>2,673</b>	<b>3,093</b>	<b>3,591</b>
Income taxes	834	964	<b>1,137</b>
<b>Earnings from continuing operations</b>	<b>\$ 1,839</b>	<b>2,129</b>	<b>2,454</b>
Discontinued operations, net of tax	6	7	<b>(42)</b>
<b>Net earnings</b>	<b>\$ 1,845</b>	<b>2,136</b>	<b>2,412</b>
<b>Basic earnings per common share:</b>			
Earnings from continuing operations	\$ 2.25	2.68	<b>3.14</b>
Discontinued operations	0.01	0.01	<b>(0.05)</b>
<b>Basic earnings per common share</b>	<b>\$ 2.26</b>	<b>2.69</b>	<b>3.09</b>
<b>Diluted earnings per common share:</b>			
Earnings from continuing operations	\$ 2.23	2.65	<b>3.11</b>
Discontinued operations	0.01	0.01	<b>(0.05)</b>
<b>Diluted earnings per common share</b>	<b>\$ 2.24</b>	<b>2.66</b>	<b>3.06</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	2007	2008
<b>Current assets</b>		
Cash and equivalents	\$ 1,008	1,777
Receivables, less allowances of \$86 in 2007 and \$90 in 2008	4,260	4,618
Inventories:		
Finished products	884	884
Raw materials and work in process	1,343	1,464
Total inventories	2,227	2,348
Other current assets	570	588
Total current assets	8,065	9,331
<b>Property, plant and equipment</b>		
Land	199	201
Buildings	1,683	1,737
Machinery and equipment	6,138	6,296
Construction in progress	414	457
	8,434	8,691
Less accumulated depreciation	5,003	5,184
Property, plant and equipment, net	3,431	3,507
<b>Other assets</b>		
Goodwill	6,412	6,562
Other	1,772	1,640
Total other assets	8,184	8,202
	\$ 19,680	21,040

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	2007	2008
<b>Current liabilities</b>		
Short-term borrowings and current maturities of long-term debt	\$ 404	1,221
Accounts payable	2,501	2,699
Accrued expenses	2,337	2,480
Income taxes	304	173
Total current liabilities	5,546	6,573
<b>Long-term debt</b>	3,372	3,297
<b>Other liabilities</b>	1,990	2,057
<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 788,434,076 shares in 2007 and 771,216,037 shares in 2008	477	477
Additional paid-in capital	31	146
Retained earnings	12,536	14,002
Accumulated other comprehensive income	382	141
	13,426	14,766
Less cost of common stock in treasury, 164,919,936 shares in 2007 and 182,137,975 shares in 2008	4,654	5,653
Total stockholders' equity	8,772	9,113
	\$ 19,680	21,040

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY****EMERSON ELECTRIC CO. & SUBSIDIARIES***Years ended September 30 | Dollars in millions, except per share amounts*

	2006	2007	2008
<b>Common stock</b>			
Beginning balance	\$ 238	238	477
Adjustment for stock split	-	239	-
Ending balance	238	477	477
<b>Additional paid-in capital</b>			
Beginning balance	120	161	31
Stock plans and other	41	31	115
Adjustment for stock split	-	(161)	-
Ending balance	161	31	146
<b>Retained earnings</b>			
Beginning balance	10,199	11,314	12,536
Net earnings	1,845	2,136	2,412
Cash dividends (per share: 2006, \$0.89; 2007, \$1.05; 2008, \$1.20)	(730)	(837)	(940)
Adjustment for stock split	-	(77)	-
Adjustment for adoption of FIN 48	-	-	(6)
Ending balance	11,314	12,536	14,002
<b>Accumulated other comprehensive income</b>			
Beginning balance	(65)	306	382
Foreign currency translation	175	459	(30)
Pension and postretirement adjustments (net of tax of: 2006, \$(71); 2007, \$(1); 2008, \$51)	121	2	(144)
Cash flow hedges and other (net of tax of: 2006, \$(43); 2007, \$29; 2008, \$51)	75	(56)	(67)
Adjustment for adoption of FAS 158 (net of tax of: 2007, \$193)	-	(329)	-
Ending balance	306	382	141
<b>Treasury stock</b>			
Beginning balance	(3,092)	(3,865)	(4,654)
Acquired	(871)	(849)	(1,128)
Issued under stock plans and other	98	60	129
Ending balance	(3,865)	(4,654)	(5,653)
<b>Total stockholders' equity</b>	<b>\$ 8,154</b>	<b>8,772</b>	<b>9,113</b>
<b>Comprehensive income</b>			
Net earnings	\$ 1,845	2,136	2,412
Foreign currency translation	175	459	(30)
Pension and postretirement adjustments	121	2	(144)
Cash flow hedges and other	75	(56)	(67)
Total	\$ 2,216	2,541	2,171

See accompanying Notes to Consolidated Financial Statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS****EMERSON ELECTRIC CO. & SUBSIDIARIES**

Years ended September 30 | Dollars in millions

	2006	2007	2008
<b>Operating activities</b>			
Net earnings	\$ 1,845	2,136	2,412
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	607	656	707
Changes in operating working capital	(152)	137	(22)
Pension funding	(124)	(136)	(135)
Other	336	223	331
Net cash provided by operating activities	2,512	3,016	3,293
<b>Investing activities</b>			
Capital expenditures	(601)	(681)	(714)
Purchases of businesses, net of cash and equivalents acquired	(752)	(295)	(561)
Other	137	106	203
Net cash used in investing activities	(1,216)	(870)	(1,072)
<b>Financing activities</b>			
Net increase (decrease) in short-term borrowings	89	(800)	521
Proceeds from long-term debt	6	496	400
Principal payments on long-term debt	(266)	(5)	(261)
Dividends paid	(730)	(837)	(940)
Purchases of treasury stock	(862)	(853)	(1,120)
Other	32	5	(54)
Net cash used in financing activities	(1,731)	(1,994)	(1,454)
Effect of exchange rate changes on cash and equivalents	12	46	2
<b>Increase (decrease) in cash and equivalents</b>	<b>(423)</b>	<b>198</b>	<b>769</b>
Beginning cash and equivalents	1,233	810	1,008
<b>Ending cash and equivalents</b>	<b>\$ 810</b>	<b>1,008</b>	<b>1,777</b>
<b>Changes in operating working capital</b>			
Receivables	\$ (246)	(349)	(293)
Inventories	(274)	96	(90)
Other current assets	36	36	19
Accounts payable	324	104	199
Accrued expenses	71	200	154
Income taxes	(63)	50	(11)
	\$ (152)	137	(22)

See accompanying Notes to Consolidated Financial Statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### EMERSON ELECTRIC CO. & SUBSIDIARIES

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

#### (1) Summary of Significant Accounting Policies

##### PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its controlled affiliates. Intercompany transactions, profits and balances are eliminated in consolidation. Other investments of 20 percent to 50 percent are accounted for by the equity method. Investments in nonpublicly-traded companies of less than 20 percent are carried at cost. Investments in publicly-traded companies of less than 20 percent are carried at fair value, with changes in fair value reflected in accumulated other comprehensive income.

##### FOREIGN CURRENCY TRANSLATION

The functional currency of a vast majority of the Company's non-U.S. subsidiaries is the local currency. Adjustments resulting from the translation of financial statements are reflected in accumulated other comprehensive income.

##### CASH EQUIVALENTS

Cash equivalents consist of highly liquid investments with original maturities of three months or less.

##### INVENTORIES

Inventories are stated at the lower of cost or market. The majority of inventory values are based upon 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.

##### PROPERTY, PLANT AND EQUIPMENT

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

##### GOODWILL AND INTANGIBLE ASSETS

Assets and liabilities acquired in business combinations are accounted for using the purchase method and recorded at their respective fair values. Substantially all goodwill is assigned to the reporting unit that acquires a business. A reporting unit is an operating segment as defined in Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," or a business one level below an operating segment if discrete financial information is prepared and regularly reviewed by the segment manager. The Company conducts a formal impairment test of goodwill on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. Under the impairment test, if a reporting unit's carrying amount exceeds its estimated fair value, a goodwill impairment is recognized to the extent that the reporting unit's carrying amount of goodwill exceeds the implied fair value of the goodwill. Fair values of reporting units are estimated using discounted cash flows and market multiples.

All of the Company's intangible assets (other than goodwill) are subject to amortization. Intangibles consist of intellectual property (such as patents and trademarks), customer relationships and capitalized software and are amortized on a straight-line basis. These intangibles are also subject to evaluation for potential impairment if an event occurs or circumstances change that indicate the carrying amount may not be recoverable.

##### WARRANTY

The Company's product warranties vary by each of its product lines and are competitive for the markets in which it operates. Warranty generally extends for a period of one to two years from the date of sale or installation. Provisions for warranty are determined primarily based on historical warranty cost as a percentage of sales or a fixed amount per unit sold based on failure rates, adjusted for specific problems that may arise. Product warranty expense is less than 1 percent of sales.

##### REVENUE RECOGNITION

The Company recognizes nearly all of its revenues through the sale of manufactured products and records the sale when products are shipped and title passes to the customer and collection is reasonably assured. In certain instances, revenue is recognized on the percentage-of-completion method, when services are rendered, or in accordance with AICPA Statement of Position No. 97-2, "Software Revenue Recognition." Sales sometimes include multiple items including services such as installation. In such instances, 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 standalone basis and 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.

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## FINANCIAL INSTRUMENTS

All derivative instruments are reported on the balance sheet at fair value. The accounting for changes in fair value of a derivative instrument depends on whether it has been designated and qualifies as a hedge and on the type of hedge. For each derivative instrument designated as a cash flow hedge, the effective portion of the gain or loss on the derivative is deferred in accumulated other comprehensive income until recognized in earnings with the underlying hedged item. For each derivative instrument designated as a fair value hedge, the gain or loss on the derivative and the offsetting gain or loss on the hedged item are recognized immediately in earnings. Currency fluctuations on non-U.S. dollar obligations that have been designated as hedges on non-U.S. net asset exposures are included in accumulated other comprehensive income. Regardless of type, a fully effective hedge will result in no net earnings impact while the derivative is outstanding. To the extent that any hedge is ineffective at offsetting cash flow or fair value changes in the underlying hedged item, there could be a net earnings impact. Gains and losses from the ineffective portion of any hedge, as well as the gains and losses on derivative instruments not designated as a hedge, are recognized in the income statement immediately.

## INCOME TAXES

No provision has been made for U.S. income taxes on the undistributed earnings of non-U.S. subsidiaries of approximately \$3.6 billion at September 30, 2008. These earnings are 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.

## COMPREHENSIVE INCOME

Comprehensive income is primarily comprised of net earnings and changes in foreign currency translation, pension and postretirement adjustments and changes in cash flow hedges. Accumulated other comprehensive income, after-tax, consists of foreign currency translation credits of \$698 and \$728, pension and postretirement charges of \$528 and \$384, and cash flow hedges and other charges of \$29 and credits of \$38 at September 30, 2008 and 2007, respectively.

## FINANCIAL STATEMENT PRESENTATION

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates.

On December 11, 2006, a two-for-one split of the Company's common stock was effected in the form of a 100 percent stock dividend (shares began trading on a post-split basis on December 12, 2006). This stock split resulted in the issuance of approximately 476.7 million additional shares of common stock and was accounted for by the transfer of approximately \$161 from additional paid-in capital and \$77 from retained earnings to common stock. All share and per share data have been retroactively restated to reflect this split.

Effective September 30, 2007, Emerson adopted the recognition and disclosure provisions of Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" (FAS 158). This statement requires employers to recognize the over- or under-funded status of defined benefit plans and other postretirement plans in the balance sheet and to recognize changes in the funded status in the year in which the changes occur through comprehensive income. The incremental effect of adopting FAS 158 was a reduction in other assets of \$425, an increase in other liabilities of \$97 and an after-tax charge to accumulated other comprehensive income of \$329 (See Notes 10 and 11).

Effective October 1, 2007, the Company adopted the recognition and disclosure provisions of Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement 109" (FIN 48). FIN 48 addresses the accounting for uncertain tax positions that a company has taken or expects to take on a tax return. As a result of adoption, the Company recorded a charge of \$6 to beginning retained earnings (See Note 13).

Certain prior year amounts have been reclassified to conform to the current year presentation. The operating results of the European appliance motor and pump business are classified as discontinued operations for all periods presented. The operating results of Brooks are classified as discontinued operations for 2008.

## (2) Weighted Average Common Shares

Basic earnings per common share consider only the weighted average of common shares outstanding while diluted earnings per common share consider the dilutive effects of stock options and incentive shares. Options to purchase approximately 3.6 million, 1.1 million and 1.0 million shares of common stock were excluded from the computation of diluted earnings per share in 2008, 2007 and 2006, respectively, because their effect would have been antidilutive. Reconciliations of weighted average common shares for basic earnings per common share and diluted earnings per common share follow:

(SHARES IN MILLIONS)	2006	2007	2008
Basic	816.5	793.8	780.3
Dilutive shares	8.0	10.1	9.1
Diluted	824.5	803.9	789.4

## (3) Acquisitions and Divestitures

The Company acquired Motorola Inc.'s Embedded Computing business (Embedded Computing) during the first quarter of 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 and is included in the Network Power segment. In addition to Embedded Computing, the company acquired several smaller businesses during 2008 mainly in the Process Management and Network Power segments. Total cash paid for these businesses was approximately \$561 (net of cash and equivalents acquired of approximately \$2) and their annualized sales were approximately \$665. Goodwill of \$273 (\$214 of which is expected to be deductible for tax purposes) and identifiable intangible assets (primarily technology and customer relationships) of \$191, which are being amortized on a straight-line basis over a weighted-average life of eight years, were recognized from these transactions in 2008. Third-party valuations of assets are in-process; purchase price allocations are subject to refinement for fiscal year 2008 acquisitions.

In the first quarter of 2008, the Company divested the Brooks Instrument flow meters and flow controls unit (Brooks), which had sales for the first quarter of 2008 of \$21 and net earnings of \$1. The Company received \$100 from the sale of Brooks, resulting in a pretax gain of \$63 (\$42 after-tax). The net gain and results of operations for fiscal 2008 were classified as discontinued operations; prior year results of operations were inconsequential. This business was previously included in the Process Management segment. In fiscal 2008, the Company completed the divestiture of the European appliance motor and pump business and received approximately \$101 from the sale, resulting in a total loss of \$92. In connection with a long-term strategy to divest selective slower-growth businesses, the Company had been actively pursuing the sale of this business. The forecast for this business was lower than originally planned due to a slow economic environment for the consumer appliance market, increasing competition from Asia, higher commodity costs, and loss of a customer. As a result, the carrying value of this business exceeded its estimated realizable value, and a loss of \$52 was recorded for goodwill impairment in the second quarter of 2008. The Company entered into a definitive agreement to sell the business which resulted in an additional loss of \$36 (including goodwill of \$31) during the third quarter of 2008. A \$4 loss was recorded when the transaction closed in the fourth quarter of 2008. The European appliance motor and pump business had total annual sales of \$453, \$441 and \$399 and net earnings, excluding the loss, of \$7, \$7, and \$6, in 2008, 2007 and 2006, respectively. The results of operations were classified as discontinued operations for all periods presented. This business was previously included in the Appliance and Tools segment.

The Company acquired Damcos Holding AS (Damcos) during the second quarter of fiscal 2007, and Stratos International, Inc. (Stratos) during the fourth quarter of fiscal 2007. Damcos supplies valve remote control systems and tank monitoring equipment to the marine and shipbuilding industries and is included in the Process Management segment. Stratos is a designer and manufacturer of radio-frequency and microwave interconnect products and is included in the Network Power segment. In addition to Damcos and Stratos, the Company acquired several smaller businesses during 2007 mainly in the Process Management and Appliance and Tools segments. Total cash paid for these businesses was approximately \$295 (net of cash and equivalents acquired of approximately \$40 and debt assumed of approximately \$56) and their annualized sales were \$240. Goodwill of \$189 (none of which is expected to be deductible for tax purposes) and identifiable intangible assets (primarily technology and customer relationships) of \$106, which are being amortized on a straight-line basis over a weighted-average life of nine years, were recognized from these transactions in 2007.

In 2007, the Company divested two small business units that had total annual sales of \$113 and \$115 for fiscal years 2006 and 2005, respectively. In the fourth quarter of 2006, the Company received approximately \$80 from the divestiture of the materials testing business, resulting in a pretax gain of \$31 (\$22 after-tax). The materials testing business represented total annual sales of approximately \$58 and \$59 in 2006 and 2005, respectively. These businesses were not reclassified as discontinued operations because of immateriality.

The Company acquired Artesyn Technologies, Inc. (Artesyn) during the third quarter of fiscal 2006, and Knürr AG (Knürr) and Bristol Babcock (Bristol) during the second quarter of fiscal 2006. Artesyn is a global manufacturer of advanced power conversion equipment and board-level computing solutions for infrastructure applications in telecommunication and data-communication systems and is included in the Network Power segment. Knürr is a manufacturer of indoor and outdoor enclosure systems and cooling technologies for telecommunications, electronics and computing equipment and is included in the Network Power segment. Bristol is a manufacturer of control and measurement equipment for oil and gas, water and wastewater, and power industries and is included in the Process Management segment. In addition to Artesyn, Knürr and Bristol, the Company acquired several smaller businesses during 2006 mainly in the Industrial Automation and Appliance and Tools segments. Total cash paid for these businesses was approximately \$752 (net of cash and equivalents acquired of approximately \$120 and debt assumed of approximately \$90) and their annualized sales were \$920. Goodwill of \$481 (\$54 of which is expected to be deductible for tax purposes) and identifiable intangible assets (primarily technology and customer relationships) of \$189, which are being amortized on a straight-line basis over a weighted-average life of nine years, were recognized from these transactions in 2006.

The results of operations of these businesses have been included in the Company's consolidated results of operations since the respective dates of acquisition and prior to the respective dates of divestiture.

#### (4) Other Deductions, Net

Other deductions, net are summarized as follows:

	2006	2007	2008
Rationalization of operations	\$ 80	75	92
Amortization of intangibles (intellectual property and customer relationships)	47	63	81
Other	114	111	194
Gains, net	(68)	(74)	(64)
Total	\$ 173	175	303

Other is comprised of several items that are individually immaterial, including minority interest expense, foreign currency gains and losses, bad debt expense, equity investment income and losses, as well as one-time items, such as litigation and disputed matters, insurance recoveries and interest refunds. Other increased from 2007 to 2008 primarily because of an additional \$12 loss on foreign currency exchange transactions, an approximate \$12 charge for in-process research and development in connection with the acquisition of the Embedded Computing business and a \$31 goodwill impairment charge related to the North American appliance control business due to a slow economic environment for consumer appliance and residential end-markets and a major customer's strategy to diversify suppliers and transition to and internalize the production of electronic controls. The customer's strategy will result in a reduction of volume and potential elimination of the appliance control business as a supplier. As a result, sales and profits for this business are forecasted to decline. The Company considered the potential sale of this business and two strategic buyers expressed preliminary interest in the third quarter of 2008. Both subsequently decided not to pursue the acquisition of this business. Therefore, the decision was made to restructure these operations and integrate them with the North American appliance motors business.

Gains, net for 2008 includes the following items. The Company received \$54 and recognized a gain of \$39 (\$20 after-tax) on the sale of an equity investment in Industrial Motion Control Holdings, LLC, a manufacturer of motion control components for automation equipment. The Company also recorded a gain of \$18 related to the sale of a facility.

Gains, net for 2007 includes the following items. The Company recorded gains of approximately \$32 in 2007 related to the sale of its remaining 4.5 million shares of MKS Instruments, Inc. (MKS), a publicly-traded company. The Company also recorded a gain of approximately \$24 in 2007 for payments received under the U.S. Continued Dumping and Subsidy Offset Act (Offset Act).

Gains, net for 2006 includes the following items. The Company recorded gains of approximately \$26 in 2006 related to the sale of 4.4 million shares of MKS. In the fourth quarter of 2006, the Company recorded a pretax gain of approximately \$31 related to the divestiture of the materials testing business. Also during the fourth quarter of 2006, the Company recorded a pretax charge of \$14 related to the write-down of two businesses that were sold in 2007 to their net realizable values. The Company also recorded a gain of approximately \$18 in 2006 for payments received under the Offset Act.

**(5) Rationalization of Operations**

The change in the liability for the rationalization of operations during the years ended September 30 follows:

	2007	EXPENSE	PAID / UTILIZED	2008
Severance and benefits	\$ 28	49	44	33
Lease/contract terminations	8	3	6	5
Fixed asset write-downs	—	4	4	—
Vacant facility and other shutdown costs	1	8	8	1
Start-up and moving costs	—	34	33	1
	\$ 37	98	95	40

	2006	EXPENSE	PAID / UTILIZED	2007
Severance and benefits	\$ 31	40	43	28
Lease/contract terminations	12	4	8	8
Fixed asset write-downs	—	2	2	—
Vacant facility and other shutdown costs	1	8	8	1
Start-up and moving costs	1	29	30	—
	\$ 45	83	91	37

Expense includes \$6, \$8 and \$4 in 2008, 2007 and 2006, respectively, related to the European appliance motor and pump business classified as discontinued operations.

Rationalization of operations by segment is summarized as follows:

	2006	2007	2008
Process Management	\$ 14	15	12
Industrial Automation	12	14	19
Network Power	19	23	28
Climate Technologies	14	9	22
Appliance and Tools	21	14	11
Total	\$ 80	75	92

Rationalization of operations comprises expenses associated with the Company's efforts to continuously improve operational efficiency and to expand globally in order to remain competitive on a worldwide basis. These expenses result from numerous individual actions implemented across the divisions on a routine basis. Rationalization of operations includes ongoing costs for moving facilities, starting up plants from relocation as well as business expansion, exiting product lines, curtailing/downsizing operations because of changing economic conditions, and other items resulting from asset redeployment decisions. Shutdown costs include severance, benefits, stay bonuses, lease/contract terminations and asset write-downs. Start-up and moving costs include employee training and relocation, movement of assets and other items. Vacant facility costs include security, maintenance and utility costs associated with facilities that are no longer being utilized.

During 2008, rationalization of operations primarily related to the exit of approximately 10 production, distribution, or office facilities, including the elimination of approximately 2,300 positions, as well as costs related to facilities exited in previous periods. Noteworthy rationalization actions during 2008 are as follows. Process Management included start-up costs related to capacity expansion in China to serve the Asian market and severance related to consolidation of certain production facilities in Europe to obtain operational efficiencies. Industrial Automation included severance and start-up and moving costs related to the consolidation of certain power transmission and valve facilities in North America to obtain operational efficiencies. Network Power included severance and start-up and moving costs related to the consolidation of certain production in North America to remain competitive on a global basis and start-up and moving costs related to the transfer of certain embedded computing production in Asia. Climate Technologies included severance and shutdown and start-up and moving costs related to the shifting of certain production in the United States to Mexico, and severance and shutdown costs related to the consolidation of certain production facilities in Europe to obtain operational efficiencies. Appliance and Tools included severance and start-up and moving costs related to the shifting of certain production from Canada to the United States and severance related to the closure of certain motor production in Europe to remain competitive on a global basis. The Company expects rationalization expense for 2009 to be approximately \$125 to \$150, including the costs to complete actions initiated before the end of 2008 and actions anticipated to be approved and initiated during 2009.

During 2007, rationalization of operations primarily related to the exit of approximately 25 production, distribution, or office facilities, including the elimination of approximately 2,200 positions, as well as costs related to facilities exited in previous periods. Noteworthy rationalization actions during 2007 are as follows. Process Management included start-up costs related to capacity expansion in China to serve the Asian market, as well as severance and start-up and moving costs related to the movement of certain operations in Western Europe to Eastern Europe and Asia to improve profitability. Industrial Automation included severance and start-up and moving costs related to the consolidation of certain power transmission facilities in Asia and North America to obtain operational efficiencies and serve Asian and North American markets. Network Power included severance related to the closure of certain power conversion facilities acquired with Artesyn, as well as severance and start-up and moving costs related to the shifting of certain power systems production from the United States and Europe to Mexico to remain competitive on a global basis. Climate Technologies included start-up costs related to capacity expansion in Mexico and Eastern Europe to improve profitability and to serve these markets, and start-up and moving costs related to the consolidation of certain production facilities in the United States to obtain operational efficiencies. Appliance and Tools included severance and start-up and moving costs related to the consolidation of certain North American production, and severance related to the closure of certain motor production in Europe to remain competitive on a global basis.

During 2006, rationalization of operations primarily related to the exit of approximately 10 production, distribution, or office facilities, including the elimination of approximately 1,700 positions, as well as costs related to facilities exited in previous periods. Noteworthy rationalization actions during 2006 are as follows. Process Management included severance related to the shifting of certain regulator production from Western Europe to Eastern Europe. Industrial Automation included start-up and moving costs related to shifting certain motor production in Western Europe to Eastern Europe, China and Mexico to leverage costs and remain competitive on a global basis and to serve these markets. Network Power included severance related to the closure of certain power conversion facilities acquired with Artesyn, severance, start-up and vacant facility costs related to the consolidation of certain power systems operations in North America and the consolidation of administrative operations in Europe to obtain operational synergies. Climate Technologies included severance related to the movement of temperature sensors and controls production from Western Europe to China and start-up and moving costs related to a new plant in Eastern Europe in order to improve profitability. Appliance and Tools included primarily severance and start-up and moving costs related to the shifting of certain tool and motor manufacturing operations from the United States and Western Europe to China and Mexico in order to consolidate facilities and improve profitability.

## (6) Goodwill and Other Intangibles

Acquisitions are accounted for under the purchase method, with substantially all goodwill assigned to the reporting unit that acquires the business. Under the annual impairment test, if a reporting unit's carrying amount exceeds its estimated fair value, a goodwill impairment is recognized to the extent that the reporting unit's carrying amount of goodwill exceeds the implied fair value of the goodwill. Fair values of reporting units are estimated using discounted cash flows and market multiples.

The change in goodwill by business segment follows:

	PROCESS MANAGEMENT	INDUSTRIAL AUTOMATION	NETWORK POWER	CLIMATE TECHNOLOGIES	APPLIANCE AND TOOLS	TOTAL
Balance, September 30, 2006	\$ 1,778	1,016	2,162	408	649	6,013
Acquisitions	146	1	26	3	13	189
Divestitures			(5)			(5)
Impairment		(7)				(7)
Foreign currency translation and other	61	60	76	9	16	222
Balance, September 30, 2007	\$ 1,985	1,070	2,259	420	678	6,412
Acquisitions	87	24	162			273
Divestitures					(83)	(83)
Impairment					(31)	(31)
Foreign currency translation and other	(29)	13	11	(8)	4	(9)
<b>Balance, September 30, 2008</b>	<b>\$ 2,043</b>	<b>1,107</b>	<b>2,432</b>	<b>412</b>	<b>568</b>	<b>6,562</b>

See Notes 3 and 4 for further discussion of changes in goodwill related to acquisitions, divestitures and impairment.

The gross carrying amount and accumulated amortization of intangibles (other than goodwill) by major class follow:

	GROSS CARRYING AMOUNT		ACCUMULATED AMORTIZATION		NET CARRYING AMOUNT	
	2007	2008	2007	2008	2007	2008
Intellectual property and customer relationships	\$ 925	985	381	358	544	627
Capitalized software	729	805	558	613	171	192
	\$ 1,654	1,790	939	971	715	819

Total intangible amortization expense for 2008, 2007 and 2006 was \$150, \$131 and \$107, respectively. Based on intangible assets as of September 30, 2008, amortization expense will approximate \$148 in 2009, \$130 in 2010, \$112 in 2011, \$87 in 2012 and \$62 in 2013.

## (7) Financial Instruments

The Company selectively uses derivative financial instruments to manage interest costs, commodity prices and currency exchange risk. The Company does not hold derivatives for trading purposes. No credit loss is anticipated as the counterparties to these agreements are major financial institutions with high credit ratings.

To efficiently manage interest costs, the Company utilizes interest rate swaps as cash flow hedges of variable rate debt or fair value hedges of fixed rate debt. Also as part of its hedging strategy, the Company utilizes purchased option and forward exchange contracts and commodity swaps as cash flow or fair value hedges to minimize the impact of currency and commodity price fluctuations on transactions, cash flows, fair values and firm commitments. Hedge ineffectiveness during 2008, 2007 and 2006 was immaterial. At September 30, 2008, substantially all of the contracts for the sale or purchase of European and other currencies and the purchase of copper and other commodities mature within two years; contracts with a fair value of approximately \$56 of losses mature in 2009 and \$6 of losses mature in 2010.

Notional transaction amounts and fair values for the Company's outstanding derivatives, by risk category and instrument type, as of September 30, 2008 and 2007, are summarized as follows. Fair values of the derivatives do not consider the offsetting underlying hedged item.

	2007		2008	
	NOTIONAL AMOUNT	FAIR VALUE GAIN (LOSS)	NOTIONAL AMOUNT	FAIR VALUE GAIN (LOSS)
Foreign currency:				
Forwards	\$ 1,922	35	1,835	(24)
Options	\$ 266	2	243	8
Interest rate swaps	\$ 113	(3)	122	(2)
Commodity contracts	\$ 509	45	324	(44)

Fair values of the Company's financial instruments are estimated by reference to quoted prices from market sources and financial institutions, as well as other valuation techniques. The estimated fair value of long-term debt (including current maturities) was in excess of (less than) the related carrying value by (\$12) and \$2 at September 30, 2008 and 2007, respectively. The estimated fair value of each of the Company's other classes of financial instruments approximated the related carrying value at September 30, 2008 and 2007.

## (8) Short-Term Borrowings and Lines of Credit

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

	2007	2008
Current maturities of long-term debt	\$ 251	467
Commercial paper	113	665
Payable to banks	19	17
Other	21	72
Total	\$ 404	1,221
Weighted-average short-term borrowing interest rate at year-end	3.2%	2.6%

In 2000, the Company issued 13 billion Japanese yen of commercial paper and simultaneously entered into a ten-year interest rate swap, which fixed the rate at 2.2 percent.

At year-end 2008, the Company maintained a five-year revolving credit facility effective until April 2011 amounting to \$2.8 billion to support short-term borrowings and to assure availability of funds at prevailing interest rates. The credit facility does not contain any financial covenants and is not subject to termination based on a change in credit ratings or a material adverse change. There were no borrowings against U.S. lines of credit in the last three years.

## (9) Long-Term Debt

Long-term debt is summarized as follows:

	2007	2008
5 ½% notes due September 2008	\$ 250	–
5% notes due October 2008	175	175
5.85% notes due March 2009	250	250
7 ⅛% notes due August 2010	500	500
5.75% notes due November 2011	250	250
4.625% notes due October 2012	250	250
4 ½% notes due May 2013	250	250
5 ⅞% notes due November 2013	250	250
5% notes due December 2014	250	250
4.75% notes due October 2015	250	250
5.125% notes due December 2016	250	250
5.375% notes due October 2017	250	250
5.250% notes due October 2018	–	400
6% notes due August 2032	250	250
Other	198	189
	3,623	3,764
Less current maturities	251	467
Total	\$ 3,372	3,297

During the second quarter of 2008, the Company issued \$400 million of 5.250% notes due October 2018, under a shelf registration statement filed with the Securities and Exchange Commission. During the first and third quarters of 2007, the Company issued \$250 of 5.125%, ten-year notes, and \$250 of 5.375%, ten-year notes, respectively, under a shelf registration statement filed with the Securities and Exchange Commission. In 1999, the Company issued \$250 of 5.85%, ten-year notes that were simultaneously swapped to U.S. commercial paper rates. The Company terminated the swap in 2001, establishing an effective interest rate of 5.7 percent.

Long-term debt maturing during each of the four years after 2009 is \$599, \$30, \$256 and \$500, respectively. Total interest paid related to short-term borrowings and long-term debt was approximately \$235, \$242 and \$214 in 2008, 2007 and 2006, respectively.

As of September 30, 2008, the Company could issue up to \$1.35 billion in debt securities, preferred stock, common stock, warrants, share purchase contracts and share purchase units under the shelf registration statement filed with the Securities and Exchange Commission. The Company may sell securities in one or more separate offerings with the size, price and terms to be determined at the time of sale. The net proceeds from the sale of the securities will be used for general corporate purposes, which may include, but are not limited to, working capital, capital expenditures, financing acquisitions and the repayment of short- or long-term borrowings. The net proceeds may be invested temporarily until they are used for their stated purpose. The Company intends to file a new shelf registration statement prior to the expiration of the existing registration in December 2008.

**(10) Retirement Plans**

Retirement plan expense includes the following components:

	U.S. PLANS			NON-U.S. PLANS		
	2006	2007	2008	2006	2007	2008
<b>Defined benefit plans:</b>						
Service cost (benefits earned during the period)	\$ 58	43	48	19	21	23
Interest cost	145	159	167	32	38	45
Expected return on plan assets	(202)	(211)	(230)	(32)	(38)	(45)
Net amortization	100	87	86	16	11	11
Net periodic pension expense	101	78	71	35	32	34
<b>Defined contribution and multiemployer plans</b>	<b>85</b>	<b>94</b>	<b>104</b>	<b>25</b>	<b>27</b>	<b>34</b>
<b>Total retirement plan expense</b>	<b>\$ 186</b>	<b>172</b>	<b>175</b>	<b>60</b>	<b>59</b>	<b>68</b>

The reconciliations of the actuarial present value of the projected benefit obligations and of the fair value of plan assets for defined benefit pension plans follow:

	U.S. PLANS		NON-U.S. PLANS	
	2007	2008	2007	2008
Projected benefit obligation, beginning	\$ 2,464	2,678	711	837
Service cost	43	48	21	23
Interest cost	159	167	38	45
Actuarial loss (gain)	127	(64)	10	21
Benefits paid	(129)	(136)	(36)	(35)
Acquisitions/divestitures, net	-	-	18	21
Foreign currency translation and other	14	6	75	(69)
Projected benefit obligation, ending	\$ 2,678	2,699	837	843
Fair value of plan assets, beginning	\$ 2,785	3,204	555	690
Actual return on plan assets	475	(102)	50	(42)
Employer contributions	71	63	62	73
Benefits paid	(129)	(136)	(36)	(35)
Acquisitions/divestitures, net	-	-	1	4
Foreign currency translation and other	2	1	58	(71)
Fair value of plan assets, ending	\$ 3,204	3,030	690	619
Plan assets in excess of (less than) benefit obligation as of June 30	\$ 526	331	(147)	(224)
Adjustment for fourth quarter contributions	1	-	4	4
Net amount recognized in the balance sheet	\$ 527	331	(143)	(220)
The amounts recognized in the balance sheet as of September 30 consisted of:				
Noncurrent asset	\$ 630	431	19	5
Noncurrent liability	\$ (103)	(100)	(162)	(225)
Accumulated other comprehensive income (loss)	\$ (365)	(551)	(185)	(253)

Approximately \$81 of the \$804 of accumulated losses included in accumulated other comprehensive income at September 30, 2008, will be amortized into earnings in 2009. Retirement plans in total were overfunded by \$107 as of June 30, 2008. Subsequent to the June 30 measurement date, asset values have declined as a result of recent volatility in the capital markets, while pension liabilities have decreased with higher interest rates. The Company estimates that retirement plans in total were underfunded by approximately \$400 million as of October 31, 2008.



As of the plans' June 30 measurement date, the total accumulated benefit obligation was \$3,308 and \$3,282 for 2008 and 2007, respectively. Also, as of the plans' June 30 measurement date, the projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the retirement plans with accumulated benefit obligations in excess of plan assets were \$1,127, \$1,025 and \$796, respectively, for 2008, and \$663, \$613 and \$382, respectively, for 2007.

The weighted-average assumptions used in the valuations of pension benefits were as follows:

	U.S. PLANS			NON-U.S. PLANS		
	2006	2007	2008	2006	2007	2008
Weighted-average assumptions used to determine net pension expense:						
Discount rate	5.25%	6.50%	<b>6.25%</b>	4.7%	4.9%	<b>5.3%</b>
Expected return on plan assets	8.00%	8.00%	<b>8.00%</b>	7.2%	7.2%	<b>7.3%</b>
Rate of compensation increase	3.00%	3.25%	<b>3.25%</b>	3.0%	3.1%	<b>3.5%</b>
Weighted average assumptions used to determine benefit obligations as of June 30:						
Discount rate	6.50%	6.25%	<b>6.50%</b>	4.9%	5.3%	<b>5.9%</b>
Rate of compensation increase	3.25%	3.25%	<b>3.25%</b>	3.1%	3.5%	<b>3.5%</b>

The discount rate for the U.S. retirement plans was 6.50 percent as of June 30, 2008. Defined benefit pension plan expense is expected to decline slightly in 2009.

The primary objective for the investment of plan assets is to secure participant retirement benefits, while earning a reasonable rate of return. Plan assets are invested consistent with the provisions of prudence and diversification rules of ERISA and with a long-term investment horizon. The expected return on plan assets assumption is determined by reviewing the investment return of the plans for the past ten years and the historical return (since 1926) of an asset mix approximating Emerson's current asset allocation targets and evaluating these returns in relation to expectations of various investment organizations to determine whether long-term future returns are expected to differ significantly from the past. The Company's pension plan asset allocations at June 30, 2008 and 2007, and target weighted-average allocations are as follows:

Asset category	U.S. PLANS			NON-U.S. PLANS		
	2007	2008	TARGET	2007	2008	TARGET
Equity securities	67%	<b>65%</b>	64-68%	57%	<b>54%</b>	50-60%
Debt securities	28%	<b>29%</b>	27-31%	36%	<b>35%</b>	30-40%
Other	5%	<b>6%</b>	4-6%	7%	<b>11%</b>	5-10%
	100%	<b>100%</b>	100%	100%	<b>100%</b>	100%

The Company estimates that future benefit payments for the U.S. plans will be as follows: \$137 in 2009, \$144 in 2010, \$150 in 2011, \$158 in 2012, \$166 in 2013 and \$958 in total over the five years 2014 through 2018. Using foreign exchange rates as of September 30, 2008, the Company estimates that future benefit payments for the non-U.S. plans will be as follows: \$31 in 2009, \$29 in 2010, \$33 in 2011, \$37 in 2012, \$39 in 2013 and \$224 in total over the five years 2014 through 2018. In 2009, the Company expects to contribute approximately \$200 to the retirement plans.

## (11) Postretirement Plans

The Company sponsors unfunded postretirement benefit plans (primarily health care) for U.S. retirees and their dependents. Net postretirement plan expense for the years ended September 30 follows:

	2006	2007	2008
Service cost	\$ 5	6	<b>5</b>
Interest cost	26	29	<b>29</b>
Net amortization	32	26	<b>27</b>
Net postretirement	\$ 63	61	<b>61</b>

The reconciliations of the actuarial present value of accumulated postretirement benefit obligations follow:

	2007	2008
Benefit obligation, beginning	\$ 516	501
Service cost	6	5
Interest cost	29	29
Actuarial loss (gain)	(16)	(24)
Benefits paid	(37)	(39)
Acquisition/divestitures and other	3	(7)
Benefit obligation, ending, recognized in balance sheet	\$ 501	465

Approximately \$5 of losses netted within the \$1 of accumulated credits included in accumulated other comprehensive income at September 30, 2008, will be amortized into earnings in 2009. The assumed discount rates used in measuring the obligations as of September 30, 2008, 2007 and 2006, were 6.50 percent, 6.00 percent and 5.75 percent, respectively. The assumed health care cost trend rate for 2009 was 9.0 percent, declining to 5.0 percent in the year 2017. The assumed health care cost trend rate for 2008 was 9.5 percent, declining to 5.0 percent in the year 2017. A one-percentage-point increase or decrease in the assumed health care cost trend rate for each year would increase or decrease the obligation as of September 30, 2008 and the 2008 postretirement plan expense by less than 5 percent. The Company estimates that future benefit payments will be as follows: \$42 in 2009, \$46 in 2010, \$53 in 2011, \$53 in 2012, \$53 in 2013 and \$238 in total over the five years 2014 through 2018.

## (12) Contingent Liabilities and Commitments

Emerson 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. Such 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 other similar matters, and any related insurance coverage.

Although it is not possible to predict the ultimate outcome of the matters discussed above, historically, the Company has been successful in defending itself against claims and suits that have been brought against it. The Company 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 adverse development could have a material adverse impact on the Company.

The Company enters into indemnification agreements in the ordinary course of business in which the indemnified party is held harmless and is reimbursed for losses incurred from claims by third parties. 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 liabilities and unidentified tax liabilities related to periods prior to the disposition. Because of the uncertain nature of the indemnities, the maximum liability cannot be quantified. Liabilities for obligations are recorded when probable and when they can be reasonably estimated. Historically, the Company has not made significant payments for these obligations.

At September 30, 2008, 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.

## (13) Income Taxes

Earnings from continuing operations before income taxes consist of the following:

	2006	2007	2008
United States	\$ 1,518	1,550	1,691
Non-U.S.	1,155	1,543	1,900
Earnings from continuing operations before income taxes	\$ 2,673	3,093	3,591

The principal components of income tax expense follow:

	2006	2007	2008
<b>Current:</b>			
Federal	\$ 394	606	539
State and local	57	58	50
Non-U.S.	310	364	496
<b>Deferred:</b>			
Federal	73	(4)	65
State and local	8	(14)	(5)
Non-U.S.	(8)	(46)	(8)
<b>Income tax expense</b>	<b>\$ 834</b>	<b>964</b>	<b>1,137</b>

The federal corporate statutory rate is reconciled to the Company's effective income tax rate as follows:

	2006	2007	2008
Federal corporate statutory rate	35.0%	35.0%	35.0%
State and local taxes, less federal tax benefit	1.6	0.9	0.8
Non-U.S. rate differential	(3.4)	(4.1)	(4.2)
Non-U.S. tax holidays	(1.6)	(1.3)	(0.9)
Export benefit	(0.8)	(0.2)	-
U.S. manufacturing deduction	(0.4)	(0.4)	(0.8)
Other	0.8	1.3	1.8
<b>Effective income tax rate</b>	<b>31.2%</b>	<b>31.2%</b>	<b>31.7%</b>

Non-U.S. tax holidays reduce the tax rate in certain foreign jurisdictions, the majority of which are expected to expire over the next three years.

The principal items that gave rise to deferred income tax assets and liabilities follow:

	2007	2008
<b>Deferred tax assets:</b>		
Accrued liabilities	\$ 195	189
Employee compensation and benefits	193	146
Postretirement and postemployment benefits	174	170
NOL and tax credits	261	249
Capital loss benefit	47	18
Other	110	152
<b>Total</b>	<b>\$ 980</b>	<b>924</b>
<b>Valuation allowance</b>	<b>\$ (166)</b>	<b>(146)</b>
<b>Deferred tax liabilities:</b>		
Intangibles	\$ (413)	(437)
Property, plant and equipment	(244)	(221)
Pension	(121)	(94)
Leveraged leases	(96)	(79)
Other	(105)	(53)
<b>Total</b>	<b>\$ (979)</b>	<b>(884)</b>
<b>Net deferred income tax liability</b>	<b>\$ (165)</b>	<b>(106)</b>

At September 30, 2008 and 2007, respectively, net current deferred tax assets were \$328 and \$269, and net noncurrent deferred tax liabilities were \$434 and \$434. Total income taxes paid were approximately \$1,110, \$960 and \$820 in 2008, 2007 and 2006, respectively. The capital loss carryforward of \$18 expires in 2012. The majority of the \$249 net operating losses and tax credits can be carried forward indefinitely, while the remainders expire over varying periods. The valuation allowance for deferred tax assets at September 30, 2008, includes \$50 related to acquisitions, which would reduce goodwill if the deferred tax assets are ultimately realized.

Effective October 1, 2007, the Company adopted the recognition and disclosure provisions of Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement 109" (FIN 48). FIN 48 addresses the accounting for uncertain tax positions that a company has taken or expects to take on a tax return. As of October 1, 2007, the Company had total unrecognized tax benefits of \$149 before recoverability of cross-jurisdictional tax credits (U.S., state and non-U.S.) and temporary differences, and including amounts related to acquisitions that would reduce goodwill. If none of these liabilities is ultimately paid, the tax provision and tax rate would be favorably impacted by \$90. As a result of adoption, the Company recorded a charge of \$6 to beginning retained earnings. The amount of unrecognized tax benefits is not expected to significantly increase or decrease within the next 12 months. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Balance at October 1, 2007	\$	149
Additions for current year tax positions		33
Additions for prior years tax positions		27
Reductions for prior years tax positions		(26)
Reductions for settlements with tax authorities		(9)
Reductions for expirations of statute of limitations		(6)
<b>Balance at September 30, 2008</b>	<b>\$</b>	<b>168</b>

If none of the \$168 is ultimately paid, the tax provision and tax rate would be favorably impacted by \$97. The Company accrues interest and penalties related to income taxes in income tax expense. Total interest and penalties recognized was \$7 in 2008. As of September 30, 2008 and October 1, 2007, total accrued interest and penalties were \$27 and \$24, respectively.

The major jurisdiction for which the Company files income tax returns is the United States. U.S. federal examinations by the Internal Revenue Service are substantially complete through 2005. The status of non-U.S. and state tax examinations varies by the numerous legal entities and jurisdictions in which the Company operates.

## (14) Stock-Based Compensation

The Company's stock-based compensation plans include stock options and incentive shares.

### STOCK OPTIONS

The Company's Stock Option Plans permit key officers and employees to purchase common stock at specified prices. Options are granted at 100 percent of the average of the high and low prices of the Company's common stock on the date of grant, generally vest one-third each year and expire ten years from the date of grant. Compensation cost is recognized over the vesting period based on the number of options expected to vest. At September 30, 2008, approximately 11.4 million options remained available for grant under these plans.

Changes in shares subject to option during the year ended September 30, 2008, follow:

(SHARES IN THOUSANDS)	AVERAGE EXERCISE PRICE PER SHARE	SHARES	TOTAL INTRINSIC VALUE OF AWARDS	AVERAGE REMAINING CONTRACTUAL LIFE
Beginning of year	\$29.80	13,670		
Options granted	\$53.66	3,807		
Options exercised	\$28.29	(3,009)		
Options canceled	\$44.36	(117)		
End of year	\$36.31	14,351	\$107	5.6
Exercisable at year-end	\$29.03	9,600	\$106	4.0

The weighted-average grant-date fair value per share of options granted was \$10.59, \$9.31 and \$8.80 for 2008, 2007 and 2006, respectively. The total intrinsic value of options exercised was \$75, \$53 and \$74 in 2008, 2007 and 2006, respectively. Cash received from option exercises under share option plans was \$73, \$60 and \$89 and the actual tax benefit realized for the tax deductions from option exercises was \$19, \$14 and \$6 for 2008, 2007 and 2006, respectively.

The fair value of each award is estimated on the grant date using the Black-Scholes option-pricing model. Weighted-average assumptions used in the Black-Scholes valuations for 2008, 2007 and 2006 are as follows: risk-free interest rate based on the U.S. Treasury yield of 4.1 percent, 4.6 percent and 4.4 percent; dividend yield of 2.0 percent, 2.4 percent and 2.4 percent; and expected volatility based on historical volatility of 17 percent, 20 percent and 23 percent. The expected life of an option is six years based on historical experience and expected exercise patterns in the future.

## INCENTIVE SHARES

The Company's Incentive Shares Plans include performance share awards, which involve the distribution of common stock to key management personnel subject to certain conditions and restrictions. Performance share distributions are made primarily in shares of common stock of the Company and partially in cash. Compensation cost is recognized over the service period based on the number of awards expected to be ultimately earned. Performance share awards are accounted for as liabilities in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment." Compensation expense is adjusted at the end of each period to reflect the change in the fair value of the awards.

In 2008, as a result of the Company achieving certain performance objectives at the end of 2007 and the performance of services by the employees, 4,647,888 rights to receive common shares vested and were distributed to participants as follows: 2,693,922 issued in shares, 1,562,045 withheld for income taxes, 313,222 paid in cash and 78,699 deferred by participants for future distribution. As of September 30, 2008, 5,008,800 rights to receive common shares (awarded primarily in 2007) were outstanding, contingent upon achieving the Company's performance objective through 2010 and the performance of services by the employees.

The Company's Incentive Shares Plans also include restricted stock awards, which involve the distribution of the Company's common stock to key management personnel subject to service periods ranging from three to ten years. The fair value of these awards is determined based on the average of the high and low prices of the Company's stock on the date of grant. Compensation cost is recognized over the applicable service period. In 2008, 668,554 shares of restricted stock vested as a result of the fulfillment of the applicable service periods and were distributed to participants as follows: 403,402 issued in shares and 265,152 withheld for income taxes. As of September 30, 2008, there were 1,624,000 shares of restricted stock awards outstanding.

Changes in awards outstanding but not yet earned under the Incentive Shares Plans during the year ended September 30, 2008, follow:

(SHARES IN THOUSANDS)	SHARES	AVERAGE GRANT DATE FAIR VALUE PER SHARE
Beginning of year	11,643	\$35.99
Granted	355	\$52.80
Earned/vested	(5,316)	\$31.08
Canceled	(49)	\$41.21
End of year	6,633	\$40.79

The total fair value of shares earned/vested was \$253, \$5 and \$123 under the Incentive Shares Plans of which \$104, \$2 and \$55 was paid in cash, primarily for tax withholding, in 2008, 2007 and 2006, respectively. As of September 30, 2008, approximately 16.0 million shares remained available for award under the Incentive Shares Plans.

Compensation cost for the Stock Option and Incentive Shares Plans was \$82, \$185 and \$81, for 2008, 2007 and 2006, respectively. The increase from 2006 to 2007 primarily reflects the increase in Emerson's stock price, as well as the overlap of two performance share programs (awards made in 2004 for performance through 2007 and awards made in 2007 for performance through 2010). The decrease from 2007 to 2008 reflects the overlap of two performance share programs in the prior year and the decrease in Emerson's stock price in the current year. Total income tax benefit recognized in the income statement for these compensation arrangements during 2008, 2007 and 2006 were \$21, \$55 and \$22, respectively. As of September 30, 2008, there was \$153 of total unrecognized compensation cost related to nonvested awards granted under these plans, which is expected to be recognized over a weighted-average period of 2.3 years.

In addition to the Stock Option and Incentive Shares Plans, the Company issued 21,612 shares of restricted stock in 2008 under the Restricted Stock Plan for Non-Management Directors and 0.4 million shares remained available for issuance as of September 30, 2008.

## (15) Common Stock

At September 30, 2008, 47,241,751 shares of common stock were reserved, primarily for issuance under the Company's stock-based compensation plans. During 2008, 22,404,300 treasury shares were acquired and 5,186,261 treasury shares were issued.

Approximately 1.2 million preferred shares are reserved for issuance under a Preferred Stock Purchase Rights Plan. Under certain conditions involving the acquisition of or an offer for 20 percent or more of the Company's common stock, all holders of Rights, except an acquiring entity, would be entitled (i) to purchase, at an exercise price of \$260, common stock of the Company or an acquiring entity with a value twice the exercise price, or (ii) at the option of the Board, to exchange each Right for one share of common stock. The Rights remained in existence until November 1, 2008.

## (16) Business Segment Information

The Company designs and supplies product technology and delivers engineering services in a wide range of industrial, commercial and consumer markets around the world. The divisions of the Company are organized primarily by the nature of the products and services provided. The Process Management segment includes systems and software, measurement and analytical instrumentation, valves, actuators and regulators, and services and solutions that provide precision control, monitoring and asset optimization for plants that produce power or that process fluids, such as petroleum, chemicals, food and beverages, pulp and paper, and pharmaceuticals. The Industrial Automation segment includes industrial motors and drives, power transmission equipment, alternators, materials joining and precision cleaning, fluid power and control, and electrical distribution equipment, which are used in a wide variety of manufacturing operations and materials handling products and generators to provide integrated manufacturing solutions to our customers. The Network Power segment designs, manufactures, installs and maintains power systems, including power conditioning and uninterruptible power supplies, embedded power supplies, precision cooling systems, electrical switching equipment, and site monitoring systems for telecommunications networks, data centers and other critical applications. The Climate Technologies segment consists of compressors, temperature sensors and controls, thermostats, flow controls, and remote monitoring services provided to all areas of the climate control industry. The Appliance and Tools segment includes general and special purpose motors and controls, appliances and appliance components, plumbing tools, and storage products used in a wide variety of commercial and residential applications. The principal distribution method for each segment is a direct sales force, although the Company also uses independent sales representatives and distributors.

The primary income measure used for assessing performance and making operating decisions is earnings before interest and income taxes. Intersegment sales approximate market prices. Accounting method differences between segment reporting and the consolidated financial statements include primarily management fees allocated to segments based on a percentage of sales and the accounting for pension and other retirement plans. Gains and losses from divestitures of businesses are included in Corporate and other. Corporate assets include primarily cash and equivalents, pensions, investments, and certain fixed assets.

Summarized information about the Company's operations by business segment and by geographic area follows:

### BUSINESS SEGMENTS

(See Notes 3, 4, 5 and 6)

	SALES			EARNINGS			TOTAL ASSETS		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
Process Management	\$ 4,875	5,699	6,652	878	1,066	1,306	4,146	4,902	5,152
Industrial Automation	3,767	4,269	4,852	569	665	727	2,941	3,141	3,357
Network Power	4,350	5,150	6,312	484	645	794	4,436	4,758	5,433
Climate Technologies	3,424	3,614	3,822	523	538	551	2,129	2,156	2,201
Appliance and Tools	3,914	4,006	3,861	539	564	527	2,670	2,630	2,153
	20,330	22,738	25,499	2,993	3,478	3,905	16,322	17,587	18,296
Differences in accounting methods				176	210	232			
Corporate and other (a)				(289)	(367)	(358)	2,350	2,093	2,744
Sales eliminations / Interest	(596)	(607)	(692)	(207)	(228)	(188)			
Total	\$ 19,734	22,131	24,807	2,673	3,093	3,591	18,672	19,680	21,040

- (a) Corporate and other decreased from 2007 to 2008 primarily because of lower incentive stock compensation cost (see Note 14), substantially offset by a number of items including an increase in spending on corporate initiatives, commodity hedging-related mark-to-market expense, in-process research and development, higher environmental costs and other items. The increase from 2006 to 2007 was primarily due to higher incentive stock compensation cost.

	DEPRECIATION AND								
	INTERSEGMENT SALES			AMORTIZATION EXPENSE			CAPITAL EXPENDITURES		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
Process Management	\$ 3	4	5	128	148	148	101	125	144
Industrial Automation	21	28	34	100	104	112	87	107	129
Network Power	10	10	15	98	115	149	103	111	127
Climate Technologies	43	48	53	127	132	139	148	160	128
Appliance and Tools	519	517	585	137	140	138	149	131	107
Corporate and other				17	17	21	13	47	79
Total	\$ 596	607	692	607	656	707	601	681	714

**GEOGRAPHIC**

	SALES BY DESTINATION			PROPERTY, PLANT AND EQUIPMENT		
	2006	2007	2008	2006	2007	2008
United States	\$ 10,567	10,912	11,329	1,963	1,998	2,032
Europe	4,000	4,844	5,663	583	680	670
Asia	2,880	3,617	4,480	419	484	516
Latin America	855	1,009	1,262	177	197	229
Other regions	1,432	1,749	2,073	78	72	60
Total	\$ 19,734	22,131	24,807	3,220	3,431	3,507

**(17) Other Financial Data**

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

	2006	2007	2008
Depreciation	\$ 500	525	557
Research and development	\$ 356	397	458
Rent expense	\$ 263	300	337

The Company leases facilities, transportation and office equipment and various other items under operating lease agreements. The minimum annual rentals under noncancelable long-term leases, exclusive of maintenance, taxes, insurance and other operating costs, will approximate \$194 in 2009, \$139 in 2010, \$92 in 2011, \$61 in 2012 and \$47 in 2013.

Other assets, other are summarized as follows:

	2007	2008
Intellectual property and customer relationships	\$ 544	627
Pension plans	649	436
Capitalized software	171	192
Other	408	385
Total	\$ 1,772	1,640

Items reported in accrued expenses include the following:

	2007	2008
Employee compensation	\$ 563	609
Product warranty	\$ 197	204

Other liabilities are summarized as follows:

	2007	2008
Deferred income taxes	\$ 519	533
Postretirement plans, excluding current portion	451	417
Retirement plans	296	325
Minority interest	191	188
Other	533	594
Total	\$ 1,990	2,057

### (18) Quarterly Financial Information (Unaudited)

	FIRST QUARTER		SECOND QUARTER		THIRD QUARTER		FOURTH QUARTER		FISCAL YEAR	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Net sales	\$ 4,937	5,520	5,394	6,023	5,772	6,568	6,028	6,696	22,131	24,807
Gross profit	\$ 1,783	2,010	1,939	2,242	2,095	2,413	2,248	2,474	8,065	9,139
Earnings from continuing operations	\$ 442	519	493	598	573	647	621	690	2,129	2,454
Net earnings	\$ 445	565	494	547	574	612	623	688	2,136	2,412
Earnings from continuing operations per common share:										
Basic	\$ 0.55	0.66	0.62	0.76	0.72	0.83	0.79	0.89	2.68	3.14
Diluted	\$ 0.55	0.65	0.61	0.75	0.71	0.82	0.78	0.88	2.65	3.11
Net earnings per common share:										
Basic	\$ 0.56	0.72	0.62	0.70	0.72	0.79	0.79	0.89	2.69	3.09
Diluted	\$ 0.55	0.71	0.61	0.69	0.72	0.78	0.78	0.88	2.66	3.06
Dividends per common share	\$ 0.2625	0.3000	0.2625	0.3000	0.2625	0.3000	0.2625	0.3000	1.05	1.20
Common stock prices:										
High	\$ 44.52	58.32	45.80	55.83	49.11	58.20	53.37	50.94	53.37	58.32
Low	\$ 41.11	50.50	42.11	47.88	41.85	48.17	45.42	38.46	41.11	38.46

All per share data reflect the 2007 two-for-one stock split. Earnings per share amounts are computed independently each period; as a result, the sum of the quarter amounts may not equal the total for the respective year.

The operating results of the European appliance motor and pump business for all periods presented and Brooks for first quarter 2008 are classified as discontinued operations. See Notes 3 and 4 for information regarding the Company's acquisition and divestiture activities and non-recurring items.

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, 2008 and 2007, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2008. We also have audited Emerson Electric Co.'s internal control over financial reporting as of September 30, 2008, based on the criteria established in *Internal Control – Integrated Framework* 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 U.S. 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 U.S. 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, 2008 and 2007, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 2008, 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, 2008, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

As discussed in note 1 to the consolidated financial statements, effective September 30, 2007, the Company has changed its method of accounting for defined benefit pension and other postretirement plans due to the adopted provisions of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)*.

/s/ KPMG LLP  
St. Louis, Missouri  
November 24, 2008

## Safe Harbor Statement

This Annual Report contains various forward-looking statements and includes assumptions concerning Emerson's operations, future results, and prospects. These forward-looking statements are based on current expectations, are subject to risk and uncertainties, and Emerson undertakes no obligation to update any such statements to reflect later developments. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, Emerson provides the following cautionary statement identifying important economic, political, and technological factors, among others, changes of which could cause the actual results or events to differ materially from those set forth in or implied by the forward-looking statements and related assumptions.

Such factors include the following: (i) current and future business environment, including interest rates, currency exchange rates and capital and consumer spending; (ii) potential volatility of the end markets served; (iii) competitive factors and competitor responses to Emerson initiatives; (iv) development and market introduction of anticipated new products; (v) availability of raw materials and purchased components; (vi) government laws and regulations, including taxes; (vii) outcome of pending and future litigation, including environmental compliance; (viii) stability of governments and business conditions in emerging economies; (ix) penetration of emerging economies; (x) favorable environment for acquisitions, domestic and foreign, including regulatory requirements and market values of candidates; (xi) integration of acquisitions; (xii) favorable access to capital markets; and (xiii) execution of cost-reduction efforts.

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**SUBSIDIARIES AND AFFILIATES OF EMERSON ELECTRIC CO.**  
**September 30, 2008**

<b>LEGAL NAME</b>	<b>JURISDICTION OF INCORPORATION</b>
AIH, Inc.	Delaware
AIHL, LLC	Delaware
Alco Controls S.A. de C.V.	Mexico
Aperture Technologies, Inc.	Delaware
Aperture Technologies International, Inc.	New York
Aperture International Limited	United Kingdom
Applied Concepts, Inc.	Pennsylvania
Woodstock Land Company, LLC	Missouri
Artesyn Technologies, Inc.	Florida
Artesyn Asset Management, Inc.	Delaware
Artesyn North America, Inc.	Delaware
Artesyn Cayman LP	Cayman Islands
Artesyn International Ltd.	Cayman Islands
Artesyn Ireland Ltd.	Cayman Islands
Artesyn Technologies Asia Pacific, Ltd.	Hong Kong
Zhong Shan Artesyn Technologies Electronics Co., Ltd.	China
Artesyn Netherlands B.V.	Netherlands
Artesyn UK, Ltd.	United Kingdom
Artesyn Holding GmbH	Austria
Artesyn Austria GmbH	Austria
Artesyn Austria GmbH & Co. KG	Austria
Artesyn Hungary Elektronikai kft	Hungary
Artesyn do Brasil Comercio de Produtos de Conversao de Energia LTDA	Brazil
Artesyn Germany GmbH	Germany
Artesyn Elektronische Gerate Beteiligungs-und Verwaltungs GmbH	Germany
Artesyn GmbH & Co. KG	Germany
Emerson Network Power - Embedded Computing & Power S.A.R.L.	France
Artesyn Delaware, Inc.	Delaware
Artesyn Delaware LLC	Delaware
Emerson Network Power - Embedded Computing, Inc.	Wisconsin
Artesyn Communication Products Scandinavia AB	Sweden
Artesyn Communication Products UK Ltd.	Scotland
Emerson Network Power - Embedded Computing UK Ltd.	Scotland
Astec International Holdings Limited	United Kingdom
Astec America Inc.	Delaware
Astec Electronics (Malaysia) Sdn Bhd	Malaysia
Astec International Limited	Hong Kong
Astec Advanced Power Systems Ltda.	Brazil
Astec Advanced Power Systems (Malaysia) Sdn Bhd	Malaysia
Astec Advanced Power Systems (Penang) Sdn Bhd	Malaysia
Astec Agencies Limited	Hong Kong
Astec Custom Power (Hong Kong) Limited	Hong Kong
Astec Custom Power (Philippines) Inc.	Philippines
Astec Custom Power (Singapore) Pte Ltd	Singapore
Astec Electronics Company Limited	China
Astec Electronics (Luoding) Company Ltd.	China
Astec Nanjing Design Engineering Company	China
Astec Power Supply (Shenzhen) Company Ltd.	China
Astec Power Inc.	BVI
Astec Power Philippines, Inc.	Philippines
Emerson Network Power - Embedded Power Vietnam Co., Ltd.	Vietnam
Emerson Network Power - Embedded Computing GmbH	Germany

EMR Holdings Limited  
Stourbridge Holdings (U.K.) Limited  
Mirroware Manufacturing Limited  
Astec Europe Ltd.

Japan  
United Kingdom  
United Kingdom  
United Kingdom

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<b>LEGAL NAME</b>	<b>JURISDICTION OF INCORPORATION</b>
B.B.I., S.A. de C.V.	Mexico
Branson Ultrasonic S.A.	Switzerland
Bristol Inc.	Delaware
Buehler Holdings LLC	Delaware
California Emerson LLC	Delaware
ClosetMaid Corporation	Florida
Clairson, Inc.	Delaware
ClosetMaid de Mexico, S.A. de C.V.	Mexico
ClosetMaid North America, Inc.	Delaware
Compania de Motores Domesticos S.A. de C.V.	Mexico
Computational Systems, Incorporated	Tennessee
CSI Technology, Inc.	Delaware
Controles Electromecanicos de Mexico S.A. de C.V.	Mexico
Control Techniques Iberia S.A.	Spain
Cooligy Inc.	Delaware
Daniel Industries, Inc.	Delaware
Emerson Process Management Valve Automation, Inc.	Delaware
Bettis Canada Ltd.	Canada
Bettis France SARL	France
Bettis Holdings, Ltd.	United Kingdom
Bettis UK Ltd.	United Kingdom
Prime Actuator Control Systems Limited	United Kingdom
Prime Actuator Control Systems UK Ltd.	United Kingdom
Dantorque A/S	Denmark
Hytork Controls, Inc.	Delaware
Daniel Automation Company	Delaware
Daniel Industrial, Inc.	Delaware
Daniel En-Fab Systems, Inc.	Delaware
Daniel International Limited	United Kingdom
Daniel Europe Limited	United Kingdom
Daniel Industries Limited	United Kingdom
Spectra-Tek Holdings Ltd.	United Kingdom
Spectra-Tek UK Ltd.	United Kingdom
Daniel Measurement Solutions Pvt. Ltd.	India
Spectra-Tek International Limited	United Kingdom
Greenfield (UK) Limited	United Kingdom
Daniel Measurement and Control, Inc.	Delaware
Daniel Industries Canada Inc.	Canada
Daniel Measurement Services, Inc.	Delaware
Metco Services Limited	United Kingdom
Metco Services Venezuela, C.A.	Venezuela
Danmasa S.A. de C.V.	Mexico
Hytork International Ltd.	United Kingdom
Hytork Controls, Inc.	Florida
Hytork Controls Limited	United Kingdom
Hytork LLC	Delaware
Hytork Services Limited	United Kingdom
DEAS Holdings, Inc.	Delaware
Decision Management International, Inc.	Delaware
Decision Management International, Inc.	Florida
EDAS (I) U.K. Limited	United Kingdom
EDAS (II) U.K. Limited	United Kingdom
EECO, Inc.	Delaware
Apple JV Holding Corp.	Delaware
EGS Electrical Group LLC	Delaware
Appleton Electric LLC	Delaware
Appleton Electric, S.A. de C.V.	Mexico

Appleton Holding Corp.  
EGS Electrical Group Canada Ltd.  
Easy Heat Ltd.

Delaware  
Canada  
Canada

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<b>LEGAL NAME</b>	<b>JURISDICTION OF INCORPORATION</b>
EGS Participacoes Ltda.	Brazil
EGS Holding S.A.R.L.	France
ATX S.A.	France
EGS Private Ltd.	Singapore
Easy Heat, Inc.	Delaware
GSEG LLC	Delaware
O-Z Gedney Company LLC	Delaware
Easy Heat Holding B.V.	Netherlands
Easy Heat Europe B.V.	Netherlands
Electrical Reliability Services, Inc.	California
Emerson Climate Technologies, Inc.	Delaware
Computer Process Controls, Inc.	Georgia
Emerson Retail Services, Inc.	Delaware
Clive Samuels & Associates, Inc.	New Jersey
Emerson Climate Services, LLC	Delaware
Copeland Access +, Inc.	Delaware
Copeland Corporation LLC	Delaware
Copeland de Mexico S.A. de C.V.	Mexico
Emerson Climate Technologies (India) Limited	India
CopelandBitzer L.P.	Delaware
CopelandBitzer Management LLC	Delaware
Copeland Redevelopment Corporation	Missouri
CR Compressors LLC	Delaware
Scroll Compressors LLC	Delaware
Scroll Mexico LLC	Delaware
Emerson Electric (U.S.) Holding Corporation	Delaware
Automatic Switch Company	Delaware
ASC Investments, Inc.	Delaware
Asco Controls A.G.	Switzerland
Asco Controls B.V.	Netherlands
Asco Mideast B.V.	Netherlands
Asco Magnesszelep Kft.	Hungary
Asco/Joucomatic sp. z.o.o.	Poland
Asco/Joucomatic s.r.o.	Czech Republic
Asco/Joucomatic ZA BV	Netherlands
Asco/Joucomatic Sarl	Switzerland
Ascomation Pty. Ltd.	Australia
Asco Numatics Pty. Ltd.	Australia
Asco Valve Pty. Ltd.	Australia
Ascomation (NZ) Ltd.	New Zealand
Asco Numatics (NZ) Limited	New Zealand
Sirai Pty. Ltd.	Australia
Asco AB	Sweden
Asco (India) Limited	India
ASCO Japan Co., Ltd.	Japan
Ascomatica S.A. de C.V.	Mexico
Asco Services, Inc.	New Jersey
ASCO Switch Enterprises LLC	Delaware
ASCO Power Technologies, L.P.	Delaware
ASCO Valve Enterprises LLC	Delaware
ASCO Valve, Inc.	Delaware
ASCO Controls, L.P.	Delaware
ASCO Valve Manufacturing, LLC	Delaware
Ascovall Industria E Comercio Ltda.	Brazil
Branson Ultrasonics Corporation	Delaware
Branson Korea Co., Ltd.	Korea
Branson Ultrasonidos S.A.E.	Spain

Branson Ultrasonics S.A.S.  
Environmental Remediation Management, LLC  
El-O-Matic GmbH

France  
Delaware  
Germany

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<b>LEGAL NAME</b>	<b>JURISDICTION OF INCORPORATION</b>
Emerson Climate Technologies GmbH	Germany
Copeland Refrigeration Europe S.A.	Belgium
Copeland S.A.	Belgium
Emerson Climate Technologies Limited	United Kingdom
Emerson Climate Technologies S.A.	Spain
Emerson Climate Technologies s.a.r.l.	France
Emerson Climate Technologies S.r.L.	Italy
Emerson Dietzenbach GmbH	Germany
Emerson Electric GmbH	Germany
Emerson Electric GmbH & Co. OHG	Germany
Emerson Electric Overseas Finance Corp.	Delaware
Motores U.S. de Mexico, S.A. de C.V.	Mexico
U.S.E.M. de Mexico S.A. de C.V.	Mexico
Emerson Process Management GmbH	Germany
Emerson Process Management GmbH & Co. OHG	Germany
Mobrey GmbH	Germany
Emerson Process Management Ltda.	Brazil
Emerson Retail Services Europe GmbH	Germany
Emerson Technologies Verwaltungs GmbH	Germany
Emerson Technologies GmbH & Co.	Germany
Emersub LXXXIV, Inc.	Delaware
Emerson Process Management, S.A. de C.V.	Mexico
Emersub LXXXVI, Inc.	Delaware
Marbaise Hanlo LS GmbH	Germany
Ridge Tool GmbH	Germany
Ridge Tool GmbH & Co. OHG	Germany
RIDGID Peddinghaus Werkzeug GmbH	Germany
Rosemount Inc.	Minnesota
Control Techniques - Americas, Inc.	Delaware
Control Techniques - Americas LLC	Delaware
Fincor Holding, LLC	Delaware
Dieterich Standard, Inc.	Delaware
Emerson Process Management AB	Sweden
Emerson Process Management A/S (Denmark)	Denmark
Emerson Process Management AS	Norway
Emerson Process Management Holding AG	Switzerland
Emerson Process Management AG	Switzerland
Emerson EAD	Bulgaria
Emerson Process Management Kft.	Hungary
Emerson Process Management Romania S.R.L.	Romania
Emerson Process Management sp. z.o.o.	Poland
Emerson Process Management Ticaret Limited Sirketi	Turkey
Emerson Process Management, s.r.o.	Czech Republic
Emerson Process Management, s.r.o.	Slovakia
Fisher-Rosemount Ges. M.B.H.	Austria
FR af 13.august 1999 A/S	Denmark
Emerson Process Management Power and Water Solutions Sp. z.o.o.	Poland
Emerson Process Management Asia Pacific Pte Ltd.	Singapore
Emerson Process Management Manufacturing (M) Sdn Bhd	Malaysia
Emerson Process Management (Shanghai) International Trading Co. Ltd.	China
Emerson Process Management Valve Automation (M) Sdn Bhd	Malaysia
Emerson Process Management (India) Pvt. Ltd.	India
Emerson Process Management Korea Ltd.	Korea
Emerson Process Management, S.L.	Spain
Emerson Process Management Oy	Finland
P I Components Corp.	Texas
Rosemount Analytical Inc.	Delaware

Rosemount China Inc.  
Rosemount Nuclear Instruments, Inc.  
Xomox Uruguay S.A.

Minnesota  
Delaware  
Uruguay

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<b>LEGAL NAME</b>	<b>JURISDICTION OF INCORPORATION</b>
Emerson Power Transmission Corporation	Delaware
Emerson Chain, Inc.	Delaware
Emerson Power Transmission Drives and Components, Inc.	Delaware
Emerson Power Transmission Manufacturing	Missouri
Emerson Power Transmission Ithaca, Inc.	Delaware
Rollway Bearing International Ltd.	Delaware
Rollway Bearing N.V.	Belgium
EPT Investments, Inc.	Delaware
McGill Manufacturing Company, Inc.	Indiana
Emerson Power Transmission Bearings, Inc.	Delaware
Liebert Corporation	Ohio
Alber Corp.	Florida
Atlas Asia Limited	Hong Kong
Emerson Network Power Australia Pty. Ltd.	Australia
Atlas Air Australia Pty. Ltd.	Australia
Emerson Network Power (Hong Kong) Limited	Hong Kong
Wuhan Liebert Computer Power Support System Limited	China
Emerson Network Power (India) Private Limited	India
Leroy Somer & Controls India (P) Ltd.	India
Emerson Network Power, Liebert Services, Inc.	Delaware
Emerson Network Power (Singapore) Pte. Ltd.	Singapore
Emerson Network Power (Malaysia) Sdn. Bhd.	Malaysia
Emerson Network Power Surge Protection, Inc.	New York
Emerson Network Power (Thailand) Co. Ltd.	Thailand
Liebert Field Services, Inc.	Delaware
Liebert North America, Inc.	Delaware
Liebert Property Holdings, LLC	Delaware
Liebert Tecnologia Ltda.	Brazil
Micro Motion, Inc.	Colorado
Ridge Tool Company	Ohio
Ridge Tool (Australia) Pty., Ltd.	Australia
Ridge Tool Manufacturing Company	Delaware
Ridge Tool Pattern Company	Delaware
Ridgid, Inc.	Delaware
Ridgid Italia Srl	Italy
Ridgid Online, Inc.	Ohio
Ridgid Werkzeuge AG	Switzerland
Therm-O-Disc, Incorporated	Ohio
Componentes Avanzados de Mexico, S.A. de C.V.	Mexico
Controles de Temperatura S.A. de C.V.	Mexico
E.G.P. Corporation	Delaware
Emermex S.A. de C.V.	Mexico
Emerson Arabia, Inc.	Delaware
Emersub 4 LLC	Delaware
Emerson Capital (Canada) Corporation	Canada
EMRCDNA I	Canada
EMRCDNA II	Canada
Emerson Climate Technologies de Mexico S.A. de C.V.	Mexico
Emerson Climate Technologies - Distribution Services, Inc.	Delaware
Emerson Electric (Asia) Limited	Hong Kong
Applied Motor Technologies (Qingdao) Co., Ltd.	China
Branson Ultrasonics (Asia Pacific) Co. Ltd.	Hong Kong
Emerson Electric (South Asia/Pacific) Pte. Ltd.	Singapore
Emerson Technology Service (Shenzhen) Co.	China
Emerson Electric II, C.A.	Venezuela
Emerson Electric de Colombia, Ltda.	Colombia
Emerson Electric International, Inc.	Delaware

Emerson Electric Ireland Ltd.  
Emersub Treasury Ireland  
Emerson Electric (Mauritius) Ltd.

Bermuda  
Ireland  
Mauritius

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<b>LEGAL NAME</b>	<b>JURISDICTION OF INCORPORATION</b>
Emerson Electric Co. (India) Private Ltd.	India
Westinghouse Electric Private Ltd. (Mauritius)	Mauritius
Emerson Process Management Power & Water Solutions India Private Limited	India
Emerson Electric Nederland B.V.	Netherlands
Alco Controls Spol s.r.o.	Czech Republic
Branson Ultrasonics B.V.	Netherlands
Beckman Industrial B.V.	Netherlands
Damcos Holding A/S	Denmark
Damcos A/S.	Denmark
Damcos Co. Ltd.	China
Emerson Process Management Marine Solutions Korea Co., Ltd.	Korea
El-O-Matic B.V.	Netherlands
El-O-Matic Valve Actuators (F.E.) Pte. Ltd.	Singapore
Emerson Process Management (South Africa) (Proprietary) Ltd.	South Africa
Electrische Apparatenfabriek Capax B.V.	Netherlands
Emerson a.s.	Slovakia
Emerson LLC	Russia
Emerson SRL	Romania
Emerson Climate Technologies s.r.o.	Czech Republic
Emerson Electric Spol, s.r.o.	Czech Republic
Emerson Network Power Pakistan (Private) Limited	Pakistan
Emerson Network Power (Vietnam) Co. Ltd.	Vietnam
Emerson Process Management B.V.	Netherlands
EMRSN HLDG B.V.	Netherlands
Emerson Network Power B.V.	Netherlands
Emerson Process Management Flow B.V.	Netherlands
Fisher Rosemount Temperature B.V.	Netherlands
Fusite, B.V.	Netherlands
Ortrud Verwaltungsgesellschaft mbH	Germany
Knürr-Holding GmbH	Germany
Knürr AG	Germany
Knürr AB	Sweden
Knürr AG	Switzerland
Knürr AG & Co. Grundbesitz OHG	Germany
Knürr BV	Netherlands
Knürr Electronics GmbH	Germany
Knürr Electronics GmbH & Co. Grundbesitz OHG	Germany
Knürr-Ercotec GmbH & Grundstücksverwaltung KG	Germany
Knürr Electronics (Shanghai) Co. Ltd.	China
Knürr Holding Ltda.	Brazil
Knuerr Ltda.	Brazil
Knürr-Innovation GmbH	Germany
Knürr Ltd.	United Kingdom
Knürr Lommatec Mechanik für die Elektronik Beteiligungs und Verwaltungs GmbH	Germany
Knürr s.a.r.l.	France
Knuerr Pte. Ltd.	Singapore
Spectra Systems Sdn Bhd	Malaysia
Knürr s.r.o.	Czech Republic
Knürr Technical Furniture GmbH	Germany
Knürr-Ercotec GmbH	Germany
Knürr International GmbH	Germany
Therm-O-Disc Europe B.V.	Netherlands
Therm-O-Disc (Vietnam) Co., Ltd.	Vietnam
Emerson Electric Puerto Rico, Inc.	Delaware
Emerson Puerto Rico, Inc.	Delaware
Emerson Electric (Taiwan) Company Limited	Taiwan
Emerson Finance LLC	Delaware

Emerson Global Finance Company  
Emerson Middle East, Inc.  
Emerson Network Power, Energy Systems, North America, Inc.

Missouri  
Delaware  
Delaware

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<b>LEGAL NAME</b>	<b>JURISDICTION OF INCORPORATION</b>
Emerson Network Power Exportel, S.A. de C.V.	Mexico
Emerson Network Power, Inc.	Texas
Emerson Network Power Services, S.A. de C.V.	Mexico
Emerson Sice S.r.l.	Italy
Branson Ultrasuoni S.r.l.	Italy
CDZ.T s.r.l.	Italy
Emerson Network Power Holding S.r.l.	Italy
Emerson Network Power Srl	Italy
Emerson Network Power Sp. Z.o.o.	Poland
Liebert Hiross Holding GmbH	Germany
Emerson Network Power GmbH	Germany
Emerson Network Power Kft.	Hungary
Emerson Process Management S.r.l.	Italy
Sirai Elettromeccanica s.r.l.	Italy
Sirai Deutschland GmbH	Germany
Emerson Telecommunication Products, LLC	Delaware
JTP Industries, Inc.	Delaware
Dura-Line Espana, S.L.	Spain
Dura-Line Iberia, S.L.	Spain
Dura-Line Limited	United Kingdom
OOO Dura-Line	Russia
Emerson Network Power Connectivity Solutions, Inc.	Delaware
Emerson Electronic Connector and Components do Brasil, Ltda.	Brazil
Emerson Mexico Corporate Services S de R.L. de C.V.	Mexico
LoDan de Mexico S.A. de C.V.	Mexico
LoDan West do Brasil, Ltda.	Brazil
Stratos International, Inc.	Delaware
Advanced Interconnection Technology LLC	Delaware
Paracer, Inc.	Delaware
Rapidwerks LLC	Delaware
Sterling Holding Company	Delaware
Quality Components, Inc.	Delaware
Semflex, Inc.	Delaware
Swiss Precision Products, Inc.	Delaware
TQ Management Corporation	Delaware
Trompeter Electronics, Inc.	Delaware
STRATOS Lightwave, LLC	Delaware
Stratos Lightwave-Florida Incorporated	Delaware
Stratos Limited	United Kingdom
Stratos Lightwave UK Limited	United Kingdom
Tsunami Optics, Inc.	California
Viewsonics do Brasil, Ltda.	Brazil
Vitelec Electronics Ltd.	United Kingdom
Engineered Endeavors, Inc.	Delaware
Engineered Endeavors do Brasil, Ltda.	Brazil
Engineered Endeavors do Brasil Servicos Ltda.	Brazil
Northern Technologies, Inc.	Idaho
Emerson Venezuela C.A.	Venezuela
Emerson Ventures Inc.	Delaware
Emerson WFC, Inc.	Delaware
Emersub 3 LLC	Delaware
Emersub CII, Inc.	Delaware
Emersub XLVI, Inc.	Nevada
Wilson Investment 2, Inc.	Delaware
Copesub, Inc.	Delaware
Alliance Compressors LLC	Delaware
Emersub LII, Inc.	Delaware

Emersub XCI, Inc.  
TAG, Inc.  
Emersub 6 LLC

Delaware  
Delaware  
Delaware

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<b>LEGAL NAME</b>	<b>JURISDICTION OF INCORPORATION</b>
The Automation Group, L.P.	Texas
Emersub Italia Srl	Italy
International Gas Distribution S.A.	Luxembourg
O.M.T Officina Meccanica Tartarini S.r.l.	Italy
Fisher Process Srl	Italy
EMR Foundation, Inc.	Missouri
EMR Holdings, Inc.	Delaware
Branson de Mexico, S.A. de C.V.	Mexico
Copeland Compresores Hermeticos, S.A. de C.V.	Mexico
Copeland Korea, Inc.	Korea
Digital Appliance Controls, S.A. de C.V.	Mexico
EMR Manufacturing (M) Sdn Bhd	Malaysia
Emerson Appliance Solutions (Shenzhen) Co., Ltd.	China
Emerson Argentina S.A.	Argentina
Emerson Climate Technologies Australia Pty Ltd.	Australia
Emerson DHC B.V.	Netherlands
Emerson Electric (Thailand) Limited	Thailand
Emersub 7 LLC	Delaware
Emersub 8 LLC	Delaware
Emersub 9 LLC	Delaware
Emersub 10 LLC	Delaware
Emersub 11 LLC	Delaware
Emersub 12 LLC	Delaware
Emerson Electric Canada Limited	Canada
Emerson Electric Chile Ltda.	Chile
Emerson Electric de Mexico S.A. de C.V.	Mexico
Ascotech, S.A. de C.V.	Mexico
Emerson Electric do Brasil Ltda	Brazil
Emerson Comercio em Tecnologia de Climatizacao Ltda	Brazil
Emerson Electric Holdings (Switzerland) GmbH	Switzerland
Emerson (China) Motor Co. Ltd.	China
Emerson Process Management Co. Ltd.	China
EMR Emerson Holdings (Switzerland) GmbH	Switzerland
Emerson Electric (China) Holdings Co., Ltd.	China
ASCO Valve (Shanghai) Co., Ltd.	China
Beijing Rosemount Far East Instrument Co., Ltd.	China
Branson Ultrasonics (Shanghai) Co., Ltd.	China
ClosetMaid (Jiangmen) Storage Limited	China
Emerson Beijing Instrument Co. Ltd.	China
Emerson Climate Technologies (Shenyang) Co. Ltd.	China
Emerson Climate Technologies (Shenyang) Refrigeration Co. Ltd.	China
Emerson Climate Technologies (Suzhou) Co., Ltd.	China
Emerson Climate Technologies (Suzhou) Research & Development Co., Ltd.	China
Emerson Electric (Shenzhen) Co., Ltd.	China
Emerson eResource (Xi'an) Co., Ltd.	China
Emerson Fusite Electric (Shenzhen) Co. Ltd.	China
Emerson Junkang Enterprise (Shanghai) Co., Ltd.	China
Emerson Machinery & Equipment (Shenzhen) Co. Ltd.	China
Emerson Network Power (Xi'an) Co., Ltd.	China
Emerson Network Power Connectivity Solutions (Shanghai) Co., Ltd.	China
Emerson Network Power Co. Ltd. (f/k/a/ Avansys)	China
Emerson Power Transmission (Zhangzhou) Co., Ltd.	China
Emerson Process Management Flow Technologies Co., Ltd.	China
Emerson Process Management Power & Water Solutions Co., Ltd.	China
Emerson Process Management (Tianjin) Valves Co., Ltd.	China
Emerson Process Management Valve Automation (Tianjin) Co., Ltd.	China
Emerson Professional Tools (Shanghai) Co., Ltd.	China

Emerson Trading (Shanghai) Co. Ltd.  
Fisher Jeon Gas Equipment (Chengdu) Co., Ltd.  
Fisher Regulators (Shanghai) Co., Ltd.

China  
China  
China

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<b>LEGAL NAME</b>	<b>JURISDICTION OF INCORPORATION</b>
Leroy Somer Electro-Technique (Fuzhou) Co., Ltd.	China
EMR (Asia) Limited	Hong Kong
Emerson Network Power (Jiangmen) Co., Ltd.	China
Emerson Electric Korea Ltd.	Korea
Emerson Electric (M) Sdn Bhd	Malaysia
Emerson Electric Poland Sp. z.o.o.	Poland
FZN Marbaise LS Sp. z.o.o.	Poland
Emerson Energy Systems Sdn Bhd	Malaysia
Emerson Holding Sweden AB	Sweden
Emerson Sweden AB	Sweden
Emerson Network Power Energy Systems AB	Sweden
Rosemount Tank Radar AB	Sweden
Emerson Process Management Marine Solutions Singapore Pte. Ltd.	Singapore
MEP Marine AS	Norway
Rosemount Tank Gauging India Pvt. Ltd.	India
Rosemount Tank Gauging Middle East SPC	Bahrain
SF-Control OY	Finland
Emerson Network Power del Peru S.A.C.	Peru
Emerson Network Power d.o.o.	Croatia
Emerson Network Power Limited	Nigeria
Emerson Network Power (Philippines), Inc.	Philippines
Emerson Network Power (South Africa) (Pty) Ltd	South Africa
Emerson Europe S.A.	France
Asco Joucomatic S.A.	France
Asco Joucomatic GmbH	Germany
Asco Joucomatic N.V.	Belgium
Asco Numatics S.p.A.	Italy
Fluidicontrol S.A.	Spain
Sotrac S.r.l.	Italy
Company Financiere de Chausey, SA	France
Emerson Network Power Energy Systems S.A.	France
Emerson Energy Systems EURL	France
Francel S.A.	France
Leroy-Somer S.A.	France
Bertrand Polico SAS	France
Comercial Leroy-Somer Ltda.	Chile
Constructions Electriques DeBeaucourt SAS	France
ESO S.A.S	France
ABME SARL	France
BEI Roanne SARL	France
BEI SARL	France
Belzon et Richardot SARL	France
Cargnelli SAS	France
Cocard SARL	France
DME SARL	France
EMC SARL	France
Houssin SARL	France
Lorraine Service SARL	France
Maintenance Industrie Service Provence SARL	France
MEZIERES SARL	France
Michel SARL	France
MIS Rennes SARL	France
MIS SARL	France
MIS SIBE SARL	France
MIS SPIRE SARL	France
Navarre Services SARL	France
OES SARL	France

Oury SARL  
Paillet Service SARL  
Prevost SARL

France  
France  
France

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<b>LEGAL NAME</b>	<b>JURISDICTION OF INCORPORATION</b>
Radiel Bobinage SARL	France
Silvain SARL	France
Sorem SARL	France
Sud Maintenance SARL	France
Suder SARL	France
Wieprecht CF SARL	France
Wieprecht Rodez SARL	France
Etablissements Trepeau SAS	France
Girard Transmissions SAS	France
I.M.I Kft	Hungary
La Francaise de Manutention SAS	France
Leroy-Somer Denmark A/S	Denmark
Leroy-Somer Elektromotoren GmbH	Germany
Leroy-Somer Electromekanik Sistemler Ticaret Ltd. STI	Turkey
Leroy-Somer Iberica S.A.	Spain
Teilsa Servicios, S.L.	Spain
Leroy-Somer Ltd.	Greece
Leroy-Somer Limited	United Kingdom
Leroy-Somer Marbaise GmbH	Germany
Leroy-Somer Motores E Sistemas Electro Mecanicas CDA	Portugal
Leroy-Somer B.V.	Netherlands
Leroy-Somer Norden AB	Sweden
Leroy-Somer Norge A/S	Norway
Leroy-Somer NV	Belgium
Muyle Electro-Machinery SA	Belgium
Leroy-Somer OY	Finland
Leroy-Somer (Pty) Ltd. (South Africa)	South Africa
Leroy-Somer (Pty) Ltd.	Australia
Leroy-Somer (SEA) Pte. Ltd.	Singapore
Leroy-Somer Suisse S.A.	Switzerland
Leroy-Somer S.p.A.	Italy
E.M.S. Elettro Multi Service Srl	Italy
Maintenance Industrielle de Vierzon SAS	France
M.L.S. Holice Spol. s.r.o.	Czech Republic
MLS Industries Inc.	Delaware
Yorba Linda International Inc.	Delaware
Moteurs Leroy-Somer S.A.	France
Moteurs Patay SAS	France
Societe Anonyme de Mecanique et D'outillage du Vivarais S.A.	France
Societe Confolontaine de Metallurgie SAS	France
Societe de Mecanique et D'Electrothermie des Pays de L'Adour SAS	France
Emerson Network Power SA	France
Ridgid France SAS	France
Emerson Laminaciones de Acero de Monterrey, S.A. de C.V.	Mexico
Emerson Network Power, S. A.	Spain
Jaure, S.A.	Spain
Emerson Process Management Costa Rica S.R.L.	Costa Rica
Emerson Process Management Europe Middle East & Africa GmbH	Switzerland
Emerson Process Management (Magyarorszag) Kft.	Hungary
Emerson Process Management NV	Belgium
PI Components NV	Belgium
Emerson Sistemas de Energia Ltda.	Brazil
Emerson (Thailand) Limited	Thailand
Emersub 5 LLC	Delaware
Emersub Mexico, Inc.	Nevada
ClosetMaid Reynosa S. de R.L. de C.V.	Mexico
Copeland Scroll Compresores de Mexico S.A. de C.V.	Mexico

Daniel Measurement & Control, S. de R.L. de C.V.  
Emerpowsys, S. de R.L. de C.V.  
Emerson Electronic Connector and Components Mexico S.A. de C.V.

Mexico  
Mexico  
Mexico

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<b>LEGAL NAME</b>	<b>JURISDICTION OF INCORPORATION</b>
Emerson Network Power Embedded Computing S. de R.L. de C.V.	Mexico
Emerson Tool and Appliance Company, S. de R.L. de C.V.	Mexico
Emerson Tool Company de Mexico S. de R.L. de C.V.	Mexico
Emersub 1 LLC	Delaware
Intermetro de Mexico, S. de R.L. de C.V.	Mexico
Emersub XXXVI, Inc.	Delaware
Digital Appliance Controls (UK) Limited	United Kingdom
Control Techniques Ltd.	United Kingdom
Control Techniques GmbH	Germany
Reta Anlagenbau GmbH	Germany
Control Techniques Asia-Pacific Pte. Ltd.	Singapore
Control Techniques Drives (Malaysia) Sdn Bhd	Malaysia
Control Techniques Singapore Pte Limited	Singapore
Control Techniques Australia Pty Ltd.	Australia
Control Techniques Bermuda Limited	Bermuda
Control Techniques Drives Limited	United Kingdom
Control Techniques Dynamics Limited	United Kingdom
Evershed Powerotor Limited	United Kingdom
Moore Reed & Company Limited	United Kingdom
Control Techniques Southern Africa (Pty.) Limited	South Africa
Control Techniques SpA	Italy
Control Techniques Worldwide BV	Netherlands
Control Techniques AG	Switzerland
Control Techniques BV	Netherlands
Control Techniques Brno s.r.o.	Czech Republic
Control Techniques China Pte. Ltd.	Hong Kong
Control Techniques AS	Denmark
Control Techniques Endustriyel Control Sistemleri Sanayii Ve Ticaret A.S.	Turkey
Control Techniques India Limited	India
Control Techniques Elpro Automation Limited	India
DriveShop Limited	United Kingdom
Electric Drives Limited	Ireland
Electric Drives Manufacturing Ltd.	Ireland
Foray 600 Limited	United Kingdom
Foray 606 Limited	United Kingdom
Emerson Holding Company Limited	United Kingdom
Asco Joucomatic Ltd.	United Kingdom
Asco Power Technologies Ltd.	United Kingdom
Joucomatic Controls Ltd.	United Kingdom
Sotrac Limited	United Kingdom
Temple Instruments Ltd.	United Kingdom
Bristol Babcock Limited	United Kingdom
Computational Systems Limited	United Kingdom
Copeland Ltd.	United Kingdom
CSA Consulting Engineers, Ltd.	United Kingdom
El-O-Matic Limited	United Kingdom
Emerson Electric U.K. Limited	United Kingdom
Bray Lectroheat Limited	United Kingdom
Buehler Europe Limited	United Kingdom
BannerScientific Limited	United Kingdom
Buehler UK Limited	United Kingdom
Metaserve Limited	United Kingdom
Metallurgical Services Laboratories Limited	United Kingdom
Emerson FZE	UAE
Emerson Climate Technologies FZE	UAE
Emerson Network Power Limited	United Kingdom
Hiross Limited	United Kingdom

Liebert Swindon Ltd.  
Emerson Energy Systems (UK) Limited  
Emerson Process Management Limited

United Kingdom  
United Kingdom  
United Kingdom

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LEGAL NAME	JURISDICTION OF INCORPORATION
Emerson Process Management Distribution Limited	United Kingdom
Fisher-Rosemount Properties Limited	United Kingdom
Emerson Process Management Shared Services Limited	United Kingdom
F-R Properties (UK) Limited	United Kingdom
EMR Barnstaple Limited	United Kingdom
Emerson Process Management Services Limited	United Kingdom
Emerson UK Trustees Limited	United Kingdom
Fisher Controls Limited	United Kingdom
Farris Engineering Ltd.	United Kingdom
Fisher Governor Company Ltd.	United Kingdom
Midwest Microwave International Limited	United Kingdom
Midwest Microwave Limited	United Kingdom
MDC Technology Limited	United Kingdom
MDC Technology Trustees Limited	United Kingdom
Mobrey Group Limited	United Kingdom
Mobrey Overseas Sales Limited	United Kingdom
Mobrey S.A./N.V.	Belgium
Mobrey Sp. Z.o.o.	Poland
Mobrey SA	France
Mobrey Limited	United Kingdom
Oaksmere Refrigeration Design & Consultancy Limited	United Kingdom
Pactrol Controls Limited	United Kingdom
S R Drives Manufacturing Limited	United Kingdom
Switched Reluctance Drives Limited	United Kingdom
Reluctance Motors Limited	United Kingdom
F-R Tecnologias de Flujo, S.A. de C.V.	Mexico
Fisher-Rosemount Peru S.A.C.	Peru
Motores Reynosa, S.A. de C.V.	Mexico
Motoreductores U.S., S.A. de C.V.	Mexico
NetworkPower Ecuador S.A.	Ecuador
PT Emerson Indonesia	Indonesia
RAC Technologies (Israel) Ltd.	Israel
Rey-Lam, S. de R.L. de C.V.	Mexico
Rotores S.A. de C.V. Rotores S.A. de C.V.	Mexico
Saab Rosemount Marine Korea Co., Ltd.	Korea
Termotec de Chihuahua S.A. de C.V.	Mexico
Tranmet Holdings Limited	United Kingdom
Tranmet Holdings B.V.	Netherlands
Industrial Group Metran CJSC	Russia
Metran-Export CJSC	Russia
Firma Metran LLC	Russia
Metran Sensor LLC	Russia
EPMCO Holdings, Inc.	Delaware
Fisher Controls International LLC	Delaware
Emerson Process Management Australia Pty Limited	Australia
Bristol Digital Systems Australasia Proprietary Limited	Australia
Emerson Electric Australia Co. Pty. Ltd.	Australia
Emerson Process Management New Zealand Limited	New Zealand
Emerson Process Management China Ltd.	Hong Kong
Emerson Process Management Regulator Technologies, Inc.	Delaware
Fisher Controls De Mexico, S.A. de C.V.	Mexico
Fro-Mex, S.A. de C.V.	Mexico
Instrument & Valve Services Company	Delaware
Nippon Fisher Co. Ltd.	Japan
Fisco Ltd. (Fisco Kabushiki Kaisha)	Japan
Fisher-Rosemount Systems, Inc.	Delaware
Emerson Process Management LLLP	Delaware

Emerson Performance Solutions, Inc.  
Emerson Process Management Dominicana, S.A.  
Emerson Process Management Power & Water Solutions, Inc.

Georgia  
Dominican Republic  
Delaware

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<b>LEGAL NAME</b>	<b>JURISDICTION OF INCORPORATION</b>
Emerson Process Management S.A.S.	France
Emerson Process Management, Lda	Portugal
Fiberconn Assemblies Morocco S.A.R.L.	Morocco
Flo Healthcare Solutions, LLC	Georgia
Fusite Corporation	Ohio
Emerson Japan, Ltd.	Japan
Fusite Land Company	Delaware
General Equipment and Manufacturing Company, Inc.	Kentucky
TopWorx UK Limited	United Kingdom
TopWorx PTE Ltd.	Singapore
Twist-Set Controls (Proprietary) Limited	South Africa
TopWorx IC-Disc, Inc.	Delaware
High Voltage Maintenance Corporation	Ohio
Hiross India Private Limited	India
Humboldt Hermetic Motor Corp.	Delaware
Kato Engineering, Inc.	Delaware
Knaack LLC	Delaware
Capsacorp LLC	Delaware
Knürr, Inc.	California
Kop-Flex, Inc.	Delaware
Kop-Flex Canada Limited	Canada
Lionville Systems, Inc.	Pennsylvania
Metaloy, Inc.	Massachusetts
Metropolitan International, Inc.	Nevada
InterMetro Industries Corporation	Nevada
InterMetro Industries Corporation	Delaware
InterMetro Industries B.V.	Netherlands
Metro Industries, Inc.	Nevada
Metropolitan Wire (Canada) Ltd.	Canada
Metropolitan Wire Corporation	Pennsylvania
Midwest Microwave Inc.	Delaware
Motores Hermeticos del Sur, S.A. de C.V.	Mexico
Numatics, Incorporated	Michigan
Asco Numatics (Taiwan) Co., Ltd.	Taiwan
Microsmith, Inc.	Arizona
Numatics (Shanghai) Co., Ltd.	China
Numatics de Mexico, S.A. de C.V.	Mexico
Numatics GmbH	Germany
Numatics Limited	United Kingdom
Numatics Spain, S.L.	Spain
Ultra Air Products, Inc.	Michigan
PC & E, Inc.	Missouri
Ridge Tool Europe NV	Belgium
Ridgid Scandinavia A/S	Denmark
Von Arx AG	Switzerland
Von Arx GmbH	Germany
Rosemount Tank Gauging North America, Inc.	Texas
Termocontrol de Juarez S.A. de C.V.	Mexico
The Sulton Company, Inc.	Delaware
Tescom Corporation	Minnesota
Tescom, LLC	Minnesota
Hankuk Tescom Ltd.	Korea
Tescom Europe Management GmbH	Germany
Tescom Europe GmbH & Co. KG	Germany
Thunderline Z, Inc.	Delaware
Transmisiones de Potencia Emerson S.A. de C.V.	Mexico
Wiegand S.A. de C.V.	Mexico



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors  
Emerson Electric Co.:

We consent to the incorporation by reference in Registration Statement Nos. 333-154362, 333-154361, 333-152917, 333-152916, 333-118591, 333-118589, 333-90240, 333-46919 and 33-38805 on Form S-8 and Registration Statement Nos. 333-110546, 333-52658, 333-84673 and 333-66865 on Form S-3 of Emerson Electric Co. of our report dated November 24, 2008, with respect to the consolidated balance sheets of Emerson Electric Co. and subsidiaries as of September 30, 2008 and 2007, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2008, and the effectiveness of internal control over financial reporting as of September 30, 2008, which report is incorporated by reference in the September 30, 2008 annual report on Form 10-K of Emerson Electric Co.

Our report refers to a change in the method of accounting for pension and other postretirement benefits in 2007.

/s/ KPMG LLP

St. Louis, Missouri  
November 24, 2008

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## POWER OF ATTORNEY

The undersigned members of the Board of Directors and Executive Officers of Emerson Electric Co., a Missouri corporation with principal offices at 8000 West Florissant Avenue, St. Louis, Missouri, 63136, hereby appoint W. J. Galvin as their Attorney-in-Fact for the purpose of signing Emerson Electric Co.'s Securities and Exchange Commission Form 10-K (and any and all Amendments thereto) for the fiscal year ended September 30, 2008.

Dated: October 7, 2008

<u>Signature</u>	<u>Title</u>
<u>/s/ D. N. Farr</u> D. N. Farr	Chairman of the Board, Chief Executive Officer and President
<u>/s/ W. J. Galvin</u> W. J. Galvin	Senior Executive Vice President, Chief Financial Officer and Director
<u>/s/ R. J. Schlueter</u> R. J. Schlueter	Vice President and Chief Accounting Officer
<u>/s/ A. A. Busch III</u> A. A. Busch III	Director
<u>/s/ D. C. Farrell</u> D. C. Farrell	Director
<u>/s/ C. Fernandez G.</u> C. Fernandez G.	Director
<u>/s/ A. F. Golden</u> A. F. Golden	Director
<u>/s/ H. Green</u> H. Green	Director

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<u>/s/ R. B. Horton</u> R. B. Horton	Director
<u>/s/ W. R. Johnson</u> W. R. Johnson	Director
<u>/s/ V. R. Loucks, Jr.</u> V. R. Loucks, Jr.	Director
<u>/s/ J. B. Menzer</u> J. B. Menzer	Director
<u>/s/ C. A. Peters</u> C. A. Peters	Director
<u>/s/ J. W. Prueher</u> J. W. Prueher	Director
<u>/s/ R. L. Ridgway</u> R. L. Ridgway	Director
<u>/s/ R. L. Stephenson</u> R. L. Stephenson	Director

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## Certification

I, D. N. Farr, Chairman of the Board, Chief Executive Officer and President, Emerson Electric Co., certify that:

1. I have reviewed this annual report on Form 10-K of Emerson Electric Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 24, 2008

/s/ D. N. Farr

D. N. Farr  
 Chairman of the Board,  
 Chief Executive Officer and President  
 Emerson Electric Co.



## Certification

I, W. J. Galvin, Senior Executive Vice President and Chief Financial Officer, Emerson Electric Co., certify that:

1. I have reviewed this annual report on Form 10-K of Emerson Electric Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 24, 2008

/s/ W. J. Galvin

W. J. Galvin

Senior Executive Vice President and

Chief Financial Officer

Emerson Electric Co.

CERTIFICATION PURSUANT TO  
EXCHANGE ACT RULE 13a-14(b) AND  
18 U.S.C. SECTION 1350

In connection with the Annual Report of Emerson Electric Co. (the "Company") on Form 10-K for the period ended September 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, D. N. Farr, Chairman of the Board, Chief Executive Officer and President of the Company, certify, to the best of my knowledge, pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ D. N. Farr

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D. N. Farr  
Chairman of the Board,  
Chief Executive Officer and President  
Emerson Electric Co.  
November 24, 2008

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CERTIFICATION PURSUANT TO  
EXCHANGE ACT RULE 13a-14(b) AND  
18 U.S.C. SECTION 1350

In connection with the Annual Report of Emerson Electric Co. (the "Company") on Form 10-K for the period ended September 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, W. J. Galvin, Senior Executive Vice President and Chief Financial Officer of the Company, certify, to the best of my knowledge, pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ W. J. Galvin

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W. J. Galvin  
Senior Executive Vice President and  
Chief Financial Officer  
Emerson Electric Co.  
November 24, 2008

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