

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event  
reported): August 1, 2006

**Emerson Electric Co.**

(Exact Name of Registrant as Specified in Charter)

Missouri	1-278	43-0259330
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)
8000 West Florissant Avenue St. Louis, Missouri		63136
(Address of Principal Executive Offices)		(Zip Code)

Registrant's telephone number, including area code:

(314) 553-2000

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

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

**Item 2.02. Results of Operations and Financial Condition.**

**Quarterly Results Press Release**

On August 1, 2006, a press release was issued regarding the third quarter results of Emerson Electric Co. (the "Company"). A copy of this press release is furnished with this Current Report on Form 8-K as Exhibit 99.1.

The press release contains non-GAAP financial measures as such term is defined in Regulation G under the rules of the Securities and Exchange Commission. While the Company 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, these non-GAAP financial measures may differ from similarly titled measures presented by other companies. The reasons why management believes that these non-GAAP financial measures provide useful information are set forth in the Company's most recent Form 10-K filed with the Securities and Exchange Commission.

**Item 7.01. Regulation FD Disclosure.**

The following information is furnished pursuant to Regulation FD.

**Emerson GAAP Underlying Orders – 3 Month Summary.**

(Percent change. Trailing 3-month average versus prior year.)

	<u>Apr '06</u>	<u>May '06</u>	<u>June '06</u>
Process Management	+10	+15	+15 to +20
Industrial Automation	+5 to +10	+10 to +15	+10 to +15
Network Power	>20+	>20+	>20+
Climate Technologies	+5 to +10	+10 to +15	>20+
Appliance and Tools	0 to +5	+5 to +10	+5 to +10
Total Emerson	+10 to +15	+10 to +15	+15 to +20

June 2006 Order Comments:

Order growth accelerated for the three months ended in June as underlying business conditions remained strong. Favorable currency exchange rates contributed approximately 2 percentage points to the increase.

Process Management orders remained strong as the global energy markets continue to drive demand for this business. The order growth was balanced across the valves, measurement and systems businesses. Orders were also aided by the weaker dollar.

Orders for Industrial Automation remained strong driven by a favorable global capital spending environment. The growth for this segment was led by the power generating alternator and the electrical distribution businesses.

Network Power order growth remained at high levels driven by the power systems, embedded power and inbound power businesses.

Climate Technologies order growth reflected strength from the compressor business. The residential air-conditioning market continued the transition to higher efficiency 13-SEER units, driving market penetration gains for this business. Hot weather in the United States also drove demand.

Appliance and Tools had strong growth across the tools and storage businesses with particular strength in the disposer business. The motors business also had solid growth driven primarily by demand for HVAC motors.

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#### Upcoming Investor Events

Emerson senior management will discuss the Company's third quarter 2006 results during an investor conference call that will be held on Tuesday, August 1, 2006. The call will begin at 2:00 p.m. Eastern Daylight Time (1:00 p.m. Central Daylight Time).

All interested parties may listen to the live conference call via the Internet by going to the Investor Relations area of Emerson's Web site at [www.gotoemerson.com/financial](http://www.gotoemerson.com/financial) and completing a brief registration form. A replay of the conference call will be available for the next three months at the same location on the Web site.

Updates and further details of these and other upcoming events will be posted in the Calendar of Events area in the Investor Relations section of the corporate Web site as they occur.

#### **Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits

<u>Exhibit Number</u>	<u>Description of Exhibits</u>
99.1	Emerson's August 1, 2006 Press Release announcing its third quarter 2006 results.

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#### **SIGNATURE**

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

EMERSON ELECTRIC CO.  
(Registrant)

Date: August 1, 2006

By: /s/ Timothy G. Westman  
Timothy G. Westman  
Associate General Counsel and  
Assistant Secretary

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#### **EXHIBIT INDEX**

<u>Exhibit Number</u>	<u>Description of Exhibits</u>
99.1	Emerson's August 1, 2006 Press Release announcing its third quarter 2006 results.



# news release

For immediate release

Contact: Mark Polzin (314) 982-1758  
or John Hastings (314) 982-8622

## EMERSON ACHIEVES RECORD THIRD QUARTER 2006 RESULTS

- Sales increase 17 percent to \$5.2 billion—Emerson's first \$5 billion quarter
- Earnings per share of \$1.18, an increase of 18 percent excluding tax repatriation expense taken in the 3<sup>rd</sup> quarter of 2005
- Reported earnings per share increase 37 percent
- Operating cash flow of \$620 million

**ST. LOUIS, August 1, 2006** – Emerson (NYSE: EMR) today announced record net sales and earnings for the third quarter ended June 30, 2006. Net sales totaled \$5.2 billion, an increase of 17 percent from the \$4.5 billion reported in the prior year period. For the quarter, underlying sales increased 12 percent, the third consecutive quarter of double digit organic sales growth. Underlying sales growth in the current quarter excludes growth from acquisitions of 5 percent and the negligible impact of exchange rates.

Earnings per share for the third quarter of \$1.18 represent an increase of 37 percent from the \$0.86 earnings per share achieved in the third quarter of 2005. The third quarter 2005 results included a tax expense of \$58 million, or \$0.14 per share, related to earnings repatriation of \$1.3 billion in 2005. Excluding the expense in the prior year, the current quarter earnings per share rose by 18 percent.

"Emerson had an excellent quarter and continues to have strong momentum," said Emerson Chairman, Chief Executive Officer and President David N. Farr. "We were again able to translate strong sales performance into exceptional earnings growth, successfully increasing profitability while managing a number of headwinds. Our market leading technologies, which are deployed on a global scale, create an excellent foundation for growth. These capabilities, partnered with a sharp focus on meeting our customers' needs, are what ultimately led to these great results."

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### Add One

For the nine months ended June 30, 2006, net sales were \$14.6 billion, an increase of 15 percent over the same period last year. Excluding the third quarter 2005 tax expense referenced above, earnings per share increased 26 percent for the first nine months of this fiscal year. On a reported basis, earnings per share increased 33 percent over the prior year period.

### **Balance Sheet / Cash Flow:**

Operating cash flow in the quarter was \$620 million compared to \$606 million in the third quarter of 2005. The Company continues to make progress on working capital initiatives as evidenced by the ratio of trade working capital to sales, which dropped to 18.4 percent in the current quarter compared to 18.9 percent in the same period last year. Free cash flow (operating cash flow less capital expenditures) for the quarter was \$480 million, a slight decline versus the prior year quarter due to increased capital expenditures. The Company's full-year target for capital spending is unchanged at approximately \$600 million, with full year targets of \$2.5 billion of operating cash flow and \$1.9 billion of free cash flow.

The financial position of Emerson remains strong, with the ratio of operating cash flow to debt at 58 percent on a trailing twelve month basis. This compares to 45 percent for the same period in 2005. The Company expects to achieve full year return on total capital (ROTC) of approximately 18 percent during 2006, a solid improvement from 2005 and a clear measure of successful value creation for Emerson shareholders.

### **Operating Highlights:**

Emerson's operating profit margins improved to 15.7 percent in the quarter, a 20 basis point improvement from the 2005 period. Margins improved in four of the Company's five business segments, with the increase driven primarily by sales volume leverage and cost reduction efforts that more than offset dilution from acquisitions and continued pressure from commodity inflation. Pretax margins improved to 13.7 percent from 13.4 percent in the prior period.

Process Management had another successful quarter as revenue grew by 16 percent, aided by nearly 5 percentage points of growth from acquisitions. The global energy markets continue to spend capital at high levels and drive growth for Process Management. This business has strong momentum and continues to be acknowledged as the industry leader, most recently named by Frost & Sullivan as the 2006 Industrial Automation & Process Control Company of the Year.

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Add Two

Industrial Automation saw continued growth as revenues increased by 17 percent during the quarter with acquisitions adding 7 percentage points of the growth. The global capital spending environment remains favorable and is driving strong demand within this business. The growth has been balanced across major geographic regions with particular strength in the United States and Europe.

Network Power sales increased by 38 percent in the quarter, with acquisitions contributing 16 percentage points. The acquisition sales came primarily from Artesyn Technologies, which was acquired on April 28, 2006. Strong organic growth more than offset the margin dilution from acquisitions, resulting in 30 basis points of margin expansion.

Climate Technologies grew by 10 percent in the quarter, with solid results from commercial and residential air-conditioning and refrigeration markets. The domestic residential air-conditioning market continued to ramp up production of new 13-SEER product lines, leading to market penetration gains for Emerson. Hot weather in the quarter also drove demand in this market.

Appliance and Tools experienced revenue growth of 6 percent in the third quarter. Growth was strong in the tools and storage businesses driven by new product introductions and growth in non-residential construction markets. The hermetic motor business also experienced strong growth, led by demand in the residential air-conditioning market. Margins declined by 90 basis points for this segment, as cost reductions and price increases were not able to offset continued material inflation.

**Divestiture Strategy:**

Emerson is constantly evaluating its portfolio of businesses to ensure the proper balance that can provide Emerson with sufficient growth opportunities and also generate a high level of return for shareholders. This drives the Company's acquisition process and at times directs the need to divest businesses that no longer fit with strategic plans or cannot meet return criteria. Currently, Emerson is considering the divestiture of several small units that have annual sales of approximately \$500 million. These units are dilutive to Emerson's margins, returns and growth profile.

**Full Year Earnings Outlook:**

Emerson has experienced strong operating performance during the first three quarters of 2006. Additionally, there has been continued orders strength with June representing the 11<sup>th</sup> consecutive month of double-digit growth in trailing 3 month orders. Based on these factors the outlook for fiscal 2006 has been raised, and Emerson now expects earnings per share in the range of \$4.33 to \$4.38, an increase from previous guidance of \$4.25 to \$4.35.

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Add Three

**Upcoming Investor Events**

On Tuesday, August 1, 2006, at 2:00 p.m. EDT (1:00 p.m. CDT), Emerson senior management will discuss the third-quarter fiscal 2006 results during an investor conference call. All interested parties may listen to the live conference call via the Internet by going to the Investor Relations area of Emerson's Web site at [www.gotoemerson.com/financial](http://www.gotoemerson.com/financial) and completing a brief registration form. A replay of the conference call will be available for the next three months at the same location on the Web site. Details of upcoming events will be posted as they occur in the Investor Relations Calendar of Events on the corporate Web site.

**Forward-Looking and Cautionary Statements**

Statements in this release that are not strictly historical may be "forward-looking" statements, which involve risks and uncertainties, and Emerson undertakes no obligation to update any such statement to reflect later developments. These include economic and currency conditions, market demand, pricing, and competitive and technological factors, among others, as set forth in the Company's most recent Form 10-K filed with the SEC.

(tables attached)

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Add Four

	Quarter Ended June 30,		Percent
	2005	2006	Change
<b>Net sales</b>	\$ 4,465	\$ 5,217	17%
Less: Costs and expenses			
Cost of sales	2,865	3,361	
SG&A expenses	907	1,037	
Other deductions, net	43	54	
Interest expense, net	52	51	
Earnings before income taxes	598	714	19%
Income taxes (2005 includes \$58 tax expense for repatriating foreign earnings)	240	228	
<b>Net earnings</b>	\$ 358	\$ 486	36%
Diluted avg. shares outstanding (millions)	417.7	412.9	
Diluted earnings per common share	\$ 0.86	\$ 1.18	37%

	Quarter Ended June 30,	
	2005	2006
<b>Other deductions, net</b>		
Rationalization of operations	\$ 25	\$ 19
Amortization of intangibles	8	13
Other	10	34
Gains	-	(12)
Total	\$ 43	\$ 54

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**TABLE 2**

EMERSON AND SUBSIDIARIES  
CONSOLIDATED OPERATING RESULTS  
(DOLLARS IN MILLIONS EXCEPT PER SHARE AMOUNTS)

	Nine Months Ended June 30,		Percent
	2005	2006	Change
<b>Net sales</b>	\$ 12,662	\$ 14,617	15%
Less: Costs and expenses			
Cost of sales	8,148	9,434	
SG&A expenses	2,672	2,992	
Other deductions, net	154	131	
Interest expense, net	158	151	
Earnings before income taxes	1,530	1,909	25%
Income taxes (2005 includes \$58 tax expense for repatriating foreign earnings)	527	590	
<b>Net earnings</b>	\$ 1,003	\$ 1,319	31%
Diluted avg. shares outstanding (millions)	420.2	413.7	
Diluted earnings per common share	\$ 2.39	\$ 3.19	33%

	Nine Months Ended June 30,	
	2005	2006
<b>Other deductions, net</b>		
Rationalization of operations	\$ 82	\$ 53
Amortization of intangibles	21	32
Other	77	88
Gains	(26)	(42)
Total	\$ 154	\$ 131

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**TABLE 3**

EMERSON AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(DOLLARS IN MILLIONS)

	June 30,	
	2005	2006
<b>Assets</b>		
Cash and equivalents	\$ 1,564	\$ 695
Receivables, net	3,138	3,668
Inventories	1,839	2,212
Other current assets	481	592
Total current assets	7,022	7,167
Property, plant & equipment, net	2,929	3,076
Goodwill	5,334	6,005
Other	1,859	2,136
	<u>\$ 17,144</u>	<u>\$ 18,384</u>
<b>Liabilities and Stockholders' Equity</b>		
Short-term borrowings and current maturities of long-term debt	\$ 1,622	\$ 984
Accounts payable	1,610	2,031
Accrued expenses	1,751	1,892
Income taxes	244	303
Total current liabilities	5,227	5,210
Long-term debt	2,879	3,132
Other liabilities	1,720	1,946
Stockholders' equity	7,318	8,096
	<u>\$ 17,144</u>	<u>\$ 18,384</u>

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**TABLE 4**

EMERSON AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(DOLLARS IN MILLIONS)

	Nine Months Ended June 30,	
	2005	2006
<b>Operating Activities</b>		
Net earnings	\$ 1,003	\$ 1,319
Depreciation and amortization	420	454
Changes in operating working capital	(159)	(373)
Pension funding	(101)	(100)
Other	145	188
Net cash provided by operating activities	<u>1,308</u>	<u>1,488</u>
<b>Investing Activities</b>		
Capital expenditures	(350)	(354)
Purchases of businesses, net of cash & equivalents acquired	(192)	(708)
Other	(21)	28
Net cash used in investing activities	<u>(563)</u>	<u>(1,034)</u>
<b>Financing Activities</b>		
Net increase in short-term borrowings	1,072	172
Proceeds from long-term debt	3	5
Principal payments on long-term debt	(620)	(260)
Dividends paid	(522)	(550)
Purchases of treasury stock	(469)	(411)
Other	10	38
Net cash used in financing activities	<u>(526)</u>	<u>(1,006)</u>

Effect of exchange rate changes on cash and equivalents	(1)	14
<b>Increase (decrease) in cash and equivalents</b>	218	(538)
Beginning cash and equivalents	1,346	1,233
<b>Ending cash and equivalents</b>	<u>\$ 1,564</u>	<u>\$ 695</u>

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**TABLE 5**

EMERSON AND SUBSIDIARIES  
SEGMENT SALES AND EARNINGS  
(DOLLARS IN MILLIONS)

	Quarter Ended June 30,	
	2005	2006
<b>Sales</b>		
Process Management	\$ 1,061	\$ 1,233
Industrial Automation	826	968
Network Power	838	1,155
Climate Technologies	837	923
Appliance and Tools	1,039	1,099
	<u>4,601</u>	<u>5,378</u>
Eliminations	(136)	(161)
Total Emerson	<u>\$ 4,465</u>	<u>\$ 5,217</u>
	Quarter Ended June 30,	
	2005	2006
<b>Earnings</b>		
Process Management	\$ 184	\$ 221
Industrial Automation	118	142
Network Power	98	139
Climate Technologies	131	155
Appliance and Tools	144	141
	<u>675</u>	<u>798</u>
Differences in accounting methods	39	46
Corporate and other	(64)	(79)
Interest expense, net	(52)	(51)
Earnings before income taxes	<u>\$ 598</u>	<u>\$ 714</u>
	Quarter Ended June 30,	
	2005	2006
<b>Rationalization of operations</b>		
Process Management	\$ 5	\$ 3
Industrial Automation	4	4
Network Power	7	3
Climate Technologies	4	2
Appliance and Tools	5	7
Total Emerson	<u>\$ 25</u>	<u>\$ 19</u>

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**TABLE 6**

EMERSON AND SUBSIDIARIES  
SEGMENT SALES AND EARNINGS  
(DOLLARS IN MILLIONS)

Nine Months Ended June 30,	
2005	2006

<b>Sales</b>		
Process Management	\$ 3,032	\$ 3,473
Industrial Automation	2,421	2,759
Network Power	2,376	3,098
Climate Technologies	2,216	2,523
Appliance and Tools	2,988	3,211
	<u>13,033</u>	<u>15,064</u>
Eliminations	(371)	(447)
Total Emerson	<u>\$ 12,662</u>	<u>\$ 14,617</u>

Nine Months Ended June 30,	
2005	2006

<b>Earnings</b>		
Process Management	\$ 468	\$ 587
Industrial Automation	344	416
Network Power	242	366
Climate Technologies	338	382
Appliance and Tools	397	412
	<u>1,789</u>	<u>2,163</u>
Differences in accounting methods	107	128
Corporate and other	(208)	(231)
Interest expense, net	(158)	(151)
Earnings before income taxes	<u>\$ 1,530</u>	<u>\$ 1,909</u>

Nine Months Ended June 30,	
2005	2006

<b>Rationalization of operations</b>		
Process Management	\$ 14	\$ 6
Industrial Automation	12	9
Network Power	29	9
Climate Technologies	9	11
Appliance and Tools	17	18
Corporate	1	-
Total Emerson	<u>\$ 82</u>	<u>\$ 53</u>

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Add Ten

**TABLE 7**

**Reconciliations of Non-GAAP Financial Measures**

The following reconciles each Non-GAAP measure with the most directly comparable GAAP measure (dollars in millions):

	2005	2006	Percent Change
<b>Third-Quarter Cash Flow</b>			
Operating Cash Flow	\$ 606	\$ 620	2%
Capital Expenditures	118	140	
Free Cash Flow (Non-GAAP)	<u>\$ 488</u>	<u>\$ 480</u>	(2%)
<b>Full Year 2006 Expected Cash Flow</b>			
Operating Cash Flow		\$ ~2,500	
Capital Expenditures		~600	
Free Cash Flow (Non-GAAP)		<u>\$ ~1,900</u>	
<b>Third-Quarter Operating Profit</b>			
Net Sales	\$ 4,465	\$ 5,217	17%
Cost of Sales	2,865	3,361	
SG&A Expenses	907	1,037	
Operating Profit (Non-GAAP)	<u>693</u>	<u>819</u>	18%
OP % (Non-GAAP)	15.5 %	15.7 %	
Other Deductions, Net	43	54	
Interest Expense, Net	<u>52</u>	<u>51</u>	



Pretax Earnings	\$	<u>598</u>		\$	<u>714</u>		19%
Pretax Earnings %		13.4	%		13.7	%	

3Q 2006

**Net Sales**

Underlying Sales (Non-GAAP)	12	%
Currency Translation	—	pts
Acquisitions / Divestitures	<u>5</u>	pts
Net Sales	17	%

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Add Eleven

	<u>Reported</u>	<u>Tax</u> <u>Impact</u> <sup>(1)</sup>	<u>Excl. Tax</u> <u>Impact</u> <u>(Non-GAAP)</u>
<b>Third-Quarter of 2005 Excluding Tax Impact</b>			
Diluted earnings per common share	\$ 0.86	\$ 0.14	\$ 1.00
Percent Increase	37%		18%
<b>Nine Months of 2005 Excluding Tax Impact</b>			
Diluted earnings per common share	\$ 2.39	\$ 0.14	\$ 2.53
Percent Increase	33%		26%

(1) Tax expense of \$58 million relating to repatriation of foreign earnings under the American Jobs Creation Act.

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