

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, 2007

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:

Title of each class

Common Stock of \$0.50 par value per share

Name of each exchange on which registered

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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

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, 2007: \$34.2 billion.

Common stock outstanding at October 31, 2007: 787,228,656 shares.

Documents Incorporated by Reference

1. Portions of Emerson Electric Co. 2007 Annual Report to Stockholders (Parts I and II).
2. Portions of Emerson Electric Co. Notice of 2008 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, 2007, are set forth in Note 16 of Notes to Consolidated Financial Statements of the 2007 Annual Report, which note is hereby incorporated by reference. Sales by segment in 2007 were Process Management 25 percent, Industrial Automation 18 percent, Network Power 22 percent, Climate Technologies 16 percent, and Appliance and Tools 19 percent. Sales by geographic destination in 2007 were United States 48 percent, Europe 23 percent, Asia 16 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 2007 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 2007, sales by geographic destination for this segment were United States 34 percent, Europe 24 percent, Asia 20 percent and other regions 22 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.

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.

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® 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 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. PlantWeb 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

Brands, service/trademarks and trade names within the Process Management segment include Emerson Process Management, AMS Suite, Asset Optimization, Baumann, Bettis, Bristol, Brooks Instrument, CSI, Damcos, Daniel, DeltaV, El-O-Matic, Fisher, Micro Motion, Mobrey, Ovation, PlantWeb, ROC, Rosemount, Rosemount Tank Radar, Smart Process and Tescom.

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 2007, sales by geographic destination for this segment were United States 41 percent, Europe 41 percent, Asia 10 percent and other regions 8 percent.

Motors and Drives

Emerson provides a broad line of gear drives that can be coupled to electric motors and used in a wide variety of manufacturing operations and products, from automobile 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

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 2007, sales by geographic destination for this segment were United States 43 percent, Europe 20 percent, Asia 27 percent and other regions 10 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 Supplies

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.

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

Brands, service/trademarks and trade names within the Network Power segment include Emerson Network Power, Artesyn, ASCO, ASCO Power Technologies, Astec Power, Control Concepts, Emerson Energy Systems, Engineered Endeavors, Knürr, Liebert, Liebert Global Services, Liebert HIROSS, Lorain, Northern Technologies, Semflex, Stratos, Trompeter and VORTEX.

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 2007, sales by geographic destination for this segment were United States 57 percent, Europe 16 percent, Asia 17 percent and other regions 10 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

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 2007, sales by geographic destination for this segment were United States 76 percent, Europe 13 percent, Asia 4 percent and other regions 7 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

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 Systems, 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 AND ENERGY

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.

The raw materials and various purchased components required for its products have generally been available in sufficient quantities. Emerson uses various forms of energy, principally natural gas and electricity, obtained from public utilities. A majority of the Company's plants have the capability of being converted to use alternative sources of energy.

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 \$4,917 million and \$4,054 million at September 30, 2007 and 2006, respectively. Nearly all of the September 30, 2007 consolidated backlog amount is expected to be shipped within one year. The estimated backlog by business segment at September 30, 2007 and 2006 follows:

(dollars in millions)	2006	2007
Process Management	\$ 1,883	2,531
Industrial Automation	523	599
Network Power	867	1,093
Climate Technologies	423	375
Appliance and Tools	358	319
Consolidated Order Backlog	\$ 4,054	4,917

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 lowest 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 \$397 million, \$356 million and \$303 million in 2007, 2006 and 2005, 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 137,700 employees during 2007. 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 \$11,642 million in 2007, \$9,545 million in 2006 and \$8,179 million in 2005, including U.S. exports of \$1,277 million, \$1,127 million and \$998 million in 2007, 2006 and 2005, 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 2007 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, Investor Relations, SEC Filings.

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 lowest 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, 2007, Emerson had approximately 265 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, 55; Industrial Automation, 85; Network Power, 45; Climate Technologies, 35; and Appliance and Tools, 45. 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 2007 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, 2007.

Executive Officers of the Registrant

The following sets forth certain information as of November 2007 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 5, 2008:

Name	Position	Age	Fiscal Year
D. N. Farr*	Chairman of the Board, Chief Executive Officer and President	52	1985
C. W. Ashmore	Senior Vice President - Planning and Development	45	2001
W. J. Galvin	Senior Executive Vice President and Chief Financial Officer	61	1984
E. L. Monser	Chief Operating Officer	57	2002
C. A. Peters	Senior Executive Vice President	52	1990
R. J. Schlueter	Vice President and Chief Accounting Officer	53	1992
F. L. Steeves	Senior Vice President, Secretary and General Counsel	53	2007
W. W. Withers	Executive Vice President and Special Legal Advisor	67	1989

*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. W. Wayne Withers has been Executive Vice President since October 2004 and was appointed Special Legal Advisor in 2007. Prior to his current position, Mr. Withers was Secretary and General Counsel from November 1989 to March 2007 and Senior Vice President from 1989 to October 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 2007 Annual Report is hereby incorporated by reference. There were approximately 26,615 stockholders of record at September 30, 2007.

Repurchases of equity securities during the fourth quarter of 2007 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 2007	840	\$48.62	840	18,721
August 2007	2,025	\$47.11	2,025	16,696
September 2007	1,900	\$49.66	1,900	14,796
Total	4,765	\$48.39	4,765	14,796

The amounts above reflect the Company's December 2006 two-for-one stock split. See Note 1 of Notes to Consolidated Financial Statements of the 2007 Annual Report, which note is hereby incorporated by reference, for additional information. The Company's Board of Directors authorized the repurchase of up to 80 million shares under the November 2001 program, as adjusted for the stock split. The maximum number of shares that may yet be purchased under this program is 14.8 million.

Item 6. Selected Financial Data

Years ended September 30

(dollars in millions, except per share amounts)

	2003	2004	2005 (a)	2006	2007
Net sales	\$ 13,958	15,615	17,305	20,133	22,572
Earnings from continuing operations	\$ 1,013	1,257	1,422	1,845	2,136
Earnings before cumulative effect of change in accounting principle	\$ 1,089	1,257	1,422	1,845	2,136
Earnings from continuing operations per common share (basic)	\$ 1.21	1.50	1.71	2.26	2.69
Earnings from continuing operations per common share (diluted)	\$ 1.20	1.49	1.70	2.24	2.66
Earnings before cumulative effect of change in accounting principle per common share (diluted)	\$ 1.29	1.49	1.70	2.24	2.66
Cash dividends per common share	\$ 0.79	0.80	0.83	0.89	1.05
Long-term debt	\$ 3,733	3,136	3,128	3,128	3,372
Total assets	\$ 15,194	16,361	17,227	18,672	19,680

Information presented in the selected financial data reflects the December 2006 two-for-one stock split. The operating results of Dura-Line are classified as discontinued operations for 2003 in the table above. See Note 3 of Notes to Consolidated Financial Statements of the 2007 Annual Report, which note is hereby incorporated by reference, for information regarding the Company's acquisition and divestiture activities.

(a) Fiscal 2005 includes a tax expense of \$63 million (\$0.07 per share) related to the one-time opportunity to repatriate foreign earnings under the American Jobs Creation Act of 2004. See Note 13 of Notes to Consolidated Financial Statements of the 2007 Annual Report, which note is hereby incorporated by reference, for additional information.

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 2007 Annual Report are hereby incorporated by reference.

Fiscal 2008 Outlook

The outlook for Emerson remains positive moving into fiscal 2008. Many of Emerson's end markets remain strong, but a moderation in growth rates is expected when compared to 2007. Underlying sales growth for fiscal 2008 is expected to be in the range of 5 percent to 7 percent, which excludes the expected 2 percent to 3 percent favorable impact from foreign currency translation, acquisitions and divestitures. Reported sales growth is expected to be in the range of 7 percent to 10 percent. Based on this level of sales growth, the Company expects to generate 2008 earnings per share growth in the range of 10 percent to 15 percent above the \$2.66 per share earned in fiscal 2007.

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 (for example, 2005 tax expense for earnings repatriation or 2003 gains from divestitures) 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 2007 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 2007 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, 2007, 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, 2007, 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 2007 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 2008 annual stockholders' meeting (the "2008 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 2008 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 2008 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, 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 2008 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 "Nominees and Continuing Directors" in the 2008 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, 2007:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders(1)	23,168,714	\$29.81	31,779,898
Equity compensation plans not approved by security holders(2)	-	-	-
Total	23,168,714	\$29.81	31,779,898

(1) Includes the Company's Stock Option and previously approved Incentive Shares Plans. Included in column (a) are 4,859,700 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. Also included in column (a) are 4,651,172 shares reserved for performance share awards (awarded primarily in 2004), 2,790,707 of which will be issued primarily in shares of common stock and paid partially in cash in early 2008 as a result of achieving the financial objective by the end of 2007, and 1,860,465 shares of which will be distributed in shares of common stock contingent upon one additional year of service by 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 16,267,194 shares remaining available for award under the previously approved 2006 Incentive Shares Plan and 431,866 shares remaining available under the previously approved Restricted Stock Plan for Non-Management Directors.

(2) Excludes 12,264 outstanding options assumed in connection with acquisitions with a weighted-average exercise price of \$17.64.

Information regarding stock option plans and incentive shares plans set forth in Note 14 of Notes to Consolidated Financial Statements of the 2007 Annual Report is hereby incorporated by reference.

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

Information appearing under "Director Independence" in the 2008 Proxy Statement is hereby incorporated by reference.

Item 14. Principal Accounting Fees and Services

Information appearing under "Fees Paid to KPMG LLP" in the 2008 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 2007 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 2007 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 October 4, 2005, incorporated by reference to Emerson Electric Co. Form 8-K dated October 4, 2005, 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, filed herewith.
- 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, filed herewith.
- 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, filed herewith (applicable only with respect to benefits after January 1, 2005).
- 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, filed herewith (applicable only with respect to benefits after January 1, 2005).
- 10(i)* Amended and Restated Emerson Electric Co. Annual Incentive Plan, filed herewith, and Form of Acceptance of Award, filed herewith.
- 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, filed herewith, 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, Exhibit 10.1.
- 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, filed herewith, and Forms of Performance Share Award Certificate, Acceptance of Award and Restricted Share Award Agreement, filed herewith.
- 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 7, 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 7, 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, 2007, 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 19, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on November 19, 2007, by the following persons on behalf of the registrant and in the capacities indicated.

<u>Signature</u>	<u>Title</u>
<u>/s/ D. N. Farr</u> D. N. Farr	Chairman of the Board, Chief Executive Officer, President and Director
<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>*</u> A. A. Busch III	Director
<u>*</u> D. C. Farrell	Director
<u>*</u> C. Fernandez G.	Director
<u>*</u> A. F. Golden	Director
<u>*</u> R. B. Horton	Director

	<div><div>*</div><div>V. R. Loucks, Jr.</div></div>	Director
	<div><div>*</div><div>J. B. Menzer</div></div>	Director
	<div><div>*</div><div>C. A. Peters</div></div>	Director
	<div><div>*</div><div>J. W. Prueher</div></div>	Director
	<div><div>*</div><div>R. L. Ridgway</div></div>	Director
	<div><div>*</div><div>R. L. Stephenson</div></div>	Director
* By	<div><div>/s/ W. J. Galvin</div><div>W. J. Galvin</div><div>Attorney-in-fact</div></div>	

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>
10(c)*	Amended and Restated Emerson Electric Co. Continuing Compensation Plan for Non-Management Directors
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
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)
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)
10(i)*	Amended and Restated Emerson Electric Co. Annual Incentive Plan and Form of Acceptance of Award
10(j)*	Amendment for 409A Compliance to 1997 Incentive Shares Plan
10(q)*	Amendment for 409A Compliance to Emerson Electric Co. 2006 Incentive Shares Plan and Forms of Performance Share Award Certificate, Acceptance of Award and Restricted Share Award Agreement
12	Ratio of Earnings to Fixed Charges
13	Portions of Emerson Electric Co. Annual Report to Stockholders for the year ended September 30, 2007, 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.
CONTINUING COMPENSATION PLAN
FOR NON-MANAGEMENT DIRECTORS**

(As Amended and Restated Effective January 1, 2005)

I. Purpose

The purpose of the Emerson Electric Co. Continuing Compensation Plan for Non-Management Directors (the "Plan") is to provide compensation for non-employee directors of Emerson Electric Co. (the "Company") following their termination of service on the Company's Board of Directors (the "Board") under the terms and conditions set forth hereinafter. The Board has determined that the establishment of such a benefit will be useful in its efforts to retain and attract highly qualified individuals to serve on the Board.

II. Eligibility

Except as otherwise provided in Section III.1, a director, in order to be eligible for benefits under the Plan, must have at least five (5) years of service as a non-employee director of the Company. Service as a non-employee director shall mean service while such director is not an employee of the Company. No person who becomes a non-employee director for the first time on or after June 4, 2002, shall be eligible for benefits under the Plan.

III. Benefits

1. The level of annual benefits will be determined as a percentage of \$30,000, the annual cash retainer for directors in effect as of June 4, 2002 (the "Retainer Rate"), in accordance with the following schedule:

Years of Service as a <u>Non-Employee Director</u>	<u>Percentage of Retainer Rate</u>
5 years	50%
6 years	60%
7 years	70%
8 years	80%
9 years	90%
10 years or more	100%

Notwithstanding the foregoing, in the event of a Change of Control (as hereinafter defined), the applicable percentage of the Retainer Rate for any person then serving as a

non-employee director shall be 100% regardless of his or her number of years of service with the Company as a non-employee director.

For purposes of this section, a "Change of Control" shall mean:

- (i) The purchase or other acquisition (other than from the Company) by any person, entity or group of persons, within the meaning of Section 13(d) or 14 (d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (excluding, for this purpose, the Company or its subsidiaries or any employee benefit plan of the Company or its subsidiaries), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either the then-outstanding shares of common stock of the Company or the combined voting power of the Company's then-outstanding voting securities entitled to vote generally in the election of directors; or
- (ii) Individuals who, as of the date hereof, constitute the Board of Directors of the Company (the "Board" and, as of the date hereof, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person who becomes a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of this section, considered as though such person were a member of the Incumbent Board; or
- (iii) The consummation of any reorganization, merger or consolidation, in each case with respect to which persons who were the stockholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of, respectively, the common stock and the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated corporation's then-outstanding voting securities, or of a liquidation or dissolution of the Company or of the sale of all or substantially all of the assets of the Company.

2. Benefits will be paid in monthly installments for the life of the director commencing with the fifteenth day of the month following the later of the date of his or her termination of service as a director or his or her attainment of age 72; provided, that (a) in the event the service of the director terminates for reason of age or disability and the director dies after benefits have commenced but prior to a date five years from his or her termination of service as a director, his or her spouse, if any, shall receive the Benefit in monthly installments for the balance of such five-year period, or (b) in the event the director dies before payments commence, the Benefit shall be paid in monthly installments for five years to his

or her spouse, if any, commencing with the fifteenth day of the month coincident with or next following the date of the director's death.

IV. Miscellaneous

The Corporate Governance and Nominating Committee of the Board shall have plenary authority to interpret and to apply the terms of the Plan and to take such additional action consistent with the purpose of the Plan as is, in its sole judgment, just and equitable. The Board shall have the power to amend or terminate the Plan at any time; however, in the event the Plan is terminated, benefits shall become payable only to the extent permissible under the regulations promulgated by the Secretary of Treasury pursuant to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and in the manner set forth therein.

Retirement from the Board shall be governed by the Bylaws of the Company, as in effect from time to time.

Each director receiving benefits under the Plan, and in consideration therefore, shall be expected to be available upon reasonable request to consult with the Chairman and Chief Executive Officer and with the Board on a reasonable basis and to an extent not inconsistent with the director's retirement and/or separation of service under Section 409A of the Code and the regulations promulgated thereunder.

Eligibility under the terms of the Plan shall in no way affect other benefits from the Company to which a non-employee director may be entitled.

The benefits contemplated hereunder shall not be funded by trust or otherwise, but shall be treated as a general expense of the Company. Except as otherwise required by law, the benefits provided hereunder may not be assigned or alienated.

The right of any person to benefits hereunder shall be no greater than that of an unsecured, general creditor of the Company.

As approved by Emerson's Board of Directors on this 7th day of August, 2007.

DEFERRED COMPENSATION
For Non-employee Directors
(as Amended and Restated Effective January 1, 2005)

1. Eligibility.

Each director who is not an employee of Emerson Electric Co. ("Emerson" or the "Company") or a corporation in which Emerson owns 50% or more of the outstanding stock, shall have the right to elect to defer the payment of all or any part of the cash compensation to which such director would otherwise be entitled as retainers or fees, whether for service on the Board of Directors of Emerson or on a committee thereof ("Fees"), with such deferred compensation payable at the time and in the manner hereinafter stated.

2. Election

Each director who elects to defer Fees hereunder may, at the time of such election, also elect to have some or all of such deferred Fees converted into units equivalent to shares of Emerson common stock ("Units") in which case Emerson shall establish an account for such director and shall credit to the account a number of Units equal to the number of full and fractional shares of Emerson common stock ("Shares") which could be purchased with such deferred Fees on the date such Fees would have been paid had there been no deferral. In addition, any director who elected to defer Fees hereunder prior to implementation of the amended and restated Plan approved on June 6, 1989, may elect to have such deferred Fees not previously paid also converted into full and fractional Units. The price per Share for converting into Units shall be the mean between the high and the low of the price per Share on the New York Stock Exchange on such dates for such Shares, or if no Shares have been traded on such date, then the next succeeding date on which such Shares have been traded ("Market Price"). A director who elects to have deferred Fees converted into Units shall have his account credited with additional Units equal in value to dividends which he would have received if he had been the owner of a number of Shares equal to the number of Units in his account. The price per share for converting dividends into such additional Units shall be the Market Price as of the payment dates for such dividends. No director shall be deemed to be the owner of any Shares pursuant to this Plan.

Each director shall have until the date specified by the Company, which shall be no later than the last day of the director's taxable year, to execute and deliver to the Executive Compensation Executive of the Company (the "Executive Compensation Executive") a "Notice of Election" by which the director elects to defer a percentage, up to 100%, of Fees to be earned in subsequent taxable years and which, but for such election, would be paid to the director. Such Notice of Election must specify (i) the percentage or amount of Fees to be deferred, (ii) the manner of distribution, (iii) the beneficiary designations of the participating director, and (iv) the extent to which the deferred Fees are to be credited with interest as provided in Section 4 or converted into Units as specified above.

Notwithstanding any provision contained herein to the contrary, each director who first becomes eligible to participate in the Plan during a plan year may file a Notice of Election within thirty (30) days after the date he or she first becomes eligible to

participate in the Plan, but only with respect to the Fees relating to services to be performed subsequent to such election.

Once a director files his initial Notice of Election, the manner of distribution shall be irrevocable, even with respect to future deferrals. With respect to the percentage or amount of Fees to be deferred, the director's Notice of Election shall remain in effect until changed or revoked by the filing of a new Notice of Election with the Executive Compensation Executive; however, as of December 31, such election becomes irrevocable with respect to Fees payable in connection with services performed in the immediately following year. An election relating to the conversion of deferred Fees into Units may be changed prospectively but no more frequently than once per calendar year by providing written notice to the Executive Compensation Executive.

Notwithstanding any provision contained herein to the contrary, a director shall have until the date specified by the Company, which shall be no later than December 31, 2007, to change the manner of payment previously elected; however, the director shall be prohibited from changing the payment elections with respect to payments that he would otherwise receive in 2007.

3. Payment of Deferred Fees

Except as otherwise provided herein, payment of deferred Fees, together with any interest or dividend accruals thereon, ("Account Balance") shall be paid to the director in a cash lump sum (with Fees which have been converted into Units, converted into cash equal to the Market Price on the payment date multiplied by the number of Units then being paid) on the date 30 days after his resignation or removal from office (whichever event occurs first), unless the director designated optional installment payments in the Notice of Election. The substantially equal annual installment payments will commence on the date 30 days after his resignation or removal from office over a period not to exceed ten (10) years, provided however, that in the event such installment method of distribution will result in any regular installment being less than \$400, the director's entire Account Balance shall be distributed in a single lump sum on such date regardless of the manner of distribution designated on his Notice of Election. In the event a director shall elect to receive his Account Balance in installments, interest shall continue to be credited on the undistributed sums as provided in Section 4 and/or dividend accruals shall continue to be credited on the undistributed Units in his account as provided in Section 2.

Notwithstanding any provision herein to the contrary, in the event the director's Account Balance includes Fees which have been converted into Units, payment of such converted amounts which otherwise would have been payable prior to the date six months after the director's resignation or removal from office shall be delayed until the date six months after the later of: (i) the director's resignation or removal from office or (ii) the conversion of such Fees into Units.

In the event that a director demonstrates to the satisfaction of the Corporate Governance and Nominating Committee of the Company's Board of Directors (the "Committee") that he has suffered an unforeseeable emergency, the Committee may, if it deems advisable in its sole and absolute discretion, distribute any portion of the director's Account Balance, but in no event more than the amount necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated as a result

of the distribution, after taking into consideration the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise, by liquidation of the director's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship) or by cessation of deferrals under this Plan. However, in no event may Fees which have been converted into Units be payable on account of hardship. Any amount which becomes payable on account of a financial hardship shall be distributed on the date the Committee approves the hardship distribution and the director's Account Balance shall be reduced by the amount so distributed and/or utilized. For purposes of Section 3, an unforeseeable emergency shall mean a severe financial hardship to the director resulting from an illness or accident of the director, the director's spouse, the director's beneficiary, or a dependent (as defined by Code Section 152 but without regard to Section 152(b)(1), (b)(2) and (d)(1)(B)) of the director, loss of the director's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the director.

In all cases in which amounts are payable upon a fixed date, payment is deemed to be made upon the fixed date if the payment is made on such date or a later date within the same taxable year of the director or, if later, by the 15th day of the third calendar month following the specified date, provided the director is not permitted, directly or indirectly, to designate the taxable year of the payment. In addition, a payment is treated as made upon the date specified under the Plan if the payment is made no earlier than 30 days before the designated payment date and the director is not permitted, directly or indirectly, to designate the taxable year of the payment.

4. Interest Rate

Deferred Fees which a director has not elected to be converted into Units shall be credited with interest compounded quarterly at the prime rate with any change in interest rate taking effect simultaneously with the change in the prime rate, or such other rate as may be established from time to time by the Committee. Such interest shall accrue from the dates that Fees would otherwise be payable had such Fees not been deferred. For all purposes of this Plan, the term "prime rate" shall mean the prime rate publicly announced by Bank of America, N.A. for 90-day commercial loans.

5. Designation of Beneficiary

Each director may designate one or more beneficiaries to receive all sums due to such director hereunder upon his death. Such beneficiary designation may be revoked or amended by such director, from time to time, by appropriate notice in writing delivered to the Executive Compensation Executive. In the absence of any beneficiary designation or in the event that the designated beneficiaries shall not be living at the time of death of the director, the account value on the date of death of the director shall be payable and delivered to the estate of such deceased director.

6. Death or Incapacity of Director

Upon the death of a serving director, the entire Account Balance, including all Fees deferred under the Plan, and all unpaid installments of Fees then being paid and interest and earnings thereon, shall be distributed in one lump sum cash amount to his designated beneficiary or estate. In addition, with respect to a director

who has elected to have his deferred Fees converted into Units, a cash lump sum equal to the Market Price on the date of death multiplied by the number of Units credited to his account on such date shall be paid to his designated beneficiary or estate. Upon the death of a director who had previously retired and had elected an installment method of distribution, all sums remaining undistributed shall be paid in one lump sum cash amount to his designated beneficiary or estate. Payments required to be made under this Section shall be made on the date 30 days after the director's death.

In the event that any person to whom deferred Fees are distributable under the terms of this Plan shall be unable to properly manage his own affairs by reason of incapacity, all amounts payable hereunder may be paid to a duly appointed personal representative, conservator or guardian or to any person, firm or a corporation furnishing or providing support and maintenance to such distributee. The Company and its officers and employees shall be fully and completely exonerated from all liability to any distributee upon making payment in accordance with the terms of this paragraph.

7. Change of Control

Notwithstanding anything else contained in the Plan, in the event of a Change of Control (as hereinafter defined), the entire account balance of each director, including all Fees deferred under the Plan, and all unpaid installments of Fees then being paid, and interest and earnings thereon, shall immediately be paid to the director in a single cash lump sum on the date of the Change of Control. For the purpose of this section, a "Change of Control" shall mean a change in the ownership or effective control of a corporation or a change in the ownership of a substantial portion of the assets of a corporation under Code Section 409A and the regulations promulgated thereunder.

8. Amendment and Termination

The Board may at any time amend or terminate this Deferred Compensation Plan; however, no action of the Board may permit anyone other than a director eligible under Section 1 to participate in the Plan. In the event the Plan is terminated, a director's Account Balance shall become payable only to the extent permissible under the regulations promulgated by the Secretary of Treasury pursuant to Code Section 409A and in the manner set forth therein.

9. Miscellaneous

The Committee shall have full power and authority to administer, construe and interpret this Plan. The Committee may, from time to time, name a Company employee to administer, construe or interpret the terms of the Plan. The decisions of the Committee concerning the administration, construction and interpretation of this Plan shall be final, conclusive and binding upon all parties involved, including the successors and assigns of Emerson.

No right or payment under this Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber or charge the same shall be null and void. No right or payment hereunder shall be liable for or subject to the debts, contracts, liabilities or torts of the person entitled to such benefit. If any participant or beneficiary hereunder should become bankrupt or attempt to anticipate, alienate, sell, assign,

pledge, encumber or charge any right or payment hereunder, then such right or payment shall, in the discretion of the Committee terminate. In such a case, the Company may hold or apply the same or any part thereof for the benefit of the participant or beneficiary, his spouse, children or other dependents, or any of them, in such manner and in such proportion as the Committee shall determine, and their decision shall be final, conclusive and binding upon all persons involved.

In the event of changes in the outstanding Shares of the Company by reason of stock dividends, spin-offs, recapitalization, mergers, consolidations, split-ups, combinations or exchange of shares and the like, the account of a director who has elected to convert his deferred Fees into Units shall be appropriately adjusted to reflect such action if such action consists of distribution of Company stock. For purposes of the foregoing, an appropriate adjustment shall mean, in the case of a stock dividend, stock split, or reverse stock split, an equitable adjustment so as to maintain the same proportionate number of Units as were allocated to the account prior to such action. If such action consists of any other distribution, the value of such distribution shall be converted to Units on the date of such distribution.

This Plan is unfunded. Detailed records of amounts deferred hereunder, including interest credits and payouts, shall be maintained by the Executive Compensation Executive, and made available on reasonable notice for any director's inspection with respect to such director's own deferrals.

As approved by Emerson's Board of Directors on this 7th day of August, 2007.

**DIRECTORS DEFERRED COMPENSATION PLAN
INITIAL NOTICE OF ELECTION**

1. Name of Director: _____

2. Percentage of Fees to be Deferred: _____%

3. Deferral Options: Cash _____% Phantom Stock _____%

4. Manner of Distribution (**irrevocable**):

☐ lump sum

☐ annual installments over ____ years (not to exceed 10 years)

5. Beneficiary Designation: Name and Address

6. Alternative Beneficiary Designation: Name and Address

The undersigned acknowledges this election as to the manner of distribution is irrevocable, even with respect to Fees that may be earned and deferred in future years; and that the election as to the percentage of Fees to be deferred shall remain in effect until the first day of the calendar year following the date a Notice of Election Change is filed with the Executive Compensation Executive of Emerson. Furthermore, the undersigned acknowledges that the deferral option in paragraph 3 may not be modified more often than annually.

By: _____

Date: _____

Return completed form to:

Cynthia Heath, Station 2988
Emerson Electric Co.
8000 W. Florissant Avenue
St. Louis, MO 63136

DIRECTOR FORM 1

**DIRECTORS DEFERRED COMPENSATION PLAN
NOTICE OF ELECTION CHANGE**

1. Name of Director: _____

2. Percentage of Fees to be Deferred: _____ %

3. Deferral Options: Cash _____ % Phantom Stock _____ %

4. Beneficiary Designation: Name and Address

5. Alternative Beneficiary Designation: Name and Address

6. Change in Deferral Options (if any; no more often than annually):

- ☐ I elect to transfer ____% of my Phantom Stock account to the Cash option.
- ☐ I elect to transfer ____% of my Cash account to the Phantom Stock option.

The undersigned acknowledges an election change as to the percentage of fees to be deferred shall not take effect until the first day of the next calendar year and shall remain in effect until the first day of the calendar year immediately following the date a new Notice of Election Change is filed with the Executive Compensation Executive of Emerson. Furthermore, the undersigned acknowledges that the deferral options in paragraphs 3 and 6 may not be modified more often than annually.

By: _____

Date: _____

Return completed form to:

Cynthia Heath, Station 2988
Emerson Electric Co.
8000 W. Florissant Avenue
St. Louis, MO 63136

DIRECTOR FORM 2

**DIRECTORS DEFERRED COMPENSATION PLAN
PAYMENT ELECTION FORM**

1. **Name:** _____

2. **Manner of Distribution:**

I hereby elect that all amounts, which have been deferred and may become deferred under the Deferred Compensation Plan for Non-Employee Directors shall be distributed in the following manner:

- ☐ lump sum
- ☐ annual installments over ____ years (not to exceed 10 years)

The undersigned acknowledges that this election is irrevocable and replaces any and all prior elections as to the manner of distribution for all Fees (and earnings), which were deferred or may be deferred under the Deferred Compensation Plan for Non-Employee Directors.

By: _____

Date: _____

Return completed form to:

Cynthia Heath, Station 2988
Emerson Electric Co.
8000 W. Florissant Avenue
St. Louis, MO 63136

**EMERSON ELECTRIC CO.
PENSION RESTORATION PLAN
As Amended and Restated Effective January 1, 2005
(2005 Document)**

WHEREAS, Emerson Electric Co. ("Company") previously adopted the Supplemental Executive Retirement Plan ("Plan") to provide for the payment of a competitive retirement income and thereby attract and retain selected executives; and

WHEREAS, the Company desires to amend and restate the Plan effective as of January 1, 2005, to the extent necessary to incorporate the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, and to change the name of the Plan to the Emerson Electric Co. Pension Restoration Plan; and

WHEREAS, the Company intends that deferrals and credits earned and vested as of December 31, 2004 shall be "grandfathered" and governed by the Pre-2005 Plan document as in effect as of December 31, 2004;

NOW, THEREFORE, with respect to amounts earned or vested under the Plan on or after January 1, 2005, the Plan is amended and restated, effective January 1, 2005, to read as follows:

SECTION I
DEFINITIONS

- A. "Beneficiary" means the Beneficiary designated by the Participant to receive a death benefit under the Plan.
- B. "Change of Control" means a change in the ownership or effective control of a corporation or a change in the ownership of a substantial portion of the assets of a
-

corporation under Code Section 409A to the fullest extent allowed by such Section and the regulations promulgated thereunder.

- C. “Code” means the Internal Revenue Code of 1986, as amended.
- D. “Committee” means the Compensation Committee of the Board of Directors of the Company.
- E. “Company” means Emerson Electric Co., a Missouri corporation.
- F. “Employee” means an Employee of an Employer.
- G. “Employer” means the Company and any of its subsidiaries or affiliates which has, with the consent of the Board of Directors of the Company, adopted the Plan.
- H. “Employment” means employment with an Employer.
- I. “Normal Retirement Benefit” means the normal retirement benefit to which a Participant is entitled under Section 5-1 of the Retirement Plan, computed without regard to the limitations of Section 18.6 of the Retirement Plan and without regard to the limitation on the amount of compensation which may be taken into account under Section 401(a)(17) of the Code and by adding to compensation for each calendar year the amount which the Participant elected to defer under the Emerson Electric Co. Savings Investment Restoration Plan for such year.
- J. “Normal Retirement Benefit Under the Retirement Plan” means the Normal Retirement Benefit to which a Participant is entitled under Section 5-1 of the Retirement Plan as limited by Section 18.6 of the Retirement Plan and by the amount of compensation which may be taken into account under Section 401(a)(17) of the Code.
- K. “Participant” means an Employee eligible to participate in the Plan pursuant to Section II.

L. “Plan” means this Emerson Electric Co. Pension Restoration Plan.

M. “Retirement Plan” means the Emerson Electric Co. Retirement Plan.

N. “Specified Employee” means a key employee (as defined in Code Section 416(i) without regard to Code Section 416(i)(5)) determined in accordance with the meaning of such term under Code Section 409A and the regulations promulgated thereunder.

O. “Surviving Spouse” means the surviving spouse of a deceased Participant to whom such Participant had been married for at least one full year as of the date of the Participant’s death.

P. “Survivor Benefit” means a monthly benefit for the life of the Surviving Spouse equal to 50% of the monthly benefit to which the Participant would be entitled computed as if the Participant commenced receiving benefits on the date of his death in the form of a straight life annuity of equivalent actuarial value to the benefit accrued under Section III-A using the same actuarial assumptions as are used in computing equivalent actuarial values under the Retirement Plan.

SECTION II

ELIGIBILITY

Participation in the Plan shall be limited to those Employees whom the Committee selects by written notice to the Participant.

SECTION III

BENEFITS

A Participant who terminates Employment with a vested benefit under the Retirement Plan shall receive a monthly benefit under the Plan which, when expressed as a straight life annuity with sixty (60) monthly payments guaranteed, is equal to the sum of his

Normal Retirement Benefit reduced by the sum of his Normal Retirement Benefit Under the Retirement Plan and his benefit under the Emerson Electric Co. Pension Restoration Plan (Pre-2005 Document), expressed as a straight life annuity with sixty (60) monthly payments guaranteed.

SECTION IV
TIME AND FORM OF PAYMENTS

A. Except as otherwise provided herein, the benefit payable under Section III shall commence on the first day of the month coincident with or next following the later of (a) the date the Participant attains age 65 or (b) the date the Participant terminates Employment. The benefit shall be payable for the life of the Participant with sixty (60) monthly payments guaranteed. If the Participant dies prior to receiving sixty (60) monthly payments, the unpaid installments shall be paid to his Beneficiary.

B. Notwithstanding Section IV-A, if the benefit becomes payable due to the Participant's termination of Employment and such Participant is a Specified Employee, payment of such benefit shall be made or commence on the first day of the seventh month immediately following the Participant's termination of Employment if such date is later than the date such deferred amounts would otherwise be paid or commence to be paid.

C. Notwithstanding Section IV-A, a Participant may make a written election before any annuity payment has been made to change the form of payment from the designated life annuity to a type of annuity set forth in Appendix A attached hereto, provided that the annuities are actuarially equivalent applying reasonable actuarial methods and assumptions and retain the same scheduled date for the first annuity payment. For purposes of this Section IV-C, a joint and survivor annuity will not fail to be treated as actuarially equivalent to a single life

annuity due solely to the value of a subsidized survivor annuity benefit, provided that the annual lifetime annuity benefit available to the participant under the joint and survivor annuity is not greater than the annual lifetime annuity benefit available to the service provider under the single life annuity, and provided that the annual survivor annuity benefit is not greater than the annual lifetime benefit available to the participant under the joint and survivor annuity.

SECTION V

PRE-RETIREMENT DEATH BENEFIT

If a Participant dies in Employment leaving a Surviving Spouse, such Spouse shall receive the Survivor Benefit. Payment of the Survivor Benefit shall commence on the earliest date that the pre-retirement death benefit under the Retirement Plan could commence.

SECTION VI

CHANGE OF CONTROL

Notwithstanding anything else contained in the Plan, in the event of a Change of Control, all accrual of benefits under this Plan shall cease and each Participant shall become fully vested in his accrued benefits as of the date of the Change of Control, even if he is not fully vested under the Retirement Plan. Whether a Change of Control has occurred shall be governed by Code Section 409A and the regulations and any guidance promulgated thereunder. Each Participant shall receive a lump sum payment of the actuarial equivalent of his accrued benefits (using an interest rate of 6.5% and the UP84 mortality table) on the date of the Change of Control.

SECTION VII

FORFEITURE OF BENEFITS

If any Participant entitled to a benefit under the Plan is discharged for cause, or enters into competition with the Company, or interferes with the relations between the Company and any customer, or engages in any activity that would result in any decrease of, or loss in, sales by the Company, the rights of such Participant to a benefit under the Plan, including the rights of a Surviving Spouse to a benefit, will be forfeited, unless the Committee determines that such activity is not detrimental to the best interests of the Company. However, if the individual ceases such activity and notifies the Committee of this action, then the Participant's right to receive a benefit, and any right of a Surviving Spouse to a benefit, may be restored within 60 days of said notification, unless the Committee in its sole discretion determines that the prior activity has caused serious injury to the Company, which determination shall be final and conclusive.

SECTION VIII
ADMINISTRATION AND CLAIMS PROCEDURE

- A. The Committee shall construe, interpret and administer all provisions of the Plan and a decision of a majority of the members of the Committee shall govern.
- B. A decision of the Committee may be made by a written document signed by a majority of the members of the Committee or by a meeting of the Committee. The Committee may authorize any of its members to sign documents or papers on its behalf.
- C. The Committee may appoint such agents, who need not be members of the Committee, as it may deem necessary for the effective exercise of its duties, and may, to the extent not inconsistent herewith, delegate to such agents any powers and duties, both ministerial and discretionary, as the Committee may deem expedient and appropriate.
- D. No member of the Committee shall make any decision or take any action covering exclusively his own benefits under the Plan, but all such matters shall be decided by a

majority of the remaining members of the Committee or, in the event of inability to obtain a majority, by the Board of Directors of the Company.

E. A Participant who believes that he is being denied a benefit to which he is entitled (hereinafter referred to as “Claimant”) may file a written request for such benefit with the Committee setting forth his claim. The request must be addressed to: Compensation Committee, Emerson Electric Co., 8000 West Florissant, St. Louis, Missouri 63136.

F. Upon receipt of a claim the Committee shall advise the Claimant that a reply will be forthcoming within 90 days and shall in fact deliver such reply in writing within such period. The Committee may, however, extend the reply period for an additional 90 days for reasonable cause. If the claim is denied in whole or in part, the Committee will adopt a written opinion using language calculated to be understood by the Claimant setting forth:

1. the specific reason or reasons for denial,
2. the specific references to pertinent Plan provisions on which the denial is based,
3. a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation why such material or such information is necessary,
4. appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review, and
5. the time limits for requesting a review under Subsection G and for the review under Subsection H.

G. Within sixty days after the receipt by the Claimant of the written opinion described above, the Claimant may request in writing that the Chief Executive Officer of the

Company review the determination of the Committee. Such request must be addressed to: Chief Executive Officer, Emerson Electric Co., 8000 West Florissant, St. Louis, Missouri 63136. The Claimant or his duly authorized representative may, but need not, review the pertinent documents and submit issues and comments in writing for consideration by the Chief Executive Officer. If the Claimant does not request a review of the Committee's determination by the Chief Executive Officer within such sixty-day period, he shall be barred and estopped from challenging the Committee's determination.

H. Within sixty days after the Chief Executive Officer's receipt of a request for review, he will review the Committee's determination. After considering all materials presented by the Claimant, the Chief Executive Officer will render a written opinion, written in a manner calculated to be understood by the Claimant, setting forth the specific reasons for the decision and containing specific references to the pertinent Plan provisions on which the decision is based. If special circumstances require that the sixty-day time period be extended, the Chief Executive Officer will so notify the Claimant and will render the decision as soon as possible but not later than 120 days after receipt of the request for review.

SECTION IX **MISCELLANEOUS**

- A. Plan Year. The Plan Year shall be the calendar year.
- B. Spendthrift. No Participant or beneficiary shall have the right to assign, transfer, encumber or otherwise subject to lien any of the benefits payable or to be payable under this Plan and any attempt to do so shall be null and void.
- C. Incapacity. If, in the opinion of the Committee, a person to whom a benefit is payable is unable to care for his affairs because of illness, accident or any other reason,

any payment due the person, unless prior claim therefor shall have been made by a duly qualified guardian or other duly appointed and qualified representative of such person, may be paid to some member of the person's family, or to some party who, in the opinion of the Committee, has incurred expense for such person. Any such payment shall be a payment for the account of such person and shall be a complete discharge of any liability.

D. Employee Rights. The Employer, in adopting this Plan, shall not be held to create or vest in any Employee or any other person any benefits other than the benefits specifically provided herein, or to confer upon any Employee the right to remain in the service of the Employer.

E. Service of Process and Plan Administrator.

1. The Vice President-Law of the Company shall be the agent for service of legal process.
2. The Company shall constitute the Plan Administrator.

F. Unfunded Plan. The Plan shall be unfunded. All payments to a Participant under the Plan shall be made from the general assets of the Employer. The rights of any Participant to payment shall be those of an unsecured general creditor of the Company.

G. Company Rights. The Company reserves the right to amend or terminate the Plan. Each Employer may terminate its participation in the Plan at any time. In the event the Plan is terminated, benefits shall become payable only to the extent permissible under the regulations promulgated by the Secretary of Treasury pursuant to Code Section 409A and in the manner set forth therein.

H. No Guarantee of Tax Consequences. While the Company has established and maintains the Plan, the Company makes no representation, warranty, commitment or

guarantee concerning the income or other tax consequences of participation in the Plan under federal, state or local law.

I. Governing Law. The Plan shall be governed and construed according to the laws of the State of Missouri.

J. Payment Date. In all cases in which amounts are payable upon a fixed date, payment is deemed to be made upon the fixed date if the payment is made on such date or a later date within the same calendar year or, if later, by the 15th day of the third calendar month following the specified date (provided the Participant is not permitted, directly or indirectly, to designate the taxable year of payment). In addition, a payment is treated as made upon the date specified under the Plan if the payment is made no earlier than 30 days before the designated payment date and the Participant is not permitted, directly or indirectly, to designate the taxable year of payment.

APPENDIX A

OPTIONAL FORMS OF LIFE ANNUITY

Life Annuity and 120 Months Certain

Joint and 50% Survivor Annuity

Joint and 66 2/3% Survivor Annuity

Joint and 75% Survivor Annuity

Joint and 100% Survivor Annuity



Cynthia G. Heath
Vice President
Executive Compensation

Emerson Electric Co.
8000 W. Florissant Ave.
St. Louis, MO 63105

T (314) 553 2157
F (314) 553 3590
E cynthia.heath@emrson.com

Date

Dear _____:

The Compensation Committee has approved your participation in the Emerson Pension Restoration Plan (Restoration Plan). As you know, this non-qualified plan supplements the Emerson qualified Pension Plan and replaces those benefits you would have received from the qualified plan were it not for the restrictions imposed by law. In addition, the Restoration Plan provides that no benefit will be paid prior to the participant's age 65 normal retirement date and that benefits will be forfeited if the participant engages in activities detrimental to Emerson.

Attached is a copy of the plan document along with the projected Restoration Plan benefit prepared by Towers Perrin. These projections were calculated based on a future salary increase assumption of _____%, a cost of living increase assumption of _____% and a future Social Security wage based assumption of _____%.

Please review the plan document and sign and return the Acceptance of Award form and return to me by _____.

Please do not hesitate to call if you have any questions.

Sincerely,

Cynthia G. Heath

Enclosures

CGH/ph

cc: Kevin Espey
Swati Anant

pension restoration plan letter a

Emerson Electric Co.
Pension Restoration Plan

Acceptance of Award

On _____, 20__, the Compensation Committee of the Board of Directors of Emerson Electric Co. awarded
_____ participation in the Emerson Pension Restoration Plan ("Plan").

Acknowledgment

The undersigned, _____, recipient of the Award, hereby accepts said Award on the terms, conditions and provisions
contained in the Plan. The undersigned acknowledges receipt of a copy of the Plan and understands that his/her rights in respect of his/her participation may be
forfeited as provided in the Plan.

Dated _____, 20__

Name

Signature

[For Participants only in the Pension Restoration Plan and not in the grandfathered Supplemental Executive Retirement Plan]

EMERSON ELECTRIC CO. – CORPORATE DIVISION
PENSION RESTORATION PLAN
BENEFIT ELECTION FORM

Participant: _____

Soc. Sec. No.: _____

I. FORM OF BENEFIT

I hereby elect that my benefits under the Emerson Electric Co. Pension Restoration Plan, which accrued or became vested on or after January 1, 2005, shall be distributed as follows (**select one**):

- ☐ Life Annuity and 60 Months Certain. Estimated \$ _____ annually (\$ _____ monthly) payable for your lifetime. If you die before receiving 60 monthly payments, the balance of the 60 monthly payments will be made to your beneficiary.
- ☐ Life Annuity and 120 Months Certain. Estimated \$ _____ annually (\$ _____ monthly) payable for your lifetime. If you die before receiving 120 monthly payments, the balance of the 120 monthly payments will be made to your beneficiary.

If you select a joint and survivor annuity, benefits will be paid during your lifetime, and thereafter during the lifetime of your surviving contingent annuitant. You may elect to provide a survivor benefit for your contingent annuitant equal to 50%, 66-2/3%, 75% or 100% of your monthly lifetime benefit. The exact amount of your lifetime benefit and the survivor benefit payable to your contingent annuitant will depend on your age and on the age of the contingent annuitant. If your contingent annuitant dies during your lifetime, but after payments have commenced, there will be no survivor's benefit, and the amount of your benefit will not be increased. For purposes of the estimates below, we have calculated your annual benefit using the age of the contingent annuitant you elected under the Emerson Electric Co. Retirement Plan. Therefore, these estimates will differ if you select a different contingent annuitant.

- ☐ 50% Joint and Survivor Annuity. Estimated \$ _____ annually (\$ _____ monthly) payable for your lifetime.
- ☐ 66-2/3% Joint and Survivor Annuity. Estimated \$ _____ annually (\$ _____ monthly) payable for your lifetime.
- ☐ 75% Joint and Survivor Annuity. Estimated \$ _____ annually (\$ _____ monthly) payable for your lifetime.
- ☐ 100% Joint and Survivor Annuity. Estimated \$ _____ annually (\$ _____ monthly) payable for your lifetime.

If you fail to make a timely election as to how you wish to receive your Non-Qualified benefits, your accrued benefits will be paid as a life annuity with 60 months certain.

II. BENEFICIARY/CONTINGENT ANNUITANT

I hereby elect that after my death, payment of any remaining guaranteed installments (if a life annuity is elected) or the survivor annuity (if a joint and survivor annuity is elected) shall be made to the following individual:

Name: _____

Relationship: _____

The undersigned acknowledges that an election as to the Form of Benefit Payment and any contingent annuitant becomes irrevocable once benefits commence.

Signature: _____

Date: _____

(POST-2004 PARTICIPANTS)

EMERSON ELECTRIC CO. – CORPORATE DIVISION
NON-QUALIFIED BENEFIT ELECTION FORM

Participant: _____

Soc. Sec. No.: _____

I. PRE-2005 NON-QUALIFIED BENEFITS

Your Non-Qualified benefits, which were accrued and vested as of December 31, 2004 under the Supplemental Executive Retirement Plan, shall be paid under the same Form of Benefit Payment which you elect under the Emerson Electric Co. Retirement Plan ("Qualified Plan"). The amount of such Non-Qualified benefit under each optional form of Benefit Payment is shown as follows:

Life Annuity and 60 Months Certain. \$ _____ *annually* (\$ _____ *monthly*) commencing on your Projected Benefit Commencement Date and payable for your lifetime. If you die before receiving 60 monthly payments, the balance of the 60 monthly payments will be made to your beneficiary.

Life Annuity and 120 Months Certain. \$ _____ *annually* (\$ _____ *monthly*) commencing on your Projected Benefit Commencement Date and payable for your lifetime. If you die before receiving 120 monthly payments, the balance of the 120 monthly payments will be made to your beneficiary.

Contingent Survivor Annuity. A monthly benefit commencing on your Benefit Commencement Date. Benefits will be paid during your lifetime, and thereafter during the lifetime of your surviving contingent annuitant. You may elect to provide a survivor benefit for your contingent annuitant equal to 50%, 66-2/3%, 75% or 100% of your monthly lifetime benefit. The exact amount of your lifetime benefit and the survivor benefit payable to your contingent annuitant depends on your age and on the age of the contingent annuitant that you name. If your contingent annuitant dies during your lifetime, but after your Benefit Commencement Date, there will be no survivor's benefit, and the amount of your benefit will not be increased. *Your estimated benefit commencing on your Benefit Commencement Date is as follows:*

Based on Contingent Annuitant

50% J&S
66-2/3% J&S
75% J&S
100% J&S

Date of Birth

\$ _____ *annually* (\$ _____ *monthly*)
\$ _____ *annually* (\$ _____ *monthly*)
\$ _____ *annually* (\$ _____ *monthly*)
\$ _____ *annually* (\$ _____ *monthly*)

II. POST-2004 NON-QUALIFIED BENEFITS

Your Non-Qualified benefits, which accrued or became vested on or after January 1, 2005 under the Pension Restoration Plan, shall be paid under the Form of Benefit Payment you elect below (**select one**):

- ☐ Life Annuity and 60 Months Certain. \$ _____ *annually* (\$ _____ *monthly*) payable for your lifetime. If you die before receiving 60 monthly payments, the balance of the 60 monthly payments will be made to your beneficiary.
- ☐ Life Annuity and 120 Months Certain. \$ _____ *annually* (\$ _____ *monthly*) payable for your lifetime. If you die before receiving 120 monthly payments, the balance of the 120 monthly payments will be made to your beneficiary.

If you select a joint and survivor annuity, benefits will be paid during your lifetime, and thereafter during the lifetime of your surviving contingent annuitant. The exact amount of your lifetime benefit and the survivor benefit payable to your contingent annuitant will depend on your age and on the age of the contingent annuitant. If your contingent annuitant dies during your lifetime, but after payments have commenced, there will be no survivor's benefit, and the amount of your benefit will not be increased. For purposes of the estimates below, we have calculated your annual benefit using the age of the contingent annuitant you elected under the Qualified Plan. Therefore, these estimates will differ if you select a different contingent annuitant.

- ☐ 50% Joint and Survivor Annuity. \$ _____ *annually* (\$ _____ *monthly*) payable for your lifetime.
- ☐ 66 2/3% Joint and Survivor Annuity. \$ _____ *annually* (\$ _____ *monthly*) payable for your lifetime.
- ☐ 75% Joint and Survivor Annuity. \$ _____ *annually* (\$ _____ *monthly*) payable for your lifetime.
- ☐ 100% Joint and Survivor Annuity. \$ _____ *annually* (\$ _____ *monthly*) payable for your lifetime.

If you fail to make a timely election as to how you wish to receive your post-2004 vested Non-Qualified benefits, such accrued benefits will be paid as a life annuity with 60 months certain.

III. BENEFICIARY/CONTINGENT ANNUITANT FOR POST-2004 NON-QUALIFIED BENEFITS

After my death, payment of any remaining guaranteed monthly installments (in the case of a life annuity) or the survivor annuity (in the case of a joint and survivor annuity) relating to my post-2004 benefits shall be made to the following individual:

Name: _____

Relationship: _____

The undersigned acknowledges that an election as to the Form of Benefit Payment and any contingent annuitant becomes irrevocable once benefits commence.

Signature: _____

Date: _____

(PRE-2005 PARTICIPANTS)

**THE EMERSON ELECTRIC CO.
SAVINGS INVESTMENT RESTORATION PLAN
As Amended and Restated Effective January 1, 2005
(2005 Document)**

WHEREAS, Emerson Electric Co. ("Company") previously adopted the Supplemental Executive Savings Investment Plan ("Plan") effective as of August 1, 1989, in order to attract and retain selected executives; and

WHEREAS, the Company desires to amend and restate the Plan effective as of January 1, 2005, to the extent necessary to incorporate the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, and to change the name of the Plan to the Emerson Electric Co. Savings Investment Restoration Plan; and

WHEREAS, the Company intends that deferrals and credits earned and vested as of December 31, 2004 shall be "grandfathered" and governed by the Pre-2005 Plan document as in effect as of December 31, 2004;

NOW, THEREFORE, with respect to amounts deferred or which become vested under the Plan on or after January 1, 2005, the Plan is amended and restated, effective January 1, 2005, to read as follows:

SECTION I

DEFINITIONS

- A. "Account" means the book entry account established for each Participant under Section IV.
- B. "Annual Election" means the agreement entered into between a Participant and the Company, on the form prescribed by the Company, in which the Participant elects the
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amount of Compensation to be deferred and such other matters as the Company shall determine from time to time.

- C. “Basic ESIP Contribution” means the Participant’s contribution to the ESIP with respect to which the Participant’s Employer makes a matching contribution.
- D. “Beneficiary” means the person designated to receive a death benefit under the Plan.
- E. “Change of Control” means a change in the ownership or effective control of a corporation or a change in the ownership of a substantial portion of the assets of a corporation under Code Section 409A to the fullest extent allowed by such Section and the regulations promulgated thereunder.
- F. “Code” means the Internal Revenue Code of 1986, as amended.
- G. “Committee” means the Compensation Committee of the Board of Directors of the Company.
- H. “Company” means Emerson Electric Co., a Missouri Corporation.
- I. “Compensation” means, for any calendar year, all cash pay for such year received by an Employee from the Employer plus amounts contributed through a salary reduction arrangement to a qualified Plan which meets the requirements of Section 401(k) of the Code or to a cafeteria plan which meets the requirements of Section 125 of the Code, excluding any reimbursed item, any payment under any Emerson Electric Co. Performance Share Bonus Plan or Incentive Shares Plan, any payment for a stock appreciation right, any payment deferred for more than one year and any severance pay. Compensation shall also include amounts deferred by the Employee under this Plan.
- J. “Employee” means any person employed by an Employer.

- K. “Employer” means the Company and any of its subsidiaries or affiliates which has, with the consent of the Board of Directors of the Company, adopted the Plan.
- L. “Employment” means employment with an Employer.
- M. “ESIP” means the Emerson Electric Co. Employee Savings Investment Plan.
- N. “Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.
- O. “Participant” means an eligible Employee who has timely filed a Participation Agreement and an Annual Election and for whom the Company maintains an Account pursuant to the provisions of the Plan.
- P. “Participation Agreement” means the written document by which an Eligible Employee agrees to be subject to the terms of the Plan, designates his Beneficiary(ies), and elects the form of payment in the event benefits become payable due to his termination of Employment at retirement.
- Q. “Plan” means this Emerson Electric Co. Savings Investment Restoration Plan.
- R. “Reporting Person” means an Employee who is required to file reports with the Securities and Exchange Commission pursuant to Section 16(a) of the Exchange Act.
- S. “Specified Employee” means a key employee (as defined in Code Section 416(i) without regard to Code Section 416(i)(5)) determined in accordance with the meaning of such term under Code Section 409A and the regulations promulgated thereunder.
- T. “Total and Permanent Disability” shall have the same meaning as set forth in the ESIP.

U. “Unforeseeable Emergency.” means a severe financial hardship to a Participant resulting from an illness or accident of the Participant, his spouse, his beneficiary, or a dependent (as defined in Code Section 152(a)) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

V. “Years of Service” means the most recent consecutive full years of Employment (commencing with the first day of an individual's Employment and each anniversary thereof).

SECTION II

ELIGIBILITY AND PARTICIPATION

Eligibility for participation in the Plan shall be limited each calendar year to those Employees who have been selected by the Committee from time to time. Such Employees may participate in the Plan by executing a Participation Agreement and filing an Annual Election in accordance with Section III.

SECTION III

DEFERRAL OF COMPENSATION

A. Prior to January 1, 2008, the following amounts of Compensation may be deferred under the Plan:

(i) Any Participant who elects to make either the maximum pre-tax contribution to the ESIP for the calendar year permitted by Section 402(g) of the Code, or the maximum contribution to the ESIP for the ESIP plan year permitted by Sections 401(a)(17) or 415 of the Code, may elect to defer up to the excess of five percent (5%) of his Compensation over his Basic ESIP Contribution for such calendar year.

(ii) In addition to deferrals permitted under subparagraph (i) above, each Participant may elect to defer up to fifteen percent (15%) of his Compensation for a calendar year.

(iii) The maximum amount which may be deferred for any calendar year for any Participant is twenty percent (20%) of his Compensation, minus his contribution for such calendar year to the ESIP.

B. On or after January 1, 2008, each Participant may elect to defer up to twenty percent (20%) of his Compensation for a calendar year.

C. Each year a Participant may elect the amount of Compensation to be deferred by filing an irrevocable Annual Election with the Committee no later than the December 31 prior to the calendar year for which such Compensation would otherwise be earned. If a Participant fails to timely file an Annual Election, he shall be deemed to have elected not to make any deferrals for the applicable Plan Year.

D. Notwithstanding Paragraph C, an employee who first becomes eligible to participate in the Plan during a Plan Year may file an Annual Election to defer amounts pursuant to Sections III.A or III.B within thirty (30) days after the date he first becomes eligible to participate in the Plan but only with respect to the Compensation relating to services to be performed subsequent to such election. This initial Annual Election rule also applies to a Participant who stopped participating in the Plan without receiving a distribution from the Plan either as a result of termination of employment or transferring to a position in which the Participant was ineligible to participate in the Plan, provided the Participant has not been an active Participant in the Plan (or any other nonqualified account balance plan maintained by the Company or any member of the Company's controlled group) for at least 24 months.

SECTION IV

ESTABLISHMENT OF ACCOUNTS

A. The Committee will establish an Account for the benefit of each Participant. As of each payroll date, the Account of each Participant will be credited with the amount by which the Participant elected to defer his Compensation pursuant to Section III.

B. Each Participant's Account shall be credited with matching amounts as follows:

(i) Prior to January 1, 2008, a Participant's account will also be credited, as of each payroll date, with fifty percent (50%) (but not in excess of 2.5% of a Participant's Compensation and minus the matching amounts contributed by the Company for such Participant to the ESIP on account of the Participant's Basic ESIP Contribution for such calendar year) of the amount by which the Participant elected to defer his Compensation pursuant to Section III.A(i).

(ii) On or after January 1, 2008, a Participant's account will also be credited, as of each payroll date, with fifty percent (50%) (but not in excess of 2.5% of a Participant's Compensation and minus the matching amounts contributed by the Company for such Participant to the ESIP on account of the Participant's Basic ESIP Contribution for such calendar year) of the first five percent (5%) of Compensation which the Participant elected to defer pursuant to Section III.B, provided Participant has elect to defer at least five percent (5%) of Compensation thereunder.

C. The Account will be reduced by any payments made under Section VIII.

D. Neither the Plan nor any Account shall hold any actual funds or assets.

SECTION V

INVESTMENT INDICES

The value of each Participant's Account shall be measured as follows: (a) all amounts invested in the Plan prior to January 1, 1998 shall be measured against the underlying investment funds of the ESIP in the proportions reflected in the Company's records for such Participant's Account; and (b) all amounts invested in the Plan on or after January 1, 1998 shall be measured against the underlying investment funds of the ESIP in the proportions that the Participant's ESIP accounts are invested in the underlying funds of the ESIP.

SECTION VI

CREDITING OF INVESTMENT GAINS AND LOSSES

As of the end of each calendar quarter, the Committee shall credit or debit each Participant's Account, as the case may be, with the appropriate amount of gain or loss assuming such Account had been invested in the underlying funds in the ESIP in the manner set forth under Section V.

SECTION VII

VESTING

A. A Participant shall be fully vested in the portion of his Account attributable to amounts credited under Section IV.A. A Participant shall be vested in the portion of his Account attributable to amounts credited under Section IV.B pursuant to the following schedule:

<u>Years of Service</u>	<u>Percent Vesting</u>
Less than 1	0%
1	20%
2	40%
3	60%
4	80%
5	100%

B. Notwithstanding the foregoing, the Participant shall be fully vested in his Accounts in the event of any of the following: (i) retirement with the approval of the Committee on or after attainment of age fifty-five (55); (ii) death or Total and Permanent Disability of the Participant; (iii) termination of the Plan; or (iv) a Change of Control.

SECTION VIII

PAYMENT OF BENEFITS

A. Unless otherwise provided herein, a Participant shall be paid on the January 1 of the calendar year immediately following the calendar year in which his termination of Employment occurs a single lump cash sum equal to the vested portion of his Account based upon the last valuation under Section V coincident with or immediately preceding such termination of Employment; provided, however, that a Participant whose termination of Employment is due to his retirement shall receive his vested Account in either a lump sum or in up to ten (10) equal annual installments as elected by the Participant on his Participation Agreement. Installments shall commence on January 1st of the calendar year immediately following the calendar year in which the Participant's retirement occurs. For purposes of this Plan only, "retirement" means termination of employment on or after age 55. In the event that a Participant was not required to elect a form of payment on his Participation Agreement, such Participant shall have until the time specified by the Company, which shall be no later than December 31, 2007, to make an irrevocable election as to the manner of payment applicable to

all deferrals made after December 31, 2004 and payable in the event of a termination of Employment due to retirement, otherwise, payment shall be made as a single lump sum payment. Notwithstanding the foregoing, an election made pursuant to this Section VIII.A to change the manner of payment shall not apply to any amount that is or becomes payable in the calendar year in which such election is made.

B. On the date of the Participant's death, the vested portion of the Participant's unpaid Account (if any), based upon the value as of the last valuation under Section V coincident with or immediately preceding the Participant's death, shall be paid to his Beneficiary.

C. Notwithstanding Section VIII.A, if the benefit becomes payable due to the Participant's termination of Employment (other than on account of death) and such Participant is a Specified Employee, payment of such benefit shall be made or commence on the first day of the seventh month immediately following the Participant's termination of Employment if such date is later than the date such deferred amounts would otherwise be paid or commence to be paid.

D. Notwithstanding the preceding, in the event of a Change of Control, all future deferrals shall cease and each Participant shall be paid a single lump cash sum equal to the vested portion of his Account as of the last day of the month coincident with or immediately preceding the Change of Control. Whether a Change of Control has occurred shall be governed by Code Section 409A and the regulations and any guidance promulgated thereunder.

E. Upon the request of a Participant and a showing of an Unforeseeable Emergency, the Committee may, if it deems advisable in its sole and absolute discretion, distribute on behalf of the Participant any portion of the Participant's Account, but in no event more than the amount necessary to satisfy such emergency plus amounts necessary to pay taxes

reasonably anticipated as a result of the distribution, after taking into consideration the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise, by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship) or by cessation of deferrals under this Plan. If the Participant is a Reporting Person, such request must be made at least six (6) months after the date of the Participant's most recent election, with respect to any plan of the Company, that effected a "discretionary transaction" that was an "acquisition," as those terms are defined in Rule 16b-3 under the Exchange Act. Any amount which becomes payable by reason of an Unforeseeable Emergency shall be distributed as a lump sum on the date the Committee approves the hardship distribution and the Participant's Account shall be reduced by the amount so distributed and/or utilized.

F. In all cases in which amounts are payable upon a fixed date, payment is deemed to be made upon the fixed date if the payment is made on such date or a later date within the same calendar year or, if later, by the 15th day of the third calendar month following the specified date (provided the Participant is not permitted, directly or indirectly, to designate the taxable year of payment). In addition, a payment is treated as made upon the date specified under the Plan if the payment is made no earlier than 30 days before the designated payment date and the Participant is not permitted, directly or indirectly, to designate the taxable year of payment.

G. A Participant shall designate on his Participation Agreement one or more Beneficiaries who shall receive the benefit payable under Section VIII.B in the event of the Participant's death. A Beneficiary designation may be revoked or amended by a Participant at any time by providing written notice to the Executive Compensation Executive of Emerson. In

the event that a designated Beneficiary predeceases the Participant, benefits shall be payable to the deceased Participant's estate.

SECTION IX

ADMINISTRATION AND CLAIMS PROCEDURE

A. The Committee shall have the full power, authority and discretion to construe, interpret and administer all provisions of the Plan and a decision of a majority of the members of the Committee shall govern.

B. A decision of the Committee may be made by a written document signed by a majority of the members of the Committee or by a meeting of the Committee. The Committee may authorize any of its members to sign documents or papers on its behalf.

C. The Committee may appoint such agents, who need not be members of the Committee, as it may deem necessary for the effective exercise of its duties, and may, to the extent not inconsistent herewith, delegate to such agents any powers and duties, both ministerial and discretionary, as the Committee may deem expedient and appropriate.

D. A Participant who believes that he is being denied a benefit to which he is entitled (hereinafter referred to as "Claimant") may file a written request for such benefit with the Committee setting forth his claim. The request must be addressed to: Compensation Committee, Emerson Electric Co., 8000 West Florissant, St. Louis, Missouri 63136.

E. Upon receipt of a claim the Committee shall advise the Claimant that a reply will be forthcoming within ninety (90) days and shall in fact deliver such reply in writing within such period. The Committee may, however, extend the reply period for an additional ninety (90) days for reasonable cause. If the claim is denied in whole or in part, the Committee

will adopt a written opinion using language calculated to be understood by the Claimant setting forth:

- (i) the specific reason or reasons for denial,
- (ii) the specific references to pertinent Plan provisions on which the denial is based,
- (iii) a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation why such material or such information is necessary,
- (iv) appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review, and
- (v) the time limits for requesting a review under Section IX.F and Section IX.G.

F. Within sixty (60) days after the receipt by the Claimant of the written opinion described above, the Claimant may request in writing that the Chief Executive Officer of the Company review the determination of the Committee. Such request must be addressed to: Chief Executive Officer, Emerson Electric Co., 8000 West Florissant, St. Louis, Missouri 63136. The Claimant or his duly authorized representative may, but need not, review the pertinent documents and submit issues and comments in writing for consideration by the Chief Executive Officer. If the Claimant does not request a review of the Committee's determination by the Chief Executive Officer within such sixty-day period, he shall be barred and estopped from challenging the Committee's determination.

G. Within sixty (60) days after the Chief Executive Officer's receipt of a request for review, the Chief Executive Officer will review the Committee's determination. After considering all materials presented by the Claimant, the Chief Executive Officer will

render a written opinion, written in a manner calculated to be understood by the Claimant, setting forth the specific reasons for the decision and containing specific references to the pertinent Plan provisions on which the decision is based. If special circumstances require that the sixty-day time period be extended, the Chief Executive Officer will so notify the Claimant and will render the decision as soon as possible but not later than one hundred twenty (120) days after receipt of the request for review.

SECTION X

MISCELLANEOUS

- A. Plan Year. The Plan Year shall be the calendar year.
- B. Spendthrift. No Participant or Beneficiary shall have the right to assign, transfer, encumber or otherwise subject to lien any of the benefits payable or to be payable under this Plan and any attempt to do so shall be null and void.
- C. Incapacity. If, in the opinion of the Committee, a person to whom a benefit is payable is unable to care for his affairs because of illness, accident or any other reason, any payment due the person, unless prior claim therefor shall have been made by a duly qualified guardian or other duly appointed and qualified representative of such person, may be paid to some member of the person's family, or to some party who, in the opinion of the Committee, has incurred expense for such person. Any such payment shall be a payment for the account of such person and shall be a complete discharge of any liability.
- D. Employee Rights. The Employer, in adopting this Plan, shall not be held to create or vest in any Employee or any other person any benefits other than the benefits specifically provided herein, or to confer upon any Employee the right to remain in the service of the Employer.

E. Service of Process and Plan Administrator.

(i) The Vice President-Law of the Company shall be the agent for service of legal process.

(ii) The Company shall constitute the Plan Administrator.

F. Unfunded Plan. The Plan shall be unfunded. All payments to a Participant (or the Participant's Beneficiary) under the Plan shall be made from the general assets of the Employer. The rights of any Participant to payment shall be those of an unsecured general creditor of the Employer.

G. Company Rights. The Company reserves the right to amend or terminate the Plan. Each Employer may terminate its participation in the Plan at any time. In the event the Plan is terminated, benefits shall become payable only to the extent permissible under the regulations promulgated by the Secretary of Treasury pursuant to Code Section 409A and in the manner set forth therein.

H. Validity. In the event any provision of the Plan is held invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of the Plan.

I. No Guarantee of Tax Consequences. While the Company has established and maintains the Plan, the Company makes no representation, warranty, commitment or guarantee concerning the income or other tax consequences of participation in the Plan under federal, state or local law.

J. Governing Law. The Plan shall be governed and construed according to the laws of the State of Missouri.

**EMERSON ELECTRIC CO.
SAVINGS INVESTMENT RESTORATION PLAN
ANNUAL ELECTION FORM**

For Calendar Year 2008

A. EMPLOYEE INFORMATION

Full Name: _____

SSN: _____

Home Address: _____

Date of Birth: _____

Date of Hire: _____

Badge #: _____

B. CONTRIBUTION ELECTION

The first five percent (5%) of compensation you elect to contribute to the Plan shall be matched at 50 cents on the dollar, subject to a limit of 2.5% of compensation and reduced by the amount of any match provided under the Emerson Electric Co. Employee Savings Investment Plan (ESIP).

I hereby elect to defer receipt of the following percentage of my cash compensation (base and bonus) each applicable payroll period of the 2008 calendar year on a pre-tax basis (check one box):

☐ 5%

☐ 6%

☐ 7%

☐ 8%

☐ 9%

☐ 10%

☐ 11%

☐ 12%

☐ 13%

☐ 14%

☐ 15%

☐ 16%

☐ 17%

☐ 18%

☐ 19%

☐ 20%

I understand that this Annual Election Form must be received in the office of Cynthia Heath no later than December 31, 2007 and that any Annual Election Form received after said date shall be of no effect for purposes of the Plan. I further understand that any election made pursuant to this Annual Election Form for the 2008 calendar year shall be irrevocable after December 31, 2007.

Signature: _____

Date: _____

Return completed form to:

Cynthia Heath, Station 2988
Emerson Electric Co.
8000 W. Florissant Avenue
St. Louis, MO 63136

SAVINGS RESTORATION FORM 1

**EMERSON ELECTRIC CO.
SAVINGS INVESTMENT RESTORATION PLAN
PARTICIPATION AGREEMENT**

I hereby acknowledge receipt of a copy of the Savings Investment Restoration Plan ("Plan"), which is hereby made a part of this Agreement. By executing this Agreement, I agree to comply with the terms of the Plan in all respects.

As a participant in the Plan, I understand that I shall have the right, in my sole discretion, to elect to defer up to 20% of my gross compensation on a pre-tax basis for each upcoming calendar year by timely filing an Annual Election Form for such calendar year. I am, however, in no way obligated to make such an election for any year and the failure to make a deferral election for any year will not affect my right to do so for a subsequent calendar year. I understand that any amounts which I elect to defer under the Plan will not be included as compensation under the Emerson Electric Co. Retirement Plan.

I understand that the Annual Election Form for any calendar year must be received in the office of Cynthia Heath no later than December 31 of the preceding calendar year, and that any Annual Election Form received after said date shall be of no effect for purposes of the Plan. I further understand that an election made for any calendar year shall be irrevocable after December 31 of the preceding calendar year.

I understand that in the event my employment terminates due to my retirement, the vested portion of my benefits under the Plan shall be distributed either as a lump sum payment or annual installments as elected in Section I below. I further understand that this election as to the manner of payment is irrevocable and shall govern amounts deferred under my initial Annual Election Form as well as any amounts that I may elect to defer for future calendar years. If I fail to elect a manner of distribution at this time, I understand that any payment due on account of my retirement shall be made as a single lump sum distribution.

Furthermore, I hereby designate the individual(s) named below in Section II as my beneficiary(ies) under the Plan; however, I reserve the right to change my beneficiary as provided under the Plan.

I. MANNER OF DISTRIBUTION (in the event of retirement)

- ☐ Lump Sum
- ☐ Annual Installment Payments over a Period of ____ Years (not to exceed 10)

II. BENEFICIARY DESIGNATION

Full Name of Beneficiary(ies): _____

Your relationship to Beneficiary(ies): _____

Address of Beneficiary(ies): _____

Signature: _____

Date: _____

SAVINGS INVESTMENT RESTORATION PLAN

1. **Name:** _____

2. **Manner of Distribution**

I hereby elect that all deferrals and credits earned and vested under the Savings Investment Restoration Plan as of December 31, 2004 and all amounts deferred or which become vested on or after January 1, 2005, which become payable on account of my termination of employment due to retirement, shall be distributed in the following manner:

- ☐ lump sum
- ☐ annual installments over ____ years (not to exceed 10 years)

The undersigned acknowledges that, while this election is irrevocable with respect to amounts deferred or which become vested under the Savings Investment Restoration Plan on or after January 1, 2005, he or she may change the manner of distribution of deferrals and credits earned and vested as of December 31, 2004 at any time prior to the calendar year in which his or her termination occurs. Unless the undersigned timely files a written request to change the manner in which his or her pre-2005 vested benefits are to be distributed, this election shall govern all amounts which become payable on account of his or her termination of employment. The undersigned further acknowledges that in the event his or her termination of employment occurs in 2007, all vested amounts shall be distributed without regard to the manner of distribution elected on this form.

Signature: _____

Date: _____

Return completed form to:

Cynthia Heath, Station 2988
Emerson Electric Co.
8000 W. Florissant Avenue
St. Louis, MO 63136

EMERSON ELECTRIC CO.
ANNUAL INCENTIVE PLAN
As Amended and Restated Effective January 1, 2005

I. PURPOSE

The purpose of the Emerson Electric Co. Annual Incentive Plan is to provide an annual incentive program for selected key executives which is based upon specific performance criteria established for a given Fiscal Year. In particular, this program is designed to (a) provide an annual incentive whereby a significant portion of such executives' Fiscal Year compensation is based on their efforts in achieving the performance objectives of the Company and/or its subsidiaries or divisions, and (b) attract, motivate and retain key executives on a competitive basis in which total compensation levels are closely linked to the accomplishment of the Company's financial and strategic objectives.

II. DEFINITIONS

The following words shall have the following meanings unless the context clearly requires otherwise:

- A. "Annual Incentive Award" or "Award" means the amount of compensation payable to a Participant under the Program.
 - B. "Board of Directors" means the Board of Directors of Emerson Electric Co.
 - C. "Committee" means the Compensation Committee of the Board of Directors of Emerson Electric Co.
 - D. "Company" means Emerson Electric Co., a Missouri Corporation.
 - E. "Executive Compensation Executive" means the Executive Compensation Executive of Emerson Electric Co.
 - F. "Fiscal Year" means the Fiscal Year of the Company which is currently the twelve-month period ending September 30.
 - G. "Participant" means an executive officer of the Company whom the Committee designates to receive an Award for a Fiscal Year.
 - H. "Program" means this Emerson Electric Co. Annual Incentive Plan.
 - I. "Subsidiary" means any corporation more than 50% of whose stock is owned directly or indirectly by the Company.
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III. ELIGIBILITY

Participation in the Program shall be limited to those executive officers of the Company as the Committee shall determine. Additions or deletions to the Program during a Fiscal Year shall be made only in the event of an unusual circumstance, such as a promotion or new hire.

IV. DETERMINATION OF ANNUAL INCENTIVE AWARDS

Annual Incentive Awards to Participants shall be based upon the accomplishment of specific performance objectives. The Committee shall establish performance objectives based on the following criteria: sales, earnings, earnings per share, pre-tax earnings and net profits, return on equity, and asset management. Performance objectives need not be the same in respect to all Participants and may be established separately for the Company as a whole or for its various groups, divisions, subsidiaries and affiliates. Each of the performance criteria shall be specifically defined by the Committee and may include or exclude specified items of an unusual or non-recurring nature. No Award shall be paid to any Participant if the applicable performance objective(s) are not achieved or if the Program is not approved by stockholders of the Company. In no event shall the total amount of an Award paid to any Participant in any Fiscal Year exceed six million dollars.

As soon as practicable after the end of each Fiscal Year, Annual Incentive Awards for each Participant for such Fiscal Year shall be determined by the Committee. The Committee shall certify in writing the achievement of the applicable performance objective(s) and the amount of any Awards payable to Participants. Annual Incentive Awards to such Participants may be denied or adjusted downward by the Committee as, in the Committee's sole judgment, is prudent based upon its assessment of the Participant's performance and the Company's performance during the Fiscal Year.

V. TIME FOR PAYMENTS

Annual Incentive Awards shall be paid in a lump sum generally by November 30th, but in no event later than December 15th, following the end of each Fiscal Year.

VI. ADMINISTRATION OF THE PROGRAM

The overall administration and control of the Program, including final determination of Annual Incentive Awards to each Participant, is the responsibility of the Committee. The Executive Compensation Executive shall be responsible for implementing the actions required under the Program.

VII. VESTING

A Participant must be in the employ of the Company or a Subsidiary through the last day of the Fiscal Year with respect to which an Annual Incentive Award is granted in order to be considered for the grant of such an Award by the Committee. He must also (subject to specific Committee action to the contrary as hereinafter set forth in this Section VII) be an employee of the Company or a Subsidiary on the date the Award is payable pursuant to Section V. The final determination as to Awards to be granted, and if so, the amount of such Awards,

shall be made by the Committee. Subject to Section IV, and in accordance with this Section VII, in the event a Participant terminates or is terminated by the Company or a Subsidiary, before or after the end of the Fiscal Year for any reason, including, but not limited to, retirement, disability, or death, the Committee shall have the sole discretion as to whether any such Award shall be paid, and, if so, the amount of such payment.

VIII. AMENDMENT OR TERMINATION

The Program may be amended or terminated at any time by action of the Committee; provided, however, that unless the stockholders of Emerson Electric Co. shall have first approved thereof, no amendment of the Program shall be effective which would increase the maximum amount which can be paid to a Participant under the Program, which would change the specified performance objectives for payment of Awards, or which would modify the requirements as to eligibility for participation in the Program.

IX. MISCELLANEOUS

A. All payments under the Program shall be made from the general assets of the Company or a Subsidiary. To the extent any person acquires a right to receive payments under the Program, such right shall be no greater than that of an unsecured general creditor of the Company or Subsidiary.

B. Nothing contained in the Program and no action taken pursuant thereto shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company or a Subsidiary and any other person.

C. No amount payable under the Program shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, either voluntary or involuntary, and any attempt to so alienate, anticipate, sell, transfer, assign, pledge, encumber or charge the same shall be null and void. No such amount shall be liable for or subject to the debts, contracts, liabilities, engagements, or torts of any person to whom such benefits or funds are or may be payable.

D. Nothing contained in the Program shall be construed as conferring upon any Participant the right to continue in the employ of the Company or a Subsidiary nor to limit the right of the employer to discharge him at any time, with or without cause.

E. The Program shall be construed and administered in accordance with the laws of the State of Missouri.

Approved by the Compensation Committee of the Board of Directors on the 6th day of August, 2007.



INTRA-COMPANY CORRESPONDENCE

TO:

FROM: C. G. Heath

DATE:

FILE: EXECUTIVE COMPENSATION

SUBJECT: FY 2008 Extra Salary Program – Annual Incentive Plan Participant

Attached is a copy of the FY 2008 Extra Salary Program, which as a participant, you should review and retain with your personal records. I urge you to read the Plan thoroughly so you understand the governing policies, **then acknowledge receipt by signing the bottom of this memo and returning it to Tammy Fritts at Emerson headquarters, Station 2988.**

If you have any questions, don't hesitate to call.

CGH/tlf

Attachment

Signature

Name

Division

Date

Return Form to: Tammy Fritts, Station 2988
Emerson Electric Co.
8000 W. Florissant Ave.
St. Louis, MO 63136

**AMENDMENT TO THE
EMERSON ELECTRIC CO. 1997 INCENTIVE SHARES PLAN
SOLELY FOR CODE SECTION 409A COMPLIANCE**

WHEREAS, Emerson Electric Co. ("Company") previously adopted the Emerson Electric Co. 1997 Incentive Shares Plan ("Plan"); and

WHEREAS, effective January 1, 2005, the Company desires to amend the Plan solely for the purpose of complying with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended ("Code");

NOW THEREFORE, effective January 1, 2005, the Plan is amended with respect to all amounts deferred or which become vested under the Plan on or after January 1, 2005 as follows:

1. Any election to defer receipt of all or part of an award of Performance Shares must be made no later than the close of the Company's taxable year immediately preceding the first taxable year of the Company in which any services are performed for which such Performance Share award is payable; however, a newly eligible participant may make an election within 30 days after the date he first becomes eligible to participate in the performance program, but only with respect to the portion of the Performance Shares award attributable to services performed after the date of his deferral election. Notwithstanding the foregoing, if the performance period is at least 12 consecutive months and the performance criteria are defined in writing no later than 90 days after the commencement of the period of service to which the criteria relates, a deferral election may be made on or before the date that is six months before the end of the performance period, provided (i) the Participant performs services continuously from the later of the beginning of the performance period or the date the performance criteria are established through the date a deferral election is made; and (ii) the award of Performance Shares has not become readily ascertainable. At the same time the Participant makes an election to defer receipt of a Performance Shares award, he shall also make an election to receive such Performance Shares in either a single distribution or in annual installments over such years as the Participant shall then specify.
 2. In the event a Participant has elected to defer receipt of all or any portion of his award of Performance Shares under a Plan until a specified year, payment shall be made or commence on the first day of such calendar year.
 3. In the event a Participant has elected to defer receipt of all or any portion of his award of Performance Shares under a Plan until his termination of employment, payment shall be made or commence on the first day of the month immediately following his termination date.
 4. In the event that any deferred amount becomes payable due to the Participant's termination of employment (other than on account of death) and such Participant is a Specified Employee, as determined under Code Section 409A and the regulations promulgated thereunder, payment of any deferred amount that is otherwise scheduled to be or to begin to be distributed shall be made or commence on the first day of the seventh month immediately following the Participant's termination of employment if such date is later than the date such deferred amount would otherwise be paid or commence to be paid.
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5. In the event of the death during the deferral period of a Participant who has made a deferral election, the unpaid balance of the deferred amount owing to such Participant at the time of death shall be distributed to the Participant's estate on the first day of the month immediately following the date of the Participant's death, irrespective of whether or not the deferral period elected has expired.
6. In all cases in which a deferred amount is payable upon a fixed date, payment is deemed to be made upon the fixed date if the payment is made at such date or a later date within the same calendar year or, if later, by the 15th day of the third calendar month following the specified date. In addition, a payment is treated as made upon the date specified under the Plan if the payment is made no earlier than 30 days before the designated payment date. In no event shall the Participant be permitted, directly or indirectly, to designate the taxable year of the payment.
7. In the event the Company elects to permit participants to change an election with respect to the time and/or manner of payment of a previously deferred award of Performance Shares, such change shall be filed with the Committee no later than December 31, 2007.
8. The Committee shall have no discretion with respect to the timing and/or manner of payment of any deferred amount.

Approved by the Compensation Committee of the Board of Directors on the 6th day of August, 2007.

**AMENDMENT TO THE
EMERSON ELECTRIC CO. 2006 INCENTIVE SHARES PLAN
SOLELY FOR CODE SECTION 409A COMPLIANCE**

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 2. In the event a Participant has elected to defer receipt of all or any portion of his award of Performance Shares under a Plan until a specified year, payment shall be made or commence on the first day of such calendar year.
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 4. In the event that any deferred amount becomes payable due to the Participant's termination of employment (other than on account of death) and such Participant is a Specified Employee, as determined under Code Section 409A and the regulations promulgated thereunder, payment of any deferred amount that is otherwise scheduled to be or to begin to be distributed shall be made or commence on the first day of the seventh month immediately following the Participant's termination of employment if such date is later than the date such deferred amount would otherwise be paid or commence to be paid.
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5. In the event of the death during the deferral period of a Participant who has made a deferral election, the unpaid balance of the deferred amount owing to such Participant at the time of death shall be distributed to the Participant's estate on the first day of the month immediately following the date of the Participant's death, irrespective of whether or not the deferral period elected has expired.
6. In all cases in which a deferred amount is payable upon a fixed date, payment is deemed to be made upon the fixed date if the payment is made at such date or a later date within the same calendar year or, if later, by the 15th day of the third calendar month following the specified date. In addition, a payment is treated as made upon the date specified under the Plan if the payment is made no earlier than 30 days before the designated payment date. In no event shall the Participant be permitted, directly or indirectly, to designate the taxable year of the payment.
7. In the event the Company elects to permit participants to change an election with respect to the time and/or manner of payment of a previously deferred award of Performance Shares, such change shall be filed with the Committee no later than December 31, 2007.
8. The Committee shall have no discretion with respect to the timing and/or manner of payment of any deferred amount.

Approved by the Compensation Committee of the Board of Directors on the 6th day of August, 2007.



INTRA-COMPANY CORRESPONDENCE

TO:
FROM:
DATE:
FILE: _____ PERFORMANCE SHARES PROGRAM AWARD
SUBJECT: Acceptance of Award

This is to advise that in consideration of the Compensation Committee's award of Performance Units in the _____ Performance Shares Program under the 2006 Incentive Shares Plan, (1) I accept such participation upon the terms contained in the Award Certificate and the attached Plan document, and (2) I agree that during my employment by Emerson or any of its divisions, subsidiaries or affiliates (collectively, "Emerson"), and for a period of two (2) years after termination of such employment for any reason, I will not directly or indirectly engage in competition with, or enter the employ of or assist any person, firm, corporation or other entity engaged in a business competitive with, any business of Emerson in which I was employed, or solicit or hire any Emerson employees, even though no payment has been made to me under the terms of the Plan. I also agree Missouri law governs this agreement and consent to resolve any disputes in the courts in the state of Missouri.

I acknowledge I have read and understand the above, the Plan and Program Highlights and agree to the terms of the award as set forth therein.

Date

Signature

CERTIFICATE

EMERSON ELECTRIC CO.

_____ PERFORMANCE SHARES PROGRAM

THIS CERTIFIES that _____ is entitled to be a participant in Emerson Electric Co.'s _____ Performance Shares Program under the 2006 Incentive Shares Plan approved and adopted by the Board of Directors on November 1, 2005 and approved by the Stockholders on February 7, 2006, and has been awarded **XXXXXX(x,xxx)** Units, all in accordance with the terms and provisions of said Plan.

Dated this __ day of _____, 20__.

For the Compensation Committee

EMERSON ELECTRIC CO.

TO: _____

FROM: Compensation and Human Resources Committee (the "Committee")

DATE: _____

FILE: 2006 Incentive Shares Plan (the "Plan")

RE: Award of Restricted Shares

The Committee has awarded to you _____ (_____) Restricted Shares under the terms of the Plan. This award is subject to all the terms of the Plan, a copy of which has been delivered to you. The Restriction Period applicable to these Shares is _____ (__) years from the date hereof.

The following are additional terms, conditions and provisions applicable to this award:

1. Your rights in regard to these Shares are not vested, and you understand and agree, by your signature to this agreement, that your entire interest in these Shares may be forfeited if you fail to remain in the employ of the Company (or one of its subsidiaries) for the full term of the Restriction Period or in the event of any failure of any of the terms or conditions attached to this award and set out in the Plan or in this Agreement.
 2. Specifically, the Shares shall not vest in you until the expiration of the Restriction Period and shall be wholly forfeited in the event of your resignation or discharge prior to such time; provided, however, in the event of any termination on account of death or any disability which in the determination of the Committee prevents your continued employment by the Company (or a subsidiary), the award of shares will be
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prorated for your period of service during the Restriction Period and, provided you are not otherwise in default hereunder, you or your estate will receive such prorated number of Shares free of any restriction; provided further, however, in the event of a termination of your employment prior to the expiration of the Restriction Period, other than on account of your death or disability, the Committee, in its absolute discretion, may make such pro rata or other payment (or no payment) as it may determine.

3. During the Restriction Period the Restricted Shares will be evidenced by a certificate issued in your name but such certificate will not be delivered to you and shall be held by the Company until the expiration of the Restriction Period or until earlier forfeiture. During the Restriction Period (and prior to any forfeiture) your rights in respect of the Shares shall be as follows.

- (i) You will be entitled to receive cash dividends when paid on the Shares and you will be entitled to vote the Shares.
- (ii) During the Restriction Period you shall not be entitled to delivery of any stock certificate evidencing the Shares.
- (iii) The certificates for the Share may have imprinted thereon such restrictive legends, and such stop-transfer orders, dividend payment orders and such other orders as may be given in respect thereof by the Committee as it may determine in its sole discretion.

(iv) During the Restriction Period you may not sell, transfer, pledge, exchange, hypothecate or otherwise dispose of any of the Shares.

(v) Stock dividends paid on the Restricted Shares shall not be paid to you but shall be held by the Company on the same terms as the Restricted Shares

on which they were paid; provided, however, the Committee in its discretion may direct the payment of any such stock dividends directly to you, free of the restriction imposed by this Agreement.

4. You understand that this award is confidential and that the dissemination of any information concerning the fact of this award or of any information relating to this award to any person or persons within or without the Company (including its officers and any of your superiors or subordinates) would be, or might be, injurious to the interests of the Company. Accordingly, you agree that you will maintain in confidence and will reveal to no one the fact that you have received this award nor any information concerning this award, except as you may be required by law to make any such disclosure. You further agree that any breach of this agreement of confidentiality (before or after the Restriction Period) will constitute good cause for the termination of your employment by the Company (or a subsidiary, as the case may be). You further understand that if such breach occurs during the Restriction Period applicable to your Restricted Shares your right to such Shares may be forfeited by the Company forthwith.

5. By your acceptance of this award you agree that should your employment by Emerson Electric Co. or a subsidiary thereof terminate for any reason (either before or after the Restriction Period) you will not engage in any business activity competitive to any business activity of Emerson or its subsidiaries in which you were engaged while you were employed by Emerson or a subsidiary thereof, or solicit or hire any Emerson employees. This restriction is applicable only in those geographic areas in which Emerson is then engaged in such business activity, and shall continue for a period of two (2) years after termination of your employment.

6. At the end of the Restriction Period, the Restricted Shares which have not been forfeited, together with any cash held on account of dividends on such Restricted Shares, shall be delivered to you, except that the Company shall withhold sufficient Shares and cash to enable it to satisfy its federal, state and local tax withholding obligations on account of such delinquency.

7. This Agreement shall be executed and delivered by you in the City or County of St. Louis, Missouri and shall be governed by Missouri law.

Counsel for the Company has advised that in the opinion of such counsel,

(i) The receipt of this award does not constitute taxable income to you. Any cash dividends which are paid to you on the Restricted Shares will constitute taxable income to you when received. At such time as the restrictions on the Shares are released or satisfied and your right to the Shares becomes non-forfeitable you will have taxable income in an amount equal to the then fair market value of the Shares.

(ii) If you are a director or officer of the Company subject to the requirement of filing reports under Section 16(a) of the Securities Exchange Act of 1934 upon changes in your beneficial ownership of shares of the Company's Common Stock, you may report the award of Restricted Shares on Form 5, Annual Statement of Changes in Beneficial Ownership, after the end of the Company's fiscal year or on Form 4, Statement of Changes in Beneficial Ownership, for the month in which the award was received.

This award agreement is dated _____, has been executed and delivered by the parties hereto in St. Louis City or County,
State of Missouri.

For the Committee

Acknowledgment

The undersigned, _____, grantee of the award of Restricted Shares pursuant to this Agreement hereby accepts said award on the terms, conditions and provisions contained in the Plan and in this Agreement. The undersigned acknowledges receipt of a copy of the Plan and understands that his rights in respect of the Restricted Shares may be forfeited as provided in the Plan and in this Agreement

Dated _____, 200__

Awardee

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

	YEAR ENDED SEPTEMBER 30,				
	2003	2004	2005	2006	2007
Earnings:					
Earnings before income taxes (a)	\$ 1,452	1,893	2,200	2,749	3,178
Fixed charges	322	311	323	313	361
Earnings, as defined	<u>\$ 1,774</u>	<u>2,204</u>	<u>2,523</u>	<u>3,062</u>	<u>3,539</u>
Fixed Charges:					
Interest expense	\$ 246	234	243	225	261
One-third of all rents	76	77	80	88	100
Total fixed charges	<u>\$ 322</u>	<u>311</u>	<u>323</u>	<u>313</u>	<u>361</u>
Ratio of Earnings to Fixed Charges	<u>5.5x</u>	<u>7.1x</u>	<u>7.8x</u>	<u>9.8x</u>	<u>9.8x</u>

- (a) Represents earnings from continuing operations before income taxes, cumulative effect of change in accounting principle and minority interests in the income of consolidated subsidiaries with fixed charges.

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, 2007, 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 which 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, 2007.

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. Galvin

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

		2005	2006	2007	CHANGE '05 - '06	CHANGE '06 - '07
Net sales	\$	17,305	20,133	22,572	16%	12%
Gross profit	\$	6,183	7,168	8,111	16%	13%
Percent of sales		35.7%	35.6%	35.9%		
SG&A	\$	3,595	4,099	4,593		
Percent of sales		20.7%	20.4%	20.3%		
Other deductions, net	\$	230	178	183		
Interest expense, net	\$	209	207	228		
Earnings before income taxes	\$	2,149	2,684	3,107	25%	16%
Net earnings	\$	1,422	1,845	2,136	30%	16%
Percent of sales		8.2%	9.2%	9.5%		
Earnings per share	\$	1.70	2.24	2.66	32%	19%
Return on equity		19.4%	23.7%	25.2%		
Return on total capital		15.5%	18.4%	20.1%		

Net earnings and earnings per share for 2005 include a \$63 million tax expense (\$0.07 per share) for repatriation under the American Jobs Creation Act.

OVERVIEW

Emerson achieved record sales, earnings and earnings per share in the fiscal year ended September 30, 2007. For fiscal 2007, net sales were \$22.6 billion, an increase of 12 percent; net earnings were \$2.1 billion, an increase of 16 percent; and earnings per share were \$2.66, an increase of 19 percent, over fiscal 2006. All of the business segments generated higher sales and earnings compared with the prior year. The Process Management, Network Power and Industrial Automation businesses drove gains in a favorable global economic environment as gross fixed investment expanded during 2007, while growth in the Climate Technologies and Appliance and Tools businesses was moderated by weakness in the U.S. consumer markets. Strong growth in Asia and Europe, acquisitions and favorable foreign currency translation contributed to these results. Profit margins remained strong 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 2007 of \$3.0 billion, an increase of 20 percent, and free cash flow (operating cash flow less capital expenditures) of \$2.3 billion, an increase of 22 percent.

NET SALES

Net sales for fiscal 2007 were a record \$22.6 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 (\$1,359 million) increase in underlying sales (which exclude acquisitions, divestitures and foreign currency translation), a nearly 3 percent (\$566 million) contribution from acquisitions, net of divestitures, and a more than 2 percent (\$514 million) favorable impact from foreign currency translation. The underlying sales increase for fiscal 2007 was driven by international sales growth of 12 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 (8 percent). The Company estimates that the underlying sales growth of approximately 7 percent primarily reflects an approximate 3 percent gain from volume, an approximate 2 percent impact from penetration gains and an approximate 2 percent impact from higher sales prices.

Net sales for fiscal 2006 were \$20.1 billion, an increase of approximately \$2.8 billion, or 16 percent, over fiscal 2005, with both U.S. and international sales contributing to this growth. The consolidated results reflect increases in all five business segments with an underlying sales increase of more than 12 percent (\$2,119 million), an approximate 4 percent (\$766 million) contribution from acquisitions, net of divestitures, and a slightly unfavorable impact (\$57 million) from foreign currency translation. The underlying sales increase of more than 12 percent was driven by 12 percent growth in the United States and a total international sales increase of 13 percent.

The U.S. market growth was very strong in the first half of 2006 and began to moderate toward the end of the fiscal year, while Europe grew stronger as the year progressed and finished very strong in the fourth quarter. The international sales increase primarily reflects growth in Asia (20 percent) and Europe (7 percent). The Company estimates that the underlying sales growth of more than 12 percent primarily reflects a nearly 9 percent gain from volume, an approximate 3 percent impact from penetration gains and a less than 1 percent impact from higher sales prices.

INTERNATIONAL SALES

International destination sales, including U.S. exports, increased approximately 22 percent including acquisitions, to \$11.6 billion in 2007, representing 52 percent of the Company's total sales. U.S. exports of \$1,277 million were up 13 percent compared with 2006, reflecting the weaker U.S. dollar. International subsidiary sales, including shipments to the United States, were \$10.5 billion in 2007, up 22 percent over 2006. Excluding the net 7 percent favorable impact from acquisitions, divestitures and foreign currency translation, international subsidiary sales increased 15 percent compared with 2006. Underlying destination sales grew 16 percent in Asia during the year, driven mainly by 12 percent growth in China, while sales grew 44 percent in the Middle East, 11 percent in Latin America and 8 percent in Europe.

International destination sales, including U.S. exports, increased approximately 17 percent, to \$9.5 billion in 2006, representing 47 percent of the Company's total sales. U.S. exports of \$1,127 million were up 13 percent compared with 2005. International subsidiary sales, including shipments to the United States, were \$8.7 billion in 2006, up 17 percent over 2005. Excluding the net 1 percent unfavorable impact from acquisitions, divestitures and foreign currency translation, international subsidiary sales increased 18 percent compared with 2005. Underlying destination sales grew 20 percent in Asia during the year, driven mainly by 19 percent growth in China, and 21 percent in Latin America and the Middle East, while sales grew 7 percent in Europe.

ACQUISITIONS AND DIVESTITURES

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.

During the fourth quarter of fiscal 2007, the Company entered into a definitive agreement to acquire Motorola Inc.'s Embedded Communications Computing (ECC) business for approximately \$350 million in cash. ECC is a leading provider of embedded computing products to equipment manufacturers in telecommunications, medical imaging, defense and aerospace, and industrial automation. The transaction is expected to be completed by the end of calendar 2007 and is subject to customary closing conditions and regulatory approvals. ECC had 2006 revenue of approximately \$520 million and will be included in the Network Power segment.

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. In the fourth quarter of 2006, the Company received approximately \$80 million from the divestiture of the materials testing business, resulting in a pretax gain of \$31 million (\$22 million after-tax). The materials testing business represented total annual sales of approximately \$58 million and \$59 million in 2006 and 2005, respectively. These businesses were not reclassified as discontinued operations because of immateriality.

During 2006, the Company acquired Artesyn Technologies, Inc. (Artesyn), Knürr AG (Knürr) and Bristol Babcock (Bristol), as well as several smaller businesses. Artesyn is a global manufacturer of advanced power conversion equipment and board-level computing solutions for infrastructure applications in telecommunication and data-communication systems. Knürr is a manufacturer of indoor and outdoor enclosure systems and cooling technologies for telecommunications, electronics and computing equipment. Bristol is a manufacturer of control and measurement equipment for oil and gas, water and wastewater, and power industries. Total cash paid for these businesses (net of cash and equivalents acquired of approximately \$120 million and debt assumed of approximately \$90 million) was approximately \$752 million. Annualized sales for acquired businesses were \$920 million in 2006. See Note 3 for additional information regarding acquisitions and divestitures.

COST OF SALES

Costs of sales for fiscal 2007 and 2006 were \$14.5 billion and \$12.9 billion, respectively. Cost of sales as a percent of net sales was 64.1 percent for 2007, compared with 64.4 percent in 2006. Gross profit was \$8.1 billion and \$7.2 billion for fiscal 2007 and 2006, respectively, resulting in gross profit margins of 35.9 percent and 35.6 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.

Costs of sales for fiscal 2006 and 2005 were \$12.9 billion and \$11.1 billion, respectively. Cost of sales as a percent of net sales was 64.4 percent for 2006, compared with 64.3 percent in 2005. Gross profit was \$7.2 billion and \$6.2 billion for fiscal 2006 and 2005, respectively, resulting in gross profit margins of 35.6 percent and 35.7 percent. The increase in the gross profit primarily reflects higher sales volume and acquisitions. The gross profit margin was unfavorably impacted as leverage on higher sales and benefits realized from productivity improvements were more than offset by higher costs for wages and benefits (pension), negative product mix, as well as the lower profit margin on recent acquisitions. Sales price increases initiated over the past year, together with the benefits received from commodity hedging of approximately \$130 million, offset the higher level of raw material costs, but the margin was diluted.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative (SG&A) expenses for 2007 were \$4.6 billion, or 20.3 percent of net sales, compared with \$4.1 billion, or 20.4 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 stock compensation (see Note 14). The reduction in SG&A as a percent of sales was primarily the result of leveraging fixed costs on higher sales, particularly in the Process Management and Network Power businesses.

SG&A expenses for 2006 were \$4.1 billion, or 20.4 percent of net sales, compared with \$3.6 billion, or 20.7 percent of net sales for 2005. The increase of approximately \$0.5 billion was primarily due to the increase in variable costs on higher sales and acquisitions. The reduction in SG&A as a percent of sales was primarily the result of leveraging fixed costs on higher sales.

OTHER DEDUCTIONS, NET

Other deductions, net were \$183 million in 2007, a \$5 million increase from the \$178 million in 2006. Gains in 2007 included approximately \$32 million related to the sale of the Company's remaining shares in MKS Instruments, Inc. (MKS) 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 \$83 million in 2007, compared with \$84 million in 2006. The higher gains and lower other costs were more than offset by higher amortization of intangibles related to acquisitions.

Other deductions, net were \$178 million in 2006, a \$52 million decrease from the \$230 million in 2005. The decrease primarily reflects \$42 million of higher gains in 2006 compared with 2005 and lower rationalization costs. Gains in 2006 included approximately \$31 million related to the divestiture of the materials testing business and approximately \$26 million related to the sale of shares in MKS. Ongoing costs for the rationalization of operations were \$84 million in 2006, down from \$110 million in 2005, reflecting lower costs, particularly for the Network Power segment. The higher gains and lower rationalization costs were partially 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 \$228 million, \$207 million and \$209 million in 2007, 2006 and 2005, respectively. The increase of \$21 million from 2006 to 2007 was primarily due to higher average borrowings.

EARNINGS BEFORE INCOME TAXES

Earnings before income taxes were \$3.1 billion for 2007, an increase of 16 percent, compared with \$2.7 billion for 2006. The 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.

Earnings before income taxes were \$2.7 billion for 2006, an increase of 25 percent, compared with \$2.1 billion for 2005. The earnings results reflect increases in all five business segments, including \$207 million in Process Management, \$111 million in Network Power and \$105 million in Industrial Automation. The higher earnings also reflect leverage from higher sales, benefits realized from productivity improvements, and higher sales prices, partially offset by higher raw material, wage and benefit costs.

INCOME TAXES

Income taxes were \$971 million, \$839 million and \$727 million for 2007, 2006 and 2005, respectively, resulting in effective tax rates of 31 percent, 31 percent and 34 percent. The change in the effective tax rate from 2005 to 2006 was primarily due to a 3 percentage point decrease resulting from a \$63 million tax expense in 2005 related to the one-time opportunity during 2005 to repatriate foreign earnings at a favorable rate under the American Jobs Creation Act of 2004 (the Act). See Note 13 for further discussion regarding the impact of the Act.

NET EARNINGS, RETURN ON EQUITY AND RETURN ON TOTAL CAPITAL

Net earnings were a record \$2.1 billion and earnings per share were a record \$2.66 per share 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 9.5 percent in 2007 compared with 9.2 percent in 2006. The 19 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 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 (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). 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.

Net earnings and earnings per share for 2006 increased 30 percent and 32 percent, respectively, to \$1.8 billion and \$2.24 per share, compared with \$1.4 billion and \$1.70 per share in 2005. Net earnings as a percent of net sales were 9.2 percent in 2006 compared with 8.2 percent in 2005. Net earnings for 2005 included a tax expense of \$63 million, or \$0.07 per share, related to the one-time opportunity to repatriate foreign earnings at a favorable rate. The 32 percent increase in earnings per share also reflects the purchase of treasury shares. Return on stockholders' equity was 23.7 percent and 19.4 percent for 2006 and 2005, respectively. Return on total capital was 18.4 percent and 15.5 percent for 2006 and 2005, respectively.

Business Segments

PROCESS MANAGEMENT

(DOLLARS IN MILLIONS)		2005	2006	2007	CHANGE '05 - '06	CHANGE '06 - '07
Sales	\$	4,200	4,875	5,699	16%	17%
Earnings	\$	671	878	1,066	31%	21%
Margin		16.0%	18.0%	18.7%		

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 (defined as earnings before interest and taxes for the business segments discussion) 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 8 percent from volume, and approximately 3 percent collectively from penetrating global markets and 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.

2006 vs. 2005 - Sales in the Process Management segment were \$4.9 billion in 2006, an increase of \$675 million, or 16 percent, over 2005, reflecting higher volume and acquisitions. All of the businesses, including measurement, valves and systems, reported higher sales and earnings because of worldwide growth in oil and gas and power projects, as well as expansion in China. The increasing demand for energy is driving capacity expansion and upgrades to existing facilities in the energy sector. Underlying sales increased 13 percent, driven by the strong market demand and aided by approximately 2 percent from penetration gains and price, while the Bristol, Tescom and Mobrey acquisitions contributed 3 percent (\$147 million). The underlying sales increase reflects growth in all major geographic regions, including the United States (15 percent), Asia (15 percent), Latin America (20 percent) and Europe (6 percent), compared with 2005. Earnings increased 31 percent to \$878 million from \$671 million in 2005, primarily reflecting higher sales volume, as well as acquisitions. The margin increase was primarily due to leverage on higher sales. Sales price increases and material cost containment were offset by higher wages.

INDUSTRIAL AUTOMATION

(DOLLARS IN MILLIONS)		2005	2006	2007	CHANGE '05 - '06	CHANGE '06 - '07
Sales	\$	3,242	3,767	4,269	16%	13%
Earnings	\$	464	569	665	23%	17%
Margin		14.3%	15.1%	15.6%		

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 7 percent from volume caused by increased global industrial demand and an approximate 3 percent combined positive impact from price and slight penetration gains. 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 the current year, 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.

2006 vs. 2005 - Sales in the Industrial Automation segment were \$3.8 billion in 2006, an increase of 16 percent compared with 2005. Sales grew in all of the major geographic regions and in nearly all of the businesses, reflecting the continued favorable economic environment for capital goods. Underlying sales grew 11 percent; the Numatics, Safronics and Jaure acquisitions contributed 6 percent (\$208 million); and foreign currency translation had a 1 percent (\$41 million) unfavorable impact. Underlying sales grew 12 percent in the United States and 11 percent internationally. The increase in international sales primarily reflects growth in Europe (10 percent) and Asia (13 percent). The results reflect growth in nearly all of the businesses, with particular strength in the power generating alternator and electrical distribution businesses. The underlying growth reflects both increased global industrial demand and a nearly 3 percent positive impact from price and penetration gains. In addition, the electrical distribution business's strong growth was driven by increased demand in North America, particularly along the Gulf Coast of the United States. Earnings increased 23 percent to \$569 million for 2006, compared with \$464 million in 2005, reflecting higher sales volume and prices, as well as acquisitions. The margin increase was primarily due to leverage on higher sales volume. Sales price increases and benefits from prior cost reduction efforts were offset by higher material, wage and benefit (pension) costs, as well as dilution from acquisitions. The earnings increase was also aided by an approximate \$18 million payment received by the power transmission business from dumping duties related to the Offset Act in 2006, compared with a \$13 million payment received in 2005, and lower litigation settlement costs compared with 2005.

NETWORK POWER

(DOLLARS IN MILLIONS)	2005	2006	2007	CHANGE '05 - '06	CHANGE '06 - '07
Sales	\$ 3,317	4,350	5,150	31%	18%
Earnings	\$ 373	484	645	30%	33%
Margin	11.2%	11.1%	12.5%		

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 supplies, 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 a more than 5 percent gain from higher volume and a more than 3 percent impact from penetration gains, which were 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.

2006 vs. 2005 - The Network Power segment sales increased 31 percent to \$4.4 billion in 2006 compared with \$3.3 billion in 2005. End markets were strong across the segment with particular strength in the computing and data-center markets, which led to strong growth in the AC power system and precision cooling businesses. The sales increase reflects 21 percent growth in underlying sales and a 10 percent (\$341 million) contribution from the Artesyn and Knürr acquisitions. The underlying sales increase of 21 percent reflects higher volume of approximately 23 percent, of which more than one-third is estimated to be from market penetration gains. These increases were partially offset by an estimated 2 percent impact from lower sales prices. Geographically, underlying sales reflect a 22 percent increase in the United States, a 37 percent increase in Asia (primarily China) and a 3 percent increase in Europe. The Company continues to build upon its Emerson Network Power China division resulting in market penetration in China and other Asian markets. Earnings increased 30 percent, or \$111 million, to \$484 million, compared with \$373 million in 2005, primarily because of higher sales volume. The margin was primarily diluted by the Artesyn acquisition and declines in sales prices, partially offset by material cost containment. Negative product mix in the embedded power business and higher costs related to inventory and warranty in the North American DC power business in the fourth quarter also diluted the margin. Leverage on higher sales volume, savings from prior period cost reduction efforts and a \$16 million reduction in rationalization costs versus 2005 mitigated the margin decline.

CLIMATE TECHNOLOGIES

					CHANGE	CHANGE
(DOLLARS IN MILLIONS)		2005	2006	2007	'05 - '06	'06 - '07
Sales	\$	3,041	3,424	3,614	13%	6%
Earnings	\$	453	523	538	15%	3%
Margin		14.9%	15.3%	14.9%		

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 4 percent was more than offset by an approximate 5 percent combined positive impact from sales price increases and penetration gains. 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 noted below), 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. The Company continued its capacity expansion begun last year in Mexico where the next generation scroll compressor design and hermetic motors for the North American market will be produced.

2006 vs. 2005 - Sales in the Climate Technologies segment were \$3.4 billion in 2006, an increase of 13 percent compared with 2005. Underlying sales grew 13 percent, which reflects a 14 percent increase in the United States, a 20 percent increase in Europe and a 1 percent increase in Asia. The underlying sales growth was largely due to strong demand in the air-conditioning compressor business and an estimated 1 percent positive impact from higher sales prices. The volume increase of 12 percent, one-fourth of which is estimated to be from market share gains, was primarily related to scroll compressors. The air-conditioning compressor business was very strong during 2006 primarily because of demand relating to the transition in the United States to higher efficiency standards that became effective January 23, 2006, as well as weather related demand. Earnings increased 15 percent to \$523 million in 2006 compared with \$453 million in 2005, primarily due to higher volume. The margin increase reflects leverage on higher sales and savings from prior period cost reduction efforts, partially offset by higher wages and benefits (pension). The margin increase was negatively impacted as the higher sales prices were more than offset by higher material costs.

APPLIANCE AND TOOLS

				CHANGE	CHANGE	
(DOLLARS IN MILLIONS)		2005	2006	2007	'05 - '06	'06 - '07
Sales	\$	4,008	4,313	4,447	8%	3%
Earnings	\$	534	550	578	3%	5%
Margin		13.3%	12.8%	13.0%		

2007 vs. 2006 - Sales in the Appliance and Tools segment were \$4.4 billion in 2007, a 3 percent increase from 2006. The sales increase reflects underlying sales growth of 1 percent, a favorable impact from foreign currency translation of 1 percent (\$51 million) 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 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 9 percent in total, while underlying sales in the United States were down 1 percent from the prior year. Earnings for 2007 were \$578 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 (copper and other commodities) and wage costs, as well as deleverage from the lower volume.

2006 vs. 2005 - The Appliance and Tools segment sales increased 8 percent to \$4.3 billion for 2006. This increase reflects 6 percent growth in underlying sales and a 2 percent (\$62 million) contribution from the Do+Able acquisition. Sales grew in nearly all of the businesses with most experiencing moderate to strong growth. Particular strength in the tools, storage and hermetic motors businesses was partially offset by softness in the appliance component business. The hermetic motors business was very strong because of the air-conditioning demand during 2006. In addition, the storage businesses showed strong growth driven by the U.S. market. Strength in U.S. residential investment in the first half of 2006 and increased demand at major retailers resulted in continued growth in the storage businesses. The underlying sales increase reflects an estimated 3 percent growth from volume and an approximate 3 percent positive impact from price and penetration gains. Geographically, underlying sales increased 6 percent in the United States and 8 percent internationally. Earnings for 2006 were \$550 million, an increase of 3 percent from 2005. The overall increase in profit was partially offset by declines in certain tools, storage and motors businesses, reflecting new product introduction costs in the disposer business, foreign currency losses in the tools and residential storage businesses and restructuring inefficiencies, including costs related to plant shutdown and ramp up of Mexican capacity in the tools and motors businesses. Overall, increases in sales prices were offset by higher raw material (particularly copper, steel and plastics), wage and benefit (pension) costs and negative product mix, diluting the profit margin.

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 \$20 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)	2005	2006	2007
Operating Cash Flow	\$ 2,187	2,512	3,016
Percent of sales	12.6%	12.5%	13.4%
Capital Expenditures	\$ 518	601	681
Percent of sales	3.0%	3.0%	3.0%
Free Cash Flow (Operating Cash Flow Less Capital Expenditures)	\$ 1,669	1,911	2,335
Percent of sales	9.6%	9.5%	10.3%
Operating Working Capital	\$ 1,643	2,044	1,915
Percent of sales	9.5%	10.1%	8.5%

Emerson generated operating cash flow of \$3.0 billion in 2007, a 20 percent increase from 2006, driven by higher net earnings. Cash flow in 2007 also reflects continued improvements in operating working capital management. Operating cash flow was \$2.5 billion in 2006, a 15 percent increase from 2005, as higher net earnings were partially offset by additional working capital necessary to support the higher level of sales. At September 30, 2007, operating working capital as a percent of sales was 8.5 percent, compared with 10.1 percent and 9.5 percent in 2006 and 2005, respectively. Operating cash flow also reflects pension contributions of \$136 million, \$124 million and \$124 million in 2007, 2006 and 2005, respectively.

Free cash flow (operating cash flow less capital expenditures) was \$2.3 billion in 2007, compared with \$1.9 billion and \$1.7 billion in 2006 and 2005, respectively. The 22 percent increase in free cash flow in 2007 compared with 2006 and the 15 percent increase in 2006 compared with 2005 reflect the increases in operating cash flow, partially offset by higher capital spending. Capital expenditures were \$681 million, \$601 million and \$518 million in 2007, 2006 and 2005, respectively. The increase in capital expenditures during 2007 compared with the prior year includes capacity expansion in the Process Management and Climate Technologies segments, while the increase in 2006 compared with 2005 was primarily due to capacity expansion and acquisitions in the Network Power segment. In 2008, the Company is targeting capital spending of approximately 3 percent of net sales. Cash paid in connection with Emerson's acquisitions was \$295 million, \$752 million and \$366 million in 2007, 2006 and 2005, respectively.

Dividends were \$837 million (\$1.05 per share, up 18 percent) in 2007, compared with \$730 million (\$0.89 per share) in 2006, and \$694 million (\$0.83 per share) in 2005. In November 2007, the Board of Directors voted to increase the quarterly cash dividend 14 percent to an annualized rate of \$1.20 per share. In November 2006, the Company's Board of Directors declared a two-for-one split of the Company's common stock effected in the form of a 100 percent stock dividend to shareholders of record as of November 17, 2006, with a distribution date of December 11, 2006 (shares began trading on a post-split basis on December 12, 2006). In 2007, 18,877,000 shares were repurchased under the 2002 Board of Directors' authorization; in 2006, 21,451,000 shares were repurchased, and in 2005, 20,071,000 shares were repurchased; 14.8 million shares remain available for repurchase under the 2002 authorization. Purchases of treasury stock totaled \$849 million, \$871 million and \$671 million in 2007, 2006 and 2005, respectively.

LEVERAGE/CAPITALIZATION

(DOLLARS IN MILLIONS)	2005	2006	2007
Total Assets	\$ 17,227	18,672	19,680
Long-term Debt	\$ 3,128	3,128	3,372
Stockholders' Equity	\$ 7,400	8,154	8,772
Total Debt-to-Capital Ratio	35.6%	33.1%	30.1%
Net Debt-to-Net Capital Ratio	27.7%	28.1%	23.6%
Operating Cash Flow-to-Debt Ratio	53.4%	62.4%	79.9%
Interest Coverage Ratio	9.8	12.9	12.9

Total debt was \$3.8 billion, \$4.0 billion and \$4.1 billion for 2007, 2006 and 2005, respectively. 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 30.1 percent at year-end 2007, compared with 33.1 percent for 2006 and 35.6 percent for 2005. At September 30, 2007, net debt (total debt less cash and equivalents and short-term investments) was 23.6 percent of net capital, compared with 28.1 percent of net capital in 2006 and 27.7 percent of net capital in 2005. The operating cash flow-to-debt ratio was 79.9 percent, 62.4 percent and 53.4 percent in 2007, 2006 and 2005, respectively. The Company's interest coverage ratio (earnings before income taxes and interest expense, divided by interest expense) was 12.9 times in 2007, compared with 12.9 times in 2006 and 9.8 times in 2005. The increase in the interest coverage ratio from 2005 to 2006 reflects higher earnings and lower average borrowings. 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 2007, the Company maintained 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, 2007, the Company could issue up to \$1.75 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.

CONTRACTUAL OBLIGATIONS

At September 30, 2007, the Company's contractual obligations, including estimated payments due by period, are as follows:

(DOLLARS IN MILLIONS)	TOTAL	PAYMENTS DUE BY PERIOD			
		LESS THAN	1-3 YEARS	3-5 YEARS	MORE THAN
		1 YEAR			5 YEARS
Long-term Debt	\$ 3,623	251	1,074	287	2,011
Operating Leases	558	163	195	98	102
Purchase Obligations	1,720	1,156	387	177	-
Total	\$ 5,901	1,570	1,656	562	2,113

Purchase obligations consist primarily of inventory purchases made in the normal course of business to meet operational requirements. The above table does not include \$2.0 billion of other noncurrent liabilities recorded in the balance sheet, as summarized in Note 17, which consist primarily of deferred income tax 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 perfunctory. Management believes that all relevant criteria and conditions are considered when recognizing sales.

INVENTORIES

Inventories are stated at the lower of cost or market. The majority of inventory values are based 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. Management regularly reviews inventory for obsolescence to determine whether a write-down is necessary. 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. Management believes that the estimates of future cash flows and fair value are reasonable; however, changes in estimates could materially affect the evaluations. See Notes 1, 3 and 6.

RETIREMENT PLANS

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. Effective for 2008, the discount rate for the U.S. retirement plans was adjusted to 6.25 percent based on the changes in market interest rates. Defined benefit pension plan expense is expected to decrease slightly in 2008. The Company contributed \$136 million to defined benefit plans in 2007 and expects to contribute \$50 million to \$100 million in 2008. 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 pre-tax charge to accumulated other comprehensive income of \$522 million (\$329 million after-tax). Also see Notes 10 and 11 for additional disclosures regarding the adoption. 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 due to 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.

The American Jobs Creation Act of 2004 (the Act) was signed into law on October 22, 2004. The Act repeals an export tax benefit, provides for a 9 percent deduction on U.S. manufacturing income, and allows the repatriation of foreign earnings at a reduced rate for one year, subject to certain limitations. When fully phased-in, management estimates that the repeal of the export tax benefit will be offset by the deduction on manufacturing income. During 2005, the Company repatriated approximately \$1.4 billion (\$1.8 billion in total) of cash from undistributed earnings of non-U.S. subsidiaries under the Act. As a result, the Company recorded a tax expense of \$63 million, or \$0.07 per share, in 2005.

NEW ACCOUNTING PRONOUNCEMENTS

In June 2006, the Financial Accounting Standards Board issued 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. The Company has analyzed FIN 48, which is required to be adopted in the first quarter of fiscal 2008, and believes it will not have a material impact on the financial statements when finalized.

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 is in the process of analyzing the impact of FAS 157, which is effective for fiscal years beginning after November 15, 2007.

CONSOLIDATED STATEMENTS OF EARNINGS

EMERSON ELECTRIC CO. & SUBSIDIARIES

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

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

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

EMERSON ELECTRIC CO. & SUBSIDIARIES
September 30 | Dollars in millions, except per share amounts

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

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

EMERSON ELECTRIC CO. & SUBSIDIARIES

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

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

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

EMERSON ELECTRIC CO. & SUBSIDIARIES
Years ended September 30 | Dollars in millions

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

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 that 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.

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 \$2.6 billion at September 30, 2007. 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, minimum pension liability and cash flow hedges. Accumulated other comprehensive income, after-tax, consists of foreign currency translation credits of \$728 and \$269, pension and postretirement adjustments of \$384 and \$57, and cash flow hedges and other credits of \$38 and \$94 at September 30, 2007 and 2006, 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).

Certain prior year amounts have been reclassified to conform to the current year presentation.

(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 1.1 million, 1.0 million and 5.1 million shares of common stock were excluded from the computation of diluted earnings per share in 2007, 2006 and 2005, 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)	2005	2006	2007
Basic	829.9	816.5	793.8
Dilutive shares	7.8	8.0	10.1
Diluted	837.7	824.5	803.9

(3) Acquisitions and Divestitures

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 (net of cash and equivalents acquired of approximately \$40 and debt assumed of approximately \$56) and annualized sales were approximately \$295 and \$240, respectively. 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. Third-party valuations of assets are in-process; purchase price allocations are subject to refinement for fiscal year 2007 acquisitions.

During the fourth quarter of fiscal 2007, the Company entered into a definitive agreement to acquire Motorola Inc.'s Embedded Communications Computing (ECC) business for approximately \$350 in cash. ECC is a leading provider of embedded computing products to equipment manufacturers in telecommunications, medical imaging, defense and aerospace, and industrial automation. The transaction is expected to be completed by the end of calendar 2007 and is subject to customary closing conditions and regulatory approvals. ECC had 2006 revenue of approximately \$520 and will be included in the Network Power segment.

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 (net of cash and equivalents acquired of approximately \$120 and debt assumed of approximately \$90) and annualized sales were approximately \$752 and \$920, respectively. 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 Company acquired Do+Able, a manufacturer of ready-to-assemble wood and steel home and garage organization and storage products, which is included in the Appliance and Tools segment, in the second quarter of 2005 and Numatics, a manufacturer of pneumatic and motion control products for industrial applications, which is included in the Industrial Automation segment, in the fourth quarter of 2005. In addition to Do+Able and Numatics, the Company acquired several smaller businesses during 2005, mainly in the Process Management and Appliance and Tools segments. Total cash paid (including assumed debt of approximately \$100, which was repaid in October 2005) and annualized sales for these businesses were approximately \$466 and \$430, respectively. Goodwill of \$236 (\$58 of which is expected to be deductible for tax purposes) and identifiable intangible assets of \$122, which are being amortized on a straight-line basis over a weighted-average life of ten years, were recognized from these transactions in 2005.

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:

	2005	2006	2007
Rationalization of operations	\$ 110	84	83
Amortization of intangibles (intellectual property and customer relationships)	28	47	63
Other	118	115	111
Gains, net	(26)	(68)	(74)
Total	\$ 230	178	183

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.

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.

Gains, net for 2005 includes the following items. An approximate \$13 gain from the sale of a manufacturing facility and an approximate \$13 gain for a payment received under the Offset Act were recorded in 2005.

(5) Rationalization of Operations

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

	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

	2005	EXPENSE	ACQUISITIONS	PAID / UTILIZED	2006
Severance and benefits	\$ 22	38	16	45	31
Lease/contract terminations	11	5	4	8	12
Fixed asset write-downs	-	2	-	2	-
Vacant facility and other shutdown costs	-	9	-	8	1
Start-up and moving costs	-	30	-	29	1
	\$ 33	84	20	92	45

Rationalization of operations by segment is summarized as follows:

	2005	2006	2007
Process Management	\$ 20	14	15
Industrial Automation	15	12	14
Network Power	35	19	23
Climate Technologies	15	14	9
Appliance and Tools	24	25	22
Corporate	1	-	-
Total	\$ 110	84	83

Rationalization of operations comprises expenses associated with the Company's efforts to continually 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 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. The Company expects rationalization expense for 2008 to be approximately \$90 to \$100, including the costs to complete actions initiated before the end of 2007 and actions anticipated to be approved and initiated during 2008.

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.

During 2005, rationalization of operations primarily related to the exit of approximately 25 production, distribution, or office facilities, including the elimination of approximately 2,100 positions, as well as costs related to facilities exited in previous periods. Noteworthy rationalization actions during 2005 are as follows. Process Management included severance and plant closure costs related to consolidation of instrumentation plants within Europe and consolidation of valve operations within North America, the movement of major distribution facilities to Asia, as well as several other cost reduction actions. Network Power included severance and lease termination costs related to certain power systems operations in Western Europe shifting to China and Eastern Europe in order to leverage product platforms and lower production and engineering costs to remain competitive on a global basis. This segment also included severance and start-up and moving costs related to the consolidation of North American power systems operations into the Marconi operations acquired in 2004. Appliance and Tools included severance, plant closure costs and start-up and moving costs related to consolidating various industrial and hermetic motor manufacturing facilities for operational efficiency. Severance costs in this segment also related to shifting certain appliance control operations from the United States to Mexico and China 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, 2005	\$ 1,699	997	1,780	380	623	5,479
Acquisitions	58	27	351	25	20	481
Divestitures		(24)	(3)			(27)
Impairment			(5)			(5)
Foreign currency translation and other	21	16	39	3	6	85
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

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

	GROSS CARRYING AMOUNT		ACCUMULATED AMORTIZATION		NET CARRYING AMOUNT	
	2006	2007	2006	2007	2006	2007
Intellectual property and customer relationships	\$ 794	925	324	381	470	544
Capitalized software	647	729	484	558	163	171
	\$ 1,441	1,654	808	939	633	715

Total intangible amortization expense for 2007, 2006 and 2005 was \$131, \$107 and \$90, respectively. Based on intangible assets as of September 30, 2007, amortization expense will approximate \$126 in 2008, \$115 in 2009, \$96 in 2010, \$82 in 2011 and \$72 in 2012.

(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 2007, 2006 and 2005 was immaterial. At September 30, 2007, 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 \$60 mature in 2008.

Notional transaction amounts and fair values for the Company's outstanding derivatives, by risk category and instrument type, as of September 30, 2007 and 2006, are summarized as follows. Fair values of the derivatives do not consider the offsetting underlying hedged item.

	2006		2007	
	NOTIONAL AMOUNT	FAIR VALUE	NOTIONAL AMOUNT	FAIR VALUE
Foreign currency:				
Forwards	\$ 1,310	11	1,922	35
Options	\$ 4	-	266	2
Interest rate swaps	\$ 110	(4)	113	(3)
Commodity contracts	\$ 457	130	509	45

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) exceeded the related carrying value by \$2 and \$40 at September 30, 2007 and 2006, respectively. The estimated fair value of each of the Company's other classes of financial instruments approximated the related carrying value at September 30, 2007 and 2006.

(8) Short-Term Borrowings and Lines of Credit

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

	2006	2007
Current maturities of long-term debt	\$ 2	251
Commercial paper	819	113
Payable to banks	28	19
Other	49	21
Total	\$ 898	404
Weighted-average short-term borrowing interest rate at year-end	4.9%	3.2%

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 2007, 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:

	2006	2007
5 ¹ / ₂ % notes due September 2008	\$ 250	250
5% notes due October 2008	175	175
5.85% notes due March 2009	250	250
7 ¹ / ₈ % notes due August 2010	500	500
5.75% notes due November 2011	250	250
4.625% notes due October 2012	250	250
4 ¹ / ₂ % notes due May 2013	250	250
5 ⁵ / ₈ % 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
5.375% notes due October 2017	-	250
6% notes due August 2032	250	250
Other	205	198
	3,130	3,623
Less current maturities	2	251
Total	\$ 3,128	3,372

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. During the fourth quarter of 2005, the Company issued \$250 of 4.75%, ten-year notes 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 2008 is \$474, \$600, \$37 and \$250, respectively. Total interest paid related to short-term borrowings and long-term debt was approximately \$242, \$214 and \$247 in 2007, 2006 and 2005, respectively.

As of September 30, 2007, the Company could issue up to \$1.75 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.

(10) Retirement Plans

Retirement plan expense includes the following components:

	U.S. PLANS			NON-U.S. PLANS		
	2005	2006	2007	2005	2006	2007
Defined benefit plans:						
Service cost (benefits earned during the period)	\$ 48	58	43	14	19	21
Interest cost	145	145	159	31	32	38
Expected return on plan assets	(207)	(202)	(211)	(27)	(32)	(38)
Net amortization	64	100	87	13	16	11
Net periodic pension expense	50	101	78	31	35	32
Defined contribution and multiemployer plans	69	85	94	23	25	27
Total retirement plan expense	\$ 119	186	172	54	60	59

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	
	2006	2007	2006	2007
Projected benefit obligation, beginning	\$ 2,747	2,464	707	711
Service cost	58	43	19	21
Interest cost	145	159	32	38
Actuarial loss (gain)	(386)	127	(53)	10
Benefits paid	(122)	(129)	(29)	(36)
Acquisitions/divestitures, net	17	-	24	18
Foreign currency translation and other	5	14	11	75
Projected benefit obligation, ending	\$ 2,464	2,678	711	837
Fair value of plan assets, beginning	\$ 2,566	2,785	492	555
Actual return on plan assets	233	475	37	50
Employer contributions	91	71	33	62
Benefits paid	(122)	(129)	(29)	(36)
Acquisitions/divestitures, net	16	-	18	1
Foreign currency translation and other	1	2	4	58
Fair value of plan assets, ending	\$ 2,785	3,204	555	690
Plan assets in excess of (less than) benefit obligation as of June 30	\$ 321	526	(156)	(147)
Unrecognized net loss	564	-	179	-
Unrecognized prior service cost (benefit)	10	-	(2)	-
Adjustment for fourth quarter contributions	1	1	1	4
Net amount recognized in the balance sheet	\$ 896	527	22	(143)
The amounts recognized in the balance sheet as of September 30 consisted of:				
Noncurrent asset	\$ 927	630	110	19
Noncurrent liability	\$ (108)	(103)	(100)	(162)
Accumulated other comprehensive income	\$ 77	365	12	185

Approximately \$97 of the \$550 of accumulated losses included in accumulated other comprehensive income at September 30, 2007, will be amortized into earnings in 2008.

As of the plans' June 30 measurement date, the total accumulated benefit obligation was \$3,282 and \$2,956 for 2007 and 2006, 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 \$663, \$613 and \$382, respectively, for 2007, and \$623, \$570 and \$360, respectively, for 2006.

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

	U.S. PLANS			NON-U.S. PLANS		
	2005	2006	2007	2005	2006	2007
Weighted-average assumptions used to determine net pension expense:						
Discount rate	6.25%	5.25%	6.50%	5.4%	4.7%	4.9%
Expected return on plan assets	8.50%	8.00%	8.00%	7.4%	7.2%	7.2%
Rate of compensation increase	3.25%	3.00%	3.25%	3.1%	3.0%	3.1%
Weighted-average assumptions used to determine benefit obligations as of June 30:						
Discount rate	5.25%	6.50%	6.25%	4.7%	4.9%	5.3%
Rate of compensation increase	3.00%	3.25%	3.25%	3.0%	3.1%	3.5%

Effective for 2008, the discount rate for the U.S. retirement plans was adjusted to 6.25 percent based on the changes in market interest rates. Defined benefit pension plan expense is expected to decrease slightly in 2008.

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, 2007 and 2006, and target weighted-average allocations are as follows:

	U.S. PLANS			NON-U.S. PLANS		
	2006	2007	TARGET	2006	2007	TARGET
Asset category						
Equity securities	68%	67%	65-69%	55%	57%	50-60%
Debt securities	28%	28%	26-30%	36%	36%	30-40%
Other	4%	5%	3-7%	9%	7%	5-10%
	100%	100%	100%	100%	100%	100%

The Company estimates that future benefit payments for the U.S. plans will be as follows: \$133 in 2008, \$139 in 2009, \$146 in 2010, \$153 in 2011, \$161 in 2012 and \$935 in total over the five years 2013 through 2017. Using foreign exchange rates as of September 30, 2007, the Company estimates that future benefit payments for the non-U.S. plans will be as follows: \$30 in 2008, \$29 in 2009, \$32 in 2010, \$36 in 2011, \$39 in 2012 and \$226 in total over the five years 2013 through 2017. In 2008, the Company expects to contribute \$50 to \$100 to the retirement plans.

(11) Postretirement Plans

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

	2005	2006	2007
Service cost	\$ 6	5	6
Interest cost	27	26	29
Net amortization	21	32	26
Net postretirement	\$ 54	63	61

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

	2006	2007
Benefit obligation, beginning	\$ 502	516
Service cost	5	6
Interest cost	26	29
Actuarial loss (gain)	16	(16)
Benefits paid	(39)	(37)
Acquisitions/divestitures and other	6	3
Benefit obligation, ending	516	501
Unrecognized net loss	(102)	-
Unrecognized prior service benefit	6	-
Postretirement benefit liability recognized in the balance sheet	\$ 420	501

Approximately \$24 of the \$57 of accumulated losses included in accumulated other comprehensive income at September 30, 2007, will be amortized into earnings in 2008. The assumed discount rates used in measuring the obligations as of September 30, 2007, 2006 and 2005, were 6.00 percent, 5.75 percent and 5.25 percent, respectively. The assumed health care cost trend rate for 2008 was 9.5 percent, declining to 5.0 percent in the year 2017. The assumed health care cost trend rate for 2007 was 10.0 percent, declining to 5.0 percent in the year 2016. 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, 2007 and the 2007 postretirement plan expense by less than 5 percent. The Company estimates that future benefit payments will be as follows: \$44 in 2008, \$46 in 2009, \$47 in 2010, \$54 in 2011, \$54 in 2012 and \$238 in total over the five years 2013 through 2017.

(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, 2007, 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 before income taxes consist of the following:

	2005	2006	2007
United States	\$ 1,157	1,518	1,550
Non-U.S.	992	1,166	1,557
Earnings before income taxes	\$ 2,149	2,684	3,107

The principal components of income tax expense follow:

	2005	2006	2007
Current:			
Federal	\$ 458	394	606
State and local	42	57	58
Non-U.S.	272	316	372
Deferred:			
Federal	(41)	73	(4)
State and local	(7)	8	(14)
Non-U.S.	3	(9)	(47)
Income tax expense	\$ 727	839	971

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

	2005	2006	2007
Federal corporate statutory rate	35.0%	35.0%	35.0%
State and local taxes, less federal tax benefit	1.0	1.6	0.9
Non-U.S. rate differential	(3.2)	(3.4)	(4.1)
Non-U.S. tax holidays	(1.6)	(1.6)	(1.3)
Export benefit	(1.1)	(0.8)	(0.2)
U.S. manufacturing deduction	-	(0.4)	(0.4)
Repatriation - American Jobs Creation Act	3.0	-	-
Other	0.7	0.9	1.4
Effective income tax rate	33.8%	31.3%	31.3%

Non-U.S. tax holidays reduce the tax rate in certain foreign jurisdictions, approximately half of which are expected to expire next year. The American Jobs Creation Act of 2004 (the Act) was signed into law on October 22, 2004. The Act allows the repatriation of foreign earnings at a reduced rate for one year, subject to certain limitations. During 2005, the Company repatriated approximately \$1.4 billion (\$1.8 billion in total) of cash from undistributed earnings of non-U.S. subsidiaries under the Act. As a result, the Company recorded a tax expense of \$63 in 2005. Other, in 2007, includes tax expense of \$40 provided for certain earnings of non-U.S. subsidiaries as a result of the Company's intention to repatriate those earnings in 2008.

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

	2006	2007
Deferred tax assets:		
Accrued liabilities	\$ 218	195
Employee compensation and benefits	124	193
Postretirement and postemployment benefits	160	174
NOL and tax credits	254	261
Capital loss benefit	30	47
Other	126	110
Total	\$ 912	980
Valuation allowance	\$ (183)	(166)
Deferred tax liabilities:		
Intangibles	\$ (346)	(413)
Property, plant and equipment	(266)	(244)
Pension	(308)	(121)
Leveraged leases	(110)	(96)
Other	(92)	(105)
Total	\$ (1,122)	(979)
Net deferred income tax liability	\$ (393)	(165)

At September 30, 2007 and 2006, respectively, net current deferred tax assets were \$269 and \$269, and net noncurrent deferred tax liabilities were \$434 and \$662. Total income taxes paid were approximately \$960, \$820 and \$600 in 2007, 2006 and 2005, respectively. Approximately half of the \$47 capital loss carryforward expires in 2008 and the remainder over five years. The majority of the \$261 net operating losses and tax credits can be carried forward indefinitely, while the remainders expire over varying periods. The valuation allowance was reduced \$39 as a result of improved profitability of certain Swedish operations partially offset by foreign currency translation. The valuation allowance for deferred tax assets at September 30, 2007, includes \$55 related to acquisitions, which would reduce goodwill if the deferred tax assets are ultimately realized.

(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 market value 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, 2007, approximately 15.1 million options remained available for grant under these plans.

Changes in shares subject to option during the year ended September 30, 2007, follow:

(SHARES IN THOUSANDS)	AVERAGE EXERCISE PRICE PER SHARE	SHARES	TOTAL INTRINSIC VALUE OF AWARDS	AVERAGE REMAINING CONTRACTUAL LIFE
Beginning of year	\$ 28.64	15,807		
Options granted	\$ 43.09	930		
Options exercised	\$ 27.34	(2,882)		
Options canceled	\$ 35.73	(185)		
End of year	\$ 29.80	13,670	\$ 321	5.0
Exercisable at year-end	\$ 27.87	10,729	\$ 272	4.1

The weighted-average grant-date fair value per share of options granted was \$9.31, \$8.80 and \$6.39 for 2007, 2006 and 2005, respectively. The total intrinsic value of options exercised was \$53, \$74 and \$26 in 2007, 2006 and 2005, respectively. Cash received from option exercises under share option plans was \$60, \$89 and \$50 and the actual tax benefit realized for the tax deductions from option exercises was \$14, \$6 and \$4 for 2007, 2006 and 2005, 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 2007, 2006 and 2005 are as follows: risk-free interest rate based on the U.S. Treasury yield of 4.6 percent, 4.4 percent and 3.5 percent; dividend yield of 2.4 percent, 2.4 percent and 2.5 percent; and expected volatility based on historical volatility of 20 percent, 23 percent and 24 percent for 2007, 2006 and 2005, respectively. The expected life of an option is based on historical experience and expected exercise patterns in the future. Expected lives were 6 years, 6 years and 5 years for 2007, 2006 and 2005, respectively.

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.

As of September 30, 2007, 9,510,872 performance shares were outstanding, which are contingent upon accomplishing the Company's performance objective and the performance of services by the employees. The objective for 4,651,172 performance shares (awarded primarily in 2004) was met at the end of 2007, of which 2,790,707 awards will be issued in early 2008 and 1,860,465 awards remain contingent upon one additional year of service by the employees. The remaining 4,859,700 performance shares (awarded in 2007) are 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 by the market price of the Company's stock at the date of grant. Compensation cost is recognized over the applicable service period. In 2007, 115,000 shares of restricted stock vested as a result of the fulfillment of the applicable service periods and were distributed to participants as follows: 75,435 issued in shares and 39,565 withheld for income taxes. As of September 30, 2007, there were 2,132,554 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, 2007, follow:

(SHARES IN THOUSANDS)	SHARES	AVERAGE GRANT DATE FAIR VALUE PER SHARE
Beginning of year	6,797	\$ 31.23
Granted	5,180	\$ 42.00
Earned/vested	(115)	\$ 23.83
Canceled	(219)	\$ 38.36
End of year	11,643	\$ 35.99

The total fair value of shares earned/vested was \$5, \$123 and \$5 under the Incentive Shares Plans of which \$2, \$55 and \$2 was paid in cash, primarily for tax withholding, in 2007, 2006 and 2005, respectively. As of September 30, 2007, approximately 16.3 million shares remained available for award under the Incentive Shares Plans.

Compensation cost for the Stock Option and Incentive Shares Plans was \$185, \$81 and \$100, for 2007, 2006 and 2005, respectively. The higher compensation expense in 2007 reflects the increase in the Company's stock price and incentive shares awarded in 2007 as discussed above. Total income tax benefit recognized in the income statement for these compensation arrangements during 2007, 2006 and 2005 were \$55, \$22 and \$33, respectively. As of September 30, 2007, there was \$249 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 2.6 years.

In addition to the Stock Option and Incentive Shares Plans, the Company issued 22,230 shares of restricted stock in 2007 under the Restricted Stock Plan for Non-Management Directors and 0.4 million shares remained available for issuance as of September 30, 2007.

(15) Common Stock

At September 30, 2007, 55,060,407 shares of common stock were reserved, primarily for issuance under the Company's stock-based compensation plans. During 2007, 18,876,800 treasury shares were acquired and 2,617,078 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 remain in existence until November 1, 2008, unless earlier redeemed (at one-half cent per Right), exercised or exchanged under the terms of the plan.

(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 for automated industrial processes. 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. The Network Power segment consists of power systems, including power conditioning and uninterruptible power supplies, embedded power supplies, precision cooling systems, electrical switching equipment, and site monitoring systems. The Climate Technologies segment consists of compressors, temperature sensors and controls, thermostats, flow controls, and remote monitoring services. The Appliance and Tools segment includes general and special purpose motors and controls, appliances and appliance components, plumbing tools, and storage products.

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		
	2005	2006	2007	2005	2006	2007	2005	2006	2007
Process Management	\$ 4,200	4,875	5,699	671	878	1,066	3,894	4,146	4,902
Industrial Automation	3,242	3,767	4,269	464	569	665	2,698	2,941	3,141
Network Power	3,317	4,350	5,150	373	484	645	3,379	4,436	4,758
Climate Technologies	3,041	3,424	3,614	453	523	538	1,956	2,129	2,156
Appliance and Tools	4,008	4,313	4,447	534	550	578	2,526	2,670	2,630
	17,808	20,729	23,179	2,495	3,004	3,492	14,453	16,322	17,587
Differences in accounting methods				145	176	210			
Corporate and other (a)				(282)	(289)	(367)	2,774	2,350	2,093
Sales eliminations / Interest	(503)	(596)	(607)	(209)	(207)	(228)			
Total	\$ 17,305	20,133	22,572	2,149	2,684	3,107	17,227	18,672	19,680

(a) Corporate and other increased from 2006 to 2007 primarily because of higher incentive compensation cost (see Note 14).

	DEPRECIATION AND								
	INTERSEGMENT SALES			AMORTIZATION EXPENSE			CAPITAL EXPENDITURES		
	2005	2006	2007	2005	2006	2007	2005	2006	2007
Process Management	\$ 2	3	4	125	128	148	89	101	125
Industrial Automation	19	21	28	95	100	104	68	87	107
Network Power	9	10	10	76	98	115	55	103	111
Climate Technologies	37	43	48	118	127	132	148	148	160
Appliance and Tools	436	519	517	134	137	140	136	149	131
Corporate and other				14	17	17	22	13	47
Total	\$ 503	596	607	562	607	656	518	601	681

GEOGRAPHIC

	SALES BY DESTINATION			PROPERTY, PLANT AND EQUIPMENT		
	2005	2006	2007	2005	2006	2007
United States	\$ 9,126	10,588	10,930	1,919	1,963	1,998
Europe	3,890	4,334	5,199	511	583	680
Asia	2,370	2,920	3,678	343	419	484
Latin America	670	857	1,012	149	177	197
Other regions	1,249	1,434	1,753	81	78	72
Total	\$ 17,305	20,133	22,572	3,003	3,220	3,431

(17) Other Financial Data

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

	2005	2006	2007
Depreciation	\$ 472	500	525
Research and development	\$ 303	356	397
Rent expense	\$ 241	263	300

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 \$163 in 2008, \$118 in 2009, \$77 in 2010, \$56 in 2011 and \$42 in 2012.

Other assets, other are summarized as follows:

	2006	2007
Pension plans	\$ 1,037	649
Intellectual property and customer relationships	470	544
Capitalized software	163	171
Equity and other investments	171	103
Leveraged leases	109	100
Other	159	205
Total	\$ 2,109	1,772

Items reported in accrued expenses include the following:

		2006	2007
Employee compensation	\$	518	563
Product warranty	\$	206	197

Other liabilities are summarized as follows:

		2006	2007
Deferred income taxes	\$	724	519
Postretirement plans, excluding current portion		371	451
Retirement plans		253	296
Minority interest		176	191
Other		492	533
Total	\$	2,016	1,990

(18) Quarterly Financial Information (Unaudited)

		FIRST QUARTER		SECOND QUARTER		THIRD QUARTER		FOURTH QUARTER		FISCAL YEAR	
		2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
Net sales	\$	4,548	5,051	4,852	5,513	5,217	5,874	5,516	6,134	20,133	22,572
Gross profit	\$	1,593	1,795	1,734	1,952	1,856	2,105	1,985	2,259	7,168	8,111
Net earnings	\$	399	445	434	494	486	574	526	623	1,845	2,136
Earnings per common share:											
Basic	\$	0.49	0.56	0.53	0.62	0.59	0.72	0.65	0.79	2.26	2.69
Diluted	\$	0.48	0.55	0.52	0.61	0.59	0.72	0.65	0.78	2.24	2.66
Dividends per common share											
	\$	0.2225	0.2625	0.2225	0.2625	0.2225	0.2625	0.2225	0.2625	0.89	1.05
Common stock prices:											
High	\$	38.70	44.52	42.84	45.80	43.74	49.11	42.03	53.37	43.74	53.37
Low	\$	33.97	41.11	37.54	42.11	39.31	41.85	38.08	45.42	33.97	41.11

All per share data reflect the 2007 two-for-one stock split.

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, 2007 and 2006, 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, 2007. We also have audited Emerson Electric Co.'s internal control over financial reporting as of September 30, 2007, based on 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, 2007 and 2006, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 2007, 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, 2007, 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 adopted the 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 15, 2007

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 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) stable 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.

SUBSIDIARIES OF EMERSON ELECTRIC CO.
September 30, 2007

LEGAL NAME	JURISDICTION OF INCORPORATION
AIH, Inc.	Delaware
AIHL, LLC	Delaware
Alco Controls S.A. de C.V.	Mexico
Applied Concepts, Inc.	Pennsylvania
Woodstock Land Company, LLC	Missouri
Artesyn Technologies, Inc.	Florida
Artesyn Communication Products, Inc.	Wisconsin
Artesyn Communication Products Scandinavia AB	Sweden
Artesyn Communication Products UK Ltd.	Scotland
Spider Software, Ltd.	Scotland
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 France S.A.R.L.	France
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
Artesyn Delaware, Inc.	Delaware
Artesyn Delaware LLC	Delaware
Artesyn Technologies Japan KK	Japan
Astec International Holdings Limited	United Kingdom
Astec America Inc.	Delaware
Astec Electronics (Malaysia) Sdn Bhd	Malaysia
Astec Germany GmbH	Germany
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
EMR Holdings Limited	Japan
Stourbridge Holdings (U.K.) Limited	United Kingdom

Astec Midlands Limited	United Kingdom
Mirroware Manufacturing Limited	United Kingdom
Astec Europe Ltd.	United Kingdom
Astec International PLC	United Kingdom
B.B.I., S.A. de C.V.	Mexico
Branson Ultrasonic S.A.	Switzerland
Bristol Inc.	Delaware
Bristol Digital Systems Australasia Proprietary Limited	Australia
Brooks Instrument Canada (1967) Limited	Canada
Buehler Holdings LLC	Delaware
California Emerson LLC	Delaware
ClosetMaid Corporation	Florida
Clairson, Inc.	Delaware
Clairson de Mexico, S.A. de C.V.	Mexico
ClosetMaid (Hong Kong) Limited	Hong Kong
ClosetMaid North America, Inc.	Delaware
Compania de Motores Domesticos S.A. de C.V.	Mexico
Computational Systems, Incorporated	Tennessee
CSI Technology, Inc.	Delaware
Emerson Process Management Distribution n.v.	Belgium
Controles Electromecanicos de Mexico S.A. de C.V.	Mexico
Control Techniques Iberia S.A.	Spain
Cooligy Inc.	Delaware
Daniel Industries, Inc.	Delaware
Bettis Corporation	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
Shafer Valve Company	Ohio
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
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

Do+Able Products, Inc.	California
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.	Delaware
EGS Electrical Group Canada Ltd.	Canada
Easy Heat Ltd.	Canada
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
El-O-Matic USA, Inc.	Delaware
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
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
Asco Electrical Products Co., Inc.	New Jersey
Ascomation Pty. Ltd.	Australia
Ascomation New Zealand Ltd.	New Zealand
Asco AB	Sweden
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
Ascoval Industria E Comercio Ltda.	Brazil
Branson Ultrasonics Corporation	Delaware
Branson Korea Co., Inc.	Korea
Branson Ultrasonidos S.A.E.	Spain
Branson Ultrasons S.A.S.	France
Environmental Mediation Management, LLC	Delaware
Camco Vertriebs-und Verwaltungs-GmbH	Germany
Copeland GmbH	Germany
Copeland Corporation Limited	United Kingdom
Copeland France S.A.	France
Copeland Italia S.a.R.l.	Italy
Copeland Iberica CIB S.A.	Spain
Copeland Refrigeration Europe S.A.	Belgium
Copeland S.A.	Belgium
El-O-Matic GmbH	Germany
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
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
Control Techniques Drives Limited	Canada
Fincor Holding, LLC	Delaware
Dieterich Standard, Inc.	Delaware
Emerson Process Management AB	Sweden
Emerson Process Management AS	Norway
Emerson Process Management Holding AG	Switzerland
Emerson Process Management AG	Switzerland
Emerson Process Management Kft.	Hungary
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
Emerson Process Management AS	Denmark
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

HSFR Performance Services Pte Ltd.	Singapore
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.	Minnesota
Rosemount Nuclear Instruments, Inc.	Delaware
Xomox Uruguay S.A.	Uruguay
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
Lipe-Rollway de Mexico, S.A. de C.V.	Mexico
Lipe-Rollway Deutschland GmbH	Germany
Rollway Bearing N.V.	Belgium
EPT Investments, Inc.	Delaware
McGill Manufacturing Company, Inc.	Indiana
Emerson Power Transmission Bearings, Inc.	Delaware
McGill International, Inc.	Taiwan
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 (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
Global Energy Services, Inc.	Delaware
Liebert Field Services, Inc.	Delaware
Liebert Global 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 (Hong Kong) Ltd.	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.	Bermuda
Emersub Treasury Ireland	Ireland
Emerson Electric (Mauritius) Ltd.	Mauritius
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
Brooks Instrument B.V.	Netherlands
Emerson Network Power B.V.	Netherlands
Emerson Process Management Flow 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
El-O-Matic S.A. (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 Slovakia Spol. s.r.o.	Slovakia
Emerson Electric Spol, s.r.o.	Czech Republic
Emerson Process Management 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-Spectra (S.E.A.) Pte Ltd.	Singapore
	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
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		Missouri
Emerson Middle East, Inc.		Delaware
Emerson Network Power, Energy Systems, North America, Inc.		Delaware
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 Appliance Motors Europe - E.A.M.E. s.r.l. (f/k/a Plaset 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
	Emerson Network Power S.r.l.	Italy
	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 Vertrieb Elektronischer 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
	Balance Manufacturing Services, Inc.	Texas
	Emerson Electronic Connector and Components do Brasil, Ltda.	Brazil
	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
	Tsunami Optics, Inc.	California

	Viewsonics do Brasil, Ltda.	Brazil
	Viewsonics Mexico S.A. de C.V.	Mexico
	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.		Delaware
Emersub XCIX, Inc.		Delaware
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.		Delaware
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
	Copeland Taiwan Refrigeration Co.	Taiwan
	Digital Appliance Controls, S.A. de C.V.	Mexico
	EMR Manufacturing (M) Sdn Bhd	Malaysia
	Emerson Appliance Motor Europe S.R.L.	Romania
	Emerson Appliance Solutions (Shenzhen) Co., Ltd.	China
	Emerson Argentina S.A.	Argentina
	Emerson Climate Technologies Australia Pty Ltd.	Australia
	Emerson Electric Canada Limited	Canada
	Tech-Met 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 (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.	China
Fisher Jeon Gas Equipment (Chengdu) Co., Ltd.	China
Fisher Regulators (Shanghai) Co., Ltd.	China
Leroy Somer Electro-Technique (Fuzhou) Co., Ltd.	China
Shanghai Westinghouse Control Systems Company 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 Electric (Thailand) Limited	Thailand
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
Marine Systems & Solutions	Russia
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 S.p.A.	Italy
Asco Joucomatic N.V.	Belgium
Fluidcontrol 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
Electronique du Sud-Ouest S.A.S.	France
Atelier de Bobinage de Moteurs Electriques - Viet Services S.a.r.L.	France
Atelier Equipment Electrique Wieprecht SARL	France
SARL Wieprecht	France
Bobinage Electrique Industriel SARL	France
Bobinage Electrique Industriel Roannais S.A.R.L.	France

Cagnelli SAS	France
Diffusion Mecanique Electricite SARL	France
Electro Maintenance Courbon SARL	France
Etablissements Belzon & Richardot S.A.R.L	France
Etablissements de Cocard SARL	France
Etablissements J. Michel S.A.R.L.	France
Etablissements Suder et Fils S.A.R.L.	France
Houssin S.A.R.L.	France
Lorraine Services Electrique Electronique Electromecanique S.a.r.l.	France
Maintenance Industrie Service Provence SARL	France
Maintenance Industrie Service Rennes S.a.r.L.	France
Maintenance Industrie Service S.a.r.L.	France
Maintenance Industrie Service SIBE SARL	France
Maintenance Industrie Service SPIRE SARL	France
Marcel Oury SARL	France
MEZIERES S.A.R.L.	France
Navarre Services S.A.R.L.	France
Ouest Electro Service S.A.R.L.	France
Prevost SARL	France
Radiel Bobinage S.A.R.L.	France
Societe De Reparation Electro-Mecanique S.A.R.L.	France
Societe Nouvelle Paillet Services S.A.R.L.	France
Societe Nouvelle Silvain S.A.R.L.	France
Sud Maintenance S.A.R.L.	France
Etablissements Trepeau SAS	France
Girard Transmissions SAS	France
I.M.I Kft	Hungary
La Francaise de Manutention SAS	France
Leroy-Somer Canada Ltd.	Canada
Leroy-Somer Denmark A/S	Denmark
Leroy-Somer Elektroantriebe GmbH	Austria
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 Ltd.	United Kingdom
Leroy-Somer Marbaise GmbH	Germany
Leroy-Somer Motores E Sistemas Electro Mecanicas CDA	Portugal
Leroy-Somer Nederland B.V.	Netherlands
Leroy-Somer Norden AB	Sweden
Leroy-Somer Norge A/S	Norway
Leroy-Somer OY	Finland
Leroy-Somer (Pty) Ltd.	South Africa
Leroy-Somer (Pty) Ltd.	Australia
Leroy Somer S.A.	Belgium
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
Motadour SAS	France
Moteurs Leroy-Somer S.A.	France
Moteurs Patay SAS	France
Societe Anonyme de Mecanique et D'outillage du Vivarais S.A.	France

Societe Confolentaise 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 Europe Middle East & Africa GmbH	Switzerland
Emerson Process Management (Magyarország) Kft.	Hungary
Emerson Process Management NV	Belgium
PI Components NV	Belgium
Emerson Sistemas de Energia Ltda.	Brazil
Emersub 5 LLC	Delaware
Emersub Mexico, Inc.	Nevada
Copeland Scroll Compresores de Mexico S.A. de C.V.	Mexico
Daniel Measurement and Control, S. de R.L. de C.V.	Mexico
Emerpowsys, S. de R.L. de C.V.	Mexico
Emerson Electronic Connector and Components Mexico S.A. 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
Knaack de Mexico, S. de R.L. de C.V.	Mexico
Stack A Shelf, 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
PT Kontrol Teknik Indonesia	Indonesia
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 Technika Hungary Villamos Hajtastechnikai Kft.	Hungary
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
The Design House (WGC) Limited	United Kingdom
El-O-Matic Limited	United Kingdom
Emerson Electric U.K. Limited	United Kingdom
Bray Lectorheat 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
Hiorss Limited	United Kingdom
Liebert Swindon Ltd.	United Kingdom
Emerson Energy Systems (UK) Limited	United Kingdom
Emerson Process Management Limited	United Kingdom
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 GmbH	Germany
Mobrey AB	Sweden
Mobrey SA	France
Mobrey Limited	United Kingdom
Mobrey Trustee Company 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 Tecnologías 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 Electric Indonesia	Indonesia

RAC Technologies (Israel) Ltd.	Israel
Rey-Lam, S. de R.L. de C.V.	Mexico
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
Corot Pty. Ltd.	Australia
Emerson Electric Australia Co. Pty. Ltd.	Australia
Fisher-Rosemount Ltd.	New Zealand
Emerson Process Management China Ltd.	Hong Kong
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.	Georgia
Emerson Process Management Dominicana, S.A.	Dominican Republic
Emerson Process Management Power & Water Solutions, Inc.	Delaware
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
High Voltage Maintenance Corporation	Ohio
Hiross India Private Limited	India
Humboldt Hermetic Motor Corp.	Delaware
Ingenierias Asociadas I.A. Ltda.	Colombia
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
Mobrey, Inc.	Delaware
Motores Hermeticos del Sur, S.A. de C.V.	Mexico
Numatics, Incorporated	Michigan

Micro-Filtration, Inc.	Michigan
Microsmith, Inc.	Arizona
Numatech, Inc.	Michigan
Numatics (Shanghai) Co., Ltd.	China
Numatics Co., Ltd.	Taiwan
Numatics de Mexico, S.A. de C.V.	Mexico
Numatics GmbH	Germany
Numatics Limited	United Kingdom
Numatics Ltd.	Canada
Numatics S.R.L.	Italy
Numatics Spain, S.L.	Spain
Numatation, Inc.	Michigan
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
Termocontroles 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
Wer Canada (1984) Inc.	Canada
White-Rodgers (1967) Limited	Canada
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. 333-118591, 333-118589, 333-90240, 333-46919, 333-72591, 33-38805, and 33-57985 on Form S-8 and Registration Statement Nos. 333-110546, 333-52658, 333-84673, 333-66865 and 33-62545 on Form S-3 of Emerson Electric Co. of our report dated November 15, 2007, with respect to the consolidated balance sheets of Emerson Electric Co. and subsidiaries as of September 30, 2007 and 2006, 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, 2007, and the effectiveness of internal control over financial reporting as of September 30, 2007, which report is incorporated by reference in the September 30, 2007 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 post retirement benefits in 2007.

/s/ KPMG LLP

St. Louis, Missouri
November 19, 2007

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, 2007.

Dated: October 2, 2007

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

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

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 19, 2007

/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 19, 2007

/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, 2007, 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

D. N. Farr
Chairman of the Board,
Chief Executive Officer and President
Emerson Electric Co.
November 19, 2007

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, 2007, 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

W. J. Galvin
Senior Executive Vice President and
Chief Financial Officer
Emerson Electric Co.
November 19, 2007
