

Consolidated Statement of Financial Position

(in millions, except per share amounts)	SEPTEMBER 30	
	2007	2006
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 231	\$ 144
Receivables	883	821
Inventories	823	727
Current deferred income taxes	176	168
Other current assets	56	67
Total current assets	2,169	1,927
Property	607	552
Intangible Assets	147	137
Goodwill	544	517
Prepaid Pension Asset	88	—
Other Assets	195	145
Total assets	\$3,750	\$3,278
LIABILITIES AND SHAREOWNERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 395	\$ 324
Compensation and benefits	305	268
Advance payments from customers	304	246
Product warranty costs	213	189
Income taxes payable	29	54
Other current liabilities	213	243
Total current liabilities	1,459	1,324
Long-Term Debt	223	245
Retirement Benefits	359	421
Other Liabilities	136	82
Shareowners' Equity:		
Common stock (\$0.01 par value; shares authorized: 1,000; shares issued: 183.8)	2	2
Additional paid-in capital	1,353	1,305
Retained earnings	1,533	1,105
Accumulated other comprehensive loss	(336)	(393)
Common stock in treasury, at cost (shares held: 2007, 18.0; 2006, 16.7)	(979)	(813)
Total shareowners' equity	1,573	1,206
Total liabilities and shareowners' equity	\$3,750	\$3,278

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Consolidated Statement of Operations

(in millions, except per share amounts)	YEAR ENDED SEPTEMBER 30		
	2007	2006	2005
Sales:			
Product sales	\$4,007	\$3,482	\$3,072
Service sales	408	381	373
Total sales	4,415	3,863	3,445
Costs, expenses and other:			
Product cost of sales	2,819	2,491	2,242
Service cost of sales	273	261	260
Selling, general and administrative expenses	482	441	402
Interest expense	13	13	11
Other income, net	(15)	(32)	(17)
Total costs, expenses and other	3,572	3,174	2,898
Income before income taxes	843	689	547
Income tax provision	258	212	151
Net income	\$ 585	\$ 477	\$ 396
Earnings per share:			
Basic	\$ 3.50	\$ 2.77	\$ 2.24
Diluted	\$ 3.45	\$ 2.73	\$ 2.20
Weighted average common shares:			
Basic	167.1	172.0	177.0
Diluted	169.7	174.5	180.2
Cash dividends per share	\$ 0.64	\$ 0.56	\$ 0.48

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Consolidated Statement of Cash Flows

(in millions)	YEAR ENDED SEPTEMBER 30		
	2007	2006	2005
OPERATING ACTIVITIES:			
Net income	\$ 585	\$ 477	\$ 396
Adjustments to arrive at cash provided by operating activities:			
Gain on sale of equity affiliate	—	(20)	—
Restructuring charge (adjustment) and tradenames write-off	(5)	14	15
Depreciation	96	85	85
Amortization of intangible assets	22	21	19
Stock-based compensation	17	18	—
Compensation and benefits paid in common stock	58	50	69
Tax benefit from exercise of stock options	34	28	35
Excess tax benefit from stock-based compensation	(33)	(28)	—
Deferred income taxes	43	33	31
Pension plan contributions	(90)	(66)	(114)
Changes in assets and liabilities, excluding effects of acquisitions and foreign currency adjustments:			
Receivables	(126)	(78)	(108)
Inventories	(128)	(43)	(9)
Accounts payable	55	35	39
Advance payments from customers	61	24	32
Income taxes	(23)	(12)	34
Compensation and benefits	41	(16)	30
Other assets and liabilities	—	73	20
Cash Provided by Operating Activities	607	595	574
INVESTING ACTIVITIES:			
Property additions	(125)	(144)	(111)
Acquisition of businesses, net of cash acquired	(32)	(100)	(19)
Proceeds (payments) from sale of investment in equity affiliate	(2)	84	—
Acquisition of intangible assets	(8)	—	(7)
Proceeds from settlement of discontinued license agreement	14	—	—
Proceeds from disposition of property	—	1	3
Cash Used for Investing Activities	(153)	(159)	(134)
FINANCING ACTIVITIES:			
Purchases of treasury stock	(333)	(492)	(498)
Cash dividends	(107)	(96)	(85)
Proceeds from exercise of stock options	61	73	96
Net proceeds from issuance of long-term debt	—	46	—
Excess tax benefit from stock-based compensation	33	28	—
Payments on long-term debt	(27)	—	—
Cash Used for Financing Activities	(373)	(441)	(487)
Effect of exchange rate changes on cash and cash equivalents	6	4	(4)
Net Change in Cash and Cash Equivalents	87	(1)	(51)
Cash and Cash Equivalents at Beginning of Year	144	145	196
Cash and Cash Equivalents at End of Year	\$ 231	\$ 144	\$ 145

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Consolidated Statement of Shareowners' Equity and Comprehensive Income

(in millions)	YEAR ENDED SEPTEMBER 30		
	2007	2006	2005
COMMON STOCK			
Beginning and ending balance	\$ 2	\$ 2	\$ 2
ADDITIONAL PAID-IN CAPITAL			
Beginning balance	1,305	1,263	1,228
Tax benefit from exercise of stock options	33	28	35
Stock-based compensation	17	18	—
Other	(2)	(4)	—
Ending balance	1,353	1,305	1,263
RETAINED EARNINGS			
Beginning balance	1,105	771	492
Net income	585	477	396
Cash dividends	(107)	(96)	(85)
Shares issued under stock option and benefit plans	(45)	(47)	(32)
Defined benefit plans remeasurement adjustment	(5)	—	—
Ending balance	1,533	1,105	771
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)			
Beginning balance	(393)	(604)	(397)
Minimum pension liability adjustment	369	199	(200)
Defined benefit plans recognition adjustment	(329)	—	—
Currency translation gain (loss)	19	11	(6)
Foreign currency cash flow hedge adjustment	(2)	1	(1)
Ending balance	(336)	(393)	(604)
COMMON STOCK IN TREASURY			
Beginning balance	(813)	(493)	(192)
Share repurchases	(333)	(492)	(498)
Shares issued from treasury	167	172	197
Ending balance	(979)	(813)	(493)
Total Shareowners' Equity	\$1,573	\$1,206	\$ 939
COMPREHENSIVE INCOME			
Net income	\$ 585	\$ 477	\$ 396
Other comprehensive income (loss), net of deferred taxes (2007, \$(216); 2006, \$(117); 2005, \$117)	386	211	(207)
Comprehensive income	\$ 971	\$ 688	\$ 189

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