SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 1999

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 | 43-0259330 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

| 8000 W. Florissant Ave.<br>P.O. Box 4100<br>St. Louis, Missouri | 63136 |
|---|---|
| (Address of principal executive offices) | (Zip Code) |

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

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, and (2) has been subject to such filing requirements for the past 90 days. Yes (X) No ( )

Common stock outstanding at December 31, 1999: 431,069,512 shares.



PART I. FINANCIAL INFORMATION FORM 10-Q
Item 1. Financial Statements.

EMERSON ELECTRIC CO. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
THREE MONTHS ENDED DECEMBER 31, 1999 AND 1998
(Dollars in millions except per share amounts; unaudited)

| | Three Months Ended December 31, | |
|---|---|---|
| | 1999 | 1998 |
| Net sales | $3,543.3 | 3,426.7 |
| Costs and expenses: | | |
| Cost of sales | 2,288.8 | 2,211.6 |
| Selling, general and administrative expenses | 701.9 | 691.4 |
| Interest expense | 52.0 | 44.9 |
| Other deductions, net | 4.6 | 6.4 |
| Total costs and expenses | 3,047.3 | 2,954.3 |

| | | |
|---|---|---|
| Income before income taxes | 496.0 | 472.4 |
| Income taxes | 171.1 | 170.0 |
| Net earnings | $ 324.9 | 302.4 |
| Basic earnings per common share | $ .75 | .69 |
| Diluted earnings per common share | $ .75 | .69 |
| Cash dividends per common share | $ .3575 | .325 |

See accompanying notes to consolidated financial statements.

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| | | |
|---|---|---|
| NOTE: Diluted earnings per common share, excluding goodwill amortization | $ .82 | .75 |



CONSOLIDATED BALANCE SHEETS
(Dollars in millions except per share amounts; unaudited)

| ASSETS | December 31, 1999 | September 30, 1999 |
|---|---|---|
| CURRENT ASSETS | | |
| Cash and equivalents | $ 339.5 | 266.1 |
| Receivables, less allowances of $60.7 and $60.5 | 2,487.6 | 2,516.3 |
| Inventories | 1,953.1 | 1,921.1 |
| Other current assets | 421.6 | 420.9 |
| Total current assets | 5,201.8 | 5,124.4 |
| PROPERTY, PLANT AND EQUIPMENT, NET | 3,142.8 | 3,154.4 |
| OTHER ASSETS | | |
| Goodwill | 4,208.3 | 4,263.0 |
| Other | 1,076.3 | 1,081.7 |
| Total other assets | 5,284.6 | 5,344.7 |
| | $13,629.2 | 13,623.5 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Short-term borrowings and current maturities of long-term debt | $ 2,065.3 | 1,953.7 |
| Accounts payable | 890.4 | 1,068.8 |
| Accrued expenses | 1,191.6 | 1,304.8 |
| Income taxes | 362.4 | 263.1 |
| Total current liabilities | 4,509.7 | 4,590.4 |
| LONG-TERM DEBT | 1,400.8 | 1,317.1 |
| OTHER LIABILITIES | 1,529.9 | 1,535.5 |
| STOCKHOLDERS' EQUITY | | |
| Preferred stock of $2.50 par value per share. Authorized 5,400,000 shares; issued - none | -- | -- |
| Common stock of $.50 par value per share. Authorized 1,200,000,000 shares; issued 476,677,006 shares | 238.3 | 238.3 |
| Additional paid in capital | 20.5 | 23.9 |
| Retained earnings | 7,974.1 | 7,803.7 |
| Accumulated other nonstockholder changes in equity | (314.0) | (271.6) |
| Cost of common stock in treasury, 45,607,494 | | |

| | | |
|---|---|---|
| shares and 43,632,708 shares | (1,730.1) | (1,613.8) |
| Total stockholders' equity | 6,188.8 | 6,180.5 |
| | $13,629.2 | 13,623.5 |

See accompanying notes to consolidated financial statements.





CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED DECEMBER 31, 1999 AND 1998
(Dollars in millions; unaudited)

| | 1999 | 1998 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Net earnings | $ 324.9 | 302.4 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation and amortization | 163.5 | 152.4 |
| Changes in operating working capital | (169.2) | (150.0) |
| Other | (16.0) | (29.2) |
| Net cash provided by operating activities | 303.2 | 275.6 |
| INVESTING ACTIVITIES | | |
| Capital expenditures | (125.6) | (136.8) |
| Purchases of businesses, net of cash and equivalents acquired | (4.6) | (468.0) |
| Other, net | (1.9) | .8 |
| Net cash used in investing activities | (132.1) | (604.0) |
| FINANCING ACTIVITIES | | |
| Net increase in short-term borrowings | 147.9 | 495.6 |
| Proceeds from long-term debt | 81.5 | 175.1 |
| Principal payments on long-term debt | (7.5) | (6.0) |
| Dividends paid | (154.5) | (142.4) |
| Net purchases of treasury stock | (159.3) | (94.3) |
| Net cash (used in) provided by financing activities | (91.9) | 428.0 |
| Effect of exchange rate changes on cash and equivalents | (5.8) | 12.4 |
| INCREASE IN CASH AND EQUIVALENTS | 73.4 | 112.0 |
| Beginning cash and equivalents | 266.1 | 209.7 |
| ENDING CASH AND EQUIVALENTS | $ 339.5 | 321.7 |

See accompanying notes to consolidated financial statements.





Notes to Consolidated Financial Statements
(Unaudited)

1. The accompanying unaudited consolidated financial statements, in the opinion of management, include all adjustments necessary for a fair presentation of the results for the interim periods presented. These adjustments consist of normal recurring accruals. The consolidated financial statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all the disclosures required by generally accepted accounting principles. For further information refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended September 30, 1999.

2. Other Financial Information
(Dollars in millions)

| | December 31, 1999 | September 30, 1999 |
|---|---|---|
| **Inventories** | | |
| Finished products | $ 836.5 | 871.5 |
| Raw materials and work in process | 1,116.6 | 1,049.6 |
| | $1,953.1 | 1,921.1 |
| **Property, plant and equipment, net** | | |
| Property, plant and equipment, at cost | $6,439.1 | 6,377.8 |
| Less accumulated depreciation | 3,296.3 | 3,223.4 |
| | $3,142.8 | 3,154.4 |
| **Other assets, other** | | |
| Equity and other investments | $ 227.7 | 235.1 |
| Retirement plans | 281.3 | 271.3 |
| Leveraged leases | 183.6 | 185.5 |
| Other | 383.7 | 389.8 |
| | $1,076.3 | 1,081.7 |
| **Other liabilities** | | |
| Minority interest | $ 297.6 | 297.2 |
| Postretirement plans, excl. current portion | 315.3 | 313.1 |
| Deferred taxes | 333.0 | 333.9 |
| Other | 584.0 | 591.3 |
| | $1,529.9 | 1,535.5 |




3. Business Segment Information

Summarized information about the Company's operations by business segment for the three months ended December 31, 1999 and 1998, follows (dollars in millions):

| | Sales | | Earnings Before Interest and Income Taxes | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| Process Control | $ 712.3 | 633.7 | 56.3 | 70.0 |
| Industrial Automation | 858.9 | 847.7 | 111.3 | 109.3 |
| Electronics and Telecommunications | 583.5 | 486.2 | 71.7 | 42.2 |
| HVAC | 540.9 | 525.2 | 79.0 | 74.7 |
| Appliance and Tools | 910.5 | 874.8 | 146.9 | 142.4 |
| | 3,606.1 | 3,367.6 | 465.2 | 438.6 |
| Divested businesses | 24.5 | 151.3 | .4 | 9.1 |
| Eliminations/Interest and other | (87.3) | (92.2) | 30.4 | 24.7 |
| Net sales/Income before income taxes | $3,543.3 | 3,426.7 | 496.0 | 472.4 |

Divested businesses include F.G. Wilson and other smaller businesses. Intersegment sales of the Appliance and Tools segment were $70 million for the three months ended December 31, 1999 and 1998. Interest and other for the three months ended December 31, 1999 and 1998, respectively, include accounting method differences of $44.5 million and $40.6 million; interest income, corporate and other of $37.9 million and $29.0 million; and interest expense.

4. During the second quarter of fiscal 2000, the Company acquired Jordan Telecommunication Products, Inc. (renamed Emerson Telecommunication Products) for approximately $985 million. Emerson Telecom is a global provider of fiber optic conduit systems, CATV components, power protection systems, cellular site structures, custom cables and connectors for wireline, wireless and data communications equipment.

Also in the second quarter, the Company announced an agreement to acquire Ericsson Energy Systems, a global provider of power supplies, power systems, switching equipment, climate control and energy management systems, and site monitoring services to the telecommunications industry, for approximately $725 million. This transaction is subject to regulatory approval and other customary conditions. The Company also announced its decision to sell its interest in Vermont American to its joint venture partner, Robert Bosch GmbH.





5. As reflected in the financial statements, nonstockholder changes in equity for the three months ended December 31, 1999, were $282.5 million, comprised of net earnings of $324.9 million and foreign currency translation adjustments of $(42.4) million. The corresponding amount for the three months ended December 31, 1998, was $371.7 million, comprised of net earnings of $302.4 million and foreign currency translation adjustments of $69.3 million.

6. The weighted average number of common shares outstanding (in millions) was 430.4 and 436.0 for the three months ended December 31, 1999 and 1998, respectively. The weighted average number of shares outstanding assuming dilution (in millions) was 434.5 and 440.6 for the three months ended December 31, 1999 and 1998, respectively. Dilutive shares primarily relate to stock plans.





Items 2 and 3. Management's Discussion and Analysis of Results of Operations and Financial Condition.

Results of Operations

Sales, net earnings and earnings per share for the first quarter of fiscal 2000 were the highest for any first quarter in the Company's history.

Net sales for the quarter ended December 31, 1999, were $3,543.3 million, an increase of 3.4 percent over net sales of $3,426.7 million for the quarter ended December 31, 1998. These results reflect continued improvement in international markets and robust demand worldwide in the electronics and telecommunications business. Excluding the impact of currency and divestitures, sales increased 9 percent, reflecting underlying growth and the contribution of acquisitions.

The process control business reported a 12 percent increase in sales, driven by the Westinghouse Process Control and Daniel Industries acquisitions, which have increased the Company's presence in the power, water and wastewater, and natural gas markets. Underlying sales declined, reflecting reductions in capital spending by customers during 1999.

Sales in the industrial automation business increased because of the Kato and Magnetek alternator operations acquisitions. Underlying sales declined modestly as last year's capital reductions for industrial products extended into the fourth calendar quarter.

Sales in the electronics and telecommunications business increased 20 percent, due to very strong underlying growth, particularly in the United States. The European and Asian markets also experienced solid growth. The ongoing high demand is being driven by the rapid expansion of the Internet infrastructure and telecommunications markets.

The heating, ventilating and air conditioning business achieved solid underlying sales growth, reflecting strength in Europe, Asia and Latin America. Growth in the United States was modest, due in part to select customers' efforts to reduce off-season inventory. This activity does not affect overall consumer demand.

The appliance and tools business realized a solid increase in underlying sales across all areas, attributable to continued strength in the U.S. home construction and repair markets. Sales to home centers increased substantially, as The Home Depot continues to embrace the Company's RIDGID-branded products as its professional tools offering.

Cost of sales for the first quarter was $2,288.8 million, or 64.6 percent of sales, compared with $2,211.6 million, or 64.5 percent of sales, for the first quarter of 1999. Selling, general and administrative expenses for the three months ended December 31, 1999, were $701.9 million, or 19.8 percent of sales, compared to $691.4 million, or 20.2 percent of sales, for the same period a year ago.





Earnings before interest and income taxes increased 5.9 percent. The consolidated operating margin increased 0.3 points reflecting the impact of cost reduction efforts and productivity improvement programs. Earnings before interest and income taxes in the process control business decreased in the first quarter of 2000, primarily due to underlying sales declines reflecting reductions in capital spending by customers. Earnings of the electronics and telecommunications business increased by 70 percent compared to the first quarter of 1999, reflecting robust underlying sales growth and improved operating margins.

Financial Condition

A comparison of key elements of the Company's financial condition at the end of the first quarter as compared to the end of the prior fiscal year follows:

| | December 31, 1999 | September 30, 1999 |
|---|---|---|
| Working capital (in millions) | $ 692.1 | $ 534.0 |
| Current ratio | 1.2 to 1 | 1.1 to 1 |
| Total debt to total capital | 35.9% | 34.6% |
| Net debt to net capital | 33.5% | 32.7% |

The Company's interest coverage ratio (earnings before income taxes and interest expense, divided by interest expense) was 10.5 times for the quarter ended December 31, 1999, compared to 11.5 times for the same period one year earlier. The decrease in the interest coverage ratio reflects higher average borrowings resulting from share repurchases and acquisitions, partially offset by earnings growth.

Cash and equivalents increased by $73.4 million during the three months ended December 31, 1999. Cash flow provided by operating activities of $303.2 million and an increase in borrowings of $221.9 million were used primarily to fund net treasury stock purchases of $159.3 million, pay dividends of $154.5 million, and fund capital expenditures of $125.6 million.

The Company is in a strong financial position, continues to generate strong operating cash flow, and has the resources available for reinvestment in existing businesses, strategic acquisitions and managing the capital structure on a short- and long-term basis.

Statements in this report that are not strictly historical may be "forward-looking" statements, which involve risks and uncertainties. These include economic and currency conditions, market demand, pricing, and competitive and technological factors, among others, which are set forth in the Company's Annual Report on Form 10-K for the year ended September 30, 1999.





## PART II. OTHER INFORMATION

Item 5. Other Information.

On February 3, 2000, the Company announced that George W. Tamke, vice chairman and co-chief executive officer of the Company, informed the Board of Directors and Chairman and Chief Executive Officer Charles F. Knight that he is resigning to pursue other opportunities.

Item 6. Exhibits and Reports on Form 8-K.

(a) 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, 1997, Exhibit 3(a).

3(b) Bylaws of Emerson Electric Co., as amended through November 3, 1998, incorporated by reference to Emerson Electric Co. 1998 Form 10-K, Exhibit 3(b).

12 Ratio of Earnings to Fixed Charges

27 Financial Data Schedule

(b) Reports on Form 8-K. The Company did not file any reports on Form 8-K during the quarter ended December 31, 1999.

## SIGNATURE

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

EMERSON ELECTRIC CO.

Date: February 11, 2000 By /s/ Walter J. Galvin

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Walter J. Galvin
Senior Vice President - Finance
and Chief Financial Officer

(on behalf of the registrant and
as Chief Financial Officer)

EXHIBIT 12

# EMERSON ELECTRIC CO. AND SUBSIDIARIES
## COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
THREE MONTHS ENDED DECEMBER 31, 1999
(Dollars in millions)

| | |
|---|---|
| Earnings: | |
| Income before income taxes <F1> | $503.0 |
| Fixed charges | 69.4 |
| Earnings, as defined | $572.4 |
| Fixed charges: | |
| Interest expense | $ 54.6 |
| One-third of all rents | 14.8 |
| Total fixed charges | $ 69.4 |
| Ratio of Earnings to Fixed Charges | 8.2x |

<F1>
Represents income before income taxes and minority interests in the income of consolidated subsidiaries with fixed charges.

<TABLE> <S> <C>

<ARTICLE> 5 Exhibit 27

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE EMERSON ELECTRIC CO. CONSOLIDATED STATEMENT OF EARNINGS AND CONSOLIDATED BALANCE SHEET AS OF AND FOR THE THREE MONTHS ENDED DECEMBER 31, 1999, FILED WITH THE COMPANY'S 2000 FIRST QUARTER FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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