

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

FORM 10-Q

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

For the quarterly period ended March 31, 2000

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

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 March 31, 2000: 426,715,844 shares.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements.

FORM 10-Q

EMERSON ELECTRIC CO. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
THREE MONTHS AND SIX MONTHS ENDED MARCH 31, 2000 AND 1999
(Dollars in millions except per share amounts; unaudited)

	Three Months		Six Months	
	2000	1999	2000	1999
Net sales	\$ 3,894.7	3,588.7	7,438.0	7,015.4
Costs and expenses:				
Cost of sales	2,514.3	2,309.8	4,803.1	4,521.4
Selling, general and administrative expenses	743.3	698.7	1,445.2	1,390.1
Interest expense	69.0	44.8	121.0	89.7
Other deductions, net	29.5	31.1	34.1	37.5
Total costs and expenses	3,356.1	3,084.4	6,403.4	6,038.7

Income before income taxes	538.6	504.3	1,034.6	976.7
Income taxes	185.8	178.4	356.9	348.4
Net earnings	<u>\$ 352.8</u>	<u>325.9</u>	<u>677.7</u>	<u>628.3</u>
Basic earnings per common share	<u>\$.83</u>	<u>.75</u>	<u>1.58</u>	<u>1.44</u>
Diluted earnings per common share	<u>\$.82</u>	<u>.74</u>	<u>1.57</u>	<u>1.43</u>
Cash dividends per common share	<u>\$.3575</u>	<u>.325</u>	<u>.715</u>	<u>.65</u>

See accompanying notes to consolidated financial statements.

Note: Diluted earnings per common share, excluding goodwill amortization	<u>\$.90</u>	<u>\$.81</u>	<u>\$ 1.72</u>	<u>\$ 1.56</u>
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EMERSON ELECTRIC CO. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in millions except per share amounts; unaudited)

ASSETS	March 31, 2000	September 30, 1999
CURRENT ASSETS		
Cash and equivalents	\$ 373.4	266.1
Receivables, less allowances of \$62.0 and \$60.5	2,647.3	2,516.3
Inventories	2,023.6	1,921.1
Other current assets	436.4	420.9
Total current assets	5,480.7	5,124.4
PROPERTY, PLANT AND EQUIPMENT, NET	3,237.2	3,154.4
OTHER ASSETS		
Goodwill	5,090.6	4,263.0
Other	1,134.1	1,081.7
Total other assets	6,224.7	5,344.7
	<u>\$14,942.6</u>	<u>13,623.5</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings and current maturities of long-term debt	\$ 3,382.2	1,953.7
Accounts payable	1,001.1	1,068.8
Accrued expenses	1,233.2	1,304.8
Income taxes	245.8	263.1
Total current liabilities	5,862.3	4,590.4
LONG-TERM DEBT	1,444.5	1,317.1
OTHER LIABILITIES	1,505.8	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	50.9	23.9
Retained earnings	8,173.5	7,803.7
Accumulated other nonstockholder changes in equity	(384.9)	(271.6)

Cost of common stock in treasury, 49,961,162 shares and 43,632,708 shares	(1,947.8)	(1,613.8)
	-----	-----
Total stockholders' equity	6,130.0	6,180.5
	-----	-----
	\$14,942.6	13,623.5
	=====	=====

See accompanying notes to consolidated financial statements.

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EMERSON ELECTRIC CO. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED MARCH 31, 2000 AND 1999
(Dollars in millions; unaudited)

FORM 10-Q

	2000	1999
	-----	-----
OPERATING ACTIVITIES		
Net earnings	\$ 677.7	628.3
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	335.6	317.2
Changes in operating working capital	(277.9)	(263.6)
Other	(45.8)	(35.6)
	-----	-----
Net cash provided by operating activities	689.6	646.3
	-----	-----
INVESTING ACTIVITIES		
Capital expenditures	(297.4)	(267.0)
Purchases of businesses, net of cash and equivalents acquired	(1,165.3)	(536.5)
Divestiture of businesses and other, net	31.5	(27.3)
	-----	-----
Net cash used in investing activities	(1,431.2)	(830.8)
	-----	-----
FINANCING ACTIVITIES		
Net increase in short-term borrowings	1,466.8	570.7
Proceeds from long-term debt	106.8	426.6
Principal payments on long-term debt	(16.7)	(216.0)
Dividends paid	(307.9)	(284.1)
Net purchases of treasury stock	(391.8)	(216.6)
	-----	-----
Net cash provided by financing activities	857.2	280.6
	-----	-----
Effect of exchange rate changes on cash and equivalents	(8.3)	(.2)
	-----	-----
INCREASE IN CASH AND EQUIVALENTS	107.3	95.9
Beginning cash and equivalents	266.1	209.7
	-----	-----
ENDING CASH AND EQUIVALENTS	\$ 373.4	305.6
	=====	=====

See accompanying notes to consolidated financial statements.

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EMERSON ELECTRIC CO. AND SUBSIDIARIES

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Notes to Consolidated Financial Statements

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; unaudited)

	March 31, 2000	September 30, 1999
Inventories	-----	-----

Finished products	\$ 839.1	871.5
Raw materials and work in process	1,184.5	1,049.6
	-----	-----
	\$2,023.6	1,921.1
	=====	=====
Property, plant and equipment, net		

Property, plant and equipment, at cost	\$6,548.5	6,377.8
Less accumulated depreciation	3,311.3	3,223.4
	-----	-----
	\$3,237.2	3,154.4
	=====	=====
Other assets, other		

Equity and other investments	\$ 227.1	235.1
Retirement plans	293.2	271.3
Leveraged leases	182.6	185.5
Other	431.2	389.8
	-----	-----
	\$1,134.1	1,081.7
	=====	=====
Other liabilities		

Minority interest	\$ 298.1	297.2
Postretirement plans, excl. current portion	312.7	313.1
Deferred taxes	338.8	333.9
Other	556.2	591.3
	-----	-----
	\$1,505.8	1,535.5
	=====	=====

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EMERSON ELECTRIC CO. AND SUBSIDIARIES

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3. Business Segment Information

Summarized information about the Company's operations by business segment for the three and six months ended March 31, 2000 and 1999, follows (dollars in millions):

	Sales		Earnings	
	-----	-----	-----	-----
Three months ended March 31,	2000	1999	2000	1999
-----	-----	-----	-----	-----
Process Control	\$ 730.4	722.4	55.9	74.0
Industrial Automation	889.8	830.7	119.9	111.8
Electronics and Telecommunications	729.9	454.3	97.3	42.9
HVAC	670.8	649.9	106.7	101.1
Appliance and Tools	970.3	903.1	157.7	145.8
	-----	-----	-----	-----
	3,991.2	3,560.4	537.5	475.6
Divested businesses	-	125.8	-	9.1
Eliminations/Interest and other	(96.5)	(97.5)	1.1	19.6
	-----	-----	-----	-----
Net sales/Income before income taxes	\$3,894.7	3,588.7	538.6	504.3
	=====	=====	=====	=====

	Sales		Earnings	
	-----	-----	-----	-----
Six months ended March 31,	2000	1999	2000	1999
-----	-----	-----	-----	-----
Process Control	\$1,442.7	1,356.1	112.2	144.0
Industrial Automation	1,748.7	1,678.4	231.2	221.1
Electronics and Telecommunications	1,313.4	940.5	169.0	85.1
HVAC	1,211.7	1,175.1	185.7	175.8
Appliance and Tools	1,880.8	1,777.9	304.6	288.2
	-----	-----	-----	-----
	7,597.3	6,928.0	1,002.7	914.2
Divested businesses	24.5	277.1	0.4	18.2
Eliminations/Interest and other	(183.8)	(189.7)	31.5	44.3
	-----	-----	-----	-----
Net sales/Income before income taxes	\$7,438.0	7,015.4	1,034.6	976.7
	=====	=====	=====	=====

Divested businesses include F.G. Wilson, BI Technologies and a smaller business. Intersegment sales of the Appliance and Tools segment for the three months ended March 31, 2000 and 1999, respectively, were \$83.9 million and \$82.8 million. Intersegment sales of the Appliance and Tools segment for the six months ended March 31, 2000 and 1999, respectively, were \$154.1 million and \$152.5 million. Interest and other for the three months ended March 31, 2000 and 1999, respectively, include accounting method differences of \$48.2 million and \$41.9 million; interest income, corporate and other of \$21.9 million and \$22.5 million; and interest expense. Interest and other for the six months ended March 31, 2000 and 1999, respectively, include accounting method differences of \$92.7 million and \$82.5 million; interest income, corporate and other of \$59.8 million and \$51.5; and interest expense.

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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 acquired Knaack, a manufacturer of professional tool storage equipment, and acquired and divested other smaller businesses.

In the third quarter, the Company acquired Ericsson Energy Systems (renamed Emerson 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. Annual 1999 sales of all companies acquired in 2000 total more than \$1 billion.

The Company also announced its decision to sell its interest in Vermont American (VA) to its joint venture partner, Robert Bosch GmbH, and beginning in the third quarter, VA will no longer be consolidated in the Company's results. VA, BI Technologies and the planned divestiture of our Krautkramer non-destructive testing business represent total annual 1999 sales of nearly \$600 million.

5. As reflected in the financial statements, nonstockholder changes in equity for the three months ended March 31, 2000 and March 31, 1999, respectively, were \$281.9 million and \$242.4 million comprised of net earnings of \$352.8 million and \$325.9 million and foreign currency translation adjustments of \$(70.9) million and \$(83.5) million. Nonstockholder changes in equity for the six months ended March 31, 2000, and March 31, 1999, respectively, were \$564.4 million and \$614.1 million comprised of net earnings of \$677.7 million and \$628.3 million and foreign currency translation adjustments of \$(113.3) million and \$(14.2) million.
6. The weighted average number of common shares outstanding (in millions) was 427.2 and 434.3 for the three months ended March 31, 2000 and 1999, and 428.8 and 435.1 for the six months ended March 31, 2000 and 1999, respectively. The weighted average number of shares outstanding assuming dilution (in millions) was 430.7 and 438.5 for the three months ended March 31, 2000 and 1999, and 432.6 and 439.6 for the six months ended March 31, 2000 and 1999, respectively. Dilutive shares primarily relate to employee stock plans.

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EMERSON ELECTRIC CO. AND SUBSIDIARIES

FORM 10-Q

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 second quarter and first six months of fiscal 2000 were the highest for any second quarter and first half in the Company's history.

Net sales were \$3,894.7 million for the quarter ended March 31, 2000, up 8.5 percent over net sales of \$3,588.7 million for the quarter ended March 31, 1999, and \$7,438.0 million for the six months ended March 31, 2000, up 6.0 percent over net sales of \$7,015.4 million for the same period a year ago. Second quarter results reflect solid sales growth in the United States and strong sales growth in Europe. Canada, Asia and Latin America each had very strong sales growth.

The process control business experienced a modest increase in sales, reflecting the continued weakness in capital spending by our customers and the contribution of recent acquisitions.

The industrial automation business experienced a strong sales increase, driven by the continued improvement in capital goods markets and the recent Kato and Magnetek alternator acquisitions. All geographic regions achieved underlying sales increases when excluding the impact of currency exchange, reflecting the global nature of the market improvement.

Sales in the electronics and telecommunications business increased dramatically, driven by very strong underlying sales growth and the recent acquisition of Jordan Industries' Telecommunication Products business. Continued high worldwide demand for reliable power and networking products is driving this growth.

The heating, ventilating and air conditioning business continued to achieve solid sales growth driven by continuing overall improvement in international markets. Europe, Asia and Latin America each achieved very strong growth.

The appliance and tools business achieved solid increases in underlying and reported sales, benefiting from strong demand for the tools portion of this segment. All tools operations, with the exception of the Vermont American joint venture, realized strong increases, and the Company's partnership with The Home Depot for RIDGID brand products continued to flourish.

Cost of sales for the second quarter was \$2,514.3 million or 64.6 percent of sales, compared with \$2,309.8 million, or 64.4 percent of sales, for the second quarter of 1999. Cost of sales for the six months ended March 31, 2000, was \$4,803.1 million or 64.6 percent of sales, compared to \$4,521.4 million or 64.5 percent of sales for the same period a year ago. Selling, general and administrative expenses for the three months ended March 31, 2000, were \$743.3 million, or 19.0 percent of sales,

compared to \$698.7 million, or 19.4 percent of sales for the same period a year ago. For the first six months of 2000, selling, general and administrative expenses were \$1,445.2 million or 19.4 percent of sales, compared to \$1,390.1 million or 19.8 percent of sales for the same period in 1999.

Earnings before interest and income taxes for the second quarter increased 10.6 percent. The consolidated operating margin improved 0.2 points, reflecting the continued impact of cost reduction efforts, productivity programs, and the rapid integration of recent acquisitions. Earnings before interest and income taxes in the process control business decreased in the second quarter of 2000, resulting from a slight decline in underlying sales due to continued weakness in capital spending by customers. Earnings before interest and income taxes of the electronic and telecommunications business increased 127 percent compared to the second quarter of 1999, reflecting very strong underlying sales growth and the recent Emerson Telecommunication Products acquisition.

Financial Condition

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

	March 31, 2000	September 30, 1999
	-----	-----
Working capital (in millions)	\$ (381.6)	\$ 534.0
Current ratio	0.9 to 1	1.1 to 1
Total debt to total capital	44.1%	34.6%
Net debt to net capital	42.0%	32.7%

The Company's interest coverage ratio (earnings before income taxes and interest expense, divided by interest expense) was 9.6 times for the

six months ended March 31, 2000, compared to 11.9 times for the same period one year earlier. The decrease in working capital and the interest coverage ratio reflects higher average borrowings resulting from share repurchases and acquisitions, partially offset by earnings growth.

Cash and equivalents increased by \$107.3 million during the six months ended March 31, 2000. Cash flow provided by operating activities of \$689.6 million and a net increase in borrowings of \$1,556.9 million were used primarily to fund purchases of businesses of \$1,165.3 million, pay dividends of \$307.9 million, fund capital expenditures of \$297.4 million, and fund net purchases of treasury stock of \$391.8 million.

The Company is in a strong financial position, continues to generate strong operating cash flows, 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 4. Submission of Matters to a Vote of Security Holders.

At the Annual Meeting of Stockholders on February 1, 2000, both matters described in the Notice of Annual Meeting of Stockholders dated December 8, 1999, were voted upon.

1. The directors listed below were elected for terms ending in 2003 with voting for each as follows:

DIRECTOR	FOR	WITHHELD
-----	-----	-----
L. L. Browning, Jr.	367,478,721	2,817,686
A. A. Busch III	367,702,144	2,594,263
R. B. Horton	367,658,432	2,637,975
G. A. Lodge	367,560,536	2,735,871
V. R. Loucks, Jr.	367,560,536	2,735,871
G. W. Tamke	367,788,495	2,507,912

2. The proposal to approve the Annual Incentive Plan was approved by a vote of 359,213,902 in favor to 8,538,799 against, with 2,559,143 abstaining.

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 March 31, 2000.

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: May 12, 2000

By /s/ Walter J. Galvin

Walter J. Galvin
Executive Vice President
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
 SIX MONTHS ENDED MARCH 31, 2000
 (Dollars in millions)

Earnings:	
Income before income taxes <F1>	\$1,053.2
Fixed charges	155.6

Earnings, as defined	\$1,208.8
	=====
Fixed charges:	
Interest expense	\$ 126.0
One-third of all rents	29.6

Total fixed charges	\$ 155.6
	=====
Ratio of Earnings to Fixed Charges	7.8x
	=====

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

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Exhibit 27

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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 SIX MONTHS ENDED MARCH 31, 2000, FILED WITH THE COMPANY'S 2000 SECOND QUARTER FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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