

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 June 30, 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 June 30, 2000: 427,160,437 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 NINE MONTHS ENDED JUNE 30, 2000 AND 1999
(Dollars in millions except per share amounts; unaudited)

	Three Months		Nine Months	
	2000	1999	2000	1999
Net sales	\$ 4,041.8	3,634.0	11,479.8	10,649.4
Costs and expenses:				
Cost of sales	2,605.1	2,340.0	7,408.2	6,861.4
Selling, general and administrative expenses	767.3	695.5	2,212.5	2,085.6
Interest expense	83.2	48.9	204.2	138.6
Other deductions, net	12.1	15.4	46.2	52.9
Total costs and expenses	3,467.7	3,099.8	9,871.1	9,138.5

Income before income taxes	574.1	534.2	1,608.7	1,510.9
Income taxes	200.4	189.1	557.3	537.5
Net earnings	<u>\$ 373.7</u>	<u>345.1</u>	<u>1,051.4</u>	<u>973.4</u>
Basic earnings per common share	<u>\$.88</u>	<u>.80</u>	<u>2.46</u>	<u>2.24</u>
Diluted earnings per common share	<u>\$.87</u>	<u>.79</u>	<u>2.44</u>	<u>2.22</u>
Cash dividends per common share	<u>\$.3575</u>	<u>.325</u>	<u>1.0725</u>	<u>.975</u>

See accompanying notes to consolidated financial statements.

Note: Diluted earnings per common share, excluding goodwill amortization	<u>\$.96</u>	<u>.86</u>	<u>2.68</u>	<u>2.42</u>
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EMERSON ELECTRIC CO. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in millions except per share amounts; unaudited)

ASSETS	June 30, 2000	September 30, 1999
CURRENT ASSETS		
Cash and equivalents	\$ 402.5	266.1
Receivables, less allowances of \$68.6 and \$60.5	2,803.7	2,516.3
Inventories	2,011.4	1,921.1
Other current assets	446.6	420.9
Total current assets	5,664.2	5,124.4
PROPERTY, PLANT AND EQUIPMENT, NET	3,140.6	3,154.4
OTHER ASSETS		
Goodwill	5,410.4	4,263.0
Other	1,099.0	1,081.7
Total other assets	6,509.4	5,344.7
	<u>\$15,314.2</u>	<u>13,623.5</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings and current maturities of long-term debt	\$ 3,353.6	1,953.7
Accounts payable	1,028.5	1,068.8
Accrued expenses	1,338.9	1,304.8
Income taxes	294.3	263.1
Total current liabilities	6,015.3	4,590.4
LONG-TERM DEBT	1,752.9	1,317.1
OTHER LIABILITIES	1,265.8	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	52.7	23.9
Retained earnings	8,394.7	7,803.7
Accumulated other nonstockholder changes in equity	(470.5)	(271.6)

Cost of common stock in treasury, 49,516,569 shares and 43,632,708 shares	(1,935.0)	(1,613.8)
	-----	-----
Total stockholders' equity	6,280.2	6,180.5
	-----	-----
	\$15,314.2	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
NINE MONTHS ENDED JUNE 30, 2000 AND 1999
(Dollars in millions; unaudited)

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	2000	1999
	-----	-----
OPERATING ACTIVITIES		
Net earnings	\$1,051.4	973.4
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	506.5	481.2
Changes in operating working capital	(309.6)	(232.1)
Other	(102.3)	(103.8)
	-----	-----
Net cash provided by operating activities	1,146.0	1,118.7
	-----	-----
INVESTING ACTIVITIES		
Capital expenditures	(455.6)	(409.0)
Purchases of businesses, net of cash and equivalents acquired	(1,909.8)	(1,123.8)
Divestiture of business interests and other, net	63.5	127.5
	-----	-----
Net cash used in investing activities	(2,301.9)	(1,405.3)
	-----	-----
FINANCING ACTIVITIES		
Net increase in short-term borrowings	1,472.0	859.1
Proceeds from long-term debt	708.5	472.0
Principal payments on long-term debt	(25.4)	(222.4)
Dividends paid	(460.5)	(425.3)
Net purchases of treasury stock	(384.1)	(279.7)
	-----	-----
Net cash provided by financing activities	1,310.5	403.7
	-----	-----
Effect of exchange rate changes on cash and equivalents	(18.2)	6.0
	-----	-----
INCREASE IN CASH AND EQUIVALENTS	136.4	123.1
	-----	-----
Beginning cash and equivalents	266.1	209.7
	-----	-----
ENDING CASH AND EQUIVALENTS	\$ 402.5	332.8
	=====	=====

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)

	June 30, 2000	September 30, 1999
Inventories	-----	-----
Finished products	\$ 838.8	871.5
Raw materials and work in process	1,172.6	1,049.6
	-----	-----
	\$ 2,011.4	1,921.1
	=====	=====
Property, plant and equipment, net		
Property, plant and equipment, at cost	\$ 6,322.0	6,377.8
Less accumulated depreciation	3,181.4	3,223.4
	-----	-----
	\$ 3,140.6	3,154.4
	=====	=====
Other assets, other		
Equity and other investments	\$ 231.9	235.1
Retirement plans	297.2	271.3
Leveraged leases	181.6	185.5
Other	388.3	389.8
	-----	-----
	\$ 1,099.0	1,081.7
	=====	=====
Other liabilities		
Minority interest	\$ 103.2	297.2
Postretirement plans, excl. current portion	310.7	313.1
Deferred taxes	318.0	333.9
Other	533.9	591.3
	-----	-----
	\$ 1,265.8	1,535.5
	=====	=====

3. Business Segment Information

Summarized information about the Company's operations by business segment for the three and nine months ended June 30, 2000 and 1999, follows (dollars in millions):

Three months ended June 30,	Sales		Earnings	
	2000	1999	2000	1999
Process Control	\$ 744.1	709.8	63.4	73.6
Industrial Automation	860.3	823.2	119.2	112.4
Electronics and Telecommunications	976.7	510.4	131.7	63.1
HVAC	681.6	635.5	109.0	100.2
Appliance and Tools	867.3	775.7	140.2	133.1
	-----	-----	-----	-----
	4,130.0	3,454.6	563.5	482.4
Divested businesses	11.2	283.6	1.8	23.3
Differences in accounting methods, interest income, corporate and other			92.0	77.4
Eliminations/Interest expense	(99.4)	(104.2)	(83.2)	(48.9)
	-----	-----	-----	-----
Net sales/Income before income taxes	\$4,041.8	3,634.0	574.1	534.2
	=====	=====	=====	=====

Nine months ended June 30,	Sales		Earnings	
	2000	1999	2000	1999
Process Control	\$ 2,186.8	2,065.9	175.6	217.6
Industrial Automation	2,571.2	2,453.6	345.9	326.9
Electronics and Telecommunications	2,290.1	1,450.9	300.7	148.2
HVAC	1,893.3	1,810.6	294.7	276.0
Appliance and Tools	2,538.9	2,353.0	431.1	405.6
	-----	-----	-----	-----
	11,480.3	10,134.0	1,548.0	1,374.3
Divested businesses	282.7	809.3	20.4	63.8
Differences in accounting methods, interest income,				

corporate and other			244.5	211.4
Eliminations/Interest expense	(283.2)	(293.9)	(204.2)	(138.6)
	-----	-----	-----	-----
Net sales/Income				
before income taxes	\$11,479.8	10,649.4	1,608.7	1,510.9
	=====	=====	=====	=====

Divested businesses include F.G. Wilson, BI Technologies, Krautkramer, Vermont American and a smaller business. Intersegment sales of the Appliance and Tools segment for the three months ended June 30, 2000 and 1999, respectively, were \$84.6 million and \$81.4 million. Intersegment sales of the Appliance and Tools segment for the nine months ended June 30, 2000 and 1999, respectively, were \$238.7 million and \$233.9 million. Differences in accounting methods, interest income, corporate and other for the three months ended June 30, 2000 and 1999, respectively,

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include accounting method differences of \$48.1 million and \$39.4 million, and interest income, corporate and other of \$43.9 million and \$38.0 million. Differences in accounting methods, interest income, corporate and other for the nine months ended June 30, 2000 and 1999, respectively, include accounting method differences of \$140.8 million and \$121.9 million, and interest income, corporate and other of \$103.7 million and \$89.5 million.

- 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.

As of the third quarter, Vermont American (VA) is no longer consolidated in the Company's results pending divestiture to the joint venture partner, Robert Bosch GmbH. During the third quarter, the Company received \$86 million from the disposition of its interest in the Krautkramer non-destructive testing business resulting in a pre-tax gain of approximately \$80 million (\$46 million net of income taxes). The Company also incurred costs for the rationalization of operations and other items that substantially offset this gain. VA, BI Technologies and Krautkramer represent total annual 1999 sales of nearly \$600 million.

- As reflected in the financial statements, nonstockholder changes in equity for the three months ended June 30, 2000 and 1999, were \$288.1 million and \$296.3 million, comprised of net earnings of \$373.7 million and \$345.1 million and foreign currency translation adjustments of \$(85.6) million and \$(48.8) million, respectively. Nonstockholder changes in equity for the nine months ended June 30, 2000 and 1999, were \$852.5 million and \$910.4 million, comprised of net earnings of \$1,051.4 million and \$973.4 million and foreign currency translation adjustments of \$(198.9) million and \$(63.0) million, respectively.
- The weighted average number of common shares outstanding (in millions) was 425.7 and 432.7 for the three months ended June 30, 2000 and 1999, and 427.8 and 434.3 for the nine months ended June 30, 2000 and 1999, respectively. The weighted average number of shares outstanding assuming dilution (in millions) was 429.7 and 437.5 for the three months ended June 30, 2000 and 1999, and 431.7 and 438.9 for the nine months ended June 30, 2000 and 1999, respectively. Dilutive shares primarily relate to stock plans.

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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 third quarter and first nine months of fiscal 2000 were the highest for any quarter and first nine-month period in the Company's history.

Net sales were \$4,041.8 million for the quarter ended June 30, 2000, up 11.2 percent over net sales of \$3,634.0 million for the quarter ended June 30, 1999, and \$11,479.8 million for the nine months ended June 30, 2000, up 7.8 percent over net sales of \$10,649.4 million for the same period a year ago. The third quarter results reflect strong domestic and international growth, and the contribution of acquisitions.

The process control business registered a 5 percent increase in sales, with the contribution of recent acquisitions more than offsetting market weakness and the impact of currency exchange.

The industrial automation business experienced a 5 percent increase in sales. Solid underlying sales growth was driven by strong increases in the European, Asian and Latin American regions, and the Leroy Somer division, which produces alternators for backup and distributed power applications.

Sales in electronics and telecommunications business including acquisitions increased 91 percent. Approximately one-third of the increase was due to robust underlying growth in all businesses.

Reported sales in the heating, ventilating and air conditioning business grew 7 percent, driven by strong underlying sales growth, with an exceptionally large increase in Asia. Asia is an important market for the Company's scroll compressor technology, and the Company recently dedicated its newest scroll operation in Suzhou, China.

The appliance and tools business reported a 12 percent sales increase, driven by strong growth in the tools operations. RIDGID(R) plumbing and stationary power tools, ClosetMaid(TM) and Metro(R) storage products and In-Sink-Erator(R) waste disposer products all achieved very strong underlying growth. The combination of these leading brands and the Company's relationships with key sales channels such as The Home Depot are delivering this growth.

Cost of sales for the third quarter was \$2,605.1 million or 64.5 percent of sales, compared with \$2,340.0 million, or 64.4 percent of sales, for the third quarter of 1999. Cost of sales for the nine months ended June 30, 2000, was \$7,408.2 million or 64.5 percent of sales, compared to \$6,861.4 million or 64.4 percent of sales for the same period a year ago. Selling, general and administrative expenses for the three months ended June 30, 2000, were \$767.3 million, or 18.9 percent of sales, compared to \$695.5 million, or 19.1 percent of sales for the same period a year ago. For the first nine months of 2000, selling, general and administrative expenses were \$2,212.5 million or 19.3 percent of sales,

compared to \$2,085.6 million or 19.6 percent of sales for the same period in 1999.

Earnings before interest and income taxes for the third quarter increased 12.7 percent. Solid underlying profit improvement enabled the Company to increase profit margins 0.1 point over strong 1999 results. Earnings before interest and income taxes in the process control business decreased in the third quarter of 2000, resulting from a modest decline in underlying sales due to continued weakness in capital spending and higher rationalization of operations costs. Earnings before interest and income taxes of the electronics and telecommunications business increased 109 percent compared to the third quarter of 1999, reflecting very strong underlying sales growth and the recent Emerson Telecommunication Products and Emerson Energy Systems acquisitions.

Financial Condition

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

	June 30, 2000	September 30, 1999
	-----	-----
Working capital (in millions)	\$ (351.1)	\$ 534.0
Current ratio	0.9 to 1	1.1 to 1
Total debt to total capital	44.8%	34.6%
Net debt to net capital	42.8%	32.7%

The Company's interest coverage ratio (earnings before income taxes and interest expense, divided by interest expense) was 8.9 times for the nine months ended June 30, 2000, compared to 11.9 times for the same period one year earlier. The decreases in working capital and the interest coverage ratio reflect higher average borrowings resulting from

acquisitions and share repurchases, partially offset by earnings growth. In the third quarter of fiscal 2000, the Company issued \$600 million of 7 7/8%, 5-year bonds that were simultaneously swapped to floating U.S. commercial paper rates. Also in the third quarter, the Company issued \$300 million of floating rate, 1-year notes.

Cash and equivalents increased by \$136.5 million during the nine months ended June 30, 2000. Cash flow provided by operating activities of \$1,146.0 million and a net increase in borrowings of \$2,155.1 million were used primarily to fund purchases of businesses of \$1,909.8 million, pay dividends of \$460.5 million, fund capital expenditures of \$455.6 million, and fund net purchases of treasury stock of \$384.1 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 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).
 - 10(b) Amendment No. 3 to the 1986 Stock Option Plan, filed herewith.
 - 10(c) Amendment No. 1 to the 1991 Stock Option Plan, filed herewith.
 - 10(l) Amendment No. 1 to the 1998 Stock Option Plan, filed herewith.
 - 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 June 30, 2000.

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: August 11, 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
 NINE MONTHS ENDED JUNE 30, 2000
 (Dollars in millions)

Earnings:	
Income before income taxes <F1>	\$1,634.2
Fixed charges	253.4

Earnings, as defined	\$1,887.6
	=====
Fixed charges:	
Interest expense	\$ 209.0
One-third of all rents	44.4

Total fixed charges	\$ 253.4
	=====
Ratio of Earnings to Fixed Charges	7.4x
	=====

<F1>

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 NINE MONTHS ENDED JUNE 30, 2000, FILED WITH THE COMPANY'S 2000 THIRD QUARTER FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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AMENDMENT NO. 3 TO THE
EMERSON ELECTRIC CO.
1986 STOCK OPTION PLAN

WHEREAS, Emerson Electric Co. (the "Company") previously adopted the Emerson Electric Co. 1986 Stock Option Plan (the "Plan"); and

WHEREAS, the Board of Directors (the "Board") of the Company retained the right to amend the Plan pursuant to Section 16 thereof; and

WHEREAS, on behalf of the Board, the Compensation and Human Resources Committee of the Board has approved and authorized Amendment No. 3 to the Plan as herein set forth;

NOW, THEREFORE, effective as of November 5, 1985, the Plan is amended as follows:

1. The following sentence is added at the end of Section 9 of the Plan:

In addition, in the event that the Company, a subsidiary or an affiliate divests itself of all of its interest in a subsidiary or an affiliate, the optionee may exercise vested options at any time within three (3) months after such divestiture, but not after ten (10) years from the date of the granting thereof.

2. Section 10 of the Plan is amended in its entirety as follows:

10. Death of Holder of Option.

In the event an individual to whom an option has been granted under the Plan dies while he is employed by the Company (or a subsidiary), the options held by the individual at death shall become fully vested immediately and may be exercised by a legatee or legatees of the option holder under his last will, or by his personal representatives or distributees, at any time within a period of one (1) year after his death, but not after ten (10) years from the date of granting thereof. In the event an individual to whom an option has been granted under the Plan dies within three (3) months after the termination of his employment (or one (1) year in the case of the termination of employment of an option holder who is disabled as above provided), the option theretofore granted may be exercised, to the extent exercisable at the date of death, by a legatee or legatees of the option holder under his last will, or by his or her personal representatives or distributees, at any time within a period of one (1) year after his death, but not after ten (10) years from the date of granting thereof, and only if and to the extent that he was entitled to exercise the option at the date of his death.

* * * * *

The foregoing is the full text of Amendment No. 3 to the Emerson Electric Co. 1986 Stock Option Plan as approved and authorized by the Compensation and Human Resources Committee of the Board of Directors of Emerson Electric Co. on June 27, 2000.

AMENDMENT NO. 1 TO THE
EMERSON ELECTRIC CO.
1991 STOCK OPTION PLAN
AS AMENDED AND RESTATED
EFFECTIVE OCTOBER 1, 1997

WHEREAS, Emerson Electric Co. (the "Company") previously adopted the Emerson Electric Co. 1991 Stock Option Plan, as amended and restated effective October 1, 1997 (the "Plan"); and

WHEREAS, pursuant to Section 17 of the Plan, the Compensation and Human Resources Committee (the "Committee") of the Board of Directors of the Company was given the authority, subject to specified limitations, to amend the Plan; and

WHEREAS, the Committee has approved and authorized Amendment No. 2 to the Plan;

NOW, THEREFORE, effective as of October 2, 1990, the Plan is amended as follows:

The title and text of Section 10 of the Plan are deleted and in their place is substituted the following:

1. Section 10 of the Plan is amended in its entirety as follows:
"10. Termination of Employment.

Any option issued hereunder must be exercised prior to the optionee's termination of employment with the Company, a subsidiary or a joint venture, except that if the employment of an optionee terminates with the consent and approval of the optionee's employer, the Committee in its absolute discretion may permit the optionee to exercise the option, to the extent that the optionee was entitled to exercise it at the date of such termination of employment, at any time within three (3) months after such termination, but not after ten (10) years from the date of the granting thereof. In addition, in the event that the Company, a subsidiary or an affiliate divests itself of all of its interest in a subsidiary or an affiliate, the optionee may exercise vested options at any time within three (3) months after such divestiture, but not after ten (10) years from the date of the granting thereof. In addition, notwithstanding anything to the contrary herein, an optionee who terminates employment on account of retirement (as determined by the Committee) may exercise vested options granted on or after October 1, 1997, at any time within five (5) years after such retirement, but not after ten (10) years from the date of the granting thereof. If an optionee terminates employment on account of disability, the optionee may exercise such option, to the extent the optionee was entitled to exercise it at the date of such termination, at any time within one (1) year of the termination of employment but not after ten (10) years from the date of the granting thereof. For this purpose, a person shall be deemed to be disabled if he or she is permanently and totally disabled within the meaning of Section 422(c)(6) of the Code, which, as of the date hereof, means that he or she is unable to engage in any substantial activity by reason of any medically determined physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a period of not less than twelve (12) months. A person shall be considered disabled only if he or she furnishes such proof of disability as the Committee may require. Options granted under the Plan shall not be affected by any change of employment so long as the optionee continues to be an employee of the Company or a subsidiary thereof or, in the case of SAR's or options which are not Incentive Stock Options, a joint venture of the Company. The option agreements may contain such provisions as the Committee shall approve with reference to the effect of approved leaves of absence. Nothing in the Plan or in any option granted pursuant to the Plan shall confer on any individual any right to continue in the employ of the Company or any subsidiary or joint venture or interfere in any way with the right of the Company or any subsidiary or joint venture thereof to terminate his or her employment at any time."

2. Section 11 of the Plan is amended in its entirety as follows:

- "11. Death.

In the event of the death of an optionee under the Plan while he or she is employed by the Company (or a subsidiary or joint venture), the options held by the optionee at death shall become fully vested immediately and may be exercised by a legatee or legatees under the optionee's last will, or by personal representatives or distributees, at any time within a period of one (1) year after death, but not after ten (10) years from the date of granting thereof. In the event of the death of an optionee within three months after termination of employment (or one (1) year in the case of the termination of employment of an optionee who is disabled as above provided or five (5) years in the case of termination of employment on account of retirement (only with respect to options granted on or after October 1, 1997 as provided in paragraph

10 above)) the option theretofore granted may be exercised, to the extent exercisable at the date of death, by a legatee or legatees under the optionee's last will, or by personal representatives or distributees, at any time within a period of one (1) year after death, but not after ten (10) years from the date of granting thereof.

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The foregoing is the full text of Amendment No. 1 to the Emerson Electric Co. 1991 Stock Option Plan as amended and restated effective October 1, 1997, as approved and authorized by the Compensation and Human Resources Committee of the Board of Directors of Emerson Electric Co. on June 27, 2000.

AMENDMENT NO. 1 TO THE
EMERSON ELECTRIC CO.
1998 STOCK OPTION PLAN

WHEREAS, Emerson Electric Co. (the "Company") previously adopted the Emerson Electric Co. 1998 Stock Option Plan (the "Plan"); and

WHEREAS, pursuant to Section 17 of the Plan, the Compensation and Human Resources Committee (the "Committee") of the Board of Directors of the Company was given the authority, subject to specified limitations, to amend the Plan; and

WHEREAS, the Committee has approved and authorized Amendment No. 1 to the Plan as herein set forth;

NOW, THEREFORE, effective as of November 4, 1997, the Plan is amended as follows:

1. Section 10 of the Plan is amended in its entirety as follows:

"10. Termination of Employment or Service as an Outside Director. Any option issued hereunder must be exercised prior to the optionee's termination of employment with the Company (or service as an outside director of the Company), a subsidiary or any affiliate, except that if the employment of an optionee (other than an outside director of the Company) terminates with the consent and approval of the optionee's employer, the Committee in its absolute discretion may permit the optionee to exercise the option, to the extent that the optionee was entitled to exercise it at the date of such termination of employment, at any time within three (3) months after such termination, but not after ten (10) years from the date of the granting thereof. In addition, in the event that the Company, a subsidiary or an affiliate divests itself of all of its interest in a subsidiary or an affiliate, the optionee may exercise vested options at any time within three (3) months after such divestiture, but not after ten (10) years from the date of the granting thereof. In addition, if the optionee terminates employment (or service as an outside director of the Company) on account of retirement (as determined by the Committee), such optionee may exercise vested options at any time within five (5) years after such retirement, but not after ten (10) years from the date of the granting thereof. If the optionee terminates employment (or service as an outside director) on account of disability, the optionee may exercise such option, to the extent the optionee was entitled to exercise it at the date of such termination, at any time within one (1) year of the termination of employment (or service) but not after ten (10) years from the date of the granting thereof. For this purpose, a person shall be deemed to be disabled if he or she is permanently and totally disabled within the meaning of Section 422(c)(6) of the Code, which, as of the date hereof, means that he or she is unable to engage in any substantial gainful activity by reason of any medically determined physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a period of not less than twelve (12) months. A person shall be considered disabled only if he or she furnishes such proof of disability as the Committee may require. Options granted under the Plan shall not be affected by any change of employment so long as the optionee continues to be an employee of the Company or a subsidiary thereof or, in the case of SAR's or options which are not Incentive Stock Options, an affiliate of the Company. The option agreements may contain such provisions as the Committee shall approve with reference to the effect of approved leaves of absence. Nothing in the Plan or in any option granted pursuant to the Plan shall confer on any individual any right to continue in the employ of the Company (or service as an outside director of the Company) or any subsidiary or affiliate or interfere in any way with the right of the Company or any subsidiary or affiliate thereof to terminate his or her employment at any time."

2. Section 11 of the Plan is amended in its entirety as follows:

"11. Death. In the event of the death of an optionee under the Plan while he or she is employed by the Company (or a subsidiary or affiliate of the Company) or while he or she is serving as an outside director of the Company, the options held by the optionee at death shall become fully vested immediately and may be exercised by a legatee or legatees under the optionee's last will, or by personal representatives or distributees, at any time within a period of one (1) year after death, but not after ten (10) years from the date of granting thereof. In the event of the death of an optionee within three months after termination of employment or service as an outside director of the Company (or one (1) year in the case of the termination (or service) of an optionee who is disabled as above provided or five (5) years in the case of termination of employment (or service) on account of retirement, as provided in paragraph 10 above) the option theretofore granted may be exercised, to the extent exercisable at the date of death, by a legatee or legatees under the optionee's last will, or by personal representatives or distributees, at any time within a period of one (1) year after death, but not after ten (10) years from the date of granting thereof."

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The foregoing is the full text of Amendment No. 1 to the Emerson Electric Co. 1998 Stock Option Plan as approved and authorized by the Compensation and Human Resources Committee of the Board of Directors of Emerson Electric Co. on June 27, 2000.