

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, 1995

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 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 March 31, 1995: 223,405,079 shares.

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

EMERSON ELECTRIC CO. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
THREE MONTHS AND SIX MONTHS ENDED MARCH 31, 1995 AND 1994
(Dollars in millions except per share amounts; unaudited)

	Three Months		Six Months	
	1995	1994	1995	1994
Net sales	\$ 2,514.1	2,116.5	4,798.7	4,126.0
Costs and expenses:				
Cost of sales	1,635.2	1,370.8	3,127.8	2,674.2
Selling, general and administrative expenses	476.4	406.4	917.3	802.9
Interest expense	27.8	22.0	49.0	46.4
Gain on sale of business and other non-recurring items	-	-	(34.3)	(192.0)
Other deductions, net	18.2	12.3	28.1	20.1
Total costs and expenses	2,157.6	1,811.5	4,087.9	3,351.6
Income before income taxes and cumulative effects of changes in accounting principles	356.5	305.0	710.8	774.4
Income taxes	129.4	110.7	259.0	286.2
Income before cumulative effects of changes in accounting principles	227.1	194.3	451.8	488.2
Cumulative effects of changes in accounting principles; \$.10 and \$.52 per common share, respectively	-	-	(21.3)	(115.9)
Net earnings	\$ 227.1	194.3	430.5	372.3
Earnings per common share	\$ 1.02	.87	1.93	1.66
Cash dividends per common share	\$.43	.39	.86	.78
Average number of shares used in computing earnings per common share (in thousands)	223,363	224,166	223,444	224,457

See accompanying notes to consolidated financial statements.

NOTE: Including the pretax impact of the cumulative effects of accounting changes, income before income taxes for the six months ended March 31, 1995 and 1994 would have been:

	\$ 675.8	584.4
	=====	=====

ASSETS	March 31, 1995	September 30, 1994
-----	-----	-----
CURRENT ASSETS		
Cash and equivalents	\$ 216.0	113.3
Receivables, less allowances of \$49.2 and \$42.0	1,871.7	1,542.6
Inventories	1,590.8	1,392.2
Other current assets	311.8	290.1
	-----	-----
Total current assets	3,990.3	3,338.2
	-----	-----
PROPERTY, PLANT AND EQUIPMENT, NET	2,051.6	1,947.3
	-----	-----
OTHER ASSETS		
Excess of cost over net assets of purchased businesses	2,326.5	1,862.9
Other	1,054.9	1,066.6
	-----	-----
Total other assets	3,381.4	2,929.5
	-----	-----
	\$ 9,423.3	8,215.0
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		

CURRENT LIABILITIES		
Short-term borrowings and current maturities of long-term debt	\$ 1,720.7	923.3
Accounts payable	644.0	611.4
Accrued expenses	954.7	936.4
Income taxes	151.9	146.2
	-----	-----
Total current liabilities	3,471.3	2,617.3
	-----	-----
LONG-TERM DEBT	330.4	279.9
	-----	-----
OTHER LIABILITIES	1,077.0	976.0
	-----	-----
STOCKHOLDERS' EQUITY		
Preferred stock of \$2.50 par value per share. Authorized 5,400,000 shares; issued - none	-	-
Common stock of \$1 par value per share. Authorized 400,000,000 shares; issued 238,338,503 shares and 238,338,503 shares	238.3	238.3
Retained earnings	4,852.6	4,619.1
Cumulative translation adjustments	(9.1)	8.7
Cost of common stock in treasury, 14,933,424 shares and 14,752,649 shares	(537.2)	(524.3)
	-----	-----
Total stockholders' equity	4,544.6	4,341.8
	-----	-----
	\$ 9,423.3	8,215.0
	=====	=====

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, 1995 AND 1994
(Dollars in millions; unaudited)

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	1995	1994
-----	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 249.4	360.8
INVESTING ACTIVITIES		
Capital expenditures	(183.1)	(132.6)
Purchases of businesses, net of cash and equivalents acquired	(208.3)	(21.7)
Proceeds from divestitures of businesses, net	8.3	199.6
Other	39.8	(4.9)
	-----	-----
Net cash provided by (used in) investing activities	(343.3)	40.4
FINANCING ACTIVITIES		
Net increase (decrease) in short-term borrowings with maturities of 90 days or less	592.1	(195.4)
Proceeds from short-term borrowings	-	227.6
Principal payments on short-term borrowings	(28.7)	(65.0)
Principal payments on long-term debt	(127.9)	(19.4)
Dividends paid	(192.3)	(175.1)
Other	(46.2)	(83.3)
	-----	-----
Net cash provided by (used in) financing activities	197.0	(310.6)
	-----	-----
Effect of exchange rate changes on cash and equivalents	(.4)	(1.4)

INCREASE IN CASH AND EQUIVALENTS	102.7	89.2
Beginning cash and equivalents	113.3	101.9
ENDING CASH AND EQUIVALENTS	\$ 216.0	191.1

See accompanying notes to consolidated financial statements.

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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. 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. Certain prior year amounts have been reclassified to conform to the current year presentation. 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, 1994.

2. Other Financial Information
(Dollars in millions; unaudited)

	March 31, 1995	September 30, 1994
Inventories		
-----	-----	-----
Finished products	\$ 569.0	506.5
Raw materials and work in process	1,021.8	885.7
	-----	-----
	\$ 1,590.8	1,392.2
	=====	=====

	March 31, 1995	September 30, 1994
Property, plant and equipment, net		
-----	-----	-----
Property, plant and equipment, at cost	\$ 4,073.0	3,840.7
Less accumulated depreciation	2,021.4	1,893.4
	-----	-----
	\$ 2,051.6	1,947.3
	=====	=====

3. The Company has guaranteed performance under certain contracts related to the government and defense businesses distributed to stockholders in 1990, and has effectively guaranteed 50 percent of the indebtedness of a joint venture. For further information, refer to the Company's 1994 Annual Report on Form 10-K.
4. Effective October 1, 1994, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 112, "Employers' Accounting for Postemployment Benefits", which establishes accounting standards for workers' compensation, disability and severance benefits. The Company recognized the obligation as a cumulative effect of change in accounting principle of \$21.3 million (net of \$13.7 million in related income tax benefits). The statement will not have a material impact on the Company's ongoing results of operations.
5. In the first quarter of fiscal 1995, the Company purchased F. G. Wilson (Engineering) Ltd., a United Kingdom-based manufacturer of

diesel generator sets. The acquisition was financed by issuing \$271 million in notes to the sellers. In December 1994, the Company

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commenced a tender offer for the remaining common stock of Control Techniques, plc, a United Kingdom-based manufacturer of variable speed drives used for motor applications. The acquisition was completed in the second quarter for a purchase price of approximately \$227 million (net of cash and equivalents acquired). Approximately \$49 million of the purchase price was financed by issuing notes to the sellers. The increases in excess of cost over net assets of purchased businesses, receivables, and inventories during the six months ended March 31, 1995 reflect the impact of these acquisitions.

Item 2. 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 1995 were the highest for any quarter and first six-month period in the Company's history.

Net sales were \$2,514.1 million for the quarter ended March 31, 1995, up 18.8 percent over net sales of \$2,116.5 million for the quarter ended March 31, 1994, and \$4,798.7 million for the six months ended March 31, 1995, up 16.3 percent over net sales of \$4,126.0 for the same period a year ago. The second quarter results reflect strong underlying domestic and international sales growth further aided by acquisitions. Excluding the favorable impact of currency, underlying international subsidiary sales increased 13 percent while exports increased 26 percent. All major international regions experienced double-digit sales growth.

The Appliance and Construction-Related segment reported a double-digit sales increase compared to the second quarter of 1994. Strong sales by the heating, ventilating and air conditioning business reflected continued strength in domestic end-markets, robust international demand, new product acceptance, and market penetration. The fractional motors and appliance components businesses achieved double-digit sales gains due to strong international appliance demand and continued domestic appliance market strength. The consolidated tools business and the unconsolidated tool joint ventures reported solid sales growth.

The Commercial and Industrial segment also reported a double-digit sales increase compared to the second quarter of 1994. The industrial motors and drives business reported the largest sales gains for the quarter due to the F.G. Wilson and Control Techniques acquisitions and strong domestic and international demand. The industrial components and equipment business benefited from strengthening of the domestic capital goods market and continued strength in the European capital goods market. Sales in the electronics business continued to benefit from strong domestic and international markets and the success of new product introductions. Double-digit growth for the process business reflected strong demand in international markets.

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Cost of sales for the second quarter was \$1,635.2 million or 65.0 percent of sales, compared with \$1,370.8 million, or 64.8 percent of sales, for the second quarter of 1994. Cost of sales for the six months ended March 31, 1995 was \$3,127.8 million or 65.2 percent of sales, compared to \$2,674.2 million or 64.8 percent of sales for the same period a year ago. Selling, general and administrative expenses for the three months ended March 31, 1995 were \$476.4 million, or 19.0 percent of sales, compared to \$406.4 million, or 19.2 percent of sales for the same period a year ago. For the first six months of 1995, selling, general and administrative expenses were \$917.3 million or 19.1 percent of sales, compared to \$802.9 million or 19.5 percent of sales for the same period in 1994.

The second quarter consolidated profit margins remained at high levels as a result of the Company's ongoing commitments to cost reduction efforts and productivity improvement programs across the Company.

Earnings in the first quarter of fiscal 1995 included a \$41.3 million preferential distribution from the S-B Power Tool joint venture which was substantially offset by other non-recurring items and the adoption of

SFAS No. 112. Earnings in the first quarter of fiscal 1994 included a gain on the sale of business which was substantially offset by non-recurring items and the adoption of SFAS No. 106 (\$115.9 million, net of \$74.1 million in related income tax benefits).

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, 1995	September 30, 1994
	-----	-----
Working capital (in millions)	\$519.0	720.9
Current ratio	1.1 to 1	1.3 to 1
Total debt to total capital	31.1%	21.7%
Net debt to net capital	28.7%	20.0%

The Company's interest coverage ratio (earnings before income taxes, non-recurring items and interest expense, divided by interest expense) was 14.8 times for the six months ended March 31, 1995 compared to 13.6 times for the same period one year earlier. The current ratio decrease and the increase in the debt to capital ratios reflect additional debt related to the acquisitions.

Cash flow provided by operating activities was \$249.4 million for the six months ended March 31, 1995 versus \$360.8 million for the same period in the prior year. These results reflect increases in inventories and receivables associated with strong sales growth. Cash and equivalents increased by \$102.7 million during the six months ended March 31, 1995. Cash flow provided by operating activities and an increase in borrowings

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of \$437.0 million were used primarily to purchase businesses (net of cash and equivalents acquired) for \$208.3 million, pay dividends of \$192.3 million, and fund capital expenditures of \$183.1 million. In addition, \$320 million of notes were issued to the sellers to finance the F. G. Wilson and Control Techniques acquisitions.

The Company is in a strong financial position and has the resources available for reinvestment in existing businesses, strategic acquisitions and managing the capital structure.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Stockholders was held on February 7, 1995. The directors listed in the Notice of Annual Meeting of Stockholders dated December 14, 1994 were elected for terms ending in 1998 with voting for each as follows:

DIRECTOR	FOR	WITHHELD
-----	-----	-----
J. A. Frates	193,030,375	2,416,691
R. L. Ridgway	193,089,927	2,357,139
A. E. Suter	193,103,429	2,343,637
W. M. Van Cleve	190,904,636	4,542,430
E. E. Whitacre, Jr.	193,282,230	2,164,836
E. F. Williams, Jr.	193,234,420	2,212,646

F.G. Wilson was elected for a term ending in 1997 with 193,280,190 votes for and 2,166,876 votes withheld. In addition, the proposal to approve the annual incentive plan was approved by a vote of 186,769,499 in favor to 7,232,551 against with 1,445,016 abstentions.

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. 1989 Form 10-K, Exhibit 3(a).

3(b) Bylaws of Emerson Electric Co., as amended through May 3, 1994, incorporated by reference to Emerson Electric Co. 1994 Form 10-K, Exhibit 3(b).

- (b) Reports on Form 8-K. The Company did not file any reports on Form 8-K during the quarter ended March 31, 1995.

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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: May 12, 1995

By

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

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

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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, 1995 FILED WITH THE COMPANY'S 1995 SECOND QUARTER FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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<F2> Cumulative effect of change in accounting for postemployment benefits. Income before accounting change was \$451.8 million.		
</FN>		

</TABLE>