

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

- ☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 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 | 43-0259330 |
| (State or other jurisdiction of incorporation or organization) | (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

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|--|---|
| Common Stock of \$1.00 par value per share | New York Stock Exchange Chicago Stock Exchange |
| Preferred Share Purchase Rights | New York Stock Exchange Chicago Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: None

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 ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Aggregate market value of the voting stock held by nonaffiliates of the registrant as of close of business on October 31, 1995: \$15,867 million.

Common stock outstanding at October 31, 1995: 224,003,608 shares.

Documents Incorporated by Reference

1. Portions of Emerson Electric Co. 1995 Annual Report to Stockholders (Parts I and II).
2. Portions of Emerson Electric Co. Notice of 1996 Annual Meeting of the Stockholders and Proxy Statement (Part III).

PART I

Item 1. Business

Emerson was incorporated in Missouri in 1890. Originally engaged in the manufacture and sale of electric motors and fans, Emerson's product lines were subsequently expanded through internal growth and acquisitions. Emerson is now engaged principally in the design, manufacture and sale of a broad range of electrical, electromechanical and electronic products and systems.

The products manufactured by the Company are classified into the following industry segments: Commercial and Industrial Components and Systems; and Appliance and Construction-Related Components. Net sales, income before income taxes and accounting changes and total assets attributable to each industry segment for the three years ended September 30, 1995 are set forth in Note 12 of Notes to Consolidated Financial Statements on page 39 of the 1995 Annual Report, which note is hereby incorporated by reference. Information with respect to acquisition and divestiture activities by Emerson is set forth in Note 2 of Notes to Consolidated Financial Statements on page 33 of the 1995 Annual Report, which note is hereby incorporated by reference.

COMMERCIAL AND INDUSTRIAL COMPONENTS AND SYSTEMS

The Commercial and Industrial segment includes process control instrumentation, valves and systems; industrial motors and drives; industrial machinery, equipment and components; and electronic products. These products are generally highly engineered, both in product design and manufacturing process. Products of this segment are sold to commercial and industrial distributors and end-users for manufacturing and commercial applications.

Products used in process industries include various types of instrumentation, valves and control systems for measurement and control of fluid flow. Included are various types of meters such as rotameters, positive displacement meters, magnetic flow meters, turbine meters, direct mass flow meters and laboratory instruments to measure water quality. Other products include solid state telemetering equipment, various types of pressure and vacuum relief valves and personal computer-based software used for industrial automation applications. In addition, Emerson manufactures and sells temperature sensors, pressure sensors and transmitters used to measure and/or control temperature, pressure, level and rate and amount of flow. Also produced are process gas chromatographs, in-situ absorptive oxygen analyzers, infrared gas and trace moisture analyzers, combustion analyzers and systems, and other analyzers

which measure pH and conductivity. The Company also manufactures and sells sliding stem valves, rotary valves, plastic-lined plug valves, butterfly valves, pressure regulators, and related actuators and controllers.

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Emerson also manufactures electronic measurement and data acquisition equipment for use in industrial processing. In addition, Emerson produces vibratory separating equipment used primarily in the chemical, mining, pharmaceutical, food processing, pulp and paper, ceramic and metal-working markets.

Beginning with a line of electric motors for industrial and heavy commercial applications, Emerson's products for industrial automation include certain kinds of integral horsepower motors, gear drives, pump motors, alternators, electronic variable speed drives and diesel generator sets. Emerson also produces electronic uninterruptible power supplies, power conditioning and distribution equipment, modular power systems and environmental control systems used in communications and information processing applications.

Emerson manufactures and sells components for the transmission and regulation of mechanical power, such as certain kinds of chains, sprockets, sheaves, gears, bearings, couplings and speed reducers, and a line of cam-operated index drives, programmable motion controllers and automation accessories. These products are used primarily in industrial and commercial applications requiring the transmission of mechanical motion or drive systems of various types.

Emerson also manufactures a line of multi-purpose pressure and solenoid valves, pressure, vacuum and temperature switches, automatic transfer switches, remote control switches and electric power control systems. These products are widely used in the automation of equipment and industrial processes and for the control of emergency electric power.

Emerson also produces a variety of industrial and commercial ultrasonic products for applications such as cleaning, sealing, welding and flaw detection. Other products include material preparation and microstructure analysis equipment. Emerson also manufactures electric circulation heaters, fluid heat transfer systems and component heating elements.

Emerson manufactures a broad line of components for current-and noncurrent-carrying electrical distribution devices such as panelboards, receptacles, fittings, cable handling reels and lighting products for use in hazardous and nonhazardous environments.

APPLIANCE AND CONSTRUCTION-RELATED COMPONENTS

The Appliance and Construction-Related segment consists of fractional horsepower motors; appliance components; heating, ventilating and air conditioning components; and tools. This segment includes components sold to distributors and original equipment manufacturers for inclusion in end-products and systems (ultimately sold through commercial and residential building construction channels); and construction-related products which retain their identity and are sold through distributors to consumers and the professional trades.

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Emerson manufactures and sells a variety of components and systems for refrigeration and comfort control applications, including hermetic and semi-hermetic compressors; hermetic motors and terminals for hermetically sealed compressors; and fractional and sub-fractional horsepower motors for selected appliance, office equipment, ventilating equipment, pump, heater and other motor-driven machine applications. Automatic temperature controls, timers, switches, and thermo-protective devices are manufactured for gas and electric heating systems, refrigeration and air conditioning equipment and various large and small appliances. Emerson also manufactures and sells a variety of electric heating elements and electrostatic air cleaners.

Emerson manufactures and sells a line of electrical products primarily for the residential markets, including humidifiers, electric waste disposers, hot water dispensers, ventilating equipment and exhaust fans.

Emerson is a producer of selected professional and hardware tools and service equipment. These products include certain kinds of wrenches, thread cutters, pipe cutters, reamers, vises, pipe and bolt threading machines and sewer and drain cleaning equipment. The principal markets for these professional tools and service equipment include plumbing, heating and air conditioning contractors, construction and maintenance companies, petroleum and gas producers, refiners and processors, and farm and home consumers.

Emerson also produces a specialized line of light-duty industrial bench power tools, ladders and scaffolding and related accessories. Also produced by Emerson for marketing by a major retailer are shop vacuum cleaners, a line of bench power tools for home workshop use and a line of hand tools including adjustable wrenches, screwdrivers, pliers and chisels.

PRODUCTION

Emerson utilizes various production operations and methods. The principal production operations are metal stamping, forming, casting, machining, welding, plating, heat treating, painting and assembly. In addition, Emerson also uses specialized production operations, including automatic and semiautomatic testing, automated material handling and storage, ferrous and nonferrous machining and special furnaces for heat treating and foundry applications. Management believes the equipment, machinery and tooling used in these processes are of modern design and well maintained.

RAW MATERIALS AND ENERGY

Emerson's major requirements for basic raw materials include steel, copper, cast iron, aluminum and brass and, to a lesser extent, plastics and other petroleum-based chemicals. Emerson has multiple sources of supply for each of its material requirements. The raw materials and various purchased components required for its products have generally been available in sufficient quantities.

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Emerson uses various forms of energy, principally natural gas and electricity, obtained from public utilities. A majority of the plants have the capability of being converted to use alternative sources of energy.

PATENTS, TRADEMARKS, LICENSES AND FRANCHISES

The Company has a number of patents, trademarks, licenses and franchises, none of which is considered material to any segment of its consolidated operations.

BACKLOG

The estimated consolidated order backlog of the Company was \$1,815 million and \$1,546 million at September 30, 1995 and 1994, respectively. Nearly all of the September 30, 1995 consolidated backlog amount is expected to be shipped within one year. The estimated backlog by industry segment at September 30, 1995 and 1994 follows (dollars in millions):

| | 1995 | 1994 |
|------------------------------------|----------|-------|
| | ----- | ----- |
| Commercial and Industrial | \$ 1,215 | 1,000 |
| Appliance and Construction-Related | 600 | 546 |
| | ----- | ----- |
| Consolidated Order Backlog | \$ 1,815 | 1,546 |
| | ===== | ===== |

COMPETITION

Emerson's businesses are highly competitive and the methods of competition vary across the industry segments served. Although no single company competes directly with Emerson in all of its product lines, various companies compete in one or more product lines. Some of these companies have substantially greater sales and assets than Emerson. In addition, Emerson competes with many smaller companies.

RESEARCH AND DEVELOPMENT

Costs associated with Company-sponsored research, new product

development and product improvement were \$354.2 million in 1995, \$298.2 million in 1994 and \$272.4 million in 1993.

ENVIRONMENT

Compliance with laws regulating the discharge of materials into the environment or otherwise relating to the protection of the environment has not had a material effect upon Emerson's capital expenditures, earnings or competitive position. It is not anticipated that Emerson will have material capital expenditures for environmental control facilities during the next fiscal year.

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EMPLOYEES

Emerson and its subsidiaries had an average of approximately 78,900 employees during 1995.

DOMESTIC AND FOREIGN OPERATIONS

International sales were \$4,386 million in 1995, \$3,243 million in 1994 and \$3,168 million in 1993, including U.S. exports of \$768 million, \$589 million and \$562 million in 1995, 1994 and 1993, respectively. Although there are additional risks attendant to foreign operations, such as nationalization of facilities, currency fluctuations and restrictions on the movement of funds, Emerson's financial position has not been materially affected thereby to date. See Note 12 of Notes to Consolidated Financial Statements on page 39 of the 1995 Annual Report for further information with respect to foreign operations.

Item 2. Properties

At September 30, 1995, Emerson had approximately 275 manufacturing locations worldwide, of which approximately 150 were located in 25 countries outside the United States. Approximately 185 locations are occupied by the Commercial and Industrial segment, and approximately 90 are occupied by the Appliance and Construction-Related segment. The majority of the locations are owned or occupied under capital lease obligations with the remainder occupied under operating leases. The Company considers its facilities suitable and adequate for the purposes for which they are used.

Item 3. Legal Proceedings

Emerson is a party to a number of pending legal proceedings, several of which claim substantial amounts of damages. There are no pending legal proceedings that, in the opinion of management, are expected to be material in relation to the Company's business or financial position.

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

There were no matters submitted to a vote of security holders during the quarter ended September 30, 1995.

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Executive Officers of the Registrant

The following sets forth certain information as of December 1995 with respect to Emerson's executive officers. These officers have been elected or appointed to terms which will expire February 6, 1996:

| Name | Position | Age | First Served as Officer |
|------|----------|-----|-------------------------------|
| ---- | ----- | --- | ----- |

| | | | |
|---------------|---|----|------|
| C. F. Knight* | Chairman of the Board, President and Chief Executive Officer | 59 | 1972 |
| A. E. Suter* | Senior Vice Chairman and Chief Operating Officer | 60 | 1979 |
| R. W. Staley* | Vice Chairman - Asia Pacific | 60 | 1975 |
| W. J. Galvin | Senior Vice President - Finance and Chief Financial Officer | 49 | 1984 |
| W. W. Withers | Senior Vice President, Secretary and General Counsel | 55 | 1989 |

*Also chairman and/or member of certain committees of the Board of Directors.

There are no family relationships among any of the executive officers and directors.

Each of the above has served as an officer or in a supervisory capacity with Emerson for the last five years.

7 PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder ----- Matters -----

The information regarding the market for the Company's common stock, quarterly market price ranges and dividend payments set forth in Note 13 of Notes to Consolidated Financial Statements on page 40 of the 1995 Annual Report is hereby incorporated by reference. There were approximately 31,000 stockholders at September 30, 1995.

Item 6. Selected Financial Data -----

Years ended September 30
(Dollars in millions except per share amounts)

| | 1995 | 1994 | 1993 | 1992 | 1991 |
|------------------------------------|-------------|---------|---------|---------|---------|
| | ----- | ----- | ----- | ----- | ----- |
| Net sales | \$ 10,012.9 | 8,607.2 | 8,173.8 | 7,706.0 | 7,427.0 |
| Net earnings | \$ 907.7 | 788.5 | 708.1 | 662.9 | 631.9 |
| Earnings per common share | \$ 4.06 | 3.52 | 3.15 | 2.96 | 2.83 |
| Cash dividends per common share | \$ 1.78 | 1.56 | 1.44 | 1.38 | 1.32 |
| Long-term debt | \$ 208.6 | 279.9 | 438.0 | 448.0 | 450.2 |
| Total assets | \$ 9,399.0 | 8,215.0 | 7,814.5 | 6,627.0 | 6,364.4 |

Income before cumulative effect of change in accounting for postemployment benefits (\$21.3 million; \$.10 per share) was \$929.0 million in 1995. Net earnings in 1995 includes non-recurring items which were substantially offset by the accounting change.

Income before cumulative effect of change in accounting for postretirement benefits (\$115.9 million; \$.52 per share) was \$904.4 million in 1994. Net earnings in 1994 includes non-recurring items which were substantially offset by the accounting change. See Notes 2 and 7 of Notes to Consolidated Financial Statements on pages 33 and 36 of the 1995 Annual Report for information regarding these items and the Company's acquisition and divestiture activities.

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Item 7. Management's Discussion and Analysis of Financial Condition

and Results of Operations

Narrative discussion appearing in the 1995 Annual Report under "Results of Operations" and "Financial Position, Capital Resources and Liquidity" on pages 22 through 26, is hereby incorporated by reference. Subsequent to year end, the Company announced an agreement in principle for Caterpillar Inc. to take an equity position in Emerson's F.G. Wilson subsidiary. The transaction is contingent upon negotiating a definitive agreement and receiving applicable regulatory approvals.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements of the Company and its subsidiaries on pages 27 through 40 and the report thereon of KPMG Peat Marwick LLP appearing on page 41 of the 1995 Annual Report are hereby incorporated by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting

and Financial Disclosure

None.

Item 10. Directors and Executive Officers of the Registrant

Information regarding nominees and directors appearing under "Nominees and Continuing Directors" in the Emerson Electric Co. Notice of Annual Meeting of the Stockholders and Proxy Statement for the February 1996 annual stockholders' meeting (the "1996 Proxy Statement") is hereby incorporated by reference. Information regarding executive officers is set forth in Part I of this report.

Item 11. Executive Compensation

Information appearing under "Board of Directors and Committees" and "Executive Compensation" in the 1996 Proxy Statement is hereby incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and

Management

The information regarding beneficial ownership of shares by nominees and continuing directors and by all directors and executive officers as a group appearing under "Nominees and Continuing Directors" in the 1996 Proxy Statement is hereby incorporated by reference.

Item 13. Certain Relationships and Related Transactions

Information appearing under "Certain Business Relationships" in the 1996 Proxy Statement is hereby incorporated by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on

Form 8-K

A) Documents filed as a part of this report:

1. The consolidated financial statements of the Company and its subsidiaries on pages 27 through 40 and the report thereon of KPMG Peat Marwick LLP appearing on page 41 of the 1995 Annual Report.

2. Financial Statement Schedules

All schedules are omitted because they are not required, not applicable or the information is given in the financial statements or notes thereto contained in the 1995 Annual Report.

3. 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).

- 4(a) Indenture dated as of April 17, 1991, between Emerson Electric Co. and The Boatmen's National Bank of St. Louis, Trustee, incorporated by reference to Emerson Electric Co. Registration Statement on Form S-3, File No. 33-62545, Exhibit 4.1.

No other long-term debt instruments are filed since the total amount of securities authorized under any such instrument does not exceed 10 percent of the total assets of Emerson Electric Co. and its subsidiaries on a consolidated basis. Emerson Electric Co. agrees to furnish a copy of such instruments to the Securities and Exchange Commission upon request.

- 4(b) Rights Agreement dated as of November 1, 1988 between Emerson Electric Co. and Centerre Trust Company of St. Louis, incorporated by reference to Emerson Electric Co. Form 8-K, dated November 1, 1988, Exhibits 1 and 2.

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- 10(a)* 1974 Non-qualified Stock Option Plan, as amended, incorporated by reference to Emerson Electric Co. 1991 Form 10-K, Exhibit 10(a) and Form 10-Q for the quarter ended December 31, 1992, Exhibit 10(a).
- 10(b)* 1982 Incentive Stock Option Plan, as amended, incorporated by reference to Emerson Electric Co. 1992 Form 10-K, Exhibit 10(b).
- 10(c)* Employment Agreement made as of October 1, 1975 and amended January 9, 1987 between Emerson Electric Co. and C. F. Knight, incorporated by reference to Emerson Electric Co. 1987 Form 10-K, Exhibit 10(e).
- 10(d)* 1986 Stock Option Plan, as amended, incorporated by reference to Emerson Electric Co. 1992 Form 10-K, Exhibit 10(e) and Form 10-Q for the quarter ended December 31, 1992, Exhibit 10(b).
- 10(e)* 1991 Stock Option Plan, as amended, incorporated by reference to Emerson Electric Co. 1992 Form 10-K, Exhibit 10(f) and Form 10-Q for the quarter ended December 31, 1992, Exhibit 10(c).
- 10(f)* 1988 Incentive Shares plan, incorporated by reference to Emerson Electric Co. 1988 Proxy Statement dated December 18, 1987, Exhibit A, and Form 10-Q for the quarter ended December 31, 1992, Exhibits 10(d) and 10(e), and Amendments No. 3 and No. 4 thereto, incorporated by reference to Emerson Electric Co. 1993 Form 10-K, Exhibit 10(g).
- 10(g)* 1993 Incentive Shares Plan, incorporated by reference to Emerson Electric Co. 1993 Proxy Statement dated December 16, 1992, Exhibit A, and Amendment No. 2 filed herewith.
- 10(h)* Restricted Shares Award Agreement with C. F. Knight dated November 1, 1993, incorporated by reference to Emerson Electric Co. 1993 Form 10-K, Exhibit 10(i).
- 10(i)* Emerson Electric Co. Directors' Continuing Compensation Plan, incorporated by reference to Emerson Electric Co. 1987 Form 10-K, Exhibit 10(g).
- 10(j)* Deferred Compensation Plan for Non-Employee Directors, as amended, incorporated by reference to Emerson Electric Co. 1994 Form 10-K, Exhibit 10(k).
- 10(k)* Emerson Electric Co. Supplemental Executive Retirement Plan, incorporated by reference to Emerson Electric Co. 1989 Form 10-K, Exhibit 10(i).

- 10(l)* Second Amendment to the Supplemental Executive Savings Investment Plan, incorporated by reference to Emerson Electric Co. 1991 Form 10-K, Exhibit 10(j).
- 10(m)* Annual Incentive Plan incorporated by reference to Emerson Electric Co. 1995 Proxy Statement dated December 14, 1994, Appendix A.
- 13 Portions of Emerson Electric Co. Annual Report to Stockholders for the year ended September 30, 1995 incorporated by reference herein.
- 21 Subsidiaries of Emerson Electric Co.
- 23 Independent Auditors' Consent.
- 24 Power of Attorney.
- 27 Financial Data Schedule.

* Management contract or compensatory plan.

- B) No reports on Form 8-K were filed during the quarter ended September 30, 1995.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By /s/ W. J. Galvin

W. J. Galvin
Senior Vice President -
Finance and Chief Financial
Officer (and Principal Accounting
Officer)

Date: December 20, 1995

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on December 20, 1995, by the following persons on behalf of the registrant and in the capacities

indicated.

| Signature ----- | Title ----- |
|---|---|
| * ----- C. F. Knight | Chairman of the Board, President and Chief Executive Officer and Director |
| /s/ W. J. Galvin ----- W. J. Galvin | Senior Vice President - Finance and Chief Financial Officer (and Principal Accounting Officer) |
| * ----- L. L. Browning, Jr. | Director |
| * ----- A. A. Busch III | Director |
| * ----- D. C. Farrell | Director |
| * ----- J. A. Frates | Director |

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| | |
|-----------------------------------|----------|
| * ----- R. B. Horton | Director |
| * ----- G. A. Lodge | Director |
| * ----- V. R. Loucks, Jr. | Director |
| * ----- R. B. Loynd | Director |
| * ----- R. L. Ridgway | Director |
| * ----- R. W. Staley | Director |
| * ----- A. E. Suter | Director |
| * ----- W. M. Van Cleve | Director |
| * ----- E. E. Whitacre, Jr. | Director |
| * ----- E. F. Williams, Jr. | Director |

* By /s/ W. J. Galvin

W. J. Galvin
Attorney-in-fact

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INDEX TO EXHIBITS

Exhibits are listed by numbers corresponding to the Exhibit Table of Item 601 in Regulation S-K.

| Exhibit No. ----- | Exhibit ----- |
|----------------------|---|
| 10(g) | Amendment No. 2 to the 1993 Incentive Shares plan |
| 13 | Portions of Annual Report to Stockholders for the year ended September 30, 1995, incorporated by reference herein |
| 21 | Subsidiaries of Emerson Electric Co. |
| 23 | Independent Auditors' Consent |
| 24 | Power of Attorney |
| 27 | Financial Data Schedule |

See Item 14(A)(3) for a list of exhibits incorporated by reference.

AMENDMENT NO. 2 TO
EMERSON ELECTRIC CO.
1993 INCENTIVE SHARES PLAN

WHEREAS, pursuant to Section 12 of the Emerson Electric Co. 1993 Incentive Shares Plan ("Plan") the Compensation and Human Resources Committee ("Committee") of the Board of Directors of Emerson Electric Co. was given the authority, subject to specified limitations, to amend the Plan; and

WHEREAS, the Committee has approved an authorized Amendment to the Plan as herein set forth.

NOW THEREFORE, the Plan is amended as follows:

1. The title and the first paragraph of Section 7 are deleted and in their place is substituted the following:

"7. Time of Payment. Subject to the provisions of the following paragraphs of this Section 7, distribution of amounts to which a Participant is entitled, because the applicable targeted performance objective is met, shall be made as soon as practicable after the holder of the Performance Shares becomes entitled thereto, unless payment of the Performance Award is subject to specified vesting conditions after attainment of the performance objective, in which case payment shall be delayed until such vesting conditions have been satisfied."

* * * * *

The foregoing is the full text of Amendment No. 2 to the Emerson Electric Co. 1993 Incentive Shares Plan as approved by the Compensation and Human Resources Committee of the Board of Directors of Emerson Electric Co. on June 6, 1995.

Emerson achieved record sales in fiscal 1995 of \$10.0 billion, up \$1.4 billion or 16.3 percent from 1994. The 1995 sales comparison reflects strong demand, impact of acquisitions and favorable exchange rates. Excluding the impact of acquisitions and currency, international sales increased nearly \$500 million in 1995, or 15 percent, reflecting strong sales volume in all international regions. Domestic sales increased approximately \$265 million, primarily due to moderate volume growth and slight price increases. New product sales, from products introduced in the past five years, increased approximately \$460 million or 21.7 percent to a record \$2.6 billion, representing nearly 26 percent of sales. See note 2 for additional discussion of the Company's acquisition and divestiture activity, which includes the U.K.-based F.G. Wilson and Control Techniques acquisitions in 1995.

The joint ventures in which Emerson is a partner had combined annual sales of \$2.3 billion, \$2.2 billion and \$2.0 billion in 1995, 1994 and 1993, respectively, which were not consolidated in Emerson's financial statements. Emerson's proportionate share of the sales of its equity investees was \$1.1 billion, \$1 billion and \$900 million, respectively. Joint ventures reported double-digit sales growth excluding the contribution of Control Techniques in 1994. Equity earnings were \$63 million in 1995, up from \$48 million and \$38 million in 1994 and 1993, respectively, reflecting increased volume and margin improvement.

In 1994, sales were \$8.6 billion, up \$433 million or 5.3 percent from \$8.2 billion in 1993. This sales performance was primarily attributable to a \$358 million increase in domestic sales. Excluding acquisitions and divestitures, domestic sales increased more than 8 percent, reflecting strong sales volume and slight price increases. International sales increased approximately \$135 million, excluding the impact of unfavorable exchange rates in 1994 of approximately \$60 million. Several minor acquisitions, which contributed approximately \$75 million to sales in 1994, were more than offset by the impact of the divestiture of the Aerospace unit of Rosemount Inc. New product sales increased \$167 million or 8.6 percent to \$2.1 billion, representing 24.6 percent of sales.

INTERNATIONAL SALES

International sales, including U.S. exports, increased 35 percent to a record \$4.4 billion in 1995, representing nearly 44 percent of the Company's total sales. All major international regions achieved double-digit sales growth, highlighted by strong demand in Europe and continued rapid growth in Asia Pacific. International sales benefited from strong worldwide markets, favorable currency translation and acquisitions. Sales by non-U.S. subsidiaries were \$3.6 billion in 1995, up \$964 million or 36 percent from 1994. Excluding the impacts of acquisition and divestiture activity and currency, non-U.S. subsidiary sales increased 11 percent due to strong growth in all regions. U.S. exports increased \$179 million, or 30 percent, to a record \$768 million in 1995, reflecting strong export sales in the heating, ventilating and air conditioning and process control businesses.

In 1994, international sales increased \$75 million, or 2.4 percent to \$3.2 billion, representing approximately 38 percent of the Company's total sales. Asia Pacific sales, excluding Japan, experienced double-digit increases, with sales to China up approximately 20 percent. Sales by non-U.S. subsidiaries were \$2.7 billion in 1994, up \$48 million or 1.8 percent from 1993, despite unfavorable currency translation. European and

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Canadian markets strengthened in the second half of the year, and continued solid growth in Latin American and other Asia Pacific subsidiaries more than offset the impact of the continued recession in Japan. U.S. exports increased \$27 million to \$589 million in 1994, while underlying export sales were up more than 8 percent despite the stronger dollar.

INDUSTRY SEGMENT SALES

Sales in the Commercial and Industrial segment were \$6.0 billion in 1995, up \$1.1 billion or 21.5 percent from 1994. Excluding acquisitions and divestitures, underlying sales of the segment increased approximately 13 percent, reflecting robust international demand, solid domestic growth, new products and favorable exchange rates. The underlying industrial motors and drives business achieved double-digit growth due to strong domestic and international capital goods demand, while total industrial motors and drives sales were further aided by the acquisition of F.G. Wilson and Control Techniques. The industrial components and equipment business realized a double-digit sales increase due to worldwide strength in the capital goods market. The process business also reported double-digit sales growth due to strengthening international demand for measurement, distributed control system and control valve products. Strong sales growth in the electronics business resulted from new product acceptance and strong domestic market demand.

Sales in the Appliance and Construction-Related segment were \$4.0 billion in 1995, an increase of \$341 million or 9.3 percent from 1994, primarily

reflecting double-digit underlying international growth. Double-digit sales growth by the heating, ventilating and air conditioning business reflected strong international demand, further acceptance of new products and market penetration gains. The tools business reported strong sales growth due to domestic demand for hand tools, global demand for professional plumbing tools and an acquisition. The appliance components business reported strong sales growth due to international appliance market strength and an acquisition. Sales growth in the fractional horsepower motors business benefited from strength in the domestic market during the first half of the fiscal year.

In 1994, sales in the Appliance and Construction-Related segment increased \$377 million, or 11.5 percent, to \$3.7 billion, primarily reflecting strong domestic volume growth in all businesses. The largest sales gain was achieved by the heating, ventilating and air conditioning business, as it experienced a double-digit sales increase resulting from hot summer weather, strong demand for new products and market penetration gains. The fractional horsepower motors business realized a double-digit sales increase due to strong domestic end-market demand. The appliance components business also reported double-digit growth due to strong domestic demand, market penetration gains and an acquisition. Sales of the tools business increased moderately with double-digit sales gains in the second half of the year.

In 1994, sales in the Commercial and Industrial segment increased \$56 million, or 1.1 percent, to \$4.9 billion. Excluding acquisitions, the divestiture of the Aerospace unit of Rosemount Inc. and foreign exchange, sales of the segment increased approximately 3 percent, reflecting modest domestic sales volume gains, slight price increases and improved international sales in the second half of the year. The electronics business experienced double-digit growth primarily as a result of the introduction of new products and sales of environmental systems in the U.S. and Asia Pacific. Sales of the industrial components and equipment business increased modestly as European economies strengthened in the second half of the year. Sales of the industrial motors and drives business increased slightly as domestic gains were offset by weak international sales, which were impacted by unfavorable exchange rates. Sales

of the underlying process control business increased slightly while total process control sales were negatively impacted by the divestiture.

TOTAL COSTS AND EXPENSES

Cost of sales for 1995 was \$6.5 billion, an increase of 16.7 percent over 1994, due primarily to increased sales volume. In 1994, cost of sales was \$5.6 billion compared to \$5.3 billion in 1993, an increase of 5.0 percent. Cost of sales as a percent of net sales was 64.7 percent in 1995 compared to 64.5 percent and 64.7 percent in 1994 and 1993, respectively. Gross profit margins have remained at high levels as a result of the Company's ongoing commitments to cost reduction efforts and productivity improvement programs.

Selling, general and administrative (SG&A) expenses were \$1.9 billion, \$1.7 billion and \$1.6 billion in 1995, 1994 and 1993, respectively. As a percent of net sales, SG&A expenses were 19.3 percent in 1995 compared to 19.5 percent and 19.7 percent in 1994 and 1993, respectively. The decreases in SG&A expenses as a percent of net sales in 1995 and 1994 are due primarily to higher volume and ongoing cost reduction efforts, partially offset by increased investment in new product development and other revenue growth programs. The Company continued its commitment to new product development by increasing engineering and development expense 18.8 percent to a record \$354 million in 1995, compared to \$298 million and \$272 million in 1994 and 1993, respectively.

Interest expense increased to \$111 million in 1995 from \$89 million in 1994 primarily due to additional debt issued to finance the F.G. Wilson and Control Techniques acquisitions. In 1994, interest expense decreased from \$119 million in 1993 due to debt reduction resulting from strong operating cash flow.

The first quarter of 1995 included a \$41 million preferential distribution from the S-B Power Tool joint venture and other non-recurring items. The net earnings impact of the non-recurring items was substantially offset by the adoption of SFAS No. 112. The first quarter of 1994 included a gain on sale of the Aerospace unit of Rosemount Inc. of \$242 million and other non-recurring items of \$50 million. Other non-recurring items principally consisted of severance and related costs arising from relocation of several operations, or workforce reductions, primarily in the Company's European process control and heating, ventilating and air conditioning businesses. The net earnings impact of these non-recurring items was substantially offset by the adoption of SFAS No. 106. See notes 2 and 7 for additional information.

Other deductions, net, was \$63 million in 1995, compared to \$50 million and \$46 million in 1994 and 1993, respectively. The increase in other deductions, net, in 1995 is primarily due to additional goodwill amortization.

INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECTS OF ACCOUNTING CHANGES

Income before income taxes and cumulative effects of changes in accounting principles included the S-B Power Tool distribution in 1995, the gain on sale of the Aerospace unit of Rosemount Inc. in 1994 and other non-recurring items in both years. Excluding these items, income increased approximately 15 percent, reflecting increased worldwide sales volume, acquisitions and improved international margins, partially offset by higher interest expense.

Income before interest expense, income taxes and accounting changes in the Commercial and Industrial segment increased \$161 million, or 23.9 percent, to \$836 million in 1995. This improvement is primarily a result of underlying strength in international markets, solid domestic growth and the F.G. Wilson and Control Techniques acquisitions. Income of the segment was 13.9 percent and 13.6 percent of net sales in 1995 and 1994, respectively, reflecting the increase in volume and ongoing cost reduction efforts.

Income in the Appliance and Construction-Related segment increased \$82 million, or 13.6 percent, to \$684

million in 1995. As a percent of net sales, income of the segment was 17.1 percent in 1995 and 16.4 percent in 1994. These results reflect the increase in international sales volume and effect of prior year non-recurring items. See note 12 for additional information by industry segment and geographic area.

Excluding non-recurring items, income before income taxes and cumulative effect of accounting change increased 11 percent in 1994, reflecting increased domestic sales volume, improved underlying domestic and international operating margins and reduced interest expense. Income before interest expense, income taxes and accounting change in the Appliance and Construction-Related segment increased \$44 million, or 7.9 percent, to \$602 million in 1994, reflecting a solid increase in domestic sales volume in all businesses, partially offset by non-recurring items. Income in the Commercial and Industrial segment increased \$19 million, or 2.9 percent, to \$675 million in 1994, primarily resulting from a modest increase in domestic sales volume and ongoing cost reduction efforts. Excluding non-recurring items, margins improved in both segments.

INCOME TAXES

Income taxes before accounting changes were \$531 million, \$523 million and \$404 million in 1995, 1994 and 1993, respectively. The effective income tax rate was 36.4 percent in 1995, compared to 36.7 percent in 1994 and 36.3 percent in 1993. The higher 1994 rate primarily reflects \$95 million of income taxes on the divestiture of the Aerospace unit of Rosemount Inc.

CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

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 in the first quarter as a cumulative effect of change in accounting principle which decreased 1995 net earnings and earnings per common share by \$21.3 million and \$.10, respectively. The adoption of the statement does not have a material impact on the Company's ongoing results of operations.

Effective October 1, 1993, the Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This statement requires that other postretirement benefits (primarily health care) be accrued over the service lives of employees. The Company recognized the transition obligation arising from service prior to adoption in the first quarter of 1994 as a cumulative effect of change in accounting principle which decreased 1994

net earnings and earnings per common share by \$115.9 million and \$.52, respectively. In addition, ongoing expense for these benefits increased to \$27 million in 1994, compared to \$16 million in 1993.

NET EARNINGS AND RETURN ON EQUITY

Net earnings for 1995 were a record \$908 million, up 15.1 percent from \$789 million in 1994. Net earnings as a percent of sales was 9.1 percent, compared to 9.2 percent in 1994 which represented the highest level achieved during the Company's consecutive years of increased earnings. Earnings per common share were a record \$4.06 in 1995, up 15.3 percent from \$3.52 in 1994. The 1995 acquisitions made a small contribution to earnings per share. Emerson achieved a return on average stockholders' equity of 19.7 percent compared to 19.1 percent in 1994 and 18.5 percent in 1993, respectively.

Net earnings for 1994 were up 11.4 percent from \$708 million in 1993. Earnings per common share were up 11.7 percent from \$3.15 in 1993.

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FINANCIAL POSITION, CAPITAL RESOURCES AND LIQUIDITY

The Company continues to generate substantial cash from operations and remains in a strong financial position with resources available for reinvestment in existing businesses, strategic acquisitions and managing the capital structure.

CASH FLOW

Emerson generated record operating cash flow of \$1,142 million in 1995, compared to \$1,097 million and \$1,075 million in 1994 and 1993, respectively. Operating working capital was approximately 18 percent of sales in 1995, 1994 and 1993. Accounts receivable and inventories increased from September 30, 1994 due primarily to stronger 1995 operations, acquisitions and the impact of foreign exchange.

Capital expenditures were \$421 million in 1995, up approximately 27 percent from \$332 million in 1994. Capital expenditures increased 8.7 percent in 1994 from \$306 million in 1993. Emphasis continues to be placed on programs designed to improve productivity by incorporating advanced processes and technology into existing facilities, cost reduction projects and new products. The Board of Directors has approved funding to nearly double the Company's worldwide production capacity of Copeland Compliant Scroll compressors, including construction of new facilities in Asia and Europe and expansion of U.S. capacity.

Dividends were a record \$398 million (\$1.78 per share) in 1995, compared with \$350 million (\$1.56 per share) in 1994 and \$324 million (\$1.44 per share) in 1993. During the fourth quarter, the Board of Directors voted to increase the quarterly cash dividend 14 percent to an annualized rate of \$1.96 per share, an amount consistent with the Company's long-standing target payout ratio of 45 to 50 percent of prior year earnings.

Cash paid in connection with Emerson's purchase acquisitions was \$236 million, \$58 million and \$1,263 million in 1995, 1994 and 1993, respectively. See note 2 for additional information.

LEVERAGE/CAPITALIZATION

Total debt increased to \$1.6 billion from \$1.2 billion in 1994, reflecting the acquisitions of F.G. Wilson and Control Techniques. See notes 2 and 3 for additional information. In 1994, strong operating cash flow and the net proceeds from the divestiture of the Aerospace unit of Rosemount Inc. of \$206 million enabled the Company to reduce total debt \$449 million from \$1.6 billion in 1993 and fund net treasury stock purchases of \$111 million.

The total debt to total capital ratio was 24.7 percent at year-end 1995, compared to 21.7 percent in 1994 and 29.3 percent in 1993. At September 30, 1995, net debt (total debt less cash and equivalents and short-term investments) was 23.3 percent of net capital, compared to 20.0 percent in 1994 and 27.9 percent in 1993. The Company's interest coverage ratio (income before income taxes, non-recurring items and interest expense divided by interest expense) was 13.9 times in 1995 compared to 15.0 times in 1994 and 10.3 times in 1993.

At year-end 1995, the Company maintained lines of credit of \$975 million to support commercial paper and had available non-U.S. bank credit facilities of \$500 million to support non-U.S. operations. In addition, as of September 30, 1995, the Company could issue up to \$1 billion of debt securities under its shelf registration with the Securities and Exchange Commission. Subsequent to year end, the Company issued \$250 million of 6.3%, 10-year notes which were used to reduce outstanding U.S. commercial paper.

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<TABLE>

<CAPTION>

Consolidated Statements of Earnings

EMERSON ELECTRIC CO. AND SUBSIDIARIES

Years ended September 30

(Dollars in millions except per share amounts)

| | 1995 | 1994 | 1993 |
|--|------------|---------|---------|
| <S> | <C> | <C> | <C> |
| Net sales | \$10,012.9 | 8,607.2 | 8,173.8 |
| Costs and expenses: | | | |
| Cost of sales | 6,480.4 | 5,553.0 | 5,289.8 |
| Selling, general and administrative expenses | 1,933.2 | 1,679.6 | 1,606.6 |
| Interest expense | 110.6 | 88.5 | 119.2 |
| Gain on sale of business and other non-recurring items | (34.3) | (192.0) | - |
| Other deductions, net | 63.1 | 50.3 | 46.2 |
| Total costs and expenses | 8,553.0 | 7,179.4 | 7,061.8 |
| Income before income taxes and cumulative effects of changes in accounting principles | 1,459.9 | 1,427.8 | 1,112.0 |
| Income taxes | 530.9 | 523.4 | 403.9 |
| Income before cumulative effects of changes in accounting principles | 929.0 | 904.4 | 708.1 |
| Cumulative effects of changes in accounting principles; \$.10 and \$.52 per common share, respectively | (21.3) | (115.9) | - |
| Net earnings | \$ 907.7 | 788.5 | 708.1 |
| Earnings per common share | \$ 4.06 | 3.52 | 3.15 |

See accompanying notes to consolidated financial statements.

| | | | |
|--|------------|---------|---------|
| NOTE: Including the pretax impact of the cumulative effects of accounting changes, income before income taxes would have been: | \$ 1,424.9 | 1,237.8 | 1,112.0 |
|--|------------|---------|---------|

</TABLE>

<TABLE>
<CAPTION>
Consolidated Balance Sheets

EMERSON ELECTRIC CO. AND SUBSIDIARIES
September 30
(Dollars in millions except per share amounts)

| ASSETS | 1995 | 1994 |
|---|----------|---------|
| <S> | <C> | <C> |
| Current assets | | |
| Cash and equivalents | \$ 117.3 | 113.3 |
| Receivables, less allowances of \$45.2 in 1995 and \$42.0 in 1994 | 1,757.6 | 1,542.6 |
| Inventories: | | |
| Finished products | 587.2 | 506.5 |
| Raw materials and work in process | 1,015.4 | 885.7 |
| Total inventories | 1,602.6 | 1,392.2 |
| Other current assets | 306.6 | 290.1 |
| Total current assets | 3,784.1 | 3,338.2 |
| Property, plant and equipment | | |
| Land | 153.4 | 150.3 |
| Buildings | 945.8 | 860.6 |
| Machinery and equipment | 2,950.5 | 2,671.0 |
| Construction in progress | 180.8 | 158.8 |
| Less accumulated depreciation | 4,230.5 | 3,840.7 |
| | 2,095.6 | 1,893.4 |

| | | |
|---|-----------|---------|
| Property, plant and equipment, net | 2,134.9 | 1,947.3 |
| Other assets | | |
| Excess of cost over net assets of purchased businesses, less accumulated amortization of \$304.4 in 1995 and \$237.3 in 1994 | 2,384.9 | 1,862.9 |
| Other | 1,095.1 | 1,066.6 |
| Total other assets | 3,480.0 | 2,929.5 |
| | \$9,399.0 | 8,215.0 |
| | ===== | ===== |

</TABLE>

See accompanying notes to consolidated financial statements.

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<TABLE>
<CAPTION>
LIABILITIES AND STOCKHOLDERS' EQUITY

| | 1995 | 1994 |
|--|-----------|---------|
| | ----- | ----- |
| <S> | <C> | <C> |
| Current liabilities | | |
| Short-term borrowings and current maturities of long-term debt | \$1,387.1 | 923.3 |
| Accounts payable | 740.2 | 611.4 |
| Accrued expenses | 979.8 | 936.4 |
| Income taxes | 173.6 | 146.2 |
| Total current liabilities | 3,280.7 | 2,617.3 |
| | ----- | ----- |
| Long-term debt | 208.6 | 279.9 |
| | ----- | ----- |
| Other liabilities | 1,038.9 | 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 in 1995 and 1994 | 238.3 | 238.3 |
| Additional paid-in capital | 15.0 | - |
| Retained earnings | 5,128.3 | 4,619.1 |
| Cumulative translation adjustments | 17.0 | 8.7 |
| | 5,398.6 | 4,866.1 |
| | ----- | ----- |
| Less cost of common stock in treasury, 14,439,861 shares in 1995 and 14,752,649 shares in 1994 | 527.8 | 524.3 |
| | ----- | ----- |
| Total stockholders' equity | 4,870.8 | 4,341.8 |
| | ----- | ----- |
| | \$9,399.0 | 8,215.0 |
| | ===== | ===== |

</TABLE>

29

<TABLE>
<CAPTION>
Consolidated Statements of Stockholders' Equity

EMERSON ELECTRIC CO. AND SUBSIDIARIES
Years ended September 30
(Dollars in millions except per share amounts)

| | 1995 | 1994 | 1993 |
|---|-----------|---------|---------|
| | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> |
| Common stock | \$ 238.3 | 238.3 | 238.3 |
| | ----- | ----- | ----- |
| Additional paid-in capital | | | |
| Beginning balance | - | 4.1 | - |
| Stock plans | (4.7) | (3.5) | 5.0 |
| Treasury stock issued for acquisitions and other | 19.7 | (.6) | (.9) |
| | ----- | ----- | ----- |
| Ending balance | 15.0 | - | 4.1 |
| | ----- | ----- | ----- |
| Retained earnings | | | |
| Beginning balance | 4,619.1 | 4,182.5 | 3,798.6 |
| Net earnings | 907.7 | 788.5 | 708.1 |
| Cash dividends (per share: 1995, \$1.78; 1994, \$1.56; 1993, \$1.44) | (398.5) | (349.9) | (324.2) |
| Stock plans | - | (2.0) | - |
| | ----- | ----- | ----- |
| Ending balance | 5,128.3 | 4,619.1 | 4,182.5 |
| | ----- | ----- | ----- |
| Cumulative translation adjustments | | | |
| Beginning balance | 8.7 | (69.1) | 133.0 |
| Translation adjustments | 8.3 | 77.8 | (202.1) |
| | ----- | ----- | ----- |
| Ending balance | 17.0 | 8.7 | (69.1) |
| | ----- | ----- | ----- |
| Treasury stock | | | |
| Beginning balance | (524.3) | (440.7) | (440.1) |
| Acquired | (81.1) | (116.5) | (30.6) |
| Issued under stock plans | 17.5 | 26.5 | 26.5 |
| Issued for acquisitions and other | 60.1 | 6.4 | 3.5 |
| | ----- | ----- | ----- |
| Ending balance | (527.8) | (524.3) | (440.7) |
| | ----- | ----- | ----- |
| Total stockholders' equity | \$4,870.8 | 4,341.8 | 3,915.1 |
| | ===== | ===== | ===== |

</TABLE>

See accompanying notes to consolidated financial statements.

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<TABLE>
<CAPTION>
Consolidated Statements of Cash Flows

EMERSON ELECTRIC CO. AND SUBSIDIARIES
Years ended September 30
(Dollars in millions)

| | 1995 | 1994 | 1993 |
|--|----------|---------|---------|
| | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> |
| Operating activities | | | |
| Net earnings | \$ 907.7 | 788.5 | 708.1 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | | |
| Depreciation | 303.0 | 274.0 | 269.3 |
| Amortization of intangibles | 105.9 | 90.5 | 71.4 |
| Changes in operating working capital | (190.9) | (82.4) | 25.7 |
| Cumulative effects of changes in accounting principles | 21.3 | 115.9 | - |
| Gain on sale of business and other non-recurring items, net of income taxes | (20.7) | (117.1) | - |
| Other | 16.1 | 27.4 | .3 |
| | ----- | ----- | ----- |
| Net cash provided by operating activities | 1,142.4 | 1,096.8 | 1,074.8 |
| | ----- | ----- | ----- |

| | | | |
|---|------------|---------|-----------|
| Investing activities | | | |
| Capital expenditures | (420.7) | (332.3) | (305.6) |
| Purchases of businesses, net of cash and equivalents acquired | (235.5) | (58.1) | (1,263.4) |
| Proceeds from divestiture of businesses, net | 8.3 | 205.9 | - |
| Other | 20.6 | (1.2) | 74.9 |
| | ----- | ----- | ----- |
| Net cash used in investing activities | (627.3) | (185.7) | (1,494.1) |
| | ----- | ----- | ----- |
| Financing activities | | | |
| Net increase (decrease) in short-term borrowings | | | |
| with maturities of 90 days or less | 177.7 | (239.7) | 726.4 |
| Proceeds from short-term borrowings | 0.1 | 227.6 | 99.7 |
| Principal payments on short-term borrowings | (28.8) | (266.8) | (132.7) |
| Proceeds from long-term debt | 2.4 | 4.6 | 190.4 |
| Principal payments on long-term debt | (217.2) | (175.0) | (91.6) |
| Net purchases of treasury stock | (51.3) | (110.8) | (8.2) |
| Dividends paid | (398.5) | (349.9) | (324.2) |
| | ----- | ----- | ----- |
| Net cash provided by (used in) financing activities | (515.6) | (910.0) | 459.8 |
| | ----- | ----- | ----- |
| Effect of exchange rate changes on cash and equivalents | 4.5 | 10.3 | (18.8) |
| | ----- | ----- | ----- |
| Increase in cash and equivalents | 4.0 | 11.4 | 21.7 |
| Beginning cash and equivalents | 113.3 | 101.9 | 80.2 |
| | ----- | ----- | ----- |
| Ending cash and equivalents | \$ 117.3 | 113.3 | 101.9 |
| | ===== | ===== | ===== |
| Changes in operating working capital | | | |
| Receivables | \$ (85.2) | (93.2) | (11.5) |
| Inventories | (100.2) | (88.5) | 53.4 |
| Other current assets | (32.1) | 26.2 | 14.2 |
| Accounts payable | 47.2 | 96.0 | (29.4) |
| Accrued expenses | (47.3) | (23.7) | 6.9 |
| Income taxes | 26.7 | .8 | (7.9) |
| | ----- | ----- | ----- |
| | \$ (190.9) | (82.4) | 25.7 |
| | ===== | ===== | ===== |

</TABLE>

See accompanying notes to consolidated financial statements.

Notes To Consolidated Financial Statements

EMERSON ELECTRIC CO. AND SUBSIDIARIES

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany transactions, profits and balances are eliminated in consolidation. Investments of 20 to 50 percent are accounted for by the equity method. Investments of less than 20 percent are carried at cost.

Foreign Currency Translation

The functional currency of nearly all of the Company's non-U.S. subsidiaries is the local currency. Adjustments resulting from the translation of financial statements are reflected as a separate component of stockholders' equity.

Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less.

Inventories

Inventories are stated at the lower of cost or market. The majority of inventory values are based upon standard costs which approximate average costs, while the remainder are principally valued on a first-in, first-out basis. Standard costs are revised at the beginning of the fiscal year and variances incurred during the year are allocated between inventories and cost of sales.

Property, Plant and Equipment

The Company records investments in land, buildings, and machinery and equipment at cost. Depreciation is computed principally using the straight-line method over estimated service lives. Service lives for principal assets are 30 to 40 years for buildings and 8 to 12 years for machinery and equipment.

Excess of Cost Over Net Assets of Purchased Businesses

Assets and liabilities related to business combinations accounted for as purchase transactions are recorded at their respective fair values. Excess of cost over net assets of purchased businesses is amortized on a straight-line basis over the periods estimated to be benefited, not exceeding 40 years.

Revenue Recognition

The Company recognizes nearly all of its revenues through the sale of manufactured products as shipped.

Financial Instruments

The net amount to be paid or received under interest rate swap agreements is accrued over the life of the agreements as a separate component of interest expense. Gains and losses on currency option and forward exchange contracts are generally recognized in income with the underlying hedged transactions. Currency fluctuations on non-U.S. dollar obligations that have been designated as hedges of non-U.S. net asset exposures are included in cumulative translation adjustments.

Income Taxes

No provision is made for U.S. income taxes on the undistributed earnings of non-U.S. subsidiaries (approximately \$620 million at September 30, 1995), primarily because retention of a significant portion of these earnings is considered essential for continuing operations. In those cases where distributions have been made, additional income taxes, if any, have been minimal due to available foreign tax credits.

Earnings Per Common Share

Earnings per common share is computed by dividing net earnings by the weighted average number of common shares outstanding during the applicable periods. The weighted average number of common shares outstanding was 223,753,018 shares, 224,232,225 shares, and 225,082,844 shares in 1995, 1994 and 1993, respectively.

Financial Presentation Changes

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

(2) BUSINESS COMBINATIONS AND DIVESTITURE

In the first quarter of 1995, the Company purchased F.G. Wilson (Engineering) Ltd., a United Kingdom-based manufacturer of diesel generator sets, for approximately \$274 million. Emerson completed the acquisition of the remaining shares of Control Techniques, plc, a United Kingdom-based manufacturer of variable speed drives used for motor applications, in the second quarter of 1995 for approximately \$227 million. F.G. Wilson and Control Techniques had combined annual sales of approximately \$425 million in 1994. The 1995 increases in excess of cost over net assets of purchased businesses, receivables, inventories, and short-term borrowings reflect the impact of these acquisitions. In 1993, the Company purchased Fisher Controls International, Inc., and related operations for \$1,254.7 million. Fisher is a worldwide manufacturer of control valves and control systems for major process industries.

Cash paid in connection with the Company's purchase acquisitions, which include several smaller businesses, follows (dollars in millions):

<TABLE>

<CAPTION>

| | 1995 | 1994 | 1993 |
|--|---------|-------|---------|
| | ----- | ---- | ----- |
| <S> | <C> | <C> | <C> |
| Fair value of assets acquired..... | \$855.7 | 96.7 | 1,644.1 |
| Less liabilities assumed..... | 227.0 | 38.6 | 380.7 |
| Less notes and common stock issued to sellers..... | 393.2 | - | - |
| | ----- | ----- | ----- |
| Cash paid (net of cash and equivalents acquired).. | \$235.5 | 58.1 | 1,263.4 |
| | ===== | ===== | ===== |

</TABLE>

Earnings in the first quarter of fiscal 1995 included a \$41.3 million preferential distribution from the S-B Power Tool Company joint venture ("S-B") which was substantially offset by other non-recurring items and the adoption of SFAS No. 112 (see note 7). Emerson has entered into an agreement for Robert Bosch GmbH to acquire Emerson's fifty-percent interest in S-B, subject to regulatory approvals, in late calendar 1996 and expects to recognize a gain upon completion of the transaction.

On December 14, 1993, the Company sold the Aerospace unit of its Rosemount Inc. subsidiary (fiscal 1993 sales of approximately \$130 million) for \$301 million (\$206 million net of income taxes). The transaction resulted in a pretax gain of \$242 million. The net earnings impact of this gain was substantially offset

in the first quarter of 1994 by other non-recurring items (\$50 million pretax impact) and the adoption of SFAS No. 106 (see note 7). Other non-recurring items principally consist of severance and related costs arising from relocation of several operations, or work force reductions, primarily in the Company's European process control and heating, ventilating and air conditioning businesses.

The results of operations of these businesses have been included in the Company's consolidated results of operations since the respective dates of the acquisitions and prior to the divestiture date.

(3) SHORT-TERM BORROWINGS AND LINES OF CREDIT

Short-term borrowings consist of commercial paper, notes issued to sellers in connection with business combinations and non-U.S. bank borrowings as follows (dollars in millions):

<TABLE>
<CAPTION>

| | United States | | Non-U.S. | |
|--|---------------|-------|----------|-------|
| | 1995 | 1994 | 1995 | 1994 |
| <S> | <C> | <C> | <C> | <C> |
| Borrowings at year end..... | \$860.6 | 502.2 | 458.0 | 264.2 |
| Weighted average interest rate at year end.. | 6.0% | 4.6% | 5.0% | 6.2% |

</TABLE>

The 1995 F.G. Wilson and Control Techniques acquisitions were partially financed by issuing notes to the sellers totaling 203 million British pounds. The Company has swapped 141 million British pounds with a weighted average interest rate of 6.9 percent to \$223 million at U.S. commercial paper rates. The remaining British pound obligations have been designated as a partial hedge of the Company's U.K. net asset exposure.

In October 1992, in connection with the Fisher acquisition, the Company issued \$1.275 billion of U.S. commercial paper and swapped these borrowings to a weighted average fixed rate of 4.6 percent. At September 30, 1994, approximately \$650 million of the Company's floating interest rate borrowings remained swapped for periods expiring during 1995.

Excluding the impact of these swaps, interest expense would have been \$120 million and \$83 million, and the U.S. year-end weighted average interest rate would have been 6.3 percent and 4.9 percent in 1995 and 1994, respectively. At September 30, 1995, the Company had \$700 million of floating interest rate obligations which have been capped at 7 percent throughout 1996.

Lines of credit amounting to \$975 million were maintained with various banks at September 30, 1995, to support commercial paper and to assure availability of funds. These lines of credit are effective through various dates in 1996. There were no borrowings against U.S. lines of credit in the last three years. The Company's non-U.S. subsidiaries maintained bank credit facilities in various currencies approximating \$635 million (\$500 million unused) at September 30, 1995. In some instances, borrowings against these credit facilities have been guaranteed by the Company to assure the availability of funds at favorable interest rates. In addition, as of September 30, 1995, the Company could issue

up to \$1 billion of debt securities under its shelf registration with the Securities and Exchange Commission.

(4) LONG-TERM DEBT

Long-term debt is summarized as follows (dollars in millions):

<TABLE>

<CAPTION>

| | 1995 | 1994 |
|--|---------|-------|
| | ----- | ----- |
| <S> | <C> | <C> |
| 7 7/8% Eurodollar notes due 1998..... | \$100.0 | 100.0 |
| Medium-term notes due through 1996 swapped to a weighted average effective interest rate of 5.3 percent at September 30, 1995..... | 53.5 | 153.5 |
| 8% convertible subordinated debentures due 1997 through 2011..... | 38.5 | 45.6 |
| Lease obligations payable in installments through 2009 with a weighted average interest rate of 6.5 percent at September 30, 1995..... | 25.1 | 25.7 |
| Other, principally notes payable in installments through 2006 with a weighted average interest rate of 5.6 percent at September 30, 1995..... | 60.0 | 112.0 |
| | ----- | ----- |
| | 277.1 | 436.8 |
| Less current maturities..... | 68.5 | 156.9 |
| | ----- | ----- |
| Total..... | \$208.6 | 279.9 |
| | ===== | ===== |

</TABLE>

The 7 7/8% Eurodollar notes and \$55 million of U.S. commercial paper have effectively been exchanged for non-U.S. dollar obligations due in 1998. The non-U.S. dollar obligations have an effective weighted average interest rate of 5.0 percent and 5.5 percent at September 30, 1995 and 1994, respectively, and are composed of 136 million Dutch guilders, 5 billion Japanese yen and 27 million Swiss francs. These non-U.S. dollar obligations have been designated as a partial hedge of the Company's non-U.S. dollar net asset exposure.

Long-term debt maturing during each of the four years after 1996 is \$10.3 million, \$130.2 million, \$6.4 million and \$1.9 million, respectively. Total interest paid related to short-term borrowings and long-term debt was approximately \$121 million, \$90 million and \$126 million in 1995, 1994 and 1993, respectively.

(5) FINANCIAL INSTRUMENTS

The Company selectively uses derivative financial instruments to manage interest costs and minimize currency exchange risk. The Company does not hold derivatives for trading purposes. No credit loss is anticipated as the counterparties to these agreements are major financial institutions with high credit ratings.

As part of its currency hedging strategy, the Company utilizes option and forward exchange contracts to minimize the impact of currency fluctuations on transactions, cash flows and firm commitments. The Company and its subsidiaries had approximately \$390 million and \$225 million of contracts outstanding at September 30, 1995 and 1994, respectively. These contracts for the sale or purchase of European and other currencies generally mature within one year, and deferred gains and losses are not material.

Fair values of the Company's financial instruments are estimated by reference to quoted prices from market sources and financial institutions, as well as other valuation techniques. At September 30, 1995 and 1994, respectively, the market value of the Company's convertible debentures was \$102 million and \$101 million, compared to the related carrying value of \$38.5 million and \$45.6 million. Common stock has been reserved for the conversion of these debentures (see note 8). The fair values of derivative financial instruments were not material at September 30, 1995, and the estimated fair value of each of the Company's other classes of financial instruments approximated the related carrying value at September 30, 1995 and 1994.

(6) RETIREMENT PLANS

The Company sponsors retirement plans covering substantially all employees. Benefits are provided to employees under defined benefit pay-related and flat-dollar plans which are primarily noncontributory. Annual contributions to retirement plans equal or exceed the minimum funding requirements of the Employee Retirement Income Security Act or applicable local regulations.

The Company also sponsors defined contribution plans and participates in multiemployer plans for certain union employees. Benefits are determined and funded annually based on terms of the plans or as stipulated in collective bargaining agreements.

Retirement plan expense for the years ended September 30, 1995, 1994 and 1993, follows (dollars in millions):

| | U.S. Plans | | | Non-U.S. Plans | | |
|--|------------|--------|---------|----------------|-------|--------|
| | 1995 | 1994 | 1993 | 1995 | 1994 | 1993 |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Defined benefit plans: | | | | | | |
| Service cost (benefits earned during the period).. | \$ 28.0 | 27.9 | 23.5 | 7.7 | 7.2 | 7.8 |
| Interest cost..... | 80.8 | 75.6 | 69.0 | 15.2 | 13.3 | 13.6 |
| Actual return on plan assets..... | (221.6) | (26.3) | (137.3) | (18.4) | (8.9) | (21.9) |
| Net amortization and deferral..... | 113.5 | (76.8) | 38.2 | 5.1 | (3.3) | 8.8 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Net periodic pension expense (income)..... | .7 | .4 | (6.6) | 9.6 | 8.3 | 8.3 |
| Defined contribution and multiemployer plans..... | 39.4 | 39.5 | 41.5 | 7.5 | 6.5 | 6.1 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Total retirement plan expense..... | \$ 40.1 | 39.9 | 34.9 | 17.1 | 14.8 | 14.4 |
| | ===== | ===== | ===== | ===== | ===== | ===== |

</TABLE>

The actuarial present value of benefit obligations and the funded status of the Company's defined benefit pension plans as of September 30, 1995 and 1994, follow (dollars in millions):

<TABLE>
<CAPTION>

| | U.S. Plans | | Non-U.S. Plans | |
|---|------------|---------|----------------|--------|
| | 1995 | 1994 | 1995 | 1994 |
| <S> | <C> | <C> | <C> | <C> |
| Accumulated benefit obligation..... | \$ 903.9 | 840.0 | 187.3 | 167.7 |
| Vested benefits included in accumulated benefit obligation..... | \$ 847.5 | 729.3 | 157.0 | 139.8 |
| Projected benefit obligation..... | \$1,068.2 | 1,000.6 | 216.8 | 193.6 |
| Plan assets at fair value (primarily corporate equity and fixed income securities)..... | 1,238.0 | 1,057.5 | 158.6 | 136.7 |
| Plan assets in excess of (less than) projected benefit obligation.... | 169.8 | 56.9 | (58.2) | (56.9) |
| Unamortized transition amount..... | (50.9) | (58.1) | (1.5) | (1.8) |
| Unrecognized net loss (gain)..... | (42.8) | 73.8 | (9.0) | (3.5) |
| Unrecognized prior service costs..... | 20.9 | 23.8 | 1.3 | 1.1 |
| Pension asset (liability) recognized in the balance sheet..... | \$ 97.0 | 96.4 | (67.4) | (61.1) |

</TABLE>

For 1995, the assumed discount rate, rate of increase in compensation levels and expected long-term rate of return on plan assets used in the actuarial calculations were, respectively, 8.0 percent, 5.0 percent and 10.5 percent for U.S. plans; and an average of 7.6 percent, 4.2 percent and 8.8 percent for non-U.S. plans. For 1994, the assumed discount rate, rate of increase in compensation levels and expected long-term rate of return on plan assets were, respectively, 8.0 percent, 5.0 percent and 10.5 percent for U.S. plans; and an average of 7.6 percent, 4.4 percent and 9.1 percent for non-U.S. plans.

(7) POSTRETIREMENT PLANS AND POSTEMPLOYMENT BENEFITS

The Company sponsors unfunded postretirement benefit plans (primarily health care) for U.S. retirees and their dependents. Effective October 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (OPEB), which requires that these costs be accrued over the service lives of employees. The Company recognized the transition obligation arising from service prior to adoption in the first quarter of 1994 as a cumulative effect of change in accounting principle of \$115.9 million (net of \$74.1 million in related income tax benefits). In addition, prior to adoption the Company had recorded OPEB liabilities of approximately \$100 million in accordance with Accounting Principles Board Opinion No. 16. The adoption of the statement does not have a material impact on the Company's ongoing results of operations.

Net postretirement plan expense for the years ended September 30, 1995 and 1994 follows (dollars in millions):

<TABLE>
<CAPTION>

| | 1995 | 1994 |
|------------------------------------|---------|------|
| <S> | <C> | <C> |
| Service cost..... | \$ 4.1 | 5.6 |
| Interest cost..... | 19.6 | 21.7 |
| Net amortization and deferral..... | (3.5) | ---- |
| | \$ 20.2 | 27.3 |

</TABLE>

Prior to the adoption of SFAS No. 106, postretirement plan expense was approximately \$16 million in 1993. The actuarial present value of accumulated postretirement benefit obligations as of September 30, 1995 and 1994 follows (dollars in millions):

<TABLE>

<CAPTION>

| | 1995 | 1994 |
|--|---------|-------|
| | ----- | ----- |
| <S> | <C> | <C> |
| Retirees..... | \$168.2 | 186.5 |
| Fully eligible active plan participants..... | 15.9 | 17.6 |
| Other active plan participants..... | 64.4 | 74.0 |
| | ----- | ----- |
| Accumulated postretirement benefit obligation..... | 248.5 | 278.1 |
| Unrecognized net gain..... | 48.1 | 27.7 |
| Unrecognized prior service benefit..... | 12.4 | ---- |
| | ----- | ----- |
| Postretirement benefit liability..... | \$309.0 | 305.8 |
| | ===== | ===== |

</TABLE>

The assumed discount rate used in measuring the obligation as of September 30, 1995 was 7.75 percent; the initial assumed health care cost trend rate was 9.0 percent, declining to 5.0 percent in the year 2004. The assumed discount rate used in measuring the obligation as of September 30, 1994 was 7.75 percent; the initial assumed health care cost trend rate was 11.0 percent, declining to 5.0 percent in the year 2001. A one-percentage-point increase in the assumed health care cost trend rate for each year would increase the obligation as of September 30, 1995 by approximately 5 percent and increase the 1995 postretirement plan expense by approximately 6 percent.

Effective October 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits," which establishes accounting standards for workers' compensation, disability and severance benefits. The Company recognized the obligation in the first quarter of 1995 as a cumulative effect of change in accounting principle of \$21.3 million (net of \$13.7 million in related income tax benefits). The adoption of the statement does not have a material impact on the Company's ongoing results of operations.

(8) COMMON STOCK

The Company has various stock option plans which permit certain officers and employees to purchase common stock at specified prices. At September 30, 1995, 2,356,177 options were available for grant under these plans. Changes in the number of shares subject to option during 1995 follow:

<TABLE>

<CAPTION>

| | Average Price | Shares Subject to Option |
|--|---------------|--------------------------|
| | ----- | ----- |
| <S> | <C> | <C> |
| Beginning of year..... | \$43.61 | 2,030,497 |
| Options granted..... | 58.23 | 408,063 |
| Assumed options of acquired company..... | 16.31 | 208,592 |
| Options exercised (337,780 shares in 1994 and 419,730 shares in 1993)..< | 35.29 | (356,281) |
| Options canceled..... | 55.79 | (49,453) |
| | ----- | ----- |
| End of year..... | 44.78 | 2,241,418 |
| | ===== | ===== |
| Exercisable at year end (1,019,440 shares in 1994)..... | | 1,185,020 |
| | | ===== |

</TABLE>

The 1993 Incentive Shares Plan authorizes the distribution of a maximum of 3 million shares of common stock to key management personnel. At September 30, 1995, 307,000 incentive shares had been issued and 1,455,382 rights to receive common shares had been awarded, contingent upon accomplishing certain objectives by 1997.

At September 30, 1995, 8,785,076 shares of common stock were reserved, including 7,358,750 shares for issuance under the Company's stock plans and 1,426,326 shares for conversion of the outstanding 8% convertible subordinated debentures at a price of \$26.97 per share. During 1995, 1,229,900 treasury shares were acquired and 1,542,688 treasury shares were issued.

Approximately 2.5 million preferred shares are reserved for issuance under a Preferred Share Purchase Rights Plan. Under certain conditions involving acquisition of or an offer for 20 percent or more of the Company's common stock, all holders of Rights, except an acquiring entity, would be entitled (i) to purchase, at an exercise price of \$120, common stock of the Company or an acquiring entity with a value twice the exercise price, or (ii) at the option of the Board, to exchange each Right for one share of common stock. The Rights remain in existence until November 1, 1998, unless earlier redeemed (at one cent per Right), exercised or exchanged under the terms of the plan.

(9) INCOME TAXES

In the fourth quarter of 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," effective October 1, 1992. The adoption of this standard changed the Company's method of accounting for income taxes from the deferred method to the liability method. The effect of the change was not material to the financial statements.

The principal components of income tax expense follow (dollars in millions):

<TABLE>
<CAPTION>

| | 1995 | 1994 | 1993 |
|-------------------------|----------|-------|-------|
| | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> |
| Federal: | | | |
| Current..... | \$ 301.5 | 383.1 | 258.5 |
| Deferred..... | 46.3 | 8.9 | 35.5 |
| State and local..... | 49.8 | 57.5 | 41.0 |
| Non-U.S..... | 133.3 | 73.9 | 68.9 |
| | ----- | ----- | ----- |
| Income tax expense..... | \$ 530.9 | 523.4 | 403.9 |
| | ===== | ===== | ===== |

</TABLE>

The federal corporate statutory rate is reconciled to the Company's effective income tax rate as follows:

<TABLE>
<CAPTION>

| | 1995 | 1994 | 1993 |
|--|-------|-------|-------|
| | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> |
| Federal corporate statutory rate..... | 35.0% | 35.0% | 34.8% |
| State and local taxes, less federal tax benefit..... | 2.2 | 2.4 | 2.4 |
| Other..... | (.8) | (.7) | (.9) |
| | ----- | ----- | ----- |
| Effective income tax rate..... | 36.4% | 36.7% | 36.3% |
| | ===== | ===== | ===== |

</TABLE>

The principal components of deferred tax assets (liabilities) follow (dollars

in millions):

<TABLE>
<CAPTION>

| | 1995 | 1994 |
|--|-----------|---------|
| | ----- | ----- |
| <S> | <C> | <C> |
| Property, plant and equipment and intangibles..... | \$(242.5) | (205.7) |
| Leveraged leases..... | (196.4) | (189.8) |
| Pension..... | (42.7) | (42.0) |
| Accrued liabilities..... | 207.3 | 193.8 |
| Postretirement and postemployment benefits..... | 132.7 | 119.2 |
| Employee compensation and benefits..... | 86.9 | 78.7 |
| Other..... | 61.3 | 57.0 |
| | ----- | ----- |
| Total deferred tax assets (liabilities)..... | \$ 6.6 | 11.2 |
| | ===== | ===== |

</TABLE>

At September 30, 1995 and 1994, respectively, net current deferred tax assets were \$232.8 million and \$244.0 million, and net noncurrent deferred tax liabilities were \$226.2 million and \$232.8 million. Total income taxes paid were approximately \$485 million, \$535 million and \$365 million in 1995, 1994 and 1993, respectively.

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(10) OTHER FINANCIAL DATA

Items charged to earnings during the years ended September 30, 1995, 1994 and 1993, included the following (dollars in millions):

<TABLE>
<CAPTION>

| | 1995 | 1994 | 1993 |
|---|---------|-------|-------|
| | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> |
| Research, new product development and product improvement costs.. | \$354.2 | 298.2 | 272.4 |
| Rent expense..... | 129.2 | 113.1 | 109.2 |

</TABLE>

The Company leases computers, transportation equipment and various other property under operating lease agreements. The minimum annual rentals under noncancelable long-term leases, exclusive of maintenance, taxes, insurance and other operating costs, will approximate \$63 million in 1996 and decline substantially thereafter.

Other assets at September 30, 1995 and 1994, included the following (dollars in millions):

<TABLE>
<CAPTION>

| | 1995 | 1994 |
|-------------------------------------|---------|-------|
| | ----- | ----- |
| <S> | <C> | <C> |
| Equity investments..... | \$415.8 | 410.0 |
| Investment in leveraged leases..... | 198.4 | 201.1 |

</TABLE>

The market value of the Company's equity investments in publicly traded companies exceeded the related carrying value by approximately \$149 million and \$108 million at September 30, 1995 and 1994, respectively.

Selected accrued expenses at September 30, 1995 and 1994, follow (dollars in millions):

<TABLE>
<CAPTION>

| 1995 | 1994 |
|-------|-------|
| ----- | ----- |

| <S> | <C> | <C> |
|--|---------|-------|
| Employee compensation..... | \$236.0 | 218.2 |
| Insurance, including self-insurance..... | 110.8 | 109.0 |
| Taxes, excluding income taxes..... | 98.2 | 93.2 |
| Warranty..... | 86.1 | 84.4 |
| Pension and profit-sharing plans..... | 51.7 | 47.9 |
| Interest..... | 26.6 | 25.6 |

</TABLE>

(11) CONTINGENT LIABILITIES AND COMMITMENTS

At September 30, 1995, the Company had guaranteed \$370 million of indebtedness of a 50-percent-owned joint venture, Vermont American Corporation. If required to perform under the guarantee, the Company will be indemnified for up to \$147 million by its joint venture partner, Robert Bosch GmbH.

At September 30, 1995, there were no other known contingent liabilities (including guarantees, pending litigation, taxes and other claims) that, in the opinion of management, are expected to be material in relation to the Company's financial position, nor were there any material commitments outside the normal course of business.

(12) INDUSTRY SEGMENT INFORMATION

The Company is engaged principally in the design, manufacture and sale of a broad range of electrical, electromechanical and electronic products and systems. The products manufactured by the Company are classified into the following industry segments: Commercial and Industrial Components and Systems; and Appliance and Construction-Related Components. The Commercial and Industrial segment includes process control instrumentation, valves and systems; industrial motors and drives; industrial machinery, equipment and

components; and electronics. The Appliance and Construction-Related segment consists of fractional horsepower motors; appliance components; heating, ventilating and air conditioning components; and tools. Summarized information about the Company's operations in each industry segment and geographic area follows (dollars in millions):

<TABLE>
<CAPTION>
Industry Segments
(See note 2)

| | Net Sales to Unaffiliated Customers | | | Income Before Income Taxes and Accounting Changes | | | Total Assets | | |
|---|--|--------------|--------------|---|--------------|--------------|--------------|--------------|--------------|
| | 1995 | 1994 | 1993 | 1995 | 1994 | 1993 | 1995 | 1994 | 1993 |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Commercial and Industrial..... | \$ 6,012 | 4,947 | 4,891 | 836 | 675 | 656 | 6,076 | 5,009 | 4,816 |
| Appliance and Construction- Related..... | 4,001 | 3,660 | 3,283 | 684 | 602 | 558 | 2,794 | 2,711 | 2,512 |
| Corporate and other items*.... | - | - | - | 51 | 240 | 17 | 529 | 495 | 486 |
| Interest expense..... | - | - | - | (111) | (89) | (119) | - | - | - |
| Total..... | <u>\$10,013</u> | <u>8,607</u> | <u>8,174</u> | <u>1,460</u> | <u>1,428</u> | <u>1,112</u> | <u>9,399</u> | <u>8,215</u> | <u>7,814</u> |

| | Depreciation and Amortization Expense | | | Capital Expenditures | | |
|---|--|------------|------------|-------------------------|------------|------------|
| | 1995 | 1994 | 1993 | 1995 | 1994 | 1993 |
| Commercial and Industrial..... | \$ 254 | 215 | 202 | 214 | 161 | 137 |
| Appliance and Construction-Related..... | 149 | 145 | 135 | 195 | 156 | 148 |
| Corporate and other items..... | 6 | 5 | 4 | 12 | 15 | 21 |
| Total..... | <u>\$ 409</u> | <u>365</u> | <u>341</u> | <u>421</u> | <u>332</u> | <u>306</u> |

Geographic Areas
(By origin)

| | Net Sales to Unaffiliated Customers | | | Income Before Income Taxes and Accounting Changes | | | Total Assets | | |
|--------------------------------|--|--------------|--------------|---|--------------|--------------|--------------|--------------|--------------|
| | 1995 | 1994 | 1993 | 1995 | 1994 | 1993 | 1995 | 1994 | 1993 |
| United States..... | \$ 6,395 | 5,953 | 5,568 | 1,031 | 956 | 862 | 5,119 | 4,910 | 4,828 |
| Europe..... | 2,668 | 1,933 | 1,948 | 244 | 147 | 162 | 2,983 | 2,140 | 1,893 |
| Other Areas..... | 950 | 721 | 658 | 134 | 85 | 71 | 953 | 840 | 759 |
| Corporate and other items*.... | - | - | - | 51 | 240 | 17 | 529 | 495 | 486 |
| Eliminations..... | - | - | - | - | - | - | (185) | (170) | (152) |
| Total..... | <u>\$10,013</u> | <u>8,607</u> | <u>8,174</u> | <u>1,460</u> | <u>1,428</u> | <u>1,112</u> | <u>9,399</u> | <u>8,215</u> | <u>7,814</u> |

</TABLE>

*Income includes \$41 million S-B Power Tool preferential distribution in 1995 and \$242 million gain on sale of the Aerospace unit of Rosemount Inc. in 1994.

(13) QUARTERLY FINANCIAL INFORMATION (Unaudited)

(Dollars in millions except per share amounts)

<TABLE>

<CAPTION>

Financial Results

| | Net Sales | | Gross Profit | | Net Earnings | |
|---------------------|------------|---------|--------------|---------|--------------|-------|
| | 1995 | 1994 | 1995 | 1994 | 1995 | 1994 |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| First Quarter*..... | \$ 2,284.6 | 2,009.5 | 792.0 | 706.1 | 203.4 | 178.0 |
| Second Quarter..... | 2,514.1 | 2,116.5 | 878.9 | 745.7 | 227.1 | 194.3 |
| Third Quarter..... | 2,629.7 | 2,243.7 | 922.7 | 784.0 | 239.5 | 208.0 |
| Fourth Quarter..... | 2,584.5 | 2,237.5 | 938.9 | 818.4 | 237.7 | 208.2 |
| Fiscal Year..... | \$10,012.9 | 8,607.2 | 3,532.5 | 3,054.2 | 907.7 | 788.5 |

</TABLE>

<TABLE>

<CAPTION>

| | Earnings Per Common Share | | Dividends Per Common Share | |
|---------------------|------------------------------|------|-------------------------------|------|
| | 1995 | 1994 | 1995 | 1994 |
| <S> | <C> | <C> | <C> | <C> |
| First Quarter*..... | \$.91 | .79 | .43 | .39 |
| Second Quarter..... | 1.02 | .87 | .43 | .39 |
| Third Quarter..... | 1.07 | .93 | .43 | .39 |
| Fourth Quarter..... | 1.06 | .93 | .49 | .39 |
| Fiscal Year..... | \$4.06 | 3.52 | 1.78 | 1.56 |

</TABLE>

*Income before cumulative effects of changes in accounting principles was \$224.7 (\$1.01 per common share) and \$293.9 (\$1.31 per common share) in the first quarter of 1995 and 1994, respectively, reflecting non-recurring items (see notes 2 and 7).

Stock Prices

<TABLE>

<CAPTION>

| | Price Range Per Common Share | | | |
|---------------------|------------------------------|--------|--------|--------|
| | 1995 | | 1994 | |
| | High | Low | High | Low |
| <S> | <C> | <C> | <C> | <C> |
| First Quarter..... | \$64 1/4 | 57 1/4 | 61 | 55 3/8 |
| Second Quarter..... | 67 1/8 | 61 1/2 | 65 7/8 | 57 7/8 |
| Third Quarter..... | 72 | 64 1/8 | 61 1/8 | 56 1/8 |
| Fourth Quarter..... | 75 3/8 | 69 3/4 | 64 | 57 |
| Fiscal Year..... | \$75 3/8 | 57 1/4 | 65 7/8 | 55 3/8 |

</TABLE>

Emerson Electric Co. common stock (Symbol EMR) is listed on the New York Stock Exchange and Chicago Stock Exchange.

The Board of Directors and Stockholders
Emerson Electric Co.:

We have audited the accompanying consolidated balance sheets of Emerson Electric Co. and subsidiaries as of September 30, 1995 and 1994, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the years in the three-year period ended September 30, 1995. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Emerson Electric Co. and subsidiaries as of September 30, 1995 and 1994, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 1995, in conformity with generally accepted accounting principles.

As discussed in note 7 to the consolidated financial statements, effective October 1, 1993, the Company changed its method of accounting for postretirement benefits other than pensions and effective October 1, 1994, the Company changed its method of accounting for postemployment benefits.

/s/ KPMG Peat Marwick LLP
St. Louis, Missouri
November 1, 1995

EXHIBIT 21

SUBSIDIARIES AND AFFILIATES OF EMERSON ELECTRIC CO.

SEPTEMBER 30, 1995

| Legal Name ----- | Jurisdiction of Incorporation ----- |
|--|--|
| Alco Controls S.A. de C.V. | Mexico |
| Applied Concepts, Inc. | Pennsylvania |
| Branson Ultrasonic S.A. | Switzerland |
| Buehler Ltd. | Illinois |
| Buehler Holdings | Delaware |
| Buehler Europe Ltd. | U.K. |
| Buehler UK Ltd. | U.K. |
| Buehler-Met AG | Switzerland |
| Buehler-Met Handelgesellschaft M.B.H. | Austria |
| Tech-Met Canada Ltd. | Canada |
| Wirtz-Buehler Corporation | Delaware |
| Wirtz-Buehler GmbH | Germany |
| Commercial Cam Co., Inc. | Delaware |
| Compania de Motores Domesticos S.A.de C.V. | Mexico |
| Control Techniques Iberia S.A. | Spain |
| Controles Electromecanicos De Mexico | Mexico |
| Con-Tek Valves, Inc. | Georgia |
| Copeland Electric Corporation | Delaware |
| Digital Appliance Controls, Inc. | Delaware |
| Digital Appliance Controls Manufacturing (Singapore) Pte Ltd. | Singapore |
| DACM SDN BHD | Malaysia |
| Digital Appliance Controls (UK) Limited | U.K. |
| EECO, Inc. | Delaware |
| Appleton Electric Company | Delaware |
| Copeland Corporation | Delaware |
| CDP International, Inc. | Delaware |
| Copeland Access +, Inc. | Delaware |
| Copeland de Mexico S.A. de C.V. | Mexico |
| Copeland International, Inc. | Ohio |
| Copeland Redevelopment Corporation | Missouri |
| Emerson Electric (U.S.) Holding Corporation | Delaware |
| Asco GmbH | Germany |
| Asco GmbH & Co. | Germany |
| Automatic Switch Company | Delaware |
| Asco Investment Corp. | New Jersey |
| Angar Scientific Company, Inc. | New Jersey |
| Asco Controls A.G. | Switzerland |
| Asco Controls B.V. | Netherlands |
| Asco Mideast B.V. | Netherlands |
| Asco GmbH | Hungary |
| Asco/Joucomatic SP. Z.O.O. | Poland |
| Asco Electrical Products Co., Inc. | New Jersey |
| Ascomation Pty. Ltd. | Australia |
| Ascomation (NZ) Limited | New Zealand |
| Asco Sweden AB | Sweden |
| Asco (Japan) Company Ltd. | Japan |
| Asco Services, Inc. | New Jersey |
| Ascomatica S.A. de C.V. | Mexico |
| Ascoval Industria E Comercio Ltda. | Brazil |
| Hanover Advertising Services, Inc. | New Jersey |
| Joucomatic Controls, Inc. | N. Carolina |
| Branson Ultrasonics Corporation | Delaware |
| Branson Korea Co., Inc. | Korea |
| Branson Ultrasonidos S.A.E. | Spain |
| Branson Ultrasons S.A. | France |
| Krautkramer France S.A. | France |
| Chromalox GmbH | Germany |
| Copeland GmbH | Germany |
| Compresreurs Mechaniques | |
| Frigorifiques S.A. | France |
| Copeland Benelux BV | Netherlands |
| Copeland Corporation Limited | U.K. |
| Copeland Italia S.a.R.l. | Italy |
| Copeland Iberica CIB S.A. | Spain |
| Copeland Norden AB | Sweden |
| Copeland Refrigeration Europe S.A. | Belgium |
| Copeland S.A. | Belgium |
| Emerson Electric GmbH | Germany |
| Emerson Electric GmbH & Co. | Germany |
| Emerson Electric Overseas Finance Corp. | Delaware |

| | |
|--|-------------|
| Emerson Electric de Colombia, LTDA | Colombia |
| Motores U.S. de Mexico, S.A. | Mexico |
| U.S.E.M. de Mexico S.A.deC.V. | Mexico |
| Emerson Technologies Verwaltungs-GmbH | Germany |
| Emerson Technologies GmbH & Co. | Germany |
| Branson Ultraschall | Germany |
| Krautkramer GmbH | Germany |
| Krautkramer GmbH & Co. | Germany |
| Liebert GmbH | Germany |
| Liebert A.G. | Switzerland |
| Ridge Tool GmbH | Germany |
| Ridge Tool GmbH & Co. | Germany |
| Fisher-Rosemount GmbH | Germany |
| Fisher-Rosemount GmbH & Co. | Germany |
| Rosemount Inc. | Minnesota |
| Fisher-Rosemount Middle East, Inc. | Delaware |
| Kay-Ray/Sensall, Inc. | Delaware |
| Fisher-Rosemount Japan Co. Ltd. | Japan |
| P I Components Corp. | Texas |
| Rosemount AB | Sweden |
| Rosemount Analytical Inc. | Delaware |
| Fisher-Rosemount AS (Norway) | Norway |
| Rosemount China Inc. | Minnesota |
| Fisher-Rosemount Espana, S.A. | Spain |
| Fisher-Rosemount Holding AG | Switzerland |
| Fisher-Rosemount Ges. M.B.H. | Austria |
| Fisher-Rosemount AG | Switzerland |
| Rosemount SpO | Czech |
| Fisher-Rosemount A/S | Denmark |
| Rosemount Poland Ltd. | Poland |
| Fisher-Rosemount Instruments Pty. Ltd. | Australia |
| Emerson Electric Co. Pty Ltd. | Australia |
| 2 | |
| Fisher-Rosemount Instruments Ltd. | New Zealand |
| Fisher-Rosemount Instruments Taiwan, Ltd. | Taiwan |
| Rosemount Korea, Ltd. | Korea |
| Rosemount Mexicana S.A. de C.V. | Mexico |
| Rosemount Nuclear Instruments | Delaware |
| Rosemount S.A.R.L. | France |
| Rosemount Portugal Instru- mentos Lta. | Portugal |
| Rosemount Shanghai Co. Limited | China |
| Tekmar Company | Ohio |
| Valmet-Rosemount Inc. (50% owned) | Finland |
| PEPT Investment Corporation | Delaware |
| S-B Power Tool Company (partnership 50% owned) | Delaware |
| Inversiones 421-10, C.A. | Venezuela |
| Skil Venezolana S.R.L. | Venezuela |
| Skil Canada Inc. | Canada |
| Skil de Mexico S.A. de C.V. | Mexico |
| Skil International Holding B.V. | Netherlands |
| Skil Europe B.V. | Netherlands |
| Skil Benelux B.V. | Netherlands |
| Skil Trading B.V. | Netherlands |
| Skil Elektrowerkzeuge Geschäftsführung GMBH | Germany |
| Skil Elektrowerkzeuge GmbH & Co., oHG | Germany |
| Skil France S.A. | France |
| Skil Sweden A.B. | Sweden |
| Skil(Western Hemisphere) Corp. | Illinois |
| Skil Europe Corporation | Delaware |
| Tauandromeda Beteiligungs GmbH | Germany |
| Xomox Corporation | Ohio |
| Fisher-Rosemount do Brasil Industria e Comercio Ltda. | Brazil |
| Flow Technology, Inc. (Taiwan) | Ohio |
| Flow Technology S.A. de C.V. | Mexico |
| Inversiones Xomox | Venezuela |
| Naegelen S.A. | France |
| Xomox A.G. | Switzerland |
| Xomox Corporation de Venezuela,C.A. | Venezuela |
| Xomox Korea Ltd. | Korea |
| Xomox S.A. de C.V. | Mexico |
| Xomox South America S.A. | Uruguay |
| Xomox Uruguay S.A. | Uruguay |
| Xomox International GmbH | Germany |
| Fisher-Gulde GmbH | Germany |
| Fisher-Guld GmbH & Co. | Germany |
| Xomox International GmbH & Co. | Germany |
| Emerson Power Transmission Corporation | Delaware |

| | |
|---|----------------|
| Emerson Chain, Inc. | Delaware |
| Regina-Emerson Company (Partnership 50% owned) | Wisconsin |
| UCC Corp. | Wisconsin |
| Emerson Electronic Motion Controls, Inc. | Minnesota |
| Liebert Corporation | Ohio |
| Control Concepts Corporation | Delaware |
| 3 | |
| Emersub XXV, Inc. | Delaware |
| Computersite-Preparations, Inc. | Ohio |
| Liebert Corporation Australia Pty, Ltd. | Australia |
| Liebert Far East Pte. Ltd. | Singapore |
| Liebert (Malaysia) Sdn.Bhd. | Malaysia |
| Liebert Hong Kong Ltd. | Hong Kong |
| Tata Liebert Limited (50% owned) | India |
| Liebert International B.V. | Netherlands |
| Liebert Limited | U.K. |
| Liebert Tecnologia Ltda. | Brazil |
| Emerson Computer Power B.V. | Netherlands |
| Micro Motion, Inc. | Colorado |
| Ridge Tool Company | Ohio |
| Ridge Tool (Australia) Pty., Ltd. | Australia |
| Ridge Tool Manufacturing Company | Delaware |
| Ridgid Italia SRL | Italy |
| Ridgid Werkzeuge AG | Switzerland |
| Therm-O-Disc, Incorporated | Ohio |
| Componentes Avanzados de Mexico, S.A. de C.V. | Mexico |
| Controles de Temperatura S.A. de C.V. | Mexico |
| E.G.P. Corporation | Delaware |
| Emerson Electric (Asia) Limited | Hong Kong |
| Branson Ultrasonics (Asia Pacific) Co. Ltd. | Hong Kong |
| Emerson Electric (South Asia/Pacific) Pte. Ltd. | Singapore |
| Emerson Electric II, C.A. | Venezuela |
| Emerson Electric, C.A. | Venezuela |
| Emerson Electric Foreign Sales Corporation | Virgin Islands |
| Emerson Electric Ireland Ltd. | Bermuda |
| Emerson Electric Nederland B.V. | Netherlands |
| Branson Ultrasonics B.V. | Netherlands |
| Brooks Instrument B.V. | Netherlands |
| Capax Electricische Apparatenfabriek B.V. | Netherlands |
| Emerson Electric Slovakia Limited | Slovakia |
| Vuma a.s. | Czech Republic |
| Emerson Electric, SpoL, s.r.o. | Czech Republic |
| Fusite, B.V. | Netherlands |
| Fisher-Rosemount B.V. | Netherlands |
| Skil AG | Switzerland |
| Emerson Electric Puerto Rico, Inc. | Delaware |
| Emerson Puerto Rico, Inc. | Delaware |
| Emerson Electric (Taiwan) Company Limited | Taiwan |
| Emerson Finance Co. | Delaware |
| Emersub XIX, Inc. | Delaware |
| Emerson Capital Funding, Inc. | Delaware |
| Emerson Middle East, Inc. | Delaware |
| Emerson Sice S.p.A. | Italy |
| C.E. Set S.r.l. | Italy |
| Branson Ultrasuoni S.P.A. | Italy |
| Fisher-Rosemount Italia S.R.L. | Italy |
| Xomox Italia S.R.L. | Italy |
| Emerson Pacific Pte. Ltd. | Singapore |
| Emersub XXXVI, Inc. | Delaware |
| Control Techniques plc | U.K. |
| Control Techniques (Holding) GmbH | Germany |
| Control Techniques GmbH | Germany |
| Dr Henschen GmbH | Germany |

| | |
|--|-----------|
| 4 | |
| Reta Anlagenbau GmbH | Germany |
| Reta Elektronik GmbH | Germany |
| Control Techniques (North) Limited | U.K. |
| Control Techniques (South) Limited | U.K. |
| Control Techniques (USA) Inc. | U.S.A. |
| Control Techniques Asia-Pacific Pte Limited | Singapore |
| Control Techniques (Thailand) Limited | Thailand |
| Control Techniques Drives (Malaysia) Sdn Bhd | Malaysia |
| Control Techniques East Asia Pte Limited (50% owned) | Hong Kong |
| Control Techniques Singapore Pte Limited | Singapore |
| Pacific Asia Control Techniques Manufacturing Pte Limited | Singapore |
| PT Kontroltek Indopratama | Indonesia |
| Control Techniques Australia Pty Ltd. | Australia |
| Control Techniques Bermuda Limited | Bermuda |
| Control Techniques Drives Limited | U.K. |

| | |
|--|----------------|
| Technodrives Limited | U.K. |
| Control Techniques Drives Limited (Canada) | Canada |
| Control Techniques Drives, Inc. | U.S.A. |
| Control Techniques Dynamics Limited | U.K. |
| Control Techniques Inc. | U.S.A. |
| Control Techniques Italia srl | Italy |
| Control Techniques Precision Systems Limited | U.K. |
| Control Techniques (Sussex) Ltd. | U.K. |
| Control Techniques Process Controls Limited | U.K. |
| Control Techniques Process Systems Limited | U.K. |
| Control Techniques SpA | Italy |
| Electronic Control Systems, Inc. | U.S.A. |
| Evershed Powerotor Limited | U.K. |
| Fairmont Building and Investment Corp. | U.S.A. |
| Foray 600 Limited | U.K. |
| Foray 606 Limited | U.K. |
| K.T.K. (Newtown) Limited | U.K. |
| Control Techniques Worldwide BV | Netherlands |
| ASI Control Techniques A/B | Norway |
| Control Technika Kft | Hungary |
| Control Techniques Automation BV | Netherlands |
| Control Techniques BV | Netherlands |
| Control Techniques BV/SA | Belgium |
| Control Techniques Denmark A/S | Denmark |
| Control Techniques Endustriyel | |
| Kontrol Sistemlerli Sanayi ve Ticaret A.S. | Turkey |
| Control Techniques India Pvt Limited | India |
| Control Techniques Vietnam | Vietnam |
| Control Techniques VUES s.r.o.(Czech Repub.) | Czech Republic |
| CTS Control Techniques Antrebsregelungen GmbH | Switzerland |
| Moore Reed and Company Limited | U.K. |
| Emersub XXXVIII, Inc. (Vacant) | Delaware |
| Emersub XL, Inc. | Delaware |
| Emersub XLI, Inc. (Vacant) | Delaware |
| Emersub XLIII, Inc. | Ohio |
| EMR Holdings, Inc. | Delaware |
| Branson de Mexico, S.A. de C.V. | Mexico |
| Emerson de Mexico, S.A. de C.V. | Mexico |
| Emerson Electric (China) Holdings Ltd. | China |
| Shanghai Branson Co. Ltd. | China |
| Hangzhou Ridge Co. Ltd. | China |
| 5 | |
| Emerson Electric (Shenzhen) Co. Ltd. | China |
| Emerson Machinery Equipment (Shenzhen)Co. Ltd. | China |
| Emerson White-Rodgers Electric (Xiamen) Co. Ltd. | China |
| Emerson Trading Co. Ltd. | China |
| Emerson Electric (M) SDN BHD | Malaysia |
| Emerson Electric (Thailand) Limited | Thailand |
| Emerson Electric do Brasil Ltda. | Brazil |
| Emerson Electric Canada Ltd. | Canada |
| Appleton Electric Limited | Canada |
| Ascoelectric Limited | Canada |
| Fisher Controls Inc. (Controles Fisher Inc.) | Canada |
| Rosemount Instruments Ltd. | Canada |
| Sweco Canada, Inc. | Canada |
| Therm-O-Disc (Canada) Limited | Canada |
| Xomox Canada Ltd. | Canada |
| Emerson Electric Hungary Ltd. | Hungary |
| Emerson Electric Iberica S.A. | Spain |
| Emerson Electric Korea Ltd. | Korea |
| Emerson Electric Mauritius | Mauritius |
| Emerson Electric Company (India) Private Limited | India |
| Emerson Holding Company Limited | U.K. |
| Emerson Electric (U.K.) Limited | U.K. |
| Hocking Holdings Ltd. (50% owned) | U.K. |
| Hocking NDT Limited | U.K. |
| Fisher-Rosemount Limited | U.K. |
| Xomox U.K. Limited | U.K. |
| Switched Reluctance Drives Ltd. (SRDL) | U.K. |
| Reluctance Motors Ltd. | U.K. |
| Emerson Europe S.A. | France |
| Crouzet Appliance Controls S.A. | France |
| Crouzet Appliance Controls SpA | Italy |
| Francel S.A. | France |
| Joucomatic Controls Ltd. | New Zealand |
| Joucomatic Controls Pty. Limited | Australia |
| Joucomatic S.A. | France |
| Fluidcontrol S.A. | Spain |
| Joucomatic Controls Ltd. | U.K. |
| Joucomatic GmbH Steuergeraete | Germany |
| Joucomatic S.p.A. | Italy |
| Joucomatic N.V. | Belgium |
| Sotrac S.r.l. | Italy |
| Omet S.A. | France |
| Ridgid France S.A. | France |

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| Leroy-Somer S.A. | France |
| Bertrand-Polico S.A. | France |
| Constructions Electriques de Beaucourt S.A. | France |
| Electronique du Sud-Ouest S.A. | France |
| Andre Cocard S.A.R.L. | France |
| Atelier de Bobinage de Moteurs Electriques S.a.r.L | France |
| Ets. Belzon & Richardot S.A.R.L. | France |
| Construction Electriques du Nord S.A. | France |
| Lorraine Services Electrique Electronique Electromecanique S.A.R.L. (LS 3E) | France |

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| M.I.S. Poitouaine S.A.R.L. | France |
| M.I.S. Kerebel Provence S.A.R.L. | France |
| Marcel Oury S.a.r.L. | France |
| Mezierres S.A. | France |
| Etablissements J. Michel S.A. | France |
| Maintenance Industrie Service S.a.r.L. | France |
| Maintenance Industrie Services Rennes S.a.r.L. | France |
| Maintenance Industrie Services Rhone-Alpes S.A.R.L. | France |
| Maintenance Industrie Services Toulouse S.a.r.L. | France |
| M.L.S. Holice Spol. S.r.o. | Czech Republic |
| Navarre Services S.A.R.L. | France |
| Ouest Electro Service S.A.R.L. | France |
| Poteau Moderne du Sud-Ouest S.A. | France |
| Radial Bobinage S.A.R.L. | France |
| Societe Nouvelle Paillet Services S.A.R.L. | France |
| Societe Nouvelle Silvain S.A.R.L. | France |
| Societe DeReparation Electro- Mecanique S.A.R.L. | France |
| M.I.S. Societe Peaucelle D'Installations et Reparations Electriques S.A.R.L. | France |
| Viet Services S.A.R.L. | France |
| Etablissements Sevenier S.A. | France |
| Etablissements Trepeau S.A. | France |
| Girard Transmissions S.A. | France |
| IMI Kft | Hungary |
| La Francaise de Manutention S.A. | France |
| Leroy-Somer AB | Sweden |
| Leroy-Somer N.V. | Belgium |
| Leroy-Somer Denmark A/S | Denmark |
| Leroy-Somer Elektroantriebe GmbH | Austria |
| Leroy-Somer Elektromotoren GmbH | Germany |
| Leroy-Somer Finland OY | Finland |
| Leroy-Somer Iberica S.A. | Spain |
| Leroy-Somer Italiana S.p.A. | Italy |
| Leroy-Somer Ltd. | U.K. |
| Leroy-Somer Maroc S.A. (50% owned) | Morocco |
| Leroy-Somer Motores E Sistemas Electromecanicos Ltda. | Portugal |
| Leroy-Somer Nederland BV | Netherlands |
| Leroy-Somer Norge A/S | Norway |
| Leroy-Somer (Pty) Ltd. | Australia |
| Leroy-Somer (SEA) Pte. Ltd. | Singapore |
| Leroy-Somer Suisse S.A. | Switzerland |
| MLS Industries Inc. | Delaware |
| Yorba Linda International Inc. | Delaware |
| Maintenance Industrielle de Vierzon S.A. | France |
| MOTADOUR S.A. | France |
| Moteurs Leroy-Somer S.A. | France |
| Moteurs Patay S.A. | France |
| Societe Anonyme de Mecanique et D'outillage du Vivarais S.A. | France |

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|---|---------|
| Societe Confolentaise de Metalurgie S.A. | France |
| Societe de Mecanique et D'Electrom- thermie des Pays de L'Adour S.A. | France |
| Societe Commerciale des Ateliers de Constructions Electriques D'Orleans S.A. | France |
| Societe de Reparation de Moteurs (SOREM) | France |
| Fisher-Rosemount Hungary Ltd. | Hungary |
| Fisher-Rosemount Manufacture Ltd. | Hungary |
| (Rotores S.A. de C.V. | Mexico |
| Etirex S.A. | France |

| | |
|--|----------------|
| F.G. Wilson (Engineering) Limited | U.K. |
| Everton Engineering (N.I.) Limited | U.K. |
| F.G. Wilson Australia PTY Limited | Australia |
| F.G. Wilson Engineering (Dublin) Limited | U.K. |
| F.G. Wilson (Engineering) HK Limited | Hong Kong |
| F.G. Wilson Engineering Vertriebs-GmbH | Germany |
| F.G. Wilson Espana S.L. | Spain |
| F.G. Wilson Inc. | Delaware |
| F.G. Wilson (Proprietary) Limited | S. Africa |
| F.G. Wilson S.A. | France |
| F.G. Wilson Singapore Pte Limited | Singapore |
| Genrent Limited | U.K. |
| Fisher Controls International, Inc. | Delaware |
| Exac Corporation | California |
| Fisher Controles Industria E Comercio Ltda. | Brazil |
| Fisher-Rosemount Do Brasil Ltda. | Brazil |
| Fisher-Rosemount Asia Pacific Ltd. | Delaware |
| Fisher Controls De Mexico, S.A. de C.V. | Mexico |
| Fisher Controls Hong Kong Limited | Hong Kong |
| Tianjin Fisher Valve Co. Ltd. | China |
| Fisher-Rosemount PTE. Ltd. | Singapore |
| Fisher Controls PTY. Limited | Australia |
| Fisher Service Company | Delaware |
| Fisher-Rosemount Systems, Inc. | Delaware |
| Fisher-Rosemount de Venezuela S.A. | Venezuela |
| H.D. Baumann Inc. | Delaware |
| Nippon Fisher Company Ltd. | Japan |
| Fisco Ltd.(Fisco Kabushiki Kaisha) | Japan |
| Fisher Controls, S.A. | France |
| Fusite Holding Corporation | Ohio |
| Emerson Japan, Ltd. | Japan |
| Brooks Instruments K.K. | Japan |
| Innoven III Corporation | Delaware |
| Intellution, Inc. | Massachusetts |
| Intellution Foreign Sales Corporation (IFSC) | Virgin Islands |
| Intellution GmbH | Germany |
| Intellution International (I), Inc. | Massachusetts |
| Intellution K.K. (Japan) Incorporated | Japan |
| Intellution SARL | France |
| Intellution U.K. Corporation | Massachusetts |
| Intellution Limited | U.K. |
| Krautkramer Branson Incorporated | Connecticut |
| Stresstel Corporation | California |
| Louisville Ladder Corp. | Missouri |
| McGill Manufacturing Company | Indiana |
| McGill International Inc. | Taiwan |
| Metaloy, Inc. | Massachusetts |
| Motores Hermeticos del Sur, S.A. de C.V. | Mexico |
| 8 | |
| Ridge Tool Europe NV | Belgium |
| Ridgid Scandinavia A/S | Denmark |
| Ridge Tool Europe S.A. | Belgium |
| Ridgid Ferramentas E. Maquinas, Ltda. | Brazil |
| Fisher-Rosemount N.V./S.A. | Belgium |
| Samsung-Emerson Electric Co. Ltd. (SEECO) | Korea |
| SWECO Europe, S.A. | Belgium |
| Termocontroles de Juarez S.A. de C.V. | Mexico |
| Transmisiones de Potencia Emerson S.A. de C.V. | Mexico |
| Vermont American Corporation (50% owned) | Delaware |
| Clairson Enterprises, Inc. | Delaware |
| Clairson International Corp. | Florida |
| Clairson, Inc. | Delaware |
| Clairson de Mexico | Mexico |
| Credo Tool Company | Delaware |
| Carbide Blast Joints, Inc. | Texas |
| DML Industrial Products, Inc. | N. Carolina |
| Vermont American Corporation, Fountain Inn | Delaware |
| Primark DML, Inc. | N. Carolina |
| VAC Data Management, Inc. | Delaware |
| VAC Services LP | |
| Gilmour Enterprises, Inc. | Delaware |
| Gilmour Manufacturing Company | Pennsylvania |
| Gilmour, Inc. | Delaware |
| Vermont American (Australia) Ltd. | Nevada |
| Vermont American Canada Inc. | Canada |
| VA Export, Ltd. | Virgin Islands |
| VA Holding | Delaware |
| Vermont Westa Werkzeugbau GmbH | Germany |
| Western Forge Corporation | Delaware |
| Wiegand S.A. de C.V. | Mexico |

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Emerson Electric Co.:

We consent to incorporation by reference in Registration Statement Nos. 33-60055, 33-57161, 33-38805, 33-34948, 33-34633, 33-57985, 33-60399, 33-11521, 33-2739, 2-76653, 2-63717, 2-52671, on Form S-8 and Registration Statement Nos. 33-62545 and 33-39109 on Form S-3 of Emerson Electric Co. of our report dated November 1, 1995, relating to the consolidated balance sheets of Emerson Electric Co. and subsidiaries as of September 30, 1995 and 1994, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the years in the three-year period ended September 30, 1995, which report appears or is incorporated by reference in the September 30, 1995 annual report on Form 10-K of Emerson Electric Co. Our report refers to changes in accounting for postemployment benefits and postretirement benefits other than pensions.

St. Louis, Missouri
December 20, 1995

KPMG PEAT MARWICK LLP

POWER OF ATTORNEY

The undersigned members of the Board of Directors and Executive Officers of Emerson Electric Co., a Missouri corporation with principal offices at 8000 West Florissant Avenue, St. Louis, Missouri 63136, hereby appoint W. J. Galvin as their Attorney-in-Fact for the purpose of signing Emerson Electric Co.'s Securities and Exchange Commission Form 10-K (and any and all amendments thereto) for the fiscal year ended September 30, 1995.

Dated: December 20, 1995.

| Signature ----- | Title ----- |
|--|--|
| /s/C. F. Knight ----- C. F. Knight | Chairman of the Board, President and Chief Executive Officer and Director |
| /s/W. J. Galvin ----- W. J. Galvin | Senior Vice President- Finance and Chief Financial Officer (and Principal Accounting Officer) |
| /s/L. L. Browning, Jr. ----- L. L. Browning, Jr. | Director |
| /s/A. A. Busch, III ----- A. A. Busch, III | Director |
| /s/D. C. Farrell ----- D. C. Farrell | Director |
| /s/J. A. Frates ----- J. A. Frates | Director |
| /s/R. B. Horton ----- R. B. Horton | Director |
| /s/G. A. Lodge ----- G. A. Lodge | Director |
| /s/V. R. Loucks, Jr. ----- V. R. Loucks, Jr. | Director |
| /s/R. B. Loynd ----- R. B. Loynd | Director |
| /s/R. L. Ridgway ----- | Director |

R. L. Ridgway

/s/R. W. Staley Director

R. W. Staley

/s/A. E. Suter Director

A. E. Suter

/s/W. M. Van Cleve Director

W. M. Van Cleve

/s/E. E. Whitacre, Jr. Director

E. E. Whitacre, Jr.

/s/E. F. Williams, Jr. Director

E. F. Williams, Jr.

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE 1995 EMERSON ELECTRIC CO. CONSOLIDATED STATEMENT OF EARNINGS AND CONSOLIDATED BALANCE SHEET FILED WITH THE COMPANY'S 1995 FORM 10-K AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<MULTIPLIER> 1,000

| <S> | <C> |
|------------------------------|---------------|
| <PERIOD-TYPE> | YEAR |
| <FISCAL-YEAR-END> | SEP-30-1995 |
| <PERIOD-END> | SEP-30-1995 |
| <CASH> | 117,300 |
| <SECURITIES> | 0 |
| <RECEIVABLES> | 1,802,800 |
| <ALLOWANCES> | 45,200 |
| <INVENTORY> | 1,602,600 |
| <CURRENT-ASSETS> | 3,784,100 |
| <PP&E> | 4,230,500 |
| <DEPRECIATION> | 2,095,600 |
| <TOTAL-ASSETS> | 9,399,000 |
| <CURRENT-LIABILITIES> | 3,280,700 |
| <BONDS> | 208,600 |
| <COMMON> | 238,300 |
| <PREFERRED-MANDATORY> | 0 |
| <PREFERRED> | 0 |
| <OTHER-SE> | 4,632,500 |
| <TOTAL-LIABILITY-AND-EQUITY> | 9,399,000 |
| <SALES> | 10,012,900 |
| <TOTAL-REVENUES> | 10,012,900 |
| <CGS> | 6,480,400 |
| <TOTAL-COSTS> | 6,480,400 |
| <OTHER-EXPENSES> | 0 |
| <LOSS-PROVISION> | 0 |
| <INTEREST-EXPENSE> | 110,600 |
| <INCOME-PRETAX> | 1,459,900<F1> |
| <INCOME-TAX> | 530,900 |
| <INCOME-CONTINUING> | 0 |
| <DISCONTINUED> | 0 |
| <EXTRAORDINARY> | 0 |
| <CHANGES> | (21,300)<F2> |
| <NET-INCOME> | 907,700 |
| <EPS-PRIMARY> | 4.06 |
| <EPS-DILUTED> | 0 |

<F1> Income-pretax (before accounting change) includes \$34.3 million non-recurring items. The net earnings impact of the non-recurring items was substantially offset by the accounting change.

<F2> Cumulative effect of change in accounting for postemployment benefits. Income before accounting change was \$929.0 million.

</FN>

</TABLE>