

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 1996

OR

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

For the transition period from _____ to _____

Commission file number 1-278

EMERSON ELECTRIC CO.
(Exact name of registrant as specified in its charter)

Missouri (State or other jurisdiction of incorporation or organization)	43-0259330 (I.R.S. Employer Identification No.)
8000 W. Florissant Ave. P.O. Box 4100 St. Louis, Missouri (Address of principal executive offices)	63136 (Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes (X) No ()

Common stock outstanding at March 31, 1996: 224,074,496 shares.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements.

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EMERSON ELECTRIC CO. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
THREE MONTHS AND SIX MONTHS ENDED MARCH 31, 1996 AND 1995
(Dollars in millions except per share amounts; unaudited)

	Three Months		Six Months	
	1996	1995	1996	1995
Net sales	\$ 2,819.8	2,514.1	5,385.6	4,798.7
Costs and expenses:				
Cost of sales	1,821.1	1,635.2	3,471.5	3,127.8
Selling, general and administrative expenses	544.0	476.4	1,061.0	917.3
Interest expense	33.9	27.8	64.0	49.0
Gain on sale of business and other non-recurring items	-	-	-	(34.3)
Other deductions, net	18.4	18.2	24.8	28.1

Total costs and expenses	2,417.4	2,157.6	4,621.3	4,087.9
Income before income taxes and cumulative effect of change in accounting principle	402.4	356.5	764.3	710.8
Income taxes	147.5	129.4	278.9	259.0
Income before cumulative effect of change in accounting principle	254.9	227.1	485.4	451.8
Cumulative effect of change in accounting principle; \$.10 per common share	-	-	-	(21.3)
Net earnings	\$ 254.9	227.1	485.4	430.5
Earnings per common share	\$ 1.14	1.02	2.17	1.93
Cash dividends per common share	\$.49	.43	.98	.86
Average number of shares used in computing earnings per common share (in thousands)	224,056	223,363	224,054	223,444

See accompanying notes to consolidated financial statements.

NOTE: Including the pretax impact of the cumulative effect of accounting change, income before income taxes for the six months ended March 31, 1996 and 1995 would have been:

\$ 764.3 675.8

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EMERSON ELECTRIC CO. AND SUBSIDIARIES FORM 10-Q
CONSOLIDATED BALANCE SHEETS
(Dollars in millions except per share amounts; unaudited)

ASSETS	March 31, 1996	September 30, 1995
CURRENT ASSETS		
Cash and equivalents	\$ 194.6	117.3
Receivables, less allowances of \$53.2 and \$45.2	2,054.6	1,757.6
Inventories	1,684.2	1,602.6
Other current assets	315.5	306.6
Total current assets	4,248.9	3,784.1
PROPERTY, PLANT AND EQUIPMENT, NET	2,325.3	2,134.9
OTHER ASSETS		
Excess of cost over net assets of purchased businesses	2,648.9	2,384.9
Other	1,153.7	1,095.1
Total other assets	3,802.6	3,480.0
	\$10,376.8	9,399.0
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings and current maturities of long-term debt	\$ 1,456.5	1,387.1
Accounts payable	644.6	740.2
Accrued expenses	950.4	979.8
Income taxes	202.7	173.6
Total current liabilities	3,254.2	3,280.7
LONG-TERM DEBT	816.1	208.6
OTHER LIABILITIES	1,213.8	1,038.9
STOCKHOLDERS' EQUITY		
Preferred stock of \$2.50 par value per share. Authorized 5,400,000 shares; issued - none	-	-
Common stock of \$1 par value per share. Authorized 400,000,000 shares; issued 238,338,503 shares and 238,338,503 shares	238.3	238.3
Additional paid in capital	13.0	15.0
Retained earnings	5,394.1	5,128.3
Cumulative translation adjustments	(22.1)	17.0

Cost of common stock in treasury, 14,264,007 shares and 14,439,861 shares	(530.6)	(527.8)
	-----	-----
Total stockholders' equity	5,092.7	4,870.8
	-----	-----
	\$10,376.8	9,399.0
	=====	=====

See accompanying notes to consolidated financial statements.

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EMERSON ELECTRIC CO. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED MARCH 31, 1996 AND 1995
(Dollars in millions; unaudited)

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	1996	1995
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 338.2	249.4
INVESTING ACTIVITIES		
Capital expenditures	(218.8)	(183.1)
Purchases of businesses, net of cash and equivalents acquired	(54.9)	(208.3)
Proceeds from divestitures of businesses, net	-	8.3
Other	(37.1)	39.8
	-----	-----
Net cash (used in) investing activities	(310.8)	(343.3)
FINANCING ACTIVITIES		
Net increase (decrease) in short-term borrowings with maturities of 90 days or less	83.8	592.1
Proceeds from short-term borrowings	9.7	-
Principal payments on short-term borrowings	(4.5)	(28.7)
Proceeds from long-term debt	257.4	1.5
Principal payments on long-term debt	(16.7)	(127.9)
Dividends paid	(219.6)	(192.3)
Other	(59.4)	(47.7)
	-----	-----
Net cash provided by financing activities	50.7	197.0
	-----	-----
Effect of exchange rate changes on cash and equivalents	(.8)	(.4)
	-----	-----
INCREASE IN CASH AND EQUIVALENTS	77.3	102.7
Beginning cash and equivalents	117.3	113.3
	-----	-----
ENDING CASH AND EQUIVALENTS	\$ 194.6	216.0
	=====	=====

See accompanying notes to consolidated financial statements.

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EMERSON ELECTRIC CO. AND SUBSIDIARIES FORM 10-Q

Notes to Consolidated Financial Statements

1. The accompanying unaudited consolidated financial statements, in the opinion of management, include all adjustments necessary for a fair presentation of the results for the interim periods presented. The consolidated financial statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all the disclosures required by generally accepted accounting principles. Certain prior year amounts have been reclassified to conform to the current year presentation. For further information refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended September 30, 1995.

2. Emerson began consolidating Vermont American Corporation, the Company's joint venture with Robert Bosch GmbH, in the second quarter of fiscal 1996, as a result of an agreement which provides Emerson control over the venture. The increases in total assets and long-term debt reflect this consolidation. Emerson has guaranteed the indebtedness of this subsidiary. If required to perform under the guarantee, the Company will be partially indemnified by Robert Bosch GmbH. For further information, refer to the Company's 1995 Annual Report on Form 10-K.
3. Other Financial Information
(Dollars in millions; unaudited)

	March 31, 1996	September 30, 1995
Inventories		
-----	-----	-----
Finished products	\$ 677.7	587.2
Raw materials and work in process	1,006.5	1,015.4
	-----	-----
	\$ 1,684.2	1,602.6
	=====	=====
Property, plant and equipment, net		
-----	-----	-----
Property, plant and equipment, at cost	\$ 4,631.2	4,230.5
Less accumulated depreciation	2,305.9	2,095.6
	-----	-----
	\$ 2,325.3	2,134.9
	=====	=====

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

Results of Operations

Sales, net earnings and earnings per share for the second quarter and first six months of fiscal 1996 were the highest for any quarter and first six-month period in the Company's history.

Net sales were \$2,819.8 million for the quarter ended March 31, 1996, up 12.2 percent over net sales of \$2,514.1 million for the quarter ended March 31, 1995, and \$5,385.6 million for the six months ended March 31, 1996, up 12.2 percent over net sales of \$4,798.7 for the same period a year ago. The second quarter results reflect improvement in the market for the Appliance and Construction-Related Segment, solid demand for the Commercial and Industrial Segment, and the impact of acquisitions and consolidation of Vermont American Corporation. Underlying international sales including exports reported strong sales growth as all major regions, with the exception of North America, benefited from continued market strength.

The Appliance and Construction-Related segment reported a double-digit sales increase compared to the second quarter of 1995. The tools business reported the largest sales gains for the quarter due to double-digit underlying domestic and international subsidiary sales growth plus the consolidation of Vermont American. The tools business benefited from strong growth at Sears. Strong sales by the heating, ventilating and air conditioning business reflected slight domestic growth, continued robust international growth and further acceptance of new products and market penetration. Sales of the fractional motor business increased slightly, while sales of the appliance components business decreased as domestic and international appliance markets were sluggish for the quarter.

The Commercial and Industrial segment also reported a double-digit sales increase compared to the second quarter of 1995. The industrial motors and drives business reported a double-digit sales increase resulting from strong international capital goods growth and the acquisitions of F.G. Wilson and Control Techniques. The process business achieved double-digit sales growth as a result of continued strength in the international

markets and the benefit of recent acquisitions. The electronics business experienced strong sales growth due to solid domestic demand, success of new products in penetrating new markets, and recent acquisitions. Sales of the industrial components and equipment business increased modestly as international market demand improved.

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Cost of sales for the second quarter was \$1,821.1 million or 64.6 percent of sales, compared with \$1,635.2 million, or 65.0 percent of sales, for the second quarter of 1995. Cost of sales for the six months ended March 31, 1996 was \$3,471.5 million or 64.5 percent of sales, compared to \$3,127.8 million or 65.2 percent of sales for the same period a year ago. Selling, general and administrative expenses for the three months ended March 31, 1996 were \$544.0 million, or 19.3 percent of sales, compared to \$476.4 million, or 19.0 percent of sales for the same period a year ago. For the first six months of 1996, selling, general and administrative expenses were \$1,061.0 million or 19.7 percent of sales, compared to \$917.3 million or 19.1 percent of sales for the same period in 1995. The consolidated operating profit margin improved from the high level of the prior year as a result of the Company's ongoing commitments to cost reduction efforts and productivity improvement programs across the company.

Earnings in the first quarter of fiscal 1995 included a \$41.3 million preferential distribution from the S-B Power Tool joint venture which was substantially offset by other non-recurring items and the adoption of SFAS No. 112 (\$21.3 million, net of \$13.7 million in related income tax benefits).

Financial Condition

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

	March 31, 1996	September 30, 1995
	-----	-----
Working capital (in millions)	\$994.7	503.4
Current ratio	1.3 to 1	1.2 to 1
Total debt to total capital	30.9%	24.7%
Net debt to net capital	28.9%	23.3%

The Company's interest coverage ratio (earnings before income taxes, non-recurring items and interest expense, divided by interest expense) was 12.9 times for the six months ended March 31, 1996 compared to 14.8 times for the same period one year earlier. The decrease in interest coverage ratio and increases in debt to capital ratios reflect the consolidation of Vermont American and acquisitions. In the first quarter, the Company issued \$250 million of 6.3%, 10-year notes which were used to reduce outstanding U.S. commercial paper.

Cash flow provided by operating activities was \$338.2 million for the six months ended March 31, 1996 versus \$249.4 million for the same period in the prior year. Receivables increased due to continued sales growth and international mix. Cash and equivalents increased by \$77.3 million during the six months ended March 31, 1996. Cash flow provided by operating activities and an increase in borrowings of \$329.7 million were

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used primarily to pay dividends of \$219.6 million and fund capital expenditures of \$218.8 million. In the six months ended March 31, 1995, \$320 million of notes were issued to sellers to partially finance the F.G. Wilson and Control Techniques acquisitions.

The Company has reached a definitive agreement with Caterpillar Inc. for the development and manufacture of diesel generator sets.

Caterpillar will take an equity position in Emerson's F.G. Wilson (Engineering) Ltd. subsidiary. The transaction is contingent upon receiving applicable regulatory approvals.

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

PART II. OTHER INFORMATION

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

The Annual Meeting of Stockholders was held on February 6, 1996. The directors listed in the Notice of Annual Meeting of Stockholders dated December 15, 1995 were elected for terms ending in 1999 with voting for each as follows:

DIRECTOR	FOR	WITHHELD
D. C. Farrell	194,861,381	717,676
J. A. Frates	194,782,475	796,582
C. F. Knight	194,893,034	686,023
R. B. Loynd	194,834,913	744,144
R. W. Staley	194,888,580	690,477

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

- (a) Exhibits (Listed by numbers corresponding to the Exhibit Table of Item 601 in Regulation S-K).
- 3(a) Restated Articles of Incorporation of Emerson Electric Co., incorporated by reference to Emerson Electric Co. 1989 Form 10-K, Exhibit 3(a).
- 3(b) Bylaws of Emerson Electric Co., as amended through May 3, 1995, incorporated by reference to Emerson Electric Co. 1995 Form 10-K, Exhibit 3(b).
- 27 Financial Data Schedule
- (b) Reports on Form 8-K. The Company did not file any reports on Form 8-K during the quarter ended March 31, 1996.

SIGNATURE

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

EMERSON ELECTRIC CO.

Date: May 13, 1996

By /s/ Walter J. Galvin

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

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

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE EMERSON ELECTRIC CO. CONSOLIDATED STATEMENT OF EARNINGS AND CONSOLIDATED BALANCE SHEET AS OF AND FOR THE SIX MONTHS ENDED MARCH 31, 1996 FILED WITH THE COMPANY'S 1996 SECOND QUARTER FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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