

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 December 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 December 31, 1996: 223,512,604 shares.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements.

FORM 10-Q

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

	Three Months Ended December 31,	
	1996	1995
Net sales	\$ 2,830.6	2,565.8
Costs and expenses:		
Cost of sales	1,805.4	1,650.4
Selling, general and administrative expenses	583.3	517.0
Interest expense	27.5	30.1
Other deductions, net	9.1	6.4
Total costs and expenses	2,425.3	2,203.9

Income before income taxes	405.3	361.9
Income taxes	150.4	131.4
	-----	-----
Net earnings	\$ 254.9	230.5
	=====	=====
Earnings per common share	\$ 1.14	1.03
	=====	=====
Cash dividends per common share	\$.54	.49
	=====	=====
Average number of shares used in computing earnings per common share (in thousands)	223,704	224,053
	=====	=====

See accompanying notes to consolidated financial statements.

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CONSOLIDATED BALANCE SHEETS
(Dollars in millions except per share amounts; unaudited)

ASSETS	December 31, September 30,	
-----	1996	1996
-----	-----	-----
CURRENT ASSETS		
Cash and equivalents	\$ 181.9	149.0
Receivables, less allowances of \$51.7 and \$50.3	2,016.4	1,979.8
Inventories	1,816.9	1,743.9
Other current assets	314.2	314.5
	-----	-----
Total current assets	4,329.4	4,187.2
	-----	-----
PROPERTY, PLANT AND EQUIPMENT, NET	2,490.6	2,450.8
	-----	-----
OTHER ASSETS		
Excess of cost over net assets of purchased businesses	2,865.4	2,779.2
Other	1,011.0	1,063.8
	-----	-----
Total other assets	3,876.4	3,843.0
	-----	-----
	\$10,696.4	10,481.0
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		

CURRENT LIABILITIES		
Short-term borrowings and current maturities of long-term debt	\$ 1,201.3	967.0
Accounts payable	620.6	791.3
Accrued expenses	1,035.6	1,063.3
Income taxes	259.0	199.5
	-----	-----
Total current liabilities	3,116.5	3,021.1
	-----	-----
LONG-TERM DEBT	773.2	772.6
	-----	-----
OTHER LIABILITIES	1,311.8	1,333.9
	-----	-----
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	238.3	238.3
Additional paid in capital	6.2	12.3
Retained earnings	5,841.7	5,707.7
Cumulative translation adjustments	27.4	(29.2)

Cost of common stock in treasury, 14,825,899 shares and 14,618,576 shares	(618.7)	(575.7)
	-----	-----
Total stockholders' equity	5,494.9	5,353.4
	-----	-----
	\$10,696.4	10,481.0
	=====	=====

See accompanying notes to consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED DECEMBER 31, 1996 AND 1995
(Dollars in millions; unaudited)

	1996	1995
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 184.1	140.2
INVESTING ACTIVITIES		
Capital expenditures	(113.7)	(106.4)
Purchases of businesses, net of cash and equivalents acquired	(14.6)	(47.8)
Other, net	(65.9)	(14.0)
	-----	-----
Net cash used in investing activities	(194.2)	(168.2)
FINANCING ACTIVITIES		
Net increase in short-term borrowings	221.8	54.5
Proceeds from long-term debt	5.5	249.2
Principal payments on long-term debt	(5.7)	(8.7)
Dividends paid	(120.9)	(109.8)
Net purchases of treasury stock	(59.5)	(44.7)
	-----	-----
Net cash provided by financing activities	41.2	140.5
	-----	-----
Effect of exchange rate changes on cash and equivalents	1.8	(1.9)
	-----	-----
INCREASE IN CASH AND EQUIVALENTS	32.9	110.6
Beginning cash and equivalents	149.0	117.3
	-----	-----
ENDING CASH AND EQUIVALENTS	\$ 181.9	227.9
	=====	=====

See accompanying notes to consolidated financial statements.

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EMERSON ELECTRIC CO. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

FORM 10-Q

- The accompanying unaudited consolidated financial statements, in the opinion of management, include all adjustments necessary for a fair presentation of the results for the interim periods presented. These adjustments consist only of normal recurring accruals. The consolidated financial statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all the disclosures required by generally accepted accounting principles. For further information refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended September 30, 1996.

- Other Financial Information

(Dollars in millions; unaudited)

	December 31, 1996	September 30, 1996
Inventories		
-----	-----	-----
Finished products	\$ 766.3	720.7
Raw materials and work in process	1,050.6	1,023.2
	-----	-----
	\$ 1,816.9	1,743.9
	=====	=====
Property, plant and equipment, net	December 31, 1996	September 30, 1996
-----	-----	-----
Property, plant and equipment, at cost	\$ 5,001.7	4,865.6
Less accumulated depreciation	2,511.1	2,414.8
	-----	-----
	\$ 2,490.6	2,450.8
	=====	=====

3. In February 1997, stockholders approved an increase in authorized common stock, which will allow the Company to execute the two-for-one stock split announced in November. Stockholders of record February 21, 1997, will receive one additional share of common stock for each share held, to be distributed March 10, 1997. Assuming retroactive application of the split, pro forma earnings per share would have been \$.57 and \$.51 for the three months ended December 31, 1996 and 1995, respectively. The accompanying financial statements have not been restated to reflect the split since it has not yet been consummated.

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 first quarter of fiscal 1997 were the highest for any first quarter in the Company's history.

Net sales for the quarter ended December 31, 1996 were \$2,830.6 million, an increase of 10.3 percent over net sales of \$2,565.8 million for the quarter ended December 31, 1995. All businesses reported higher sales reflecting solid international and moderate domestic demand, and the contribution of 1996 acquisitions. Excluding the negative impact of currency, underlying international sales showed good improvement due to very strong export sales and continued strength in Asia-Pacific and Latin America.

In the Commercial and Industrial segment, sales of the electronics business were very strong, driven by contributions from all geographic areas and product lines, and the business continues to report robust growth in orders. The process business reported modest sales growth as very strong export sales were offset by sluggish domestic demand. Industrial motors and drives achieved modest sales growth benefiting from strong international demand, which was partially offset by currency. The industrial components and equipment business reported modest sales growth due to very strong export sales partially offset by weak European demand.

In the Appliance and Construction-Related segment, the underlying tools business achieved robust sales growth due to higher than expected Sears demand during the holiday season. The heating, ventilating and air-conditioning business reported a modest increase, limited by inventory adjustments among international customers and weakening European currencies. Moderate gains in the fractional motors and appliance components business reflected slowing in the domestic appliance markets, which were at fairly healthy levels last quarter.

Cost of sales for the first quarter was \$1,805.4 million or 63.8 percent of sales, compared with \$1,650.4 million, or 64.3 percent of

sales, for the first quarter of 1996. Selling, general and administrative expenses for the three months ended December 31, 1996 were \$583.3 million, or 20.6 percent of sales, compared to \$517.0 million, or 20.2 percent of sales for the same period a year ago. Operating profit margins benefited from continuing cost reduction efforts and productivity improvement programs.

Financial Condition

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

	December 31, 1996	September 30, 1996
	-----	-----
Working capital (in millions)	\$1,212.9	1,166.1
Current ratio	1.4 to 1	1.4 to 1
Total debt to total capital	26.4%	24.5%
Net debt to net capital	24.6%	22.9%

The Company's interest coverage ratio (earnings before income taxes and interest expense, divided by interest expense) was 15.8 times for the quarter ended December 31, 1996 compared to 13.0 times for the same period one year earlier. The increase in the interest coverage ratio reflects earnings growth and a reduction in interest rates. In the first quarter of fiscal 1997, the Company entered into a five year interest rate swap which fixed the rate on \$250 million of commercial paper at 6.1 percent.

Cash and equivalents increased by \$32.9 million during the three months ended December 31, 1996. Cash flow provided by operating activities of \$184.1 million and an increase in borrowings of \$221.6 million were used primarily to fund capital expenditures of \$113.7 million and pay dividends of \$120.9 million.

The Company is in a strong financial position, continues to generate strong operating cash flows, and has the resources available for reinvestment in existing businesses, strategic acquisitions and managing the capital structure on a short and long-term basis.

Statements in this report that are not strictly historical may be "forward looking" statements, which involve risks and uncertainties. These include economic and currency conditions, market demand, pricing, and competitive and technological factors, among others, which are set forth in the Company's Annual Report on Form 10-K for the year ended September 30, 1996.

PART II. OTHER INFORMATION

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

(a) Exhibits (Listed by numbers corresponding to the Exhibit Table

of Item 601 in Regulation S-K).

- 3(a) Restated Articles of Incorporation of Emerson Electric Co., incorporated by reference to Emerson Electric Co. 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).

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 December 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: February 13, 1997 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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EXHIBIT 27

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE EMERSON ELECTRIC CO. CONSOLIDATED STATEMENT OF EARNINGS AND CONSOLIDATED BALANCE SHEET AS OF AND FOR THE THREE MONTHS ENDED DECEMBER 31, 1996 FILED WITH THE COMPANY'S 1997 FIRST QUARTER FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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