

UNITED STATES
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, 1997
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 (I.R.S. Employer
incorporation or organization) 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 \$.50 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, 1997: \$22,927 million.

Common stock outstanding at October 31, 1997: 440,017,902 shares.

Documents Incorporated by Reference

1. Portions of Emerson Electric Co. 1997 Annual Report to Stockholders
(Parts I and II).
2. Portions of Emerson Electric Co. Notice of 1998 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 subsequently expanded its product lines through internal growth and acquisitions. Emerson is now engaged principally in the worldwide 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 change and total assets attributable to each industry segment for the three years ended September 30, 1997, are set forth in Note 12 of Notes to Consolidated Financial Statements on page 37 of the 1997 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 31 of the 1997 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 electronics. 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 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 oxygen analyzers, infrared gas and process fluid 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 and services electronic uninterruptible and primary power supplies, power conditioning, conversion and distribution equipment, modular power systems, electrical testing equipment and environmental control systems and electronic components 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, and electrical signaling and signage for industrial, commercial and institutional facilities.

APPLIANCE AND CONSTRUCTION-RELATED COMPONENTS

The Appliance and Construction-Related segment consists of fractional motors and 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 electric waste disposers, hot water dispensers, ventilating equipment and exhaust fans.

Emerson is a producer of selected professional and hardware tools and accessories, 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. Emerson also manufactures power tool accessories such as drill, router and screwdriver bits, and saw blades. 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 produces ladders, scaffolding and related accessories, free-standing and wall-mounted ventilated shelving and specialty storage products. 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 are 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 \$1,989 million and \$1,810 million at September 30, 1997 and 1996, respectively. Nearly all of the September 30, 1997 consolidated backlog amount is expected to be shipped within one year. The estimated backlog by industry segment at September 30, 1997 and 1996 follows (dollars in millions):

	1997	1996
	-----	-----
Commercial and Industrial	\$ 1,331	1,191
Appliance and Construction-Related	658	619
	-----	-----
Consolidated Order Backlog	\$ 1,989	1,810
	=====	=====

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 the Company's 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 \$445.1 million in 1997, \$398.7 million in 1996 and \$354.2 million in 1995.

ENVIRONMENT

The Company's manufacturing locations generate waste, the treatment, storage, transportation and disposal of which are subject to federal, state and local laws and regulations relating to the protection of the 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 100,700 employees during 1997.

DOMESTIC AND FOREIGN OPERATIONS

International sales were \$5,245 million in 1997, \$4,867 million in 1996 and \$4,386 million in 1995, including U.S. exports of \$1,054 million, \$885 million and \$768 million in 1997, 1996 and 1995, 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 37 of the 1997 Annual Report for further information with respect to foreign operations.

Item 2. Properties

At September 30, 1997, Emerson had approximately 360 manufacturing locations worldwide, of which approximately 190 were located outside the United States, primarily in Europe and to a lesser extent in Asia-Pacific, Canada and Latin America. Approximately 220 locations are occupied by the Commercial and Industrial segment, and approximately 140 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 management believes will 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, 1997.

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Executive Officers of the Registrant

The following sets forth certain information as of December 1997 with respect to Emerson's executive officers. These officers have been elected or appointed to terms which will expire February 3, 1998:

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

C. F. Knight*	Chairman of the Board and Chief Executive Officer	61	1972
G. W. Tamke*	President and Chief Operating Officer	50	1989
A. E. Suter*	Senior Vice Chairman and Chief Administrative Officer	62	1979
R. W. Staley*	Vice Chairman and Chairman Emerson Asia-Pacific	62	1975
J. G. Berges*	Vice Chairman	50	1989
W. J. Galvin	Senior Vice President - Finance and Chief Financial Officer	51	1984
W. W. Withers	Senior Vice President, Secretary and General Counsel	57	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 38 of the 1997 Annual Report is hereby incorporated by reference. There were approximately 35,900 stockholders at September 30, 1997. On September 30, 1997, the Company issued 35,952 shares of common stock for all of the stock of an electrical systems and components testing company. The shares were not registered under the 1933 Securities Act in reliance on the exemption provided by Regulation D of the Act. Both shareholders of the acquired company were accredited investors.

Item 6. Selected Financial Data

Years ended September 30

(Dollars in millions except per share amounts)

	1997	1996	1995	1994	1993
	-----	-----	-----	-----	-----
Net sales	\$ 12,298.6	11,149.9	10,012.9	8,607.2	8,173.8
Net earnings	\$ 1,121.9	1,018.5	907.7	788.5	708.1
Earnings per common share \$	2.52	2.27	2.03	1.76	1.57
Cash dividends per common share \$	1.08	.98	.89	.78	.72

Long-term debt	\$	570.7	772.6	208.6	279.9	438.0
Total assets	\$	11,463.3	10,481.0	9,399.0	8,215.0	7,814.5

Income before cumulative effect of change in accounting for postemployment benefits (\$21.3 million, \$.05 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, \$.26 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 Note 2 of Notes to Consolidated Financial Statements on page 31 of the 1997 Annual Report for information regarding 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 under "Results of Operations" and "Financial Position, Capital Resources and Liquidity" on pages 20 through 24, and the "Safe Harbor Statement" on page 48 of the 1997 Annual Report are hereby incorporated by reference.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Narrative discussion appearing under "Financial Instruments" on page 24 of the 1997 Annual Report is hereby incorporated by reference.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements of the Company and its subsidiaries on pages 25 through 38 and the report thereon of KPMG Peat Marwick LLP appearing on page 39 of the 1997 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 1998 annual stockholders' meeting (the "1998 Proxy Statement") is hereby incorporated by reference. Information regarding executive officers is set forth in Part I of this report. Information appearing under "Section 16(a) Beneficial Ownership Reporting Compliance" in the 1998 Proxy Statement is hereby incorporated by reference.

Item 11. Executive Compensation

Information appearing under "Director Compensation" and "Executive Compensation" in the 1998 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 1998 Proxy Statement is hereby incorporated by reference.

Item 13. Certain Relationships and Related Transactions

Information appearing under "Certain Business Relationships" in the 1998 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 25 through 38 and the report thereon of KPMG Peat Marwick LLP appearing on page 39 of the 1997 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 1997 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. Form 10-Q for the quarter ended March 31, 1997, Exhibit 3(a).

- 3(b) Bylaws of Emerson Electric Co., as amended through October 7, 1997, filed herewith.
- 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 ChaseMellon Shareholder Services, L.L.C. incorporated by reference to Emerson Electric Co. Form 8-K, dated November 1, 1988, Exhibits 1 and 2; as amended by First Amendment dated as of October 7, 1997, incorporated by reference to Emerson Electric Co. Form 8-K dated October 17, 1997, Exhibit 4.

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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, as amended January 9, 1987, and as further amended October 22, 1997, between Emerson Electric Co. and C. F. Knight, filed herewith.
- 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 and restated effective October 1, 1997, filed herewith.
- 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)* Third Amendment to the Emerson Electric Co. 1993 Incentive Shares Plan, as restated, incorporated by reference to Emerson Electric Co. 1996 Form 10-K, Exhibit 10(g).
- 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), and Amendment incorporated by reference to Emerson Electric Co. 1996 Form 10-K, Exhibit 10(i).
- 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)* Third Amendment to the Supplemental Executive Savings Investment Plan, incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended June 30, 1996, Exhibit 10(1).
- 10(m)* Annual Incentive Plan incorporated by reference to Emerson Electric Co. 1995 Proxy Statement dated December 14, 1994, Appendix A.
- 10(n)* 1997 Incentive Shares Plan, incorporated by reference to Emerson Electric Co. 1997 Proxy Statement dated December 6, 1996, Exhibit A.
- 13 Portions of Emerson Electric Co. Annual Report to Stockholders for the year ended September 30, 1997, 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, 1997.

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 17, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on December 17, 1997, by the following persons on behalf of the registrant and in the capacities

indicated.

Signature -----	Title -----
* ----- C. F. Knight	Chairman of the Board 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)
* ----- J. G. Berges	Director
* ----- L. L. Browning, Jr.	Director
* ----- A. A. Busch, III	Director
* ----- D. C. Farrell	Director

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* ----- J. A. Frates	Director
* ----- 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
* ----- G. W. Tamke	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 -----
3(b)	Bylaws of Emerson Electric Co.
10(c)	Employment Agreement
10(e)	1991 Stock Option Plan
13	Portions of Annual Report to Stockholders for the year ended September 30, 1997, 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.

EMERSON ELECTRIC CO.

BYLAWS

As Amended through October 7, 1997

EMERSON ELECTRIC CO.

BYLAWS

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EMERSON ELECTRIC CO.

* * * * *

BYLAWS

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ARTICLE I

OFFICES; DEFINITIONS

Section 1. Registered Office. The registered office of Emerson Electric Co. (the "Corporation") shall be located in the County of St. Louis, State of Missouri.

Section 2. Other Offices. The Corporation may also have offices at such other places both within and without the State of Missouri as the Board may, from time to time, determine or the business of the Corporation may require.

Section 3. Definitions. Unless the context otherwise requires, defined terms herein shall have the meaning ascribed thereto in the Articles of Incorporation (the "Articles").

ARTICLE II

MEETINGS OF SHAREHOLDERS

Section 1. Place of Meeting. All meetings of the shareholders shall be held at such place within or without the State of Missouri as may be, from time to time, fixed or determined by the Board.

Section 2. Annual Meeting. The annual meeting of the shareholders shall be held on the first Tuesday in February of each year if not a legal

holiday, or, if a legal holiday, then on the next business day following, at such hour as may be specified in the notice of the meeting; provided, however, that the day fixed for such meeting in any year may be changed by resolution of the Board to such other day in February, March, April, May or June not a legal holiday as the Board may deem desirable or appropriate. At the annual meeting the shareholders shall elect Directors in accordance with Article 5 of the Articles of Incorporation and Article III of these Bylaws, and shall transact such other business as may properly be brought before the meeting.

If no other place for the annual meeting is determined by the Board of Directors and specified in the notice of such meeting, the annual meeting shall be held at the principal offices of the Corporation at 8000 West Florissant Avenue, St. Louis, Missouri.

Section 3. Special Meetings.

(a) Unless otherwise limited by statute or by the Articles, special meetings of the shareholders, for any purpose or purposes, may be called at any time by the Chairman of the Board, any Vice Chairman of the Board, the President, the Secretary, or a majority of the Board.

(b) A special meeting may also be called by the holders of not less than 85% of all of the outstanding shares entitled to vote at such meeting, upon written request delivered to the Secretary of the Corporation. Such request shall state the purpose or purposes of the proposed meeting. Upon receipt of any such request, it shall be the duty of the Secretary to

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call a special meeting of the shareholders to be held at any time, not less than ten (10) nor more than seventy (70) days thereafter, as the Secretary may fix. If the Secretary shall neglect to issue such call, the person or persons making the request may issue the call.

Section 4. Notice of Meetings. Written notice of every meeting of the shareholders, specifying the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called shall be delivered or mailed, postage prepaid, by or at the direction of the Secretary, not less than ten (10) nor more than seventy (70) days before the date of the meeting to each shareholder of record entitled to vote at such meeting.

Section 5. List of Shareholders Entitled to Vote. At least ten (10) days before each meeting of the shareholders, a complete list of the shareholders entitled to vote at such meeting shall be prepared and arranged in alphabetical order with the address of each shareholder and the number of shares held by each, which list, for a period of ten (10) days prior to such meeting, shall be kept on file at the registered office of the Corporation and shall be subject to inspection by any shareholder at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting, and shall be subject to the inspection of any shareholder during the whole time of the meeting. The original share ledger

or transfer book, or a duplicate thereof kept in the State of Missouri, shall

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be prima facie evidence as to who are the shareholders entitled to examine such list or share ledger or transfer book or to vote at any meeting of the shareholders. Failure to comply with the above requirements in respect of lists of shareholders shall not affect the validity of any action taken at such meeting.

Section 6. Quorum. The holders of a majority of the issued and outstanding shares entitled to vote, present in person or represented by proxy, shall be requisite and shall constitute a quorum at all meetings of the shareholders for the transaction of business, except as otherwise provided by law, the Articles or by these Bylaws. The shareholders present at a meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of such number of shareholders as to reduce the remaining shareholder to less than a quorum. Whether or not a quorum is present, the chairman of the meeting or a majority of the shareholders entitled to vote thereat, present in person or by proxy, shall have power, except as otherwise provided by statute, successively to adjourn the meeting to such time and place as they may determine, to a date not longer than ninety (90) days after each such adjournment, and no notice of any such adjournment need be given to shareholders other than the announcement of the adjournment at the meeting. At any adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally called.

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Section 7. Requisite Vote. When a quorum is present or represented at any meeting, the vote of the holders of a majority of the shares entitled to vote which are present in person or represented by proxy shall decide any questions brought before such meeting, unless the question is one upon which, by express provision of law, the Articles or by these Bylaws, a different vote

is required, in which case such express provisions shall govern and control the decision of such question.

Section 8. Voting. Each shareholder shall, at every meeting of the shareholders, be entitled to one vote in person or by proxy for each share having voting power held by such shareholder, but no proxy shall be voted after eleven (11) months from the date of its execution unless otherwise provided in the proxy. In each election for Directors, no shareholder shall be entitled to vote cumulatively or to cumulate his votes.

Section 9. Notice of Shareholder Business at Annual Meetings. At any annual meeting of shareholders, only such business shall be conducted as shall have been properly brought before the meeting. In addition to any other requirements imposed by or pursuant to law, the Articles or these Bylaws, each item of business to be properly brought before an annual meeting must (a) be specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board or the persons calling the meeting pursuant to the Articles; (b) be otherwise properly brought before the meeting by or at the direction of the Board; or (c) be otherwise properly brought before the

meeting by a shareholder. For business to be properly brought before an annual meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a shareholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior to the annual meeting; provided, however, that in the event less than 70 days' notice or prior public disclosure of the date of the annual meeting is given or made to shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. For purposes of these Bylaws "public disclosure" shall mean disclosure in a press release reported by the Dow Jones, Associated Press, Reuters or comparable national news service, or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act"). A shareholder's notice to the Secretary shall set forth as to each matter he or she proposes to bring before the annual meeting (a) a brief description of the business desired to

be brought before the meeting and the reasons for conducting such business at the annual meeting, (b) the name and address, as they appear on the Corporation's books, of the shareholder(s) proposing such business, (c) the class and number of shares of the Corporation which are beneficially owned by the proposing shareholder(s), and (d) any material interest of the proposing

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shareholder(s) in such business. Notwithstanding anything in these Bylaws to the contrary, but subject to Article III, Section 1(c) hereof, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Section. The Chairman of the annual meeting shall, if the facts warrant, determine and declare to the annual meeting that business was not properly brought before the annual meeting in accordance with the provisions of this Section; and if he or she should so determine, shall so declare to the meeting and any such business not properly brought before the annual meeting shall not be transacted. The Chairman of the meeting shall have absolute authority to decide questions of compliance with the foregoing procedures, and his or her ruling thereon shall be final and conclusive.

ARTICLE III

DIRECTORS

Section 1. Number; Classification; Nominations; Election; Term of Office.

(a) The Board shall consist of such number of Directors as the Board may from time to time determine, provided that in no event shall the number of Directors be less than three (3), and provided further that no reduction in the number of Directors shall have the effect of shortening the term of any incumbent Director. In addition, the Board may, from time to time, appoint such number of "Advisory Directors" and "Directors Emeritus" as it may deem advisable.

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(b) The Board of Directors (herein the "Board") shall be

divided into three classes, as nearly equal in number as possible. In the event of any increase in the number of Directors, the additional Director(s) shall be added to such class(es) as may be necessary so that all classes shall be as nearly equal in number as possible. In the event of any decrease in the number of Directors, all classes of Directors shall be decreased as nearly equally as may be possible. Subject to the foregoing, the Board shall determine the class(es) to which any additional Director(s) shall be added and the class(es) which shall be decreased in the event of any decrease in the number of Directors.

At each annual meeting of shareholders the successors to the class of Directors whose term shall then expire shall be elected for a term expiring at the third succeeding annual meeting after such election.

(c) In addition to the qualifications set out in Section 3 of this Article III, in order to be qualified for election as a Director, persons must be nominated in accordance with the following procedure:

Nominations of persons for election to the Board of the Corporation may be made at a meeting of shareholders by or at the direction of the Board or by any shareholder of the Corporation entitled to vote for the election of Directors at the meeting who complies with the procedures set forth in this Section 1(c). In order for persons nominated to the Board,

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other than those persons nominated by or at the direction of the Board, to be qualified to serve on the Board, such nominations shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a shareholder's notice shall be delivered to or mailed and received by the Secretary of the Corporation not less than 60 days nor more than 90 days prior to the meeting; provided, however, that in the event less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. Such shareholder's notice shall set forth (i) as to each person whom the shareholder proposes to nominate for election or re-election as a Director, (A) the name, age, business address and residence address of such person, (B) the principal occupation or employment of such person, (C) the

class and number of shares of the Corporation which are beneficially owned by such person, (D) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, (including without limitation such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected) and (E) if the shareholder(s) making the nomination is an Interested Person, details of any

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relationship, agreement or understanding between the shareholder(s) and the nominee; and (ii) as to the shareholder(s) making the nomination (A) the name and address, as they appear on the Corporation's books, of such shareholder(s) and (B) the class and number of shares of the Corporation which are beneficially owned by such shareholder(s). At the request of the Board, any person nominated by the Board for election as a Director shall furnish to the Secretary of the Corporation that information required to be set forth in a shareholder's notice of nomination which pertains to the nominee. No person shall be qualified for election as a Director of the Corporation unless nominated in accordance with the procedures set forth in this Section 1(c). The Chairman of a meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by the Bylaws, and if he or she should so determine, shall so declare to the meeting, and the defective nomination shall be disregarded. The Chairman of a meeting shall have absolute authority to decide questions of compliance with the foregoing procedures, and his or her ruling thereon shall be final and conclusive.

(d) Directors shall be elected at annual meetings of the shareholders, except as provided in Section 2 of this Article III, and each Director shall hold office until his or her successor is elected and qualified.

Section 2. Filling of Vacancies. Vacancies and newly created directorships shall be filled only by a majority of the remaining Directors, though less than a quorum, and each person so elected shall be a Director until his or her successor is elected by the shareholders, who may make such election at the next annual meeting of the shareholders at which Directors of his or her class are elected or at any special meeting of shareholders duly called for that purpose and held prior thereto.

Section 3. Qualifications. Directors must be nominated in accordance with the procedure set out in Section 1(c) of this Article III. Directors need not be shareholders. No person shall be eligible for election as a Director, either under Section 1 or Section 2 of this Article III, if such person's seventy-second (72d) birthday shall fall on a date prior to the commencement of the Term for which such Director is to be elected or appointed; provided, however, that this limitation shall not apply to persons who were Directors of the Corporation on April 4, 1967. No person shall be qualified to be elected and to hold office as a Director if such person is determined by a majority of the whole Board to have acted in a manner contrary to the best interests of the Corporation, including, but not limited to, violation of either State or Federal law, maintenance of interests not properly authorized and in conflict with the interests of the Corporation, or breach of any agreement between such Director and the Corporation relating to such Director's services as a Director, employee or agent of the Corporation.

Section 4. Removal. By action of a majority of the whole Board, any Director may be removed from office for cause if such Director shall at the time of such removal fail to meet the qualifications for election as a Director as set forth under Article III, Section 3 hereof. Notice of the proposed removal shall be given to all Directors of the Corporation prior to action thereon. Directors may be otherwise removed only in the manner prescribed in the Articles.

Section 5. General Powers. The property and business of the Corporation shall be controlled and managed by its Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not, by law, the Articles or by these Bylaws, directed or

required to be exercised and done by the shareholders or the Continuing Directors.

Section 6. Place of Meetings. The Board may hold meetings, both regular and special, either within or without the State of Missouri.

Section 7. Regular Annual Meeting. A regular annual meeting of the Board, including newly elected Directors, shall be held immediately following the annual meeting of the shareholders and shall be held at the principal offices of the Corporation at 8000 West Florissant Avenue, St. Louis, Missouri, unless another time or place shall be fixed therefor by the Directors. No notice of such meeting shall be necessary to the Directors in order, legally, to constitute the meeting, provided a majority of the whole

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Board shall be present. In the event such annual meeting of the Board is not held at the time and place specified herein, or at such other time and place as may be fixed by the Directors, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for meetings of the Board, or as shall be specified in a written waiver signed by all of the Directors.

Section 8. Additional Regular Meetings. Additional regular meetings of the Board shall be held once each month on the first Tuesday thereof, or on such other day thereof as the Board may, by resolution, prescribe, and at such hour of such day as shall be stated in the notice of the meeting; provided that the Chairman, in his or her discretion, may dispense with any one or more of such meetings, by having notice of the intention so to do given, by letter or telegram, to each Director not less than ten (10) days prior to the regularly scheduled date of each meeting so to be dispensed with. If the first Tuesday of any month shall be a legal holiday, the regular meeting for such month shall be held on the Thursday following, and if the Monday preceding the first Tuesday of any month shall be a legal holiday, the regular meeting for such month shall be held on the Wednesday following, in each case unless the Board shall otherwise prescribe by resolution. Notice of any regular meeting shall be given to each Director at least forty-eight (48) hours in advance thereof, either personally, by mail or by telegram.

Section 9. Special Meetings. Special meetings of the Board may be called by the Chairman, any Vice Chairman, the President, any Vice President or the Secretary, on notice given personally, by mail, by telephone, by telegram or by facsimile to each Director given twenty-four (24) hours in advance of such meeting. Special meetings shall be called by the Chairman, any Vice Chairman, the President or Secretary in like manner and on like notice on the written request of any two Directors.

Section 10. Place of Meetings. Special meetings and regular meetings of the Board, other than the regular annual meeting, shall be held at such place within the City or County of St. Louis, Missouri, as may be specified in the notice of such meeting; provided that any meeting may be held elsewhere, within or without the State of Missouri, pursuant to resolution of the Board or pursuant to the call of the Chairman, any Vice Chairman or the President. Members of the Board and its Committees may participate in meetings by means of conference telephone or similar communications equipment whereby all persons participating in the meeting can hear each other, and such participation shall constitute presence at the meeting.

Section 11. Notices. Notice of any meeting may be given by the Chairman, any Vice Chairman, the President, any Vice President or the Secretary and shall specify the time and place of the meeting.

Section 12. Quorum. At all meetings of the Board a majority of Directors in office (the "whole Board") shall be necessary to constitute a

quorum for the transaction of business, and the acts of a majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board, except as otherwise may be specifically provided by law or by the Articles. If a quorum shall not be present at any meeting of the Board, the Directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. So long as the whole Board shall consist of sixteen (16) or more

members, a Director who may be disqualified, by reason of personal interest, from voting on any particular matter before a meeting of the Board may nevertheless be counted for the purpose of constituting a quorum of the Board.

Section 13. Compensation of Directors. Directors, as such, shall receive for their services such compensation as may be fixed, from time to time, by resolution of the Board, together with a stipend for attendance, and expenses of attendance, if any, for each meeting of the Board or meetings of any committee on which the Directors may serve; provided that nothing herein contained shall be construed to preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 14. Executive Committee. The Board may, by resolution passed by a majority of the whole Board, designate two or more of its number to constitute an Executive Committee which, to the extent provided in such resolution, shall have and exercise the authority of the Board in the management and business of the Corporation.

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Section 15. Finance Committee. The Board may, by resolution passed by a majority of the whole Board, designate two or more of its number, one of whom shall be the Committee Chairman, as the Finance Committee of the Board, which to the extent provided in such resolution shall have and exercise the authority of the Board in the management and business of the Corporation. The Committee shall study and consider financial matters affecting the operations of the Corporation, including its long range financial requirements, shall advise the Board in respect thereto, and shall have such other duties as shall be specified by resolution of the Board.

Section 16. Other Committees of the Board. The Board may, by resolution passed by a majority of the whole Board, designate two or more of its members to constitute such other Committees of the Board as the Board by such resolution or resolutions may determine. To the extent provided in such resolution or resolutions, such Committees shall have and exercise the authority of the Board in the management and business of the Corporation.

Section 17. Committees-General Rules. Each Committee of the Board shall keep regular minutes of its proceedings and report the same to the Board when required. Vacancies in the membership of each Committee shall be filled by the Board at any regular or special meeting of the Board. A Director who may be disqualified, by reason of personal interest, from voting on any

particular matter before a meeting of a Committee may nevertheless be counted

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for the purpose of constituting a quorum of the Committee. At all meetings of a Committee, a majority of the Committee members then in office shall constitute a quorum for the purpose of transacting business, and the acts of a majority of the Committee members present at any meeting at which there is a quorum shall be the acts of the Committee.

Section 18. Directors Emeritus and Advisory Directors. The Board may from time to time create one or more positions of Director Emeritus and Advisory Director, and may fill such position or positions for such term as the Board deems proper. Each Director Emeritus and Advisory Director shall have the privilege of attending meetings of the Board but shall do so solely as an observer. Notice of such meetings to a Director Emeritus or Advisory Director shall not be required under any applicable law, the Articles, or these Bylaws. Each Director Emeritus and Advisory Director shall be entitled to receive such compensation as may be fixed from time to time by the Board. No Director Emeritus or Advisory Director shall be entitled to vote on any business coming before the Board, nor shall they be counted as members of the Board for the purpose of determining the number of Directors necessary to constitute a quorum, for the purpose of determining whether a quorum is present, or for any other purpose whatsoever. In the case of a Director Emeritus or Advisory Director, the occurrence of any event which in the case of a Director would create a vacancy on the Board, shall be deemed to create a vacancy in such position; but the Board may declare the position terminated

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until such time as the Board shall again deem it proper to create and to fill the position.

ARTICLE IV

NOTICES

Section 1. Service of Notice. Notices to Directors and shareholders shall be in writing and delivered personally or mailed or sent by telegram, telex or facsimile transmission to the Directors or shareholders at their addresses appearing on the books of the Corporation, except that notice to Directors of a special meeting of the Board may be given orally. Notice by mail shall be deemed to be given at the time when the same shall be mailed; notice by telegram when such notice is delivered to the telegraph company; notice by facsimile transmission when transmitted.

Section 2. Waiver of Notices. Whenever any notice is required to be given under the provisions of law, the Articles, or of these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE V

OFFICERS

Section 1. Titles. The Officers of the Corporation shall be chosen by the Board of Directors and shall be a Chairman of the Board (herein the "Chairman"), a President, at least one Vice President, a Secretary and a Treasurer. The Board may also elect one or more Vice Chairmen of the Board

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(herein "Vice Chairmen"), additional Vice Presidents, a Controller, one or more Assistant Controllers, and such other officers as the Board may deem appropriate.

Any two of the aforesaid offices, except those of President and Vice President or President and Secretary, may be held by the same person. Vice Presidents of the Corporation may be given distinctive designations such as Executive Vice President, Group Vice President, Senior Vice President and the like.

Section 2. Election. The Board, at its annual meeting immediately following each annual meeting of the shareholders, shall elect a Chairman and a President, and may elect one or more Vice Chairmen, all of whom shall be Directors or Advisory Directors; and the Board shall also at such annual meeting elect one or more Vice Presidents, a Secretary and a Treasurer, who may, but need not, be Directors or Advisory Directors. The Board may elect such other officers and agents as it shall determine necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board. In connection with the election of any officer of the Corporation, the Board may determine

that such officer, in addition to the title of the office to which he is elected, shall have a further title such as Chief Administrative Officer, Chief Operating Officer or such other title as the Board may designate, and the Board may prescribe powers to be exercised and duties to be performed by any such officer to whom any such additional title of office is given in addition to those powers and duties provided for by these Bylaws for such office.

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Section 3. Term. The officers of the Corporation shall hold office until their respective successors are elected and qualify. Any officer elected or appointed by the Board may be removed by the Board at any time with or without cause by the affirmative vote of a majority of the whole Board. Any vacancy occurring in any such office may be filled only by the Board.

Section 4. Chairman of the Board. The Chairman shall be the Chief Executive Officer of the Corporation. In addition to his or her duties as Chairman and Chief Executive Officer, the Chairman shall be responsible for the general and active management of the business and affairs of the Corporation, subject only to the control of the Board; shall have full authority in respect to the signing and execution of deeds, bonds, mortgages, contracts and other instruments of the Corporation; and, in the absence or disability of a Vice Chairman or the President, shall exercise all of the powers and discharge all of the duties of such Vice Chairman or the President. The Chairman shall also be, ex officio, a member of all standing Board Committees, shall preside at all meetings of shareholders and Directors, and shall perform such other duties as the Board may prescribe.

Section 5. President. The President shall be an executive Officer of the Corporation, shall preside at all meetings of the shareholders and Directors in the absence of the Chairman and the Senior Vice Chairman, and shall perform such other duties as the Chairman or the Board shall prescribe.

The President shall have equal authority with the Chairman and the Vice Chairmen, if any, to sign and execute deeds, bonds, mortgages, contracts and other instruments of the Corporation.

Section 6. Vice Chairmen of the Board. Vice Chairmen, if any, may but need not be executive officers of the Corporation. The Vice Chairmen shall perform such other duties, and have such other powers as the Chairman or the Board may, from time to time, prescribe. Each Vice Chairman shall have equal authority with the Chairman and the President with respect to the signing and execution of deeds, bonds, mortgages, contracts and other instruments of the Corporation.

Section 7. Vice Presidents. The Vice President, or if there shall be more than one, the Vice Presidents shall, in the absence or disability of the Chairman, the President and all Vice Chairmen, perform the duties and exercise the powers of the President. Each Vice President shall perform such other duties and have such other powers as the Chairman and the Board may, from time to time, prescribe.

Section 8. Secretary and Assistant Secretaries. The Secretary shall attend all meetings of the Board and all meetings of the shareholders and record all the proceedings of the meetings of the Corporation and of the Board in books to be kept for that purpose, shall perform like duties for Committees of the Board when required, and shall perform such other duties as may be prescribed by the Board, the Chairman, any Vice Chairman, or the President. The Secretary shall keep in safe custody the seal of the Corporation and affix

the same to any instrument requiring it, and, when so affixed, it shall be attested by his or her signature or by the signature of an Assistant Secretary. The Assistant Secretary, or, if there be more than one, the Assistant Secretaries, in the order determined by the Board, shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Board may, from time to time, prescribe.

Section 9. Treasurer and Assistant Treasurers. The Treasurer shall have charge of the funds of the Corporation; shall keep the same in depositories designated by the Board or by officers of the Corporation authorized by the Board to make such designation; shall cause said funds to be disbursed upon checks, drafts, bills of exchange or orders for the payment of money signed in such manner as the Board or authorized officers of the

Corporation may, from time to time, direct; shall perform such other duties as directed by the Board, the Chairman or other senior officers; and, if required by the Board, shall give bond for the faithful performance of his or her duties in such form and amount as may be determined by the Board. The Assistant Treasurer, or, if there be more than one, the Assistant Treasurers, in the order determined by the Board, shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer, and shall have such other duties and powers as the Board may prescribe.

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Section 10. Controller and Assistant Controllers. The Controller, if one is elected by the Board, shall have charge of the accounting records of the Corporation; shall keep full and accurate accounts of all receipts and disbursements in books and records belonging to the Corporation; shall maintain appropriate internal control and auditing of the Corporation; and shall perform such other duties as directed by the Board, the Chairman or other senior officers. The Assistant Controller or, if there be more than one, the Assistant Controllers, in the order determined by the Board, shall, in the absence or disability of the Controller, perform the duties and exercise the powers of the Controller and shall have such other duties and powers as the Board may prescribe.

Section 11. Appointed Officers. In addition to the corporate officers elected by the Board as hereinabove in this Article V provided, the Chairman may, from time to time, appoint one or more other persons as appointed officers who shall not be deemed to be corporate officers, but may, respectively, be designated with such titles as the Chairman may deem appropriate. The Chairman may prescribe the powers to be exercised and the duties to be performed by each such appointed officer, may designate the term for which each such appointment is made, and may, from time to time, terminate any or all of such appointments with or without cause. Such appointments and termination of appointments shall be reported periodically to the Board.

ARTICLE VI

CERTIFICATES OF SHARES

Section 1. Certificates. The certificates of shares of the Corporation shall be numbered and registered in a share register as they are issued. They shall exhibit the name of the registered holder and the number and class of shares and the series, if any, represented thereby and the par value of each share or a statement that such shares are without par value as the case may be.

Section 2. Signatures on Certificates. Every share certificate shall be signed by the Chairman of the Board, the President or a Vice President; and by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer; and shall be sealed with the Corporation's seal which may be facsimile, engraved or printed.

Section 3. Transfer Agents and Registrars; Facsimile Signatures. The Board may appoint one or more transfer agents or transfer clerks and one or more registrars and may require all certificates for shares to bear the signature or signatures of any of them. Where a certificate is signed (a) by a transfer agent or an assistant or co-transfer agent, or (b) by a transfer clerk or (c) by a registrar or co-registrar, the signature of any officer thereon may be facsimile. Where a certificate is signed by a registrar or co

-registrar the certificate of any transfer agent or co-transfer agent thereon may be by facsimile signature of the authorized signatory of such transfer agent or co-transfer agent. In case any officer or officers of the Corporation who have signed, or whose facsimile signature or signatures have been used on, any such certificate or certificates shall cease to be such officer or officers, whether because of death, resignation or otherwise, before such certificate or certificates have been delivered by the Corporation, such certificate or certificates may, nevertheless, be issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures have been used thereon

had not ceased to be such officer or officers of the Corporation.

Section 4. Lost Certificates. In case of loss or destruction of any certificate of stock or other security of the Corporation, another may be issued in its place upon satisfactory proof of such loss or destruction and upon the giving of a satisfactory bond of indemnity to the Corporation and to the transfer agents and registrars, if any, of such stock or other security, in such sum as the Board may provide. The Board may delegate to any officer or officers of the Corporation the authorization of the issue of such new certificate or certificates and the approval of the form and amount of such indemnity bond and the surety thereon.

Section 5. Transfer of Shares. Upon surrender to the Corporation or a transfer agent of the Corporation of a certificate for shares duly endorsed

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or accompanied by proper evidence of succession, assignment or authority to transfer, the Corporation may issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 6. Registered Shareholders. The Corporation and its transfer agents shall be entitled to treat the holder of record of any share or shares as the holder in fact thereof and shall not be bound to recognize any equitable or other claims to, or interest in, such shares on the part of any other person and shall not be liable for any registration or transfer of shares which are registered, or to be registered, in the name of a fiduciary or the nominee of a fiduciary unless made with actual knowledge that a fiduciary, or nominee of a fiduciary, is committing a breach of trust in requesting such registration or transfer, or with knowledge of such facts that its participation therein amounts to bad faith.

Section 7. Interested Shareholders. The provisions of these Bylaws, including without limitation the provisions of this Article VI as they apply to any Interested Person or shares beneficially owned by such Interested Person, are subject to the provisions of Article 9 of the Articles.

ARTICLE VII

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS

Section 1. Actions Involving Directors, Officers or Employees.
The Corporation shall indemnify any person who was or is a party (other than a

party plaintiff suing on his own behalf or in the right of the Corporation), or who is threatened to be made such a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including, but not limited to, an action by or in the right of the Corporation) by reason of the fact that he or she is or was a Director, officer or employee of the Corporation, or is or was serving at the request of the Corporation as a director, officer or employee of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding; provided, that no such person shall be indemnified (a) except to the extent that the aggregate of losses to be indemnified under the provisions of this Article VII exceeds the amount of such losses for which the Director, officer or employee is insured pursuant to any directors and officers liability insurance policy maintained by the Corporation; (b) in respect to remuneration paid to such person if it shall be finally adjudged that such remuneration was in violation of law; (c) on account of any suit in which judgment is rendered against such person for an accounting of profits made from the purchase or sale by such person of securities of the Corporation pursuant to the provisions of Section 16(b) of the 1934 Act and amendments thereto or similar provisions of any federal, state or local statutory law; (d) on account of such person's conduct which is finally adjudged to have been

knowingly fraudulent, deliberately dishonest or willful misconduct; and (e) if it shall be finally adjudged that such indemnification is not lawful.

Section 2. Actions Involving Agents. The Corporation may indemnify any person who was or is a party (other than a party plaintiff suing on his own behalf or in the right of the Corporation), or who is threatened to be made such a party, to any threatened, pending or completed action, suit or

proceeding, whether civil, criminal, administrative or investigative (including, but not limited to, an action by or in the right of the Corporation) by reason of the fact that he or she is an agent of the Corporation, or is or was serving at the request of the Corporation as an agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding, all to the full extent permitted by law.

Section 3. Determination of Right to Indemnification in Certain Instances.

(a) Any indemnification under Section 1 of this Article VII (unless ordered by a court) shall be made by the Corporation unless a determination is reasonably and promptly made that indemnification of the director, officer or employee is not proper in the circumstances because he or she has not satisfied the conditions set forth in such Section 1. Such determination

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shall be made (1) by the Board by a majority vote of a quorum consisting of Directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable, a quorum of disinterested Directors so directs, by independent legal counsel in a written opinion, or (3) by the shareholders; provided, that no such determination shall preclude an action brought in an appropriate court to challenge such determination.

(b) Any indemnification under Section 2 of this Article VII (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in such Section 2. Such determination shall be made (1) by the Board by a majority vote of a quorum consisting of Directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable, a quorum of disinterested Directors so directs, by independent legal counsel in a written opinion, or (3) by the shareholders.

Section 4. Advance Payment of Expenses. Expenses incurred by defending a civil or criminal action, suit or proceeding may be paid by the

Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amounts unless it shall ultimately be determined that he or she is entitled to be indemnified by the Corporation as

authorized in this Article.

Section 5. Successful Defense. Notwithstanding any other provision of this Article VII, to the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise (including the dismissal of an action without prejudice or the settlement of an action without admission of liability) in defense of any action, suit or proceeding referred to in Sections 1 or 2 of this Article VII, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred in connection therewith.

Section 6. Not Exclusive Right. The indemnification provided by this Article VII shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any statute, bylaw, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office. Without limiting the generality of the foregoing, in the event of conflict between the provisions of this Article VII and the provisions of any agreement adopted by the shareholders between the Corporation on the one hand, and any director, officer, employee or agent of the Corporation on the other, providing for indemnification, the terms of such agreement shall prevail. Any indemnification, whether required under this Bylaw or permitted by statute or otherwise, shall continue as to a person who has ceased to be a director, officer or employee and shall inure to the

benefit of the heirs, executors and administrators of such person.

Section 7. Insurance. The Board shall have the power to cause the Corporation to purchase and maintain insurance on behalf of any person who is

or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article.

Section 8. Subsidiaries of Corporation. For the purposes of this Article VII, (a) any officer, Director, or employee of the Corporation who shall serve as an officer, director, employee or agent of any other corporation, joint venture, trust or other enterprise of which the Corporation, directly or indirectly, is or was a stockholder or creditor, or in which the Corporation is or was in any way interested, or (b) any officer, director, or employee of any subsidiary corporation, venture, trust or other enterprise wholly owned by the Corporation, shall be deemed to be serving as such director, officer, employee or agent at the request of the Corporation, unless the Board shall determine otherwise. In all instances where any person shall serve as a director, officer, employee or agent of another corporation,

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joint venture, trust or other enterprise of which the Corporation is or was a stockholder or creditor, or in which it is or was otherwise interested, if it is not otherwise established that such person is or was serving as such director, officer, employee or agent at the request of the Corporation, the Board may determine whether such service is or was at the request of the Corporation, and it shall not be necessary to show any actual or prior request for such service.

Note: The indemnification provided in the foregoing provisions of Article VII (and related matters) was approved by the stockholders of the Corporation on February 10, 1987.

Section 9. Spousal Indemnification. The spouse of a person entitled to indemnification under Section 1 hereof or who is granted indemnification under Section 2 hereof, shall be entitled to be so indemnified; provided, that the spouse was or is a party (other than a party plaintiff suing on his or her own behalf or in the right of the Corporation), or was or is threatened to be made a party, to any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative (including, but not limited to, an action by or in the right of the Corporation), solely by reason of the spousal relationship to the person entitled to indemnification under Section 1 hereof or who is granted indemnification under Section 2 hereof.

ARTICLE VIII

GENERAL PROVISIONS

Section 1. Dividends. Dividends upon the shares of the Corporation, subject to the provisions of the Articles, if any, may be declared by the Board at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock or other securities of the Corporation, in rights or warrants relating thereto, or in any other form authorized by law.

Section 2. Checks. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board, or officers authorized by the Board, may, from time

to time, designate.

Section 3. Fiscal Year. The fiscal year of the Corporation shall commence on October 1, and close on September 30.

Section 4. Seal. The Corporation's seal shall have inscribed thereon the name of the Corporation, the numeral "1890" being the year of the incorporation of the Corporation, and the words "Corporate Seal, Missouri". The seal may be used by causing it, or a facsimile thereof, to be impressed, affixed, reproduced or otherwise.

Section 5. Closing of Transfer Books and Fixing of Record Dates. The Board shall have power to close the share transfer books of the Corporation for a period not exceeding seventy (70) days preceding the date of any meeting of shareholders, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change, conversion or exchange of shares shall go into effect; provided, however, that, in lieu of closing the share transfer books as aforesaid, the Board may fix in advance a date, not exceeding seventy (70) days preceding the date of any meeting of shareholders, or the date for the payment any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of shares shall go into effect, as a record date for the determination of the shareholders entitled to notice of, and to vote at, any such meeting, and any adjournment thereof, or entitled to receive payment of any such dividend, or

to any such allotment of rights, or to exercise rights in respect of any such change, conversion or exchange of shares; and, in each such case, such shareholders and only such shareholders as shall be shareholders of record on the date of closing the share transfer books, or on the record date so fixed, shall be entitled to notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any shares after such date of closing of the share transfer books or such record date fixed as aforesaid.

ARTICLE IX

AMENDMENTS

Section 1. These Bylaws may be altered, amended or repealed solely

by a majority vote of the members of the whole Board at any regular or special meeting thereof duly called and convened.

EMERSON ELECTRIC CO.
1991 STOCK OPTION PLAN
AS AMENDED AND RESTATED
EFFECTIVE OCTOBER 1, 1997

1. Purpose of the Plan.

The Emerson Electric Co. 1991 Stock Option Plan (the "Plan") is intended as an incentive to, and to encourage ownership of the stock of Emerson Electric Co. ("Company") by certain key management employees of the Company and its subsidiaries and joint ventures. It is intended that certain options granted hereunder will qualify as Incentive Stock Options within the meaning of Section 422 of the Internal Revenue Code of 1986 as amended (the "Code") ("Incentive Stock Options") and that other options granted hereunder will not qualify as Incentive Stock Options.

2. Stock Subject to the Plan.

(a) Stock Available For Grants of Options and Stock Appreciation Rights ("SARs"). 4,000,000 shares of the Common Stock of the Company par value \$1.00 (which, after taking account of the 2 for 1 split on March 10, 1997, became 8,000,000 shares of the Company par value \$.50) ("Common stock") have been allocated to the Plan and will be reserved for the grant of options or SAR's under the Plan, subject to adjustment under Paragraph 16.

(b) Reservation of Shares. The Company will allocate and reserve in each calendar year, a sufficient number of shares of its Common Stock for issue upon the exercise of options or SAR's granted under the Plan.

(c) Treasury Shares. The Company may, in its discretion, use shares held in the Treasury under this Plan in lieu of authorized but unissued shares of Common Stock. If any option shall expire or terminate for any reason without having been exercised in full, the unpurchased shares subject thereto shall again be available for the purposes of the Plan. Any shares of Common Stock which are used as full or partial payment to the Company by an optionee of the purchase price upon exercise of an option shall again be available for the purposes of the Plan.

3. Administration.

The Plan shall be administered by the Committee referred to in Paragraph 4 (the "Committee"). Subject to the express provisions of the Plan, the Committee shall have plenary authority, in its discretion, to determine the individuals to whom, and the time or times at which, options and SAR's shall be granted and the number of shares to be subject to each option or SAR. In making such determinations the Committee may take into account the nature of the services rendered by the respective individuals, their present and potential contributions to the Company's success and such other factors as the Committee, in its discretion, shall deem relevant. Subject to the express

provisions of the Plan, the Committee shall also have plenary authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective stock option and SAR agreements (which need not be identical) and to make all other determinations necessary or advisable for the administration of the Plan. The Committee's determinations on the matters referred to in this Paragraph 3 shall be conclusive. The Committee may, in its discretion, delegate to the Chief Executive Officer of the Company (the "CEO") the authority to determine the individuals to whom, and the time or times at which and terms upon which, options and SAR's shall be granted and the number of shares to be subject to each option or SAR; provided, however, that the Committee may not delegate such authority to the CEO with respect to employees of the Company who are subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934.

4. The Committee.

The Committee shall at all times be constituted to comply with Rule 16b-3 under the Securities Exchange Act of 1934, or any successor Rule. The Committee shall be appointed by the Board of Directors of the Company ("Board"), which may from time to time appoint members of the Committee in substitution for members previously appointed and may fill vacancies, however caused, in the Committee. The Committee may select one of its members as its

Chairman, and shall hold its meetings at such times and places as it may determine. A majority of its members shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members. Any decision or determination reduced to writing and signed by a majority of the members shall be fully as effective as if it had been made by a majority vote at a meeting duly called and held. The Committee may appoint a secretary, shall keep minutes of its meetings and shall make such rules and regulations for the conduct of its business as it shall deem advisable.

5. Eligibility.

Options (including Incentive Stock Options) and SAR's may be granted only to key management employees of the Company or its subsidiaries (as defined below). The term "key management employees" is not limited to, but includes, officers, whether or not they are directors, and employees who are employed in positions of management, but does not include directors who are not also executive employees of the Company, or a subsidiary thereof. The term "subsidiary" shall mean any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of

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the granting of the option or SAR, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, or such other meaning as may be hereafter ascribed to it in Section 424 of the Code.

Notwithstanding the foregoing, options which are not Incentive Stock Options and SAR's may also be granted to employees of joint ventures of the Company so long as such employees are not subject to Section 16(a) of the Securities Exchange Act of 1934 by virtue of their position with, or share holdings of, the Company. The term "joint venture" means a partnership or other business entity (other than a subsidiary) 50% or more of the profits interest of which is owned by the Company or a subsidiary.

6. Option Prices.

The purchase price of the Common Stock under each Incentive Stock Option shall not be less than 100% of the fair market value of the stock at the time of the granting of the option and the purchase price of the Common Stock under each other option shall not be less than 85% of the fair market value of the stock at the time of the granting of the option. Such fair market value shall generally be considered to be the mean between the high and low prices of the Company's Common Stock as reported on the New York Stock Exchange Composite Tape for the day the option is granted; provided, however, that the Committee may adopt any other criterion for the determination of such fair market value as it may determine to be appropriate.

7. Payment of Option Prices.

The purchase price is to be paid in full upon the exercise of the option, either (i) in cash, (ii) in the discretion of the Committee, by the tender to the Company of shares of the Common Stock of the Company, owned by the optionee and registered in his name, having a fair market value equal to the cash exercise price of the option being exercised, with the fair market value of such stock to be determined in such appropriate manner as may be provided for by the Committee or as may be required in order to comply with, or to conform to the requirements of, any applicable laws or regulations, or (iii) in the discretion of the Committee, by any combination of the payment methods specified in clauses (i) and (ii) hereof. Provided, however, that no shares of Common Stock may be tendered in exercise of an option if such shares were acquired by the optionee through the exercise of an Incentive Stock Option unless (i) such shares have been held by the optionee for at least one year and (ii) at least two years have elapsed since such Incentive Stock Option was granted. The cash proceeds of sale of stock subject to option are to be added

to the general funds of the Company and used for its general corporate purposes. The shares of Common Stock of the Company received by the Company as payment of the option price are to be added to the shares of the Common Stock of the Company held in its Treasury and used for the purposes of granting options and SAR's under the Plan.

Upon exercise of an option which is not an Incentive Stock Option, the Company shall withhold sufficient shares to satisfy the Company's obligation to withhold for federal and state taxes on such exercise.

8. Option Amounts.

The maximum aggregate fair market value (determined at the time an option is granted in the same manner as provided for in Paragraph 6 hereof) of the Common Stock of the Company with respect to which Incentive Stock Options are exercisable for the first time by any optionee during any calendar year (under all plans of the Company and its subsidiaries) shall not exceed \$100,000.

9. Exercise of Options.

The term of each option shall be not more than ten (10) years from the date of granting thereof or such shorter period as is prescribed in Paragraph 10 hereof. Within such limit, options will be exercisable at such time or times, and subject to such restrictions and conditions, as the Committee shall, in each instance, approve, which need not be uniform for all optionees; provided, however, that except as provided in Paragraphs 10 and 11 hereof, no option may be exercised at any time unless the optionee is then an employee of the Company or a subsidiary or joint venture and has been so employed continuously since the granting of the option. The holder of an option shall have none of the rights of a stockholder with respect to the shares subject to option until such shares shall be issued to such holder upon the exercise of the option.

10. Termination of Employment.

Any option issued hereunder must be exercised prior to the optionee's termination of employment with the Company, a subsidiary, or a joint venture, except that if the employment of an optionee terminates with the consent and approval of the optionee's employer, the Committee in its absolute discretion may permit the optionee to exercise the option, to the extent that the optionee was entitled to exercise it at the date of such termination of employment, at any time within three (3) months after such termination, but not after ten (10) years from the date of the granting thereof. In addition,

the Committee in its absolute discretion, may permit an optionee who terminates employment on account of retirement, to exercise such option, to the extent the optionee was entitled to exercise it at the date of such termination, at any time within five (5) years of the termination of employment, but not after ten (10) years from the date of the granting thereof. If an optionee terminates employment on account of disability, the optionee may exercise such option, to the extent the optionee was entitled to exercise it at the date of such termination, at any time within one (1) year of the termination of employment but not after ten (10) years from the date of the granting thereof. For this purpose a person shall be deemed to be disabled if he or she is permanently and totally disabled within the meaning of Section 422(c)(6) of the Code, which, as of the date hereof, means that he or she is unable to engage in any substantial gainful activity by reason of any medically determined physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a period of not less than twelve (12) months. A person shall be considered disabled

only if he or she furnishes such proof of disability as the Committee may require. Options granted under the Plan shall not be affected by any change of employment so long as the optionee continues to be an employee of the Company or a subsidiary thereof or, in the case of SAR's or options which are not Incentive Stock Options, a joint venture of the Company. The option agreements may contain such provisions as the Committee shall approve with reference to the effect of approved leaves of absence. Nothing in the Plan or in any option granted pursuant to the Plan shall confer on any individual any right to continue in the employ of the Company or any subsidiary or joint venture or interfere in any way with the right of the Company or any subsidiary or joint venture thereof to terminate his or her employment at any time.

11. Death.

In the event of the death of an optionee under the Plan, while he or she is employed by the Company (or a subsidiary or joint venture) or within three (3) months after termination of such employment (or one (1) year in the case of the termination of employment of an optionee who is disabled as above provided or five (5) years in the case of termination of employment on account of retirement, as provided in paragraph 10 above) the option theretofore granted may be exercised, to the extent exercisable at the date of death, by a legatee or legatees under the optionee's last will, or by personal representatives or distributees, at any time within a period of one (1) year after death, but not after ten (10) years from the date of granting thereof.

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12. Non-Transferability of Options.

Each option granted under the Plan shall, by its terms, be non-transferable otherwise than by will or the laws of descent and distribution and an option may be exercised, during the lifetime of an optionee, only by such optionee; provided, however, that the Committee may, in its sole discretion, permit an optionee to transfer a non-qualified stock option, or cause the Company to grant a non-qualified stock option that would otherwise be granted to a person described in Paragraph 5 (an "Eligible Optionee"), to any one or more of the following: an Eligible Optionee's descendant, spouse, descendant of a spouse, spouse of any of the foregoing, a trust established primarily for the benefit of any of the foregoing, or of such Eligible Optionee, or to an entity which is a corporation, partnership, or limited liability company (or any other similar entity) the owners of which are primarily the aforementioned persons or trusts. Any such option so transferred or granted directly to the aforementioned persons, trust or entities in respect of an Eligible Optionee shall be subject to the provisions of Paragraph 10 concerning the exercisability during the Eligible Optionee's employment.

13. Successive Option Grants.

Successive option grants may be made to any holder of options under this Plan.

14. Investment Purpose.

Each option under the Plan shall be granted only on the condition that all purchases of stock thereunder shall be for investment purposes, and not with a view to resale or distribution, except that the Committee may make such provision with respect to options granted under this Plan as it deems necessary or advisable for the release of such condition upon the registration with the Securities and Exchange Commission of Common Stock subject to the option, or upon the happening of any other contingency warranting the release of such condition.

15. Stock Appreciation Rights.

(a) Grant. The Committee, in its discretion, may grant under the Plan to key management employees, SAR's for any number of shares. Each SAR granted shall specify a time period for exercise of such SAR.

In addition, the Committee may grant to an optionee an alternative SAR for all or any part of the number of shares covered by an option. If an alternative SAR is granted, the SAR agreement shall specify the options in respect of which the alternative SAR is granted. Any subsequent exercise of an option by the holder thereof who also holds an alternative SAR

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shall reduce the alternative SAR by the same number of shares as to which the option is exercised. Any exercise of the alternative SAR shall reduce the holder's option by the same number of shares as to which the SAR is exercised. An alternative SAR granted to an option holder shall specify a time period for exercise of such SAR, which time period may not extend beyond, but may be less than, the time period during which the corresponding option may be exercised. The failure of the holder of the alternative SAR to exercise such SAR within the time period specified shall not reduce the holder's option rights. The Committee may later grant to the holder of an option that is not an Incentive Stock Option an alternative SAR covering all or a portion of such shares, provided, however, that the aggregate amount of all alternative SAR's held by an option holder shall at no time exceed the total number of shares covered by such holder's unexercised options.

(b) Exercise. A SAR shall be exercised by the delivery to the Company of a written notice which shall state that the individual elects to exercise his or her SAR as to the number of shares specified in the notice and which shall further state what portion, if any, of the SAR award amount (hereinafter defined) the holder thereof requests be paid in cash and what portion, if any, the holder requests be paid in Common Stock of the Company. The Committee promptly shall cause to be paid to such holder the SAR award amount either in cash, in Common Stock of the Company, or any combination of cash and stock as it may determine. Such determination may be either in accordance with the request made by the holder of the SAR or otherwise, in the sole discretion of the Committee. The SAR award amount is (i) the excess of the price of one share of the Company's Common Stock on the date of exercise over (A) the per share price of the Company's Common Stock on the date the SAR was granted or (B) in the case of an alternative SAR, the per share option price for the option in respect of which the alternative SAR was granted multiplied by (ii) the number of shares as to which the SAR is exercised. For the purposes hereof the price of one share of the Company's Common Stock on the date of exercise and on the date of the grant shall be the mean between the high and low prices of the Company's Common Stock on the New York Stock Exchange Composite Tape on such dates provided that the Committee may adopt any other criterion for the determination of such price as it may determine to be appropriate.

(c) Other Provisions of Plan Applicable. All provisions of this Plan applicable to options granted hereunder shall apply with equal effect to SAR's. Not in limitation of the prior sentence it is expressly provided that no SAR shall be transferable otherwise than by will or the laws of descent and distribution and an SAR may be exercised, during the lifetime of the holder thereof, only by such holder.

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16. Adjustments Upon Changes in Capitalization or Corporate Acquisitions.

Notwithstanding any other provisions of the Plan, the option and SAR agreements may contain such provisions as the Committee shall determine to be appropriate for the adjustment of the number and class of shares subject to each outstanding option or SAR, the option prices and SAR award amounts in the event of changes in the outstanding Common Stock by reason of stock dividends, recapitalizations, mergers, consolidations, spin-offs, split-offs, split-ups, combinations or exchanges of shares and the like, and, in the event of any

such change in the outstanding Common Stock, the aggregate number and class of shares available under the Plan and the maximum number of shares as to which options and SAR's may be granted to any individual shall be appropriately adjusted by the Committee, whose determination shall be conclusive. In the event the Company or a subsidiary enters into a transaction described in Section 424(a) of the Code with any other corporation, the Committee may grant options or SAR's to employees or former employees of such corporation in substitution of options or SAR's previously granted to them upon such terms and conditions as shall be necessary to qualify such grant as a substitution described in Section 424(a) of the Code.

17. Amendment and Termination.

The Board, or the Committee may at any time terminate the Plan, or make such modifications of the Plan as they shall deem advisable; provided, however, that the Board or Committee may not, without further approval by the holders of Common Stock, make any modifications which, by applicable law, require such approval. No termination or amendment of the Plan may, without the consent of the optionee to whom any option or SAR shall theretofore have been granted, adversely affect the rights of such optionee under such option or SAR.

18. Effectiveness of the Plan.

The Plan became effective upon adoption by the Board on October 2, 1990 subject, however, to its further approval by the stockholders of the Company which was given on February 5, 1991 and was amended in its entirety effective June 1, 1997.

19. Time of Granting of Options or SAR's.

An option or SAR grant under the Plan shall be deemed to be made on the date on which the Committee, by formal action of its members duly recorded in the records thereof, or the CEO, as the case may be, makes an award of an option or SAR to an eligible employee of the Company or one of its subsidiaries or joint ventures provided that such option or SAR is evidenced

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by a written option or SAR agreement duly executed on behalf of the Company and on behalf of the optionee within a reasonable time after the date of the Committee or CEO action.

20. Term of Plan.

This Plan shall terminate ten (10) years after the date on which it was initially approved and adopted by the Board as set forth under Paragraph 18 and no option or SAR shall be granted hereunder after the expiration of such ten-year period. Options or SAR's outstanding at the termination of the Plan shall continue in full force and effect and shall not be affected thereby.

* * *

The foregoing Amended and Restated Plan was approved and adopted by the Compensation and Human Resources Committee of the Board of Directors of the Company on November 4, 1997 effective for options granted on or after October 1, 1997.

EMERSON ELECTRIC CO.
1991 STOCK OPTION PLAN
AS AMENDED AND RESTATED
EFFECTIVE OCTOBER 1, 1997

1. Purpose of the Plan.

The Emerson Electric Co. 1991 Stock Option Plan (the "Plan") is intended as an incentive to, and to encourage ownership of the stock of Emerson Electric Co. ("Company") by certain key management employees of the Company and its subsidiaries and joint ventures. It is intended that certain options granted hereunder will qualify as Incentive Stock Options within the meaning of Section 422 of the Internal Revenue Code of 1986 as amended (the "Code") ("Incentive Stock Options") and that other options granted hereunder will not qualify as Incentive Stock Options.

2. Stock Subject to the Plan.

(a) Stock Available For Grants of Options and Stock Appreciation Rights ("SARs"). 4,000,000 shares of the Common Stock of the Company par value \$1.00 (which, after taking account of the 2 for 1 split on March 10, 1997, became 8,000,000 shares of the Company par value \$.50) ("Common stock") have been allocated to the Plan and will be reserved for the grant of options or SAR's under the Plan, subject to adjustment under Paragraph 16.

(b) Reservation of Shares. The Company will allocate and reserve in each calendar year, a sufficient number of shares of its Common Stock for issue upon the exercise of options or SAR's granted under the Plan.

(c) Treasury Shares. The Company may, in its discretion, use shares held in the Treasury under this Plan in lieu of authorized but unissued shares of Common Stock. If any option shall expire or terminate for any reason without having been exercised in full, the unpurchased shares subject thereto shall again be available for the purposes of the Plan. Any shares of Common Stock which are used as full or partial payment to the Company by an optionee of the purchase price upon exercise of an option shall again be available for the purposes of the Plan.

3. Administration.

The Plan shall be administered by the Committee referred to in Paragraph 4 (the "Committee"). Subject to the express provisions of the Plan, the Committee shall have plenary authority, in its discretion, to determine the individuals to whom, and the time or times at which, options and SAR's shall be granted and the number of shares to be subject to each option or SAR. In making such determinations the Committee may take into account the nature of the services rendered by the respective individuals, their present and potential contributions to the Company's success and such other factors as the Committee, in its discretion, shall deem relevant. Subject to the express

provisions of the Plan, the Committee shall also have plenary authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective stock option and SAR agreements (which need not be identical) and to make all other determinations necessary or advisable for the administration of the Plan. The Committee's determinations on the matters referred to in this Paragraph 3 shall be conclusive. The Committee may, in its discretion, delegate to the Chief Executive Officer of the Company (the "CEO") the authority to determine the individuals to whom, and the time or times at which and terms upon which, options and SAR's shall be granted and the number of shares to be subject to each option or SAR; provided, however, that the Committee may not delegate such authority to the CEO with respect to employees of the Company who are subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934.

4. The Committee.

The Committee shall at all times be constituted to comply with Rule 16b-3 under the Securities Exchange Act of 1934, or any successor Rule. The Committee shall be appointed by the Board of Directors of the Company ("Board"), which may from time to time appoint members of the Committee in substitution for members previously appointed and may fill vacancies, however caused, in the Committee. The Committee may select one of its members as its

Chairman, and shall hold its meetings at such times and places as it may determine. A majority of its members shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members. Any decision or determination reduced to writing and signed by a majority of the members shall be fully as effective as if it had been made by a majority vote at a meeting duly called and held. The Committee may appoint a secretary, shall keep minutes of its meetings and shall make such rules and regulations for the conduct of its business as it shall deem advisable.

5. Eligibility.

Options (including Incentive Stock Options) and SAR's may be granted only to key management employees of the Company or its subsidiaries (as defined below). The term "key management employees" is not limited to, but includes, officers, whether or not they are directors, and employees who are employed in positions of management, but does not include directors who are not also executive employees of the Company, or a subsidiary thereof. The term "subsidiary" shall mean any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of

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the granting of the option or SAR, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, or such other meaning as may be hereafter ascribed to it in Section 424 of the Code.

Notwithstanding the foregoing, options which are not Incentive Stock Options and SAR's may also be granted to employees of joint ventures of the Company so long as such employees are not subject to Section 16(a) of the Securities Exchange Act of 1934 by virtue of their position with, or share holdings of, the Company. The term "joint venture" means a partnership or other business entity (other than a subsidiary) 50% or more of the profits interest of which is owned by the Company or a subsidiary.

6. Option Prices.

The purchase price of the Common Stock under each Incentive Stock Option shall not be less than 100% of the fair market value of the stock at the time of the granting of the option and the purchase price of the Common Stock under each other option shall not be less than 85% of the fair market value of the stock at the time of the granting of the option. Such fair market value shall generally be considered to be the mean between the high and low prices of the Company's Common Stock as reported on the New York Stock Exchange Composite Tape for the day the option is granted; provided, however, that the Committee may adopt any other criterion for the determination of such fair market value as it may determine to be appropriate.

7. Payment of Option Prices.

The purchase price is to be paid in full upon the exercise of the option, either (i) in cash, (ii) in the discretion of the Committee, by the tender to the Company of shares of the Common Stock of the Company, owned by the optionee and registered in his name, having a fair market value equal to the cash exercise price of the option being exercised, with the fair market value of such stock to be determined in such appropriate manner as may be provided for by the Committee or as may be required in order to comply with, or to conform to the requirements of, any applicable laws or regulations, or (iii) in the discretion of the Committee, by any combination of the payment methods specified in clauses (i) and (ii) hereof. Provided, however, that no shares of Common Stock may be tendered in exercise of an option if such shares were acquired by the optionee through the exercise of an Incentive Stock Option unless (i) such shares have been held by the optionee for at least one year and (ii) at least two years have elapsed since such Incentive Stock Option was granted. The cash proceeds of sale of stock subject to option are to be added

to the general funds of the Company and used for its general corporate purposes. The shares of Common Stock of the Company received by the Company as payment of the option price are to be added to the shares of the Common Stock of the Company held in its Treasury and used for the purposes of granting options and SAR's under the Plan.

Upon exercise of an option which is not an Incentive Stock Option, the Company shall withhold sufficient shares to satisfy the Company's obligation to withhold for federal and state taxes on such exercise.

8. Option Amounts.

The maximum aggregate fair market value (determined at the time an option is granted in the same manner as provided for in Paragraph 6 hereof) of the Common Stock of the Company with respect to which Incentive Stock Options are exercisable for the first time by any optionee during any calendar year (under all plans of the Company and its subsidiaries) shall not exceed \$100,000.

9. Exercise of Options.

The term of each option shall be not more than ten (10) years from the date of granting thereof or such shorter period as is prescribed in Paragraph 10 hereof. Within such limit, options will be exercisable at such time or times, and subject to such restrictions and conditions, as the Committee shall, in each instance, approve, which need not be uniform for all optionees; provided, however, that except as provided in Paragraphs 10 and 11 hereof, no option may be exercised at any time unless the optionee is then an employee of the Company or a subsidiary or joint venture and has been so employed continuously since the granting of the option. The holder of an option shall have none of the rights of a stockholder with respect to the shares subject to option until such shares shall be issued to such holder upon the exercise of the option.

10. Termination of Employment.

Any option issued hereunder must be exercised prior to the optionee's termination of employment with the Company, a subsidiary, or a joint venture, except that if the employment of an optionee terminates with the consent and approval of the optionee's employer, the Committee in its absolute discretion may permit the optionee to exercise the option, to the extent that the optionee was entitled to exercise it at the date of such termination of employment, at any time within three (3) months after such termination, but not after ten (10) years from the date of the granting thereof. In addition,

the Committee in its absolute discretion, may permit an optionee who terminates employment on account of retirement, to exercise such option, to the extent the optionee was entitled to exercise it at the date of such termination, at any time within five (5) years of the termination of employment, but not after ten (10) years from the date of the granting thereof. If an optionee terminates employment on account of disability, the optionee may exercise such option, to the extent the optionee was entitled to exercise it at the date of such termination, at any time within one (1) year of the termination of employment but not after ten (10) years from the date of the granting thereof. For this purpose a person shall be deemed to be disabled if he or she is permanently and totally disabled within the meaning of Section 422(c)(6) of the Code, which, as of the date hereof, means that he or she is unable to engage in any substantial gainful activity by reason of any medically determined physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a period of not less than twelve (12) months. A person shall be considered disabled

only if he or she furnishes such proof of disability as the Committee may require. Options granted under the Plan shall not be affected by any change of employment so long as the optionee continues to be an employee of the Company or a subsidiary thereof or, in the case of SAR's or options which are not Incentive Stock Options, a joint venture of the Company. The option agreements may contain such provisions as the Committee shall approve with reference to the effect of approved leaves of absence. Nothing in the Plan or in any option granted pursuant to the Plan shall confer on any individual any right to continue in the employ of the Company or any subsidiary or joint venture or interfere in any way with the right of the Company or any subsidiary or joint venture thereof to terminate his or her employment at any time.

11. Death.

In the event of the death of an optionee under the Plan, while he or she is employed by the Company (or a subsidiary or joint venture) or within three (3) months after termination of such employment (or one (1) year in the case of the termination of employment of an optionee who is disabled as above provided or five (5) years in the case of termination of employment on account of retirement, as provided in paragraph 10 above) the option theretofore granted may be exercised, to the extent exercisable at the date of death, by a legatee or legatees under the optionee's last will, or by personal representatives or distributees, at any time within a period of one (1) year after death, but not after ten (10) years from the date of granting thereof.

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12. Non-Transferability of Options.

Each option granted under the Plan shall, by its terms, be non-transferable otherwise than by will or the laws of descent and distribution and an option may be exercised, during the lifetime of an optionee, only by such optionee; provided, however, that the Committee may, in its sole discretion, permit an optionee to transfer a non-qualified stock option, or cause the Company to grant a non-qualified stock option that would otherwise be granted to a person described in Paragraph 5 (an "Eligible Optionee"), to any one or more of the following: an Eligible Optionee's descendant, spouse, descendant of a spouse, spouse of any of the foregoing, a trust established primarily for the benefit of any of the foregoing, or of such Eligible Optionee, or to an entity which is a corporation, partnership, or limited liability company (or any other similar entity) the owners of which are primarily the aforementioned persons or trusts. Any such option so transferred or granted directly to the aforementioned persons, trust or entities in respect of an Eligible Optionee shall be subject to the provisions of Paragraph 10 concerning the exercisability during the Eligible Optionee's employment.

13. Successive Option Grants.

Successive option grants may be made to any holder of options under this Plan.

14. Investment Purpose.

Each option under the Plan shall be granted only on the condition that all purchases of stock thereunder shall be for investment purposes, and not with a view to resale or distribution, except that the Committee may make such provision with respect to options granted under this Plan as it deems necessary or advisable for the release of such condition upon the registration with the Securities and Exchange Commission of Common Stock subject to the option, or upon the happening of any other contingency warranting the release of such condition.

15. Stock Appreciation Rights.

(a) Grant. The Committee, in its discretion, may grant under the Plan to key management employees, SAR's for any number of shares. Each SAR granted shall specify a time period for exercise of such SAR.

In addition, the Committee may grant to an optionee an alternative SAR for all or any part of the number of shares covered by an option. If an alternative SAR is granted, the SAR agreement shall specify the options in respect of which the alternative SAR is granted. Any subsequent exercise of an option by the holder thereof who also holds an alternative SAR

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shall reduce the alternative SAR by the same number of shares as to which the option is exercised. Any exercise of the alternative SAR shall reduce the holder's option by the same number of shares as to which the SAR is exercised. An alternative SAR granted to an option holder shall specify a time period for exercise of such SAR, which time period may not extend beyond, but may be less than, the time period during which the corresponding option may be exercised. The failure of the holder of the alternative SAR to exercise such SAR within the time period specified shall not reduce the holder's option rights. The Committee may later grant to the holder of an option that is not an Incentive Stock Option an alternative SAR covering all or a portion of such shares, provided, however, that the aggregate amount of all alternative SAR's held by an option holder shall at no time exceed the total number of shares covered by such holder's unexercised options.

(b) Exercise. A SAR shall be exercised by the delivery to the Company of a written notice which shall state that the individual elects to exercise his or her SAR as to the number of shares specified in the notice and which shall further state what portion, if any, of the SAR award amount (hereinafter defined) the holder thereof requests be paid in cash and what portion, if any, the holder requests be paid in Common Stock of the Company. The Committee promptly shall cause to be paid to such holder the SAR award amount either in cash, in Common Stock of the Company, or any combination of cash and stock as it may determine. Such determination may be either in accordance with the request made by the holder of the SAR or otherwise, in the sole discretion of the Committee. The SAR award amount is (i) the excess of the price of one share of the Company's Common Stock on the date of exercise over (A) the per share price of the Company's Common Stock on the date the SAR was granted or (B) in the case of an alternative SAR, the per share option price for the option in respect of which the alternative SAR was granted multiplied by (ii) the number of shares as to which the SAR is exercised. For the purposes hereof the price of one share of the Company's Common Stock on the date of exercise and on the date of the grant shall be the mean between the high and low prices of the Company's Common Stock on the New York Stock Exchange Composite Tape on such dates provided that the Committee may adopt any other criterion for the determination of such price as it may determine to be appropriate.

(c) Other Provisions of Plan Applicable. All provisions of this Plan applicable to options granted hereunder shall apply with equal effect to SAR's. Not in limitation of the prior sentence it is expressly provided that no SAR shall be transferable otherwise than by will or the laws of descent and distribution and an SAR may be exercised, during the lifetime of the holder thereof, only by such holder.

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16. Adjustments Upon Changes in Capitalization or Corporate Acquisitions.

Notwithstanding any other provisions of the Plan, the option and SAR agreements may contain such provisions as the Committee shall determine to be appropriate for the adjustment of the number and class of shares subject to each outstanding option or SAR, the option prices and SAR award amounts in the event of changes in the outstanding Common Stock by reason of stock dividends, recapitalizations, mergers, consolidations, spin-offs, split-offs, split-ups, combinations or exchanges of shares and the like, and, in the event of any

such change in the outstanding Common Stock, the aggregate number and class of shares available under the Plan and the maximum number of shares as to which options and SAR's may be granted to any individual shall be appropriately adjusted by the Committee, whose determination shall be conclusive. In the event the Company or a subsidiary enters into a transaction described in Section 424(a) of the Code with any other corporation, the Committee may grant options or SAR's to employees or former employees of such corporation in substitution of options or SAR's previously granted to them upon such terms and conditions as shall be necessary to qualify such grant as a substitution described in Section 424(a) of the Code.

17. Amendment and Termination.

The Board, or the Committee may at any time terminate the Plan, or make such modifications of the Plan as they shall deem advisable; provided, however, that the Board or Committee may not, without further approval by the holders of Common Stock, make any modifications which, by applicable law, require such approval. No termination or amendment of the Plan may, without the consent of the optionee to whom any option or SAR shall theretofore have been granted, adversely affect the rights of such optionee under such option or SAR.

18. Effectiveness of the Plan.

The Plan became effective upon adoption by the Board on October 2, 1990 subject, however, to its further approval by the stockholders of the Company which was given on February 5, 1991 and was amended in its entirety effective June 1, 1997.

19. Time of Granting of Options or SAR's.

An option or SAR grant under the Plan shall be deemed to be made on the date on which the Committee, by formal action of its members duly recorded in the records thereof, or the CEO, as the case may be, makes an award of an option or SAR to an eligible employee of the Company or one of its subsidiaries or joint ventures provided that such option or SAR is evidenced

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by a written option or SAR agreement duly executed on behalf of the Company and on behalf of the optionee within a reasonable time after the date of the Committee or CEO action.

20. Term of Plan.

This Plan shall terminate ten (10) years after the date on which it was initially approved and adopted by the Board as set forth under Paragraph 18 and no option or SAR shall be granted hereunder after the expiration of such ten-year period. Options or SAR's outstanding at the termination of the Plan shall continue in full force and effect and shall not be affected thereby.

* * *

The foregoing Amended and Restated Plan was approved and adopted by the Compensation and Human Resources Committee of the Board of Directors of the Company on November 4, 1997 effective for options granted on or after October 1, 1997.

FINANCIAL REVIEW

RESULTS OF OPERATIONS

NET SALES

Sales for 1997 were a record \$12.3 billion, an increase of \$1,149 million or 10.3 percent from 1996. Approximately half of the sales increase was attributable to solid international demand and modest domestic growth with the remainder due to acquisitions (see note 2). All businesses reported sales growth in 1997. Domestic sales increased approximately \$770 million or 12 percent, benefiting from acquisitions, solid gains in the tools business, very strong gains in the electronics business and slight price increases. International sales increased approximately \$380 million, reflecting moderate growth in Europe, continued strength in Asia-Pacific and Latin America, strong growth in Canada and acquisitions, partially offset by unfavorable foreign currency translation of approximately \$235 million. New product sales, from products introduced in the past five years, increased approximately \$520 million or 15 percent to a record \$3.9 billion, representing 32 percent of sales.

In 1996, sales were \$11.1 billion, up \$1.1 billion or 11.4 percent from 1995. More than half of the sales increase was attributable to strong international demand and moderate domestic growth with the remainder due to acquisitions. International sales increased approximately \$480 million due to solid growth in Europe, rapid growth in Asia-Pacific and acquisitions, partially offset by unfavorable foreign currency translation. Domestic sales increased approximately \$655 million, benefiting from solid gains in the heating, ventilating and air conditioning business, very strong gains in the electronics business, acquisitions and slight price increases. New product sales increased approximately \$815 million or 32 percent to \$3.4 billion, representing 30 percent of sales.

INTERNATIONAL SALES

International sales, including U.S. exports, increased approximately 8 percent to a record \$5.2 billion in 1997, representing 43 percent of the Company's total sales. Sales by non-U.S. subsidiaries were \$4.2 billion in 1997, up \$209 million or 5 percent from 1996. U.S. exports exceeded \$1 billion for the first time in 1997, increasing 19 percent to \$1,054 million, reflecting strong sales gains in the process and the heating, ventilating and air conditioning businesses and acquisitions. International sales increased approximately 7 percent excluding acquisitions and the unfavorable impact of currency translation as all major geographic regions achieved sales growth, with particular strength in Asia-Pacific, Latin America and Canada.

In 1996, international sales increased 11 percent to \$4.9 billion, representing approximately 44 percent of the Company's total sales. Sales by non-U.S. subsidiaries were \$4.0 billion in 1996, up \$364 million or 10 percent from 1995. International sales increased more than 7 percent excluding acquisitions and the unfavorable impact of currency. All major geographic regions except Canada reported solid sales growth, highlighted by very strong performance in Asia-Pacific and Latin America. U.S. exports increased \$117 million, or 15 percent, to \$885 million, led by continued strong sales gains in the process and heating, ventilating and air conditioning businesses.

INDUSTRY SEGMENT SALES

Sales in the Commercial and Industrial segment were \$7.4 billion, up \$730 million or 11.0 percent from 1996, reflecting solid international demand, moderate domestic gains and acquisitions. The electronics business achieved very strong underlying sales growth, reflecting broad strength across product lines and service offerings. During the second quarter of 1997, the Company increased its ownership and began consolidating the results of Astec (BSR) Plc. The process business reported modest sales gains as solid international demand was limited by the impact of the strengthening dollar. Sales of the industrial motors and drives business increased moderately over a very strong prior year, as the contribution of 1996 acquisitions helped offset the effects of sluggish European economies and unfavorable currency translation. The industrial components and equipment business reported modest sales gains, as solid international demand was offset by unfavorable exchange rates.

Sales in the Appliance and Construction-Related segment were \$4.9 billion, up \$419 million or 9.3 percent from 1996, reflecting slight domestic gains, strong international demand, the impact of the 1996 Vermont American consolidation and other acquisitions. Sales of the underlying tools business increased solidly, reflecting strong domestic demand and the success of new products. The heating, ventilating and air conditioning business reported slight sales gains as strong international demand offset the significant impact of cool weather on U.S. markets. Sales of the fractional motors and appliance components business increased slightly as the cool weather reduced demand for motors used in room

air-conditioners and fans.

In 1996, sales in the Commercial and Industrial segment were \$6.6 billion, up \$623 million or 10.4 percent from 1995, reflecting strong international demand, modest domestic growth and acquisitions. The process business reported very strong sales gains due to excellent international demand and product line acquisitions. The electronics business experienced excellent sales growth, reflecting very strong domestic markets, the success of new products and recent acquisitions that enhanced service offerings. The industrial motors and drives business achieved very strong sales growth benefiting from strong performances by F.G. Wilson and Control Techniques. The industrial components and equipment business reported modest sales gains reflecting solid international demand.

In 1996, sales in the Appliance and Construction-Related segment were \$4.5 billion, up \$514 million, or 12.8 percent from 1995 due to solid international growth, moderate domestic demand and Vermont American, consolidated into the Company's financial statements beginning in 1996. The heating, ventilating and air conditioning business reported strong sales gains driven by worldwide demand and acceptance of new Copeland Compliant Scroll products. Sales of the underlying tools business increased moderately, reflecting the continued acceptance of new products. The fractional motors and appliance components business increased modestly due to a strong domestic household appliance industry during the second half of the fiscal year.

TOTAL COSTS AND EXPENSES

Cost of sales for 1997 was \$7.9 billion, an increase of 9.8 percent, due primarily to increased sales volume. In 1996, cost of sales was \$7.2 billion, compared to \$6.5 billion in 1995, an increase of 10.6 percent. Cost of sales as a percent of net sales was 64.0 percent in 1997 compared to 64.3 percent and 64.7 percent in 1996 and 1995, respectively. Gross profit margins have improved as a result of the Company's ongoing commitment to cost reduction efforts and productivity improvement programs.

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Selling, general and administrative (SG&A) expenses were \$2.5 billion, \$2.2 billion and \$1.9 billion in 1997, 1996 and 1995, respectively. As a percent of net sales, SG&A expenses were 19.9 percent in 1997 compared to 19.6 percent and 19.3 percent in 1996 and 1995, respectively. The increase in SG&A expenses as a percent of net sales reflects increased investment in new product development and other revenue growth programs and acquisitions, partially offset by ongoing cost reduction efforts. The Company continued its commitment to new product development by increasing engineering and development expense approximately 12 percent to a record \$445 million in 1997, compared to \$399 million and \$354 million in 1996 and 1995, respectively.

Interest expense decreased to \$121 million in 1997 from \$127 million in 1996, reflecting lower interest rates. In 1996, interest expense increased from \$111 million in 1995 due to acquisitions.

In the fourth quarter of 1997, the Company and General Signal formed a joint venture combining Emerson's Appleton Electric operations and General Signal's Electrical Group. Emerson holds a controlling interest in this venture, and the transaction resulted in a pretax gain of approximately \$80 million. The fourth quarter of 1996 included a \$78 million gain from the disposition of Emerson's interest in the S-B Power Tool joint venture ("S-B"). These gains were substantially offset by other non-recurring items. See note 2 for additional information. Other deductions, net, were \$78 million in 1997, compared to \$57 million and \$29 million in 1996 and 1995, respectively. Earnings in 1995 included a \$41 million preferential distribution from S-B.

INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE

Income before income taxes increased \$175 million, or 10.9 percent, to \$1.8 billion in 1997, reflecting increased sales and improved margins. Income before interest expense and income taxes in the Commercial and Industrial segment increased \$103 million, or 11.3 percent, to \$1,013 million in 1997. This improvement is primarily a result of solid international demand, moderate domestic sales growth and acquisitions. Income of the segment was 13.8 percent and 13.7 percent of net sales in 1997 and 1996. Income in the Appliance and Construction-Related segment increased \$71 million, or 9.6 percent, to \$813 million in 1997. As a percent of net sales, income of the segment was 16.5 percent in 1997 and 16.4 percent in 1996. These results reflect increased worldwide sales volume, acquisitions and ongoing cost reduction efforts.

Income before income taxes and cumulative effect of accounting change increased \$149 million, or 10.2 percent, to \$1.6 billion in 1996. Excluding non-recurring items, income before income taxes increased approximately 13 percent in 1996, reflecting worldwide sales volume, improved margins and acquisitions, partially offset by higher interest expense. Income before interest expense, income taxes and accounting change in the Commercial and Industrial segment increased \$90 million, or 11.0 percent, to \$910 million in 1996. This improvement was primarily a result of underlying strength in international markets, modest domestic growth and acquisitions. Income of the segment was 13.7 percent and 13.6 percent of net sales in 1996 and 1995. Income in the Appliance and Construction-Related segment increased \$90 million, or 13.8 percent, to \$742

million in 1996. As a percent of net sales, income of the segment was 16.4 percent in 1996 and 16.3 percent in 1995. These results reflect solid underlying growth, acquisitions and ongoing cost reduction efforts. See note 12 for additional information by industry segment and geographic area.

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INCOME TAXES

Income taxes before accounting change were \$662 million, \$590 million, and \$531 million in 1997, 1996 and 1995, respectively. The effective income tax rate was 37.1 percent in 1997, compared to 36.7 percent in 1996 and 36.4 percent in 1995, reflecting acquisitions.

CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

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 which decreased 1995 net earnings and earnings per common share by \$21.3 million and \$.05, respectively. The adoption of the statement does not have a material impact on the Company's ongoing results of operations.

NET EARNINGS AND RETURN ON EQUITY

Net earnings for 1997 were a record \$1.1 billion, up 10.2 percent from \$1.0 billion in 1996. Net earnings as a percent of sales was 9.1 percent in 1997 and 1996. Earnings per common share were a record \$2.52 in 1997, up 11.0 percent from \$2.27 in 1996. Emerson achieved a return on average stockholders' equity of 20.8 percent compared to 19.9 percent and 19.7 percent in 1996 and 1995, respectively. Net earnings for 1996 were up 12.2 percent from \$908 million in 1995. Earnings per common share in 1996 were up 12.1 percent from \$2.03 in 1995. The Company consummated a two-for-one stock split in March 1997. All per share amounts included in this discussion have been restated to give effect to the split.

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 on a short- and long-term basis.

CASH FLOW

Emerson generated record operating cash flow of \$1.5 billion in 1997, an increase of 14 percent compared to 1996. Operating cash flows were \$1.3 billion and \$1.1 billion in 1996 and 1995, respectively. Operating working capital was approximately 17 percent of sales in 1997 and 18 percent of sales in 1996 and 1995. Increases in total assets, debt and other liabilities reflect sales growth and acquisitions.

Capital expenditures were \$575 million in 1997, up 12 percent from \$514 million in 1996. In 1996, capital expenditures increased 22 percent from \$421 million in 1995. These funds increase the Company's global capacity to leverage opportunities within the heating, ventilating and air conditioning and stand-by power generation industries, as well as improve manufacturing productivity in a number of our businesses. In addition, the Company began work on a \$200 million project focused on a new compressor and motor plant in Suzhou, China. Cash paid in connection with Emerson's purchase acquisitions was \$319 million, \$300 million and \$236 million in 1997, 1996 and 1995, respectively.

Dividends were a record \$481 million (\$1.08 per share) in 1997, compared with \$439 million (\$.98 per share) in 1996 and \$398 million (\$.89 per share) in 1995. In November 1997, the Board of Directors voted to increase the quarterly cash dividend 9.3 percent to an annualized rate of \$1.18 per share.

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LEVERAGE/CAPITALIZATION

Total debt increased to \$2.0 billion in 1997 from \$1.7 billion in 1996, reflecting the impact of acquisitions and the Company's share repurchase program, which authorizes the repurchase of up to 40 million shares of the Company's outstanding common stock. Net purchases of treasury stock totaled approximately \$377 million in 1997. In 1996, total debt increased to \$1.7 billion from \$1.6 billion, reflecting the impact of acquisitions. See notes 2, 3 and 4 for additional information.

The total debt-to-capital ratio was 27.1 percent at year-end 1997, compared to 24.5 percent in 1996 and 24.7 percent in 1995. At September 30, 1997, net debt (total debt less cash and equivalents and short-term investments) was 24.9 percent of net capital, compared to 22.9 percent in 1996 and 23.3 percent in 1995. The Company's interest coverage ratio (income before income taxes, non-recurring items and interest expense divided by interest expense) increased to 15.8 times in 1997, compared to 13.7 times in 1996 and 13.9 times in 1995, as a

result of earnings growth and a reduction in interest rates.

At year-end 1997, the Company and its subsidiaries maintained lines of credit amounting to \$1.3 billion to support commercial paper and had available non-U.S. bank credit facilities of \$455 million to support non-U.S. operations. Lines of credit totaling \$660 million are effective until 2002, with the remainder through various dates in 1998. These lines of credit and bank credit facilities assure the availability of funds at prevailing interest rates. In addition, as of September 30, 1997, the Company could issue up to \$750 million of additional debt securities under its shelf registration with the Securities and Exchange Commission.

FINANCIAL INSTRUMENTS

The Company is exposed to market risk related to changes in interest rates and European and other foreign currency exchange rates, and selectively uses derivative financial instruments to manage these risks. The Company does not hold derivatives for trading purposes. The value of market risk sensitive derivative and other financial instruments is subject to change as a result of movements in market rates and prices. Sensitivity analysis is one technique used to evaluate these impacts. Based on a hypothetical one-percentage-point increase in interest rates or ten-percent weakening in the U.S. dollar across all currencies, the potential losses in future earnings, fair value and cash flows are immaterial. This methodology has limitations; for example, a weaker U.S. dollar would benefit future earnings through favorable translation of non-U.S. operating results. See notes 1, 3, 4 and 5.

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Consolidated Statements of Earnings

EMERSON ELECTRIC CO. AND SUBSIDIARIES

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

<TABLE>
<CAPTION>

	1997	1996	1995
	-----	-----	-----
<S>	<C>	<C>	<C>
Net sales	\$ 12,298.6	11,149.9	10,012.9
	-----	-----	-----
Costs and expenses:			
Cost of sales	7,865.6	7,165.0	6,480.4
Selling, general and administrative expenses	2,450.9	2,192.0	1,933.2
Interest expense	120.9	126.9	110.6
Other deductions, net	77.6	57.0	28.8
	-----	-----	-----
Total costs and expenses	10,515.0	9,540.9	8,553.0
	-----	-----	-----
Income before income taxes and cumulative effect of change in accounting principle	1,783.6	1,609.0	1,459.9
Income taxes	661.7	590.5	530.9
	-----	-----	-----
Income before cumulative effect of change in accounting principle	1,121.9	1,018.5	929.0
	-----	-----	-----
Cumulative effect of change in accounting principle, \$.05 per common share	--	--	(21.3)
	-----	-----	-----
Net earnings	\$ 1,121.9	1,018.5	907.7
	=====	=====	=====
Earnings per common share	\$ 2.52	2.27	2.03
	=====	=====	=====

</TABLE>

See accompanying notes to consolidated financial statements.

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Consolidated Balance Sheets

EMERSON ELECTRIC CO. AND SUBSIDIARIES

September 30
(Dollars in millions except per share amounts)

ASSETS

<TABLE>

<CAPTION>

	1997	1996
<S>	<C>	<C>
Current assets		
Cash and equivalents	\$ 221.1	149.0
Receivables, less allowances of \$54.0 in 1997 and \$50.3 in 1996	2,200.2	1,979.8
Inventories:		
Finished products	789.6	720.7
Raw materials and work in process	1,092.0	1,023.2
Total inventories	1,881.6	1,743.9
Other current assets	413.9	314.5
Total current assets	4,716.8	4,187.2
Property, plant and equipment		
Land	167.0	166.2
Buildings	1,066.0	1,043.2
Machinery and equipment	3,928.9	3,391.1
Construction in progress	271.8	265.1
	5,433.7	4,865.6
Less accumulated depreciation	2,698.3	2,414.8
Property, plant and equipment, net	2,735.4	2,450.8
Other assets		
Excess of cost over net assets of purchased businesses, less accumulated amortization of \$509.5 in 1997 and \$443.7 in 1996	3,116.0	2,779.2
Other	895.1	1,063.8
Total other assets	4,011.1	3,843.0
	\$ 11,463.3	10,481.0
	=====	=====

</TABLE>

See accompanying notes to consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

<TABLE>

<CAPTION>

	1997	1996
<S>	<C>	<C>
Current liabilities		
Short-term borrowings and current		

maturities of long-term debt	\$ 1,445.1	967.0
Accounts payable	942.1	791.3
Accrued expenses	1,241.9	1,063.3
Income taxes	213.3	199.5
	-----	-----
Total current liabilities	3,842.4	3,021.1
	-----	-----
Long-term debt	570.7	772.6
	-----	-----
Other liabilities	1,629.5	1,333.9
	-----	-----
Stockholders' equity		
Preferred stock of \$2.50 par value per share.		
Authorized 5,400,000 shares; issued - none	--	--
Common stock of \$.50 par value per share. Authorized		
1,200,000,000 shares; issued 476,677,006 shares in		
1997 and 1996	238.3	238.3
Additional paid-in capital	3.3	12.3
Retained earnings	6,348.9	5,707.7
Cumulative translation adjustments	(205.9)	(29.2)
	-----	-----
	6,384.6	5,929.1
Less cost of common stock in treasury, 35,873,321		
shares in 1997 and 29,237,152 shares in 1996	963.9	575.7
	-----	-----
Total stockholders' equity	5,420.7	5,353.4
	-----	-----
	\$ 11,463.3	10,481.0
	=====	=====

</TABLE>

Consolidated Statements of Stockholders' Equity

EMERSON ELECTRIC CO. AND SUBSIDIARIES

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

<TABLE>

<CAPTION>

	1997	1996	1995
	-----	-----	-----
<S>	<C>	<C>	<C>
Common stock	\$ 238.3	238.3	238.3
	-----	-----	-----
Additional paid-in capital			
Beginning balance	12.3	15.0	--
Stock plans	(2.8)	.1	(4.7)
Treasury stock issued for acquisitions and other	(6.2)	(2.8)	19.7
	-----	-----	-----
Ending balance	3.3	12.3	15.0
	-----	-----	-----
Retained earnings			
Beginning balance	5,707.7	5,128.3	4,619.1
Net earnings	1,121.9	1,018.5	907.7
Cash dividends (per share: 1997, \$1.08;			
1996, \$.98; 1995, \$.89)	(480.7)	(439.1)	(398.5)
	-----	-----	-----
Ending balance	6,348.9	5,707.7	5,128.3
	-----	-----	-----
Cumulative translation adjustments			
Beginning balance	(29.2)	17.0	8.7
Translation adjustments	(176.7)	(46.2)	8.3
	-----	-----	-----

Ending balance	(205.9)	(29.2)	17.0
Treasury stock			
Beginning balance	(575.7)	(527.8)	(524.3)
Acquired	(427.2)	(99.5)	(81.1)
Issued under stock plans	18.3	14.2	17.5
Issued for acquisitions and other	20.7	37.4	60.1
Ending balance	(963.9)	(575.7)	(527.8)
Total stockholders' equity	\$5,420.7	5,353.4	4,870.8

</TABLE>

See accompanying notes to consolidated financial statements.

28

Consolidated Statements of Cash Flows

EMERSON ELECTRIC CO. AND SUBSIDIARIES

Years ended September 30
(Dollars in millions)

<TABLE>

<CAPTION>

<S>

	1997	1996	1995
	<C>	<C>	<C>
Operating activities			
Net earnings	\$1,121.9	1,018.5	907.7
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	511.6	464.6	408.9
Changes in operating working capital	(42.6)	(131.6)	(190.9)
Other	(92.3)	(34.2)	16.7
Net cash provided by operating activities	1,498.6	1,317.3	1,142.4
Investing activities			
Capital expenditures	(575.4)	(513.5)	(420.7)
Purchases of businesses, net of cash and equivalents acquired	(319.2)	(299.8)	(235.5)
Divestiture of business interests and other, net	34.0	272.3	28.9
Net cash used in investing activities	(860.6)	(541.0)	(627.3)
Financing activities			
Net increase (decrease) in short-term borrowings	321.8	(363.8)	149.0
Proceeds from long-term debt	5.8	249.9	2.4
Principal payments on long-term debt	(13.1)	(77.0)	(217.2)
Net purchases of treasury stock	(376.6)	(120.3)	(51.3)
Dividends paid	(480.7)	(439.1)	(398.5)
Net cash used in financing activities	(542.8)	(750.3)	(515.6)
Effect of exchange rate changes on cash and equivalents	(23.1)	5.7	4.5
Increase in cash and equivalents	72.1	31.7	4.0
Beginning cash and equivalents	149.0	117.3	113.3
Ending cash and equivalents	\$ 221.1	149.0	117.3
Changes in operating working capital			
Receivables	\$ (117.3)	(124.3)	(85.2)
Inventories	(64.4)	(18.0)	(100.2)
Other current assets	(19.5)	7.8	(32.1)
Accounts payable	28.0	43.7	47.2
Accrued expenses	88.6	(16.5)	(47.3)
Income taxes	42.0	(24.3)	26.7
	\$ (42.6)	(131.6)	(190.9)

</TABLE>

See accompanying notes to consolidated financial statements.

29

Notes To Consolidated Financial Statements

EMERSON ELECTRIC CO. AND SUBSIDIARIES

(Dollars in millions except per share amounts)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its controlled affiliates. All significant intercompany transactions, profits and balances are eliminated in consolidation. Other 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 to other deductions over the periods estimated to be benefited, not exceeding 40 years. Long-lived assets are reviewed for impairment whenever events and changes in business circumstances indicate the carrying value of the assets may not be recoverable. Impairment losses are recognized if expected future cash flows of the related assets are less than their carrying values.

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 agreement as a separate component of interest expense. Gains and losses on purchased currency option and forward exchange contracts that qualify for deferral accounting are recognized in income with the underlying hedged transactions; otherwise, the contracts are recorded in the balance sheet and changes in fair value are recognized immediately in other deductions, net. 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 \$750 at September 30, 1997), primarily because retention of a significant portion of these earnings is considered essential for continuing operations. In those cases in which 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 (in thousands) was 445,020 shares, 448,095 shares, and 447,506 shares in 1997, 1996 and 1995, respectively.

Financial Statement Presentation

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates. Certain prior year amounts have been reclassified to conform to the current year presentation.

(2) ACQUISITIONS AND DIVESTITURES

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

<TABLE>
<CAPTION>

	1997	1996	1995
	-----	-----	-----
<S>	<C>	<C>	<C>
Fair value of assets acquired.....	\$359.4	402.1	855.7
Less liabilities assumed.....	38.2	79.3	227.0
Less notes and common stock issued to sellers.....	2.0	23.0	393.2
	-----	-----	-----
Cash paid (net of cash and equivalents acquired).....	\$319.2	299.8	235.5
	=====	=====	=====

</TABLE>

During the second quarter of 1997, Emerson acquired a majority interest in Astec (BSR) Plc through additional share purchases and began consolidating its results. Astec had annual sales of approximately \$600 in calendar 1996. During the fourth quarter of 1997, the Company purchased InterMetro Industries for approximately \$275 and acquired Clairson International Corporation. These two companies produce free-standing and wall-mounted ventilated shelving and specialty storage products. Emerson previously owned a controlling interest in Clairson through Vermont American Corporation ("V.A."), the Company's joint venture with Robert Bosch GmbH. InterMetro and Clairson have combined annual sales of more than \$300. Several smaller businesses were also purchased or sold in 1997.

In addition, in the fourth quarter of 1997, the Company and General Signal Corporation formed a joint venture combining Emerson's Appleton Electric operations and General Signal's Electrical Group. Emerson holds a controlling interest in this venture, and the transaction resulted in a pretax gain of approximately \$80, which was substantially offset by costs arising from relocation of several production facilities, asset impairments and litigation.

Emerson began consolidating V.A. in the second quarter of 1996 as a result of an agreement in which Emerson acquired control over the venture. At September 30, 1997, Emerson had guaranteed V.A.'s indebtedness of approximately \$255. If required to perform under the guarantee, the Company will be indemnified for up to approximately \$90 by Bosch. In addition, the Company purchased Kop-Flex, Inc., a manufacturer of flexible couplings, and Dieterich Standard, a manufacturer of flow measurement sensors, along with several smaller businesses in 1996.

In the fourth quarter of 1996, Emerson received \$200 from the disposition of its fifty-percent interest in the S-B Power Tool Company joint venture. The transaction resulted in a pretax gain of \$78 in 1996, which was substantially offset by costs arising from divestiture of operations, write-off of discontinued product line assets and relocation of several production facilities.

The Company purchased United Kingdom-based manufacturer F.G. Wilson (Engineering) Ltd. in 1995 for approximately \$274, and Caterpillar Inc. subsequently took an equity position in F.G. Wilson. 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 1995 for approximately \$227.

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 dates of divestiture.

(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:

<TABLE>
<CAPTION>

	United States		Non-U.S.	
	1997	1996	1997	1996
<S>	<C>	<C>	<C>	<C>
Borrowings at year end.....	\$907.1	479.0	411.1	475.5
Weighted average interest rate at year end.....	5.9%	5.6%	4.1%	4.1%

</TABLE>

In 1997, the Company entered into a five-year interest rate swap which fixed the rate on \$250 of commercial paper at 6.1 percent. The 1995 F.G. Wilson and Control Techniques acquisitions were partially financed by issuing notes to the sellers totaling 203 million British pounds, of which 163 million British pounds remain outstanding at September 30, 1997. The Company had swapped 163 million and 141 million British pounds with a weighted average interest rate of 6.7 percent and 6.0 percent to \$260 and \$221 at U.S. commercial paper rates at September 30, 1997 and 1996, respectively.

The Company and its subsidiaries maintained lines of credit amounting to \$1,320 with various banks at September 30, 1997, to support commercial paper and to assure availability of funds at prevailing market interest rates. Lines of credit totaling \$660 are effective until 2002 with the remainder through various dates in 1998. 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 \$615 (\$455 unused) at September 30, 1997. In some instances, borrowings against these credit facilities have been guaranteed by the Company to assure availability of funds at favorable interest rates. In addition, as of September 30, 1997, the Company could issue up to \$750 of additional debt securities under its shelf registration with the Securities and Exchange Commission.

(4) LONG-TERM DEBT
Long-term debt is summarized as follows:

<TABLE>
<CAPTION>

	1997	1996
--	------	------

<S>	<C>	<C>
Commercial paper with a weighted average interest rate of 5.6 percent at September 30, 1997.....	\$255.5	336.3
6.3% notes due 2006.....	250.0	250.0
7-7/8% Eurodollar notes due 1998.....	100.0	100.0
8% convertible subordinated debentures due through 2011....	14.0	26.8
Other.....	78.1	72.0
	697.6	785.1
Less current maturities.....	126.9	12.5
	570.7	772.6
Total.....	=====	=====

</TABLE>

The Company has the ability to refinance commercial paper on a long-term basis through its credit lines, and the obligation is included in long-term debt.

The 7-7/8% Eurodollar notes and \$55 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 4.7 percent and 4.3 percent at September 30, 1997 and 1996, 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 1998 is \$10.2, \$4.2, \$6.3 and \$257.6, respectively. Total interest paid related to short-term borrowings and long-term debt was approximately \$108, \$120 and \$121 in 1997, 1996 and 1995, 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 purchased 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 \$575 and \$280 of contracts (primarily options) outstanding at September 30, 1997 and 1996, 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, 1997 and 1996, respectively, the market value of the Company's convertible debentures was \$60 and \$89, compared to the related carrying value of \$14 and \$27. 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, 1997 and 1996, and the estimated fair value of each of the Company's other classes of financial instruments approximated the related carrying value at September 30, 1997 and 1996.

(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, 1997, 1996 and 1995, follows:

	U.S. Plans			Non-U.S. Plans		
	1997	1996	1995	1997	1996	1995
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Defined benefit plans:						
Service cost (benefits earned during the period).. \$	31.7	30.1	28.0	8.0	8.3	7.7
Interest cost.....	94.3	88.1	80.8	16.3	15.9	15.2
Actual return on plan assets.....	(182.3)	(185.0)	(221.6)	(37.8)	(25.4)	(18.4)
Net amortization and deferral.....	44.1	60.1	113.5	19.7	9.2	5.1
Net periodic pension expense (income).....	(12.2)	(6.7)	.7	6.2	8.0	9.6
Defined contribution and multiemployer plans.....	48.5	43.4	39.4	8.1	7.4	7.5
Total retirement plan expense..... \$	36.3	36.7	40.1	14.3	15.4	17.1

</TABLE>

The actuarial present value of benefit obligations and the funded status of the Company's defined benefit pension plans as of September 30, 1997 and 1996, follow:

	U.S. Plans		Non-U.S. Plans	
	1997	1996	1997	1996

<S>	<C>	<C>	<C>	<C>
Accumulated benefit obligation.....	\$1,065.1	991.9	199.0	196.5
Vested benefits included in accumulated benefit obligation.....	\$1,003.9	931.0	167.6	165.9
Projected benefit obligation.....	\$1,248.4	1,173.4	231.1	229.0
Plan assets at fair value (primarily corporate equity and fixed income securities).....	1,544.1	1,410.5	205.3	183.3
Plan assets in excess of (less than) projected benefit obligation..	295.7	237.1	(25.8)	(45.7)
Unamortized transition amount.....	(36.4)	(43.6)	(2.4)	(2.2)
Unrecognized net loss (gain).....	(143.3)	(96.5)	(31.4)	(17.4)
Unrecognized prior service costs.....	20.2	20.6	1.9	1.2
Pension asset (liability) recognized in the balance sheet.....	\$ 136.2	117.6	(57.7)	(64.1)
	=====	=====	=====	=====

</TABLE>

For 1997, 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 7.4 percent, 4.1 percent and 8.7 percent for non-U.S. plans. For 1996, 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 7.5 percent, 4.1 percent and 8.8 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. Net postretirement plan expense for the years ended September 30, 1997, 1996 and 1995 follows:

<S>	1997	1996	1995
	-----	-----	-----
Service cost.....	\$ 3.6	4.0	4.1
Interest cost.....	19.0	18.4	19.6
Net amortization and deferral..	(4.2)	(4.4)	(3.5)
	-----	-----	-----
	\$ 18.4	18.0	20.2
	=====	=====	=====

</TABLE>

The actuarial present value of accumulated postretirement benefit obligations as of September 30, 1997 and 1996 follows:

<S>	1997	1996
	-----	-----
Retirees.....	\$167.0	152.1
Fully eligible active plan participants.....	18.7	17.2
Other active plan participants.....	74.3	68.4
	-----	-----
Accumulated postretirement benefit obligation.....	260.0	237.7
Unrecognized net gain.....	39.9	61.1
Unrecognized prior service benefit.....	9.6	11.0
	-----	-----
Postretirement benefit liability recognized in the balance sheet....	\$309.5	309.8

</TABLE>

The assumed discount rate used in measuring the obligation as of September 30, 1997, was 7.75 percent; the initial assumed health care cost trend rate was 8.0 percent, declining to 5.0 percent in the year 2004. The assumed discount rate used in measuring the obligation as of September 30, 1996, was 7.75 percent; the initial assumed health care cost trend rate was 8.5 percent, declining to 5.0 percent in the year 2004. A one-percentage-point increase in the assumed health care cost trend rate for each year would increase the obligation as of September 30, 1997, by approximately 5 percent and increase the 1997 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 (net of \$13.7 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

In February 1997, stockholders approved increasing the authorized common stock from 400 million to 1.2 billion shares and decreasing the par value from \$1 to \$.50 per share. On March 10, 1997, the Company consummated a two-for-one split, and stockholders received one additional share of common stock for each share held. The accompanying financial statements and notes thereto have been restated to give effect to the split.

The Company has various stock option plans which permit certain officers and employees to purchase common stock at specified prices. Options are granted at 100% of the market value of the Company's common stock on the date of grant, vest one-third each year and expire ten years from the date of grant. At September 30, 1997, 1,038,504 options were available for grant under these plans. Changes in the number of shares subject to option during 1997, 1996 and 1995 follow (shares in thousands):

<TABLE>
<CAPTION>

	1997		1996		1995	
	Average Price	Shares	Average Price	Shares	Average Price	Shares
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Beginning of year.....	\$25.47	4,523	\$22.39	4,483	\$21.80	4,061
Options granted.....	45.09	3,398	38.54	791	29.12	816
Assumed options of acquired company..	--	--	--	--	8.16	417
Options exercised.....	22.55	(794)	19.60	(662)	17.65	(712)
Options canceled.....	41.02	(429)	30.20	(89)	27.90	(99)
End of year.....	34.77	6,698	25.47	4,523	22.39	4,483
Exercisable at year end.....		2,727		2,614		2,370

</TABLE>

<TABLE>
<CAPTION>

Range of Exercise Prices	Outstanding			Exercisable	
	Shares	Average Contractual Life	Average Price	Shares	Average Price
<S>	<C>	<C>	<C>	<C>	<C>
up to \$20.....	1,070	3.6 years	\$ 13.70	917	\$ 14.93
\$21 to 40.....	2,233	6.5	29.30	1,752	28.42
\$41 to 60.....	3,395	9.0	45.02	58	43.43
Total.....	6,698	7.3	34.77	2,727	24.21
	=====			=====	

</TABLE>

The 1993 and 1997 Incentive Shares Plans each authorize the distribution of a maximum of 6 million shares of common stock to key management personnel. At September 30, 1997, 714,000 shares had been issued under the 1993 plan with restriction periods of three to ten years, including 70,000 shares issued in 1997. In addition, 4,893,802 rights to receive common shares had been awarded, including 2,181,960 shares awarded in 1997 which are contingent upon accomplishing certain objectives by 2001. Rights awarded prior to 1997 will be distributed in 1998, with certain shares subject to a three-year restriction period.

The Company applies Accounting Principles Board Opinion No. 25 in accounting for its stock plans. The compensation expense charged against income for the Company's incentive shares plans is immaterial. Had compensation expense for the Company's stock plans been determined in accordance with Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," net earnings and earnings per common share would not materially differ from reported amounts.

At September 30, 1997, 14,197,711 shares of common stock were reserved, including 13,158,734 shares for issuance under the Company's stock plans and 1,038,977 shares for conversion of the outstanding 8% convertible subordinated debentures at a price of \$13.49 per share. During 1997, 8,278,440 treasury shares were acquired and 1,642,271 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

The principal components of income tax expense follow:

<TABLE>
<CAPTION>

	1997	1996	1995
<S>	<C>	<C>	<C>
Federal:			
Current.....	\$447.8	393.0	301.5
Deferred.....	10.1	7.4	46.3
State and local.....	48.2	53.0	49.8
Non-U.S.....	155.6	137.1	133.3
Income tax expense.....	\$661.7	590.5	530.9
	=====	=====	=====

</TABLE>

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

<TABLE>
<CAPTION>

	1997	1996	1995
<S>	<C>	<C>	<C>
Federal corporate statutory rate.....	35.0%	35.0%	35.0%

State and local taxes, less federal tax benefit.....	1.8	2.1	2.2
Other.....	.3	(.4)	(.8)
	-----	-----	-----
Effective income tax rate.....	37.1%	36.7%	36.4%
	=====	=====	=====

</TABLE>

35

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

<TABLE>
<CAPTION>

	1997	1996
	-----	-----
<S>	<C>	<C>
Property, plant and equipment and intangibles.....	\$(321.3)	(281.7)
Leveraged leases.....	(191.1)	(194.9)
Pension.....	(62.2)	(53.5)
Accrued liabilities.....	237.6	226.0
Postretirement and postemployment benefits.....	128.9	130.4
Employee compensation and benefits.....	108.8	101.8
Other.....	92.7	75.0
	-----	-----
Total deferred tax assets (liabilities).....	\$ (6.6)	3.1
	=====	=====

</TABLE>

At September 30, 1997 and 1996, respectively, net current deferred tax assets were \$268.3 and \$230.0, and net noncurrent deferred tax liabilities were \$274.9 and \$226.9. Total income taxes paid were approximately \$645, \$575 and \$485 in 1997, 1996 and 1995, respectively.

(10) OTHER FINANCIAL DATA

Items charged to earnings during the years ended September 30, 1997, 1996 and 1995, included the following:

<TABLE>
<CAPTION>

	1997	1996	1995
	-----	-----	-----
<S>	<C>	<C>	<C>
Research, new product development and product improvement costs.....	\$445.1	398.7	354.2
Rent expense.....	156.9	144.8	129.2
Amortization of intangibles.....	114.0	104.1	86.5

</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 \$78 in 1998 and decline substantially thereafter.

Other assets at September 30, 1997 and 1996, included the following:

<TABLE>
<CAPTION>

1997	1996
-----	-----

<S>	<C>	<C>
Equity investments.....	\$128.3	276.2
Investment in leveraged leases.....	190.9	194.0

</TABLE>

The market value of the Company's equity investments in publicly traded companies exceeded the related carrying value by approximately \$215 at September 30, 1996.

Accrued expenses include employee compensation of \$344.2 and \$259.9, and other liabilities include minority interests in consolidated subsidiaries of \$523.1 and \$274.8 at September 30, 1997 and 1996, respectively.

(11) CONTINGENT LIABILITIES AND COMMITMENTS

At September 30, 1997, there were no known contingent liabilities (including guarantees, pending litigation, taxes and other claims) that management believes will be material in relation to the Company's financial position, nor were there any material commitments outside the normal course of business.

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(12) INDUSTRY SEGMENT INFORMATION

The Company is engaged principally in the worldwide 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. Products of this segment are sold to commercial and industrial distributors and end-users for manufacturing and commercial applications. The Appliance and Construction-Related segment consists of fractional motors and 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. Summarized information about the Company's operations in each industry segment and geographic area

follows:

Industry Segments
(See note 2)

<TABLE>
<CAPTION>

	Net Sales to Unaffiliated Customers			Income Before Income Taxes and Accounting Change			Total	
Assets								
-----	-----	-----	-----	-----	-----	-----	-----	-----
1995	1997	1996	1995	1997	1996	1995	1997	1996
-----	-----	-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>								
Commercial and Industrial.....	\$ 7,365	6,635	6,012	1,013	910	820	6,879	
6,336 5,998								
Appliance and Construction- Related.....	4,934	4,515	4,001	813	742	652	4,100	
3,544 2,671								
Corporate and other items.....	--	--	--	79	84	99	484	
601 730								
Interest expense.....	--	--	--	(121)	(127)	(111)	--	
-- --								
-----	-----	-----	-----	-----	-----	-----	-----	-----
Total.....	\$ 12,299	11,150	10,013	1,784	1,609	1,460	11,463	
10,481 9,399								
	=====	=====	=====	=====	=====	=====	=====	

</TABLE>

<TABLE>
<CAPTION>

				Depreciation and Amortization Expense				
Capital Expenditures								
-----	-----	-----	-----	-----	-----	-----	-----	-----
1995	1997	1996	1995	1997	1996	1995	1997	1996
-----	-----	-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>								
Commercial and Industrial.....	\$ 300	280	254	252				
236 214								
Appliance and Construction-Related.....	206	179	149	305				
246 195								
Corporate and other items.....	6	6	6	18				
32 12								
-----	-----	-----	-----	-----	-----	-----	-----	-----
Total.....	\$ 512	465	409	575				
514 421								
	=====	=====	=====	=====				

</TABLE>

Geographic Areas
(By origin)

<TABLE>
<CAPTION>

	Net Sales to Unaffiliated Customers			Income Before Income Taxes and Accounting Change			Total	
Assets								
-----	-----	-----	-----	-----	-----	-----	-----	-----
1995	1997	1996	1995	1997	1996	1995	1997	1996
-----	-----	-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>								
United States.....	\$ 8,108	7,168	6,395	1,342	1,193	1,064	7,147	
6,159 4,994								
Europe.....	2,951	2,919	2,668	318	316	274	2,947	
3,023 2,974								
Other areas.....	1,240	1,063	950	166	143	134	1,199	

913	886							
Corporate and other items.....		--	--	--	79	84	99	484
601	730							
Interest expense.....		--	--	--	(121)	(127)	(111)	--
-	--							-
Eliminations.....		--	--	--	--	--	--	(314)
(215)	(185)							
-	-----	-----	-----	-----	-----	-----	-----	-----
Total.....		\$ 12,299	11,150	10,013	1,784	1,609	1,460	11,463
10,481	9,399							
		=====	=====	=====	=====	=====	=====	=====
=====	=====							

</TABLE>

(13) QUARTERLY FINANCIAL INFORMATION (Unaudited)
Financial Results

<TABLE>
<CAPTION>

	Net Sales		Gross Profit		Net Earnings	
	1997	1996	1997	1996	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>
First Quarter.....	\$ 2,830.6	2,565.8	1,025.2	915.4	254.9	230.5
Second Quarter.....	3,103.5	2,819.8	1,116.1	998.7	280.4	254.9
Third Quarter.....	3,208.4	2,896.8	1,141.4	1,037.0	296.6	266.9
Fourth Quarter.....	3,156.1	2,867.5	1,150.3	1,033.8	290.0	266.2
	-----	-----	-----	-----	-----	-----
Fiscal Year.....	\$ 12,298.6	11,149.9	4,433.0	3,984.9	1,121.9	1,018.5
	=====	=====	=====	=====	=====	=====

</TABLE>

<TABLE>
<CAPTION>

	Earnings Per Common Share		Dividends Per Common Share	
	1997	1996	1997	1996
<S>	<C>	<C>	<C>	<C>
First Quarter.....	\$.57	.51	.27	.245
Second Quarter.....	.63	.57	.27	.245
Third Quarter.....	.67	.60	.27	.245

Fourth Quarter.....	.65	.59	.27	.245
	-----	-----	-----	-----
Fiscal Year.....	\$2.52	2.27	1.08	.98
	=====	=====	=====	=====

</TABLE>

All per share data reflect the 1997 two-for-one stock split.

See Note 2 for information regarding non-recurring items and the Company's acquisition and divestiture activities.

- - - - -

Stock Prices

<TABLE>
<CAPTION>

	Price Range Per Common Share			
	1997		1996	
	High	Low	High	Low
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
First Quarter.....	\$51 3/4	43 3/4	40 7/8	34 5/16
Second Quarter.....	52 5/8	45	43 3/8	38 7/8
Third Quarter.....	57 1/2	45	45 3/16	38 3/4
Fourth Quarter.....	60 3/8	52 5/16	45 13/16	39 3/8
Fiscal Year.....	\$60 3/8	43 3/4	45 13/16	34 5/16

</TABLE>

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

Independent Auditors' Report

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, 1997 and 1996, 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, 1997. 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, 1997 and 1996, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 1997, in conformity with generally accepted accounting principles.

As discussed in Note 7 to the consolidated financial statements, effective October 1, 1994, the Company changed its method of accounting for postemployment benefits.

/s/ KPMG Peat Marwick LLP

St. Louis, Missouri
November 3, 1997

Safe Harbor Statement

This Annual Report contains various forward-looking statements and includes assumptions concerning Emerson's operations, future results and prospects. These forward-looking statements are based on current expectations and are subject to risk and uncertainties. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, Emerson provides the following cautionary statement identifying important economic, political and technological factors, among others, the absence of which could cause the actual results or events to differ materially from those set forth in or implied by the forward-looking statements and related assumptions.

Such factors include the following: (i) continuation of the current and projected future business environment, including interest rates and capital and consumer spending; (ii) competitive factors and competitor responses to Emerson initiatives; (iii) successful development and market introductions of anticipated new products; (iv) stability of government laws and regulations, including taxes; (v) stable governments and business conditions in emerging economies; (vi) successful penetration of emerging economies; (vii) continuation of the favorable environment to make acquisitions, domestic and foreign, including regulatory requirements and market values of candidates.

SUBSIDIARIES OF EMERSON ELECTRIC CO.

SEPTEMBER 30, 1997

Legal Name -----	Jurisdiction of Incorporation -----
ADI Control Techniques Drives, Inc.	California
Alco Controls S.A. de C.V.	Mexico
Applied Concepts, Inc.	Pennsylvania
Astec (BSR) PLC	U.K.
Stourbridge Holdings (UK) Limited	U.K.
Mirroware Manufacturing Limited	U.K.
Astec Europe Ltd.	U.K.
Astec International PLC	U.K.
Astec France S.A.R.L.	France
BI Technologies S.A.R.L.	France
BI Technologies Limited	U.K.
Brandenburg Limited	U.K.
Astec America Inc.	Delaware
BI Technologies Corporation	Delaware
BI Technologies S.A. de C.V.	Mexico
Semiconductor Circuits Inc.	California
ENI Technology Inc.	Delaware
AAI Export Inc.	Barbados
Astec America de Mexico, S.A. de C.V.	Mexico
Astec Germany GmbH	Germany
Astec Electronics (Malaysia) Sdn Bhd	Malaysia
Astec International Limited	Hong Kong
Astec (M) Sdn Bhd	Malaysia
Astec Pekan Sdn Bhd	Malaysia
Astec Custom Power (Hong Kong) Limited	Hong Kong
Astec Agencies Limited	Hong Kong
ENI Taiwan Limited	Taiwan
Astec Custom Power (Singapore) Pte Ltd	Singapore
BI Technologies Pte Ltd.	Singapore
Astec Custom Power (Philippines) Inc.	Philippines
Astec Electronics Company Limited	China
Astec Power Supply (Shenzhen) Co. Ltd.	China
Astec Electronics (Luoding) Co. Ltd.	China
Astec Japan Limited	Japan
Astec Power Inc.	B.V.I.
BI Technologies GmbH	Germany
BI Technologies S.r.l.	Italy
BI Technologies Japan Limited	Japan
ENI Japan Limited	Japan
Branson Ultrasonic S.A.	Switzerland
Buehler Ltd.	Illinois
Buehler Holdings	Delaware
Wirtz-Buehler Corporation	Delaware

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Clairson International Corp.	Florida
Clairson, Inc.	Delaware
Clairson de Mexico, S.A. de C.V.	Mexico
Clairson (Hong Kong) Limited	Hong Kong
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
Control Techniques (USA) Inc.	Delaware
Control Techniques Drives, Inc.	Delaware
Control Techniques Drives Limited	Canada
Copeland Electric Corporation	Delaware
Digital Appliance Controls Manufacturing (Singapore) Pte Ltd.	Singapore
DACM SDN BHD	Malaysia
Digital Appliance Controls (UK) Limited	U.K.
EECO, Inc.	Delaware
Apple JV Holding Corp.	Delaware
EGS Electrical Group LLC	Delaware
GSEG LLC	Delaware
O-Z Gedney	Delaware
Appleton Electric LLC	Delaware
Appleton Electric, S.A. de C.V.	Mexico
Appleton Holding Corp.	Delaware

Appleton Electric Canada Ltd.	Canada
Conameter Corporation	New Jersey
Copeland Corporation	Delaware
CDP International, Inc.	Delaware
Computer Process Controls, Inc.	Georgia
Copeland Access +, Inc.	Delaware
Copeland de Mexico S.A. de C.V.	Mexico
Copeland International, Inc.	Ohio
Copeland Redevelopment Corporation	Missouri
El-0-Matic USA, Inc.	Delaware
Emerson Electric (U.S.) Holding Corporation	Delaware
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 Ultrasonics S.A.	Sweden
Branson Ultrasonidos S.A.E.	Spain
Branson Ultrasons S.A.	France
2	
Krautkramer France S.A.	France
Chromalox GmbH	Germany
Copeland GmbH	Germany
Copeland France S.A.	France
Copeland Corporation Limited	U.K.
Copeland Italia S.a.R.l.	Italy
Copeland Iberica CIB S.A.	Spain
Copeland Refrigeration Europe S.A.	Belgium
Copeland S.A.	Belgium
El-0-Matic GmbH	Germany
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. de C.V.	Mexico
Emerson Technologies Verwaltungs-GmbH	Germany
Emerson Technologies GmbH & Co.	Germany
Fisher-Rosemount GmbH	Germany
Fisher-Rosemount GmbH & Co.	Germany
Heraeus Sensor GmbH	Germany
Krautkramer GmbH	Germany
Krautkramer GmbH & Co.	Germany
Liebert GmbH	Germany
Liebert A.G.	Switzerland
Reglerwerk Dresden GmbH	Germany
Ridge Tool GmbH	Germany
Ridge Tool GmbH & Co.	Germany
RIDGID Peddinghaus Werkzeug GmbH	Germany
Rosemount Inc.	Minnesota
Dieterich Standard, Inc.	Delaware
Dieterich Technology Holding Corp.	Delaware
Fisher-Rosemount AS (Norway)	Norway
Fisher-Rosemount, S.A.	Spain
Fisher-Rosemount Holding AG	Switzerland
Fisher-Rosemount AG	Switzerland
Rosemount Spo	Czech Republic
Fisher-Rosemount A/S	Denmark
Fisher-Rosemount Ges. M.B.H.	Austria
Rosemount Poland Ltd.	Poland
Fisher-Rosemount Instruments Pty. Ltd.	Australia
Emerson Electric Co. Pty Ltd.	Australia
Fisher-Rosemount Instruments Ltd.	New Zealand
Fisher-Rosemount Instruments Taiwan, Ltd.	Taiwan
Fisher-Rosemount Japan Co. Ltd.	Japan
Fisher-Rosemount Korea Ltd.	Korea
Fisher-Rosemount Middle East, Inc.	Delaware
Fisher-Rosemount Singapore Private Limited	Singapore
P I Components Corp.	Texas
Rosemount AB	Sweden

Rosemount Analytical Inc.
Rosemount China Inc.
Rosemount Mexicana S.A. de C.V.
Rosemount Nuclear Instruments
ROSI Investment Corp.
Tekmar Company

Delaware
Minnesota
Mexico
Delaware
Minnesota
Ohio

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PEPT Investment Corporation
Skil Europe Corporation
Tauandromeda Beteiligungs GmbH
Wirtz-Buehler GmbH
Xomox Corporation
Fisher-Rosemount do Brasil
Industria e Comercio Ltda.
Fisher-Rosemount S.A. de C.V.
Flow Technology, Inc. (Taiwan)
Flow Technology S.A. de C.V.
Inversiones Xomox
Xomox France S.A.
Xomox A.G.
Xomox Chihuahua S.A. de C.V.
Xomox Corporation de Venezuela,C.A.
Xomox South America S.A.
Xomox Uruguay S.A.
Xomox International GmbH
Fisher-Gulde GmbH
Fisher-Gulde GmbH & Co.
Xomox International GmbH & Co.

Delaware
Delaware
Germany
Germany
Ohio

Brazil
Mexico
Ohio
Mexico
Venezuela
France
Switzerland
Mexico
Venezuela
Uruguay
Uruguay
Germany
Germany
Germany
Germany

Emerson Power Transmission Corporation
Emerson Chain, Inc.
Emerson Electronic Motion Controls, Inc.
Liebert Corporation
Atlas Asia Ltd.
Control Concepts Corporation
Edco, Inc. of Florida
Emerson Computer Power (Thailand) Company Limited
Emersub XXV, Inc.
Computersite-Preparations, Inc.
Liebert Asia Ltd.
Liebert Corporation Australia Pty, Ltd.
Atlas Air Australia Pty. Ltd.
Rougemont Enterprises Pte. Ltd.
Liebert Far East Pte. Ltd.
Atlas Air (S.E.A.) Pte Ltd.
Liebert (Malaysia) Sdn.Bhd.
Liebert International B.V.
Liebert Property Holdings, LLC
Liebert Tecnologia Ltda.
Southeast Electrical Testing, Inc.
Micro Motion, Inc.
The Sulton Company, Inc.
Ridge Tool Company
Emerson Electric SRL
Ridge Tool (Australia) Pty., Ltd.
Ridge Tool Manufacturing Company
Ridge Werkzeuge AG
Therm-O-Disc, Incorporated
Componentes Avanzados de Mexico, S.A. de C.V.
Controles de Temperatura S.A. de C.V.
E.G.P. Corporation
Electro-Test, Inc.

Delaware
Delaware
Minnesota
Ohio
Hong Kong
Delaware
Florida
Thailand
Delaware
Ohio
Hong Kong
Australia
Australia
Australia
Singapore
Singapore
Malaysia
Netherlands
Delaware
Brazil
Delaware
Colorado
Delaware
Ohio
Italy
Australia
Delaware
Switzerland
Ohio
Mexico
Mexico
Delaware
California

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Electronic Control Systems, Inc.
Fairmount Building and Investment Corp.
Emerson Electric (Asia) Limited
Branson Ultrasonics (Asia Pacific) Co. Ltd.
Emerson Electric (South Asia/Pacific) Pte. Ltd.
Emerson Electric II, C.A.
Emerson Electric, C.A.
Emerson Electric de Mexico S.A. de C.V.
Ascotech, S.A. de C.V.
Motores Reynosa, S.A. de C.V.
Emerson Electric Foreign Sales Corporation
Emerson Electric International, Inc.
Emerson Electric Ireland Ltd.
Emerson Electric Nederland B.V.
Branson Ultrasonics B.V.
Brooks Instrument B.V.

West Virginia
U.S.A.
Hong Kong
Hong Kong
Singapore
Venezuela
Venezuela
Mexico
Mexico
Mexico
Virgin Islands
Delaware
Bermuda
Netherlands
Netherlands
Netherlands

Emerson Computer Power B.V.	Netherlands
Capax Electrische Apparatenfabriek B.V.	Netherlands
Crouzet Appliance Controls D.O.O.	Slovenia
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
New-Tech Cuijk 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
INAG Industrielle Antriebssysteme GmbH	Germany
Reta Anlagenbau GmbH	Germany
Reta Elektronik GmbH	Germany
Control Techniques Asia-Pacific Pte. Ltd.	Singapore
Control Techniques Drives (Malaysia) Sdn Bhd	Malaysia
Control Techniques Singapore Pte Limited	Singapore
Control Techniques (Thailand) Limited	Thailand
PT Kontroltek Indoprutama	Indonesia
Control Techniques Australia Pty Ltd.	Australia
Control Techniques Bermuda Limited	Bermuda
Control Techniques Drives Limited	U.K.
K.T.K. (Newtown) Limited	U.K.
5	
Control Techniques Dynamics Limited	U.K.
Evershed Powerotor Limited	U.K.
Moore Reed & Company Limited	U.K.
Control Techniques Italia srl	Italy
Control Techniques Precision Systems Limited	U.K.
Control Techniques SpA	Italy
Electric Drives Limited	Ireland
Electric Drives Manufacturing Limited	Ireland
CT Stafford Park 4 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 East Asia Pte Limited	Hong Kong
Control Techniques Endustriyel Kontrol	
Sistemleri Sanayii Ve Ticaret A.S.	Turkey
Control Techniques GesmbH	Austria
Control Techniques India Limited	India
Control Techniques Elpro Automation Ltd.	India
Control Techniques Vietnam Limited	Vietnam
Control Techniques Vues s.r.o.	Czech Republic
CTS Control Techniques Antriebsregelungen	
GmbH	Switzerland
SKS Arlacon Oy	Finland
Styrkonsult Drives AB	Sweden
Emersub XL, Inc.	Delaware
Emersub XLI, Inc.	Delaware
Emersub XLII, Inc.	Pennsylvania
Emersub XLIII, Inc.	Ohio
Emersub XLIV, Inc.	Delaware
Emersub XLV, Inc.	Delaware
Valycontrol, S.A. de C.V.	Mexico
Filcore, Inc.	Texas
Emersub XLVI, Inc.	Nevada
Copesub, Inc.	Delaware
Alliance Compressors	Delaware
Emersub XLVIII, Inc.	Delaware
Emersub L, Inc.	Delaware
Emersub LII, Inc.	Delaware
Emersub LIII, Inc.	Delaware

Emersub LIV, Inc.	Delaware
Emersub LVII, Inc.	Delaware
EMR Holdings, Inc.	Delaware
Branson de Mexico, S.A. de C.V.	Mexico
Digital Appliance Controls, S.A. de C.V.	Mexico
Emerson Electric (China) Holdings Ltd.	China
Beijing Rosemount Far East Instrument Co., Ltd.	China
Emerson Electric (Tianjin) Co., Ltd.	China
Emerson Engineering System (Shanghai) Co., Limited	China
Emerson Fusite Electric (Shenzhen) Co. Ltd.	China
Emerson Machinery & Equipment (Shenzhen)Co. Ltd.	China
Emerson White-Rodgers Electric (Xiamen) Co. Ltd.	China
Emerson Trading Co. (Shanghai) Co. Ltd.	China

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Hangzhou LiShi Ridge Tool Co. Ltd.	China
Rosemount Shanghai Co. Ltd.	China
Shanghai Branson Ultrasonics Co. Ltd.	China
Shenyang Copeland Refrigeration Co., Ltd.	China
Zhejiang-Emerson Motor Company Ltd.	China
Emerson Electric Canada Ltd.	Canada
Ascoelectric Limited	Canada
Fisher Controls Inc. (Controles Fisher Inc.)	Canada
Rosemount Instruments Ltd.	Canada
Therm-O-Disc (Canada) Limited	Canada
Xomox Canada Ltd.	Canada
Emerson Electric do Brasil Ltda.	Brazil
Emerson Electric Hungary Ltd.	Hungary
Emerson Electric Iberica S.A.	Spain
Emerson Electric Korea Ltd.	Korea
Emerson Electric (M) SDN BHD	Malaysia
Emerson Electric (Mauritius) Ltd.	India
Emerson Electric Company India Private Ltd.	India
Emerson Electric (Thailand) Limited	Thailand
Emerson Europe S.A.	France
Asco Joucomatic S.A.	France
Asco Joucomatic GmbH	Germany
Asco Joucomatic GmbH & Co.	Germany
Fluidicontrol S.A.	Spain
Joucomatic Controls Ltd.	New Zealand
Joucomatic Controls Pty. Limited	Australia
Joucomatic S.p.A.	Italy
Joucomatic N.V.	Belgium
Sotrac S.r.l.	Italy
Crouzet Appliance Controls S.A.	France
Crouzet Appliance Controls SpA	Italy
Ferco S.A.	France
Francel S.A.	France
Ridgid France S.A.	France
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	
Electromecanique S.A.R.L. (LS 3E)	France
M.I.S. Kerebel Provence S.A.R.L.	France
M.I.S. Poitouaine S.A.R.L.	France
M.I.S. Societe Peaucelle D'Installations	
et Reparations Electriques S.A.R.L.	France
Sud Bobinage S.A.R.L.	France
Marcel Oury S.A.R.L.	France
Mezierres S.A.	France
Etalissements 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

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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
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 A/S	Denmark
Leroy-Somer Elektroantriebe GmbH	Austria
Leroy-Somer Elektromotoren GmbH	Germany
Leroy-Somer Finland OY	Finland
Leroy-Somer Chile	Chile
Leroy-Somer Pty. Ltd.	South Africa
Bertrand Polico S.A.	France
Constructions Electriques DeBeaucourt S.A.	France
Leroy-Somer Iberica S.A.	Spain
Leroy-Somer Italiana S.p.A.	Italy
Leroy-Somer Ltd.	U.K.
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
Societe Confolentaise de Metalurgie S.A.	France
Societe Commerciale des Ateliers de	
Constructions Electriques D'Orleans S.A.	France
Societe de Mecanique et D'Electrothermie	
des Pays de L'Adour S.A.	France
Emerson Holding Company Limited	U.K.
Asco Joucomatic Ltd.	U.K.
Joucomatic Controls Ltd.	U.K.
Copeland Ltd.	N. Ireland
EL-0-Matic Limited	U.K.
Emerson Electric (U.K.) Limited	U.K.
8	
Fisher-Rosemount Limited	U.K.
Xomox U.K. Limited	U.K.
Liebert Ltd.	U.K.
Liebert Swindon Ltd.	U.K.
Switched Reluctance Drives Ltd. (SDRL)	U.K.
Reluctance Motors Ltd.	U.K.
Emerson Laminaciones de Acero de Monterrey, S.A. de C.V.	Mexico
F.G. Wilson L.L.C.	Delaware
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 Inc.	Delaware
F.G. Wilson (Proprietary) Limited	South Africa
F.G. Wilson S.A.	France
F.G. Wilson Singapore Pte Limited	Singapore
F.G. Wilson Technology India Pvt. Ltd.	India
Genrent Limited	U.K.
F-R Tecnologias de Flujo, S.A. de C.V.	Mexico
Fisher-Rosemount N.V./S.A.	Belgium
Senpro N.V.	Belgium
Fisher-Rosemount Hungary Ltd.	Hungary
Fisher-Rosemount Manufacture Ltd.	Hungary
Motoreductores U.S., S.A. de C.V.	Mexico
Rotores S.A. de C.V.	Mexico
Etirex S.A.	France
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-Rosemount China Limited	Hong Kong
Fisher Controls Pty. Limited	Australia

Fisher Service Company	Delaware
Fisher-Rosemount Manufacturing (M) SDN BHD	Malaysia
Fisher-Rosemount Systems, Inc.	Delaware
Fisher-Rosemount de Venezuela S.A.	Venezuela
Fro-Mex, S.A. de C.V.	Mexico
H.D. Baumann Inc.	Delaware
Nippon Fisher Company Ltd.	Japan
Fisco Ltd.(Fisco Kabushiki Kaisha)	Japan
Tianjin Fisher Controls Valve Company Limited	China
Fisher-Rosemount S.A.	France
Rosemount Portugal Instrumentos Lta.	Portugal
Fusite Corporation	Ohio
Emerson Japan, Ltd.	Japan
Taiyo Emerson Ltd. Japan	Japan
High Voltage Maintenance Corporation	Ohio
Innoven III Corporation	Delaware
Intellution, Inc.	Massachusetts
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.
Kop-Flex, Inc.	Delaware
Kop-Flex Canada Limited	Canada
Kop-Flex International, Inc.	Virgin Islands
Krautkramer Branson, Incorporated	Connecticut
Stresstel Corporation	California
Lipe Rollway Corporation	New York
Lipe Rollway International Ltd.	Delaware
Lipe-Rollway Australia Pty. Ltd.	Australia
Lipe-Rollway de Mexico, S.A.	Mexico
Lipe-Rollway Deutschland GmbH	Germany
Lipe-Rollway Ltd.	Canada
Lipe-Rollway N.V.	Belgium
Lipe-Rollway Technology, Inc.	New York
Rollway Bearing Ltd.	Delaware
Louisville Ladder Corp.	Missouri
McGill Manufacturing Company	Indiana
McGill International, Inc.	Taiwan
Metaloy, Inc.	Massachusetts
Metropolitan International, Inc.	Nevada
InterMetro Industries Corporation	Nevada
InterMetro Industries Corporation	New York
Metro Industries, Inc.	Nevada
Metro International Corporation	Virgin Islands
Metropolitan Wire (Canada) Ltd.	Canada
Metropolitan Wire Corporation	Pennsylvania
Motores Hermeticos del Sur, S.A. de C.V.	Mexico
Northeast Electrical Testing, Inc.	Delaware
Ridge Tool Europe NV	Belgium
Ridgid Scandinavia A/S	Denmark
Ridge Tool Europe S.A.	Belgium
Ridgid Vaerktojs A/S	Denmark
Ridge Tool Pattern Company	Delaware
Ridgid Ferramentas E. Maquinas, Ltda.	Brazil
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	Delaware
Credo Tool Company	Delaware
Carbide Blast Joints, Inc.	Texas
DML Industrial Products, Inc.	North Carolina
Vermont American Corporation, Fountain Inn	Delaware
Primark DML, Inc.	North Carolina
VAC Data Management, Inc.	Delaware
VAC Services LP	Kentucky
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
VA (Hong Kong) Limited	Hong Kong
Vermont Westa Werkzeugbau GmbH	Germany
Western Forge Corporation	Delaware
Wiegand S.A. de C.V.	Mexico
Wizdom Controls, Inc.	Delaware

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, 33-2739, 2-76653, 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 3, 1997, relating to the consolidated balance sheets of Emerson Electric Co. and subsidiaries as of September 30, 1997 and 1996, 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, 1997, which report is incorporated by reference in the September 30, 1997 annual report on Form 10-K of Emerson Electric Co. Our report refers to change in accounting for postemployment benefits.

/s/ KPMG PEAT MARWICK LLP
St. Louis, Missouri
December 17, 1997

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, 1997.

Dated: October 7, 1997.

Signature -----	Title -----
/s/C. F. Knight ----- C. F. Knight	Chairman of the Board and Chief Executive Officer and Director
/s/W. J. Galvin ----- W. J. Galvin	Senior Vice President of Finance and Chief Financial Officer
/s/J. G. Berges ----- J. G. Berges	Director
/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/R. B. Loynd ----- R. B. Loynd	Director
/s/V. R. Loucks, Jr. ----- V. R. Loucks, Jr.	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/G. W. Tamke	Director

G. W. Tamke	

/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.	

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE 1997 EMERSON ELECTRIC CO. CONSOLIDATED STATEMENT OF EARNINGS AND CONSOLIDATED BALANCE SHEET FILED WITH THE COMPANY'S 1997 FORM 10-K AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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