

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 1999

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-278

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

Missouri  
(State or other jurisdiction of  
incorporation or organization)

43-0259330  
(I.R.S. Employer  
Identification No.)

8000 W. Florissant Ave.  
P.O. Box 4100  
St. Louis, Missouri  
(Address of principal executive offices)

63136  
(Zip Code)

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

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

Common stock outstanding at March 31, 1999: 435,249,144 shares.

1  
PART I. FINANCIAL INFORMATION  
Item 1. Financial Statements.

FORM 10-Q

EMERSON ELECTRIC CO. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EARNINGS  
THREE MONTHS AND SIX MONTHS ENDED MARCH 31, 1999 AND 1998  
(Dollars in millions except per share amounts; unaudited)

	Three Months		Six Months	
	1999	1998	1999	1998
Net sales	\$ 3,588.7	3,382.4	7,015.4	6,553.9
Costs and expenses:				
Cost of sales	2,309.8	2,159.7	4,521.4	4,189.5
Selling, general and administrative expenses	698.7	673.3	1,390.1	1,319.7
Interest expense	44.8	39.7	89.7	75.5
Other deductions, net	31.1	29.1	37.5	47.5
Total costs and expenses	3,084.4	2,901.8	6,038.7	5,632.2

Income before income taxes	504.3	480.6	976.7	921.7
Income taxes	178.4	173.0	348.4	331.8
Net earnings	<u>\$ 325.9</u>	<u>307.6</u>	<u>628.3</u>	<u>589.9</u>
Basic earnings per common share	<u>\$ .75</u>	<u>.70</u>	<u>1.44</u>	<u>1.34</u>
Diluted earnings per common share	<u>\$ .74</u>	<u>.69</u>	<u>1.43</u>	<u>1.33</u>
Cash dividends per common share	<u>\$ .325</u>	<u>.295</u>	<u>.65</u>	<u>.59</u>

See accompanying notes to consolidated financial statements.

2

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

ASSETS	March 31, 1999	September 30, 1998
-----	-----	-----
CURRENT ASSETS		
Cash and equivalents	\$ 305.6	209.7
Receivables, less allowances of \$54.9 and \$54.6	2,566.1	2,416.1
Inventories	1,926.2	1,996.5
Other current assets	392.3	379.0
	-----	-----
Total current assets	5,190.2	5,001.3
	-----	-----
PROPERTY, PLANT AND EQUIPMENT, NET	3,048.2	3,011.6
	-----	-----
OTHER ASSETS		
Excess of cost over net assets of purchased businesses	4,004.1	3,702.7
Other	1,013.3	944.2
	-----	-----
Total other assets	5,017.4	4,646.9
	-----	-----
	\$13,255.8	12,659.8
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
-----		
CURRENT LIABILITIES		
Short-term borrowings and current maturities of long-term debt	\$ 2,046.0	1,524.4
Accounts payable	872.3	1,036.7
Accrued expenses	1,242.9	1,252.7
Income taxes	229.5	207.9
	-----	-----
Total current liabilities	4,390.7	4,021.7
	-----	-----
LONG-TERM DEBT	1,286.3	1,056.6
	-----	-----
OTHER LIABILITIES	1,631.7	1,778.2
	-----	-----
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	238.3	238.3
Additional paid in capital	25.1	27.9
Retained earnings	7,400.7	7,056.5
Cumulative translation adjustments	(250.4)	(236.2)

Cost of common stock in treasury, 41,427,862 shares and 38,452,823 shares	(1,466.6)	(1,283.2)
	-----	-----
Total stockholders' equity	5,947.1	5,803.3
	-----	-----
	\$13,255.8	12,659.8
	=====	=====

See accompanying notes to consolidated financial statements.

3

EMERSON ELECTRIC CO. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
SIX MONTHS ENDED MARCH 31, 1999 AND 1998  
(Dollars in millions; unaudited)

FORM 10-Q

	1999	1998
	-----	-----
OPERATING ACTIVITIES		
Net earnings	\$ 628.3	589.9
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	317.2	279.1
Changes in operating working capital	(263.6)	(288.7)
Other	(35.6)	6.4
	-----	-----
Net cash provided by operating activities	646.3	586.7
	-----	-----
INVESTING ACTIVITIES		
Capital expenditures	(267.0)	(265.2)
Purchases of businesses, net of cash and equivalents acquired	(536.5)	(107.7)
Other, net	(27.3)	(1.0)
	-----	-----
Net cash used in investing activities	(830.8)	(371.9)
	-----	-----
FINANCING ACTIVITIES		
Net increase in short-term borrowings	570.7	479.0
Proceeds from long-term debt	426.6	3.4
Principal payments on long-term debt	(216.0)	(7.6)
Dividends paid	(284.1)	(260.9)
Net purchases of treasury stock	(216.6)	(210.9)
	-----	-----
Net cash provided by financing activities	280.6	3.0
	-----	-----
Effect of exchange rate changes on cash and equivalents	(.2)	(12.4)
	-----	-----
INCREASE IN CASH AND EQUIVALENTS	95.9	205.4
	-----	-----
Beginning cash and equivalents	209.7	221.1
	-----	-----
ENDING CASH AND EQUIVALENTS	\$ 305.6	426.5
	=====	=====

See accompanying notes to consolidated financial statements.

4

EMERSON ELECTRIC CO. AND SUBSIDIARIES FORM 10-Q

Notes to Consolidated Financial Statements

- The accompanying unaudited consolidated financial statements, in the opinion of management, include all adjustments necessary for a fair presentation of the results for the interim periods presented. These adjustments consist of normal recurring accruals. The consolidated financial statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all the disclosures required by generally accepted accounting principles. For further information refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended September 30, 1998.
- Other Financial Information  
(Dollars in millions; unaudited)

	March 31, 1999	September 30, 1998
Inventories	-----	-----
-----		
Finished products	\$ 816.5	858.6
Raw materials and work in process	1,109.7	1,137.9
	-----	-----
	\$ 1,926.2	1,996.5
	=====	=====
Property, plant and equipment, net		
-----		
Property, plant and equipment, at cost	\$ 6,241.8	6,070.7
Less accumulated depreciation	3,193.6	3,059.1
	-----	-----
	\$ 3,048.2	3,011.6
	=====	=====
Other assets, other		
-----		
Equity and other investments	\$ 241.5	187.9
Retirement plans	217.6	205.9
Leveraged leases	185.7	187.5
Other	368.5	362.9
	-----	-----
	\$ 1,013.3	944.2
	=====	=====
Other liabilities		
-----		
Minority interest	\$ 453.6	619.9
Postretirement plans	311.4	292.7
Deferred taxes	306.6	306.6
Other	560.1	559.0
	-----	-----
	\$ 1,631.7	1,778.2
	=====	=====

3. During the first quarter of 1999, the Company completed the acquisition of the Westinghouse Process Control Division (PCD) from CBS Corporation for approximately \$257 million. PCD is a supplier of process controls for the power generation, water and wastewater treatment industries. In addition, in the first and second quarters, the Company paid \$234 million to acquire the remaining ownership interest in Astec (BSR) Plc.

During the second quarter of 1999, the Company announced that Caterpillar agreed to acquire the Company's joint venture interest in F.G. Wilson. The completion of this transaction should occur in the third quarter. In addition, the Company completed the acquisition of MagneTek's alternator operations during the third quarter of 1999.

Subsequent to quarter end, the Company entered into an agreement to acquire Daniel Industries, Inc. through a cash tender offer of approximately \$460 million. The transaction is subject to regulatory and other customary conditions. Daniel is a provider of measurement and control products and services for the oil and gas industry.

4. In the quarter ended December 31, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income." This statement requires the reporting of changes in stockholders' equity that do not result from transactions with stockholders. As reflected in the financial statements, nonstockholder changes in equity for the three months ended March 31, 1999 and 1998, were \$242.4 million and \$268.4 million, comprised of net earnings of \$325.9 million and \$307.6 million and foreign currency translation adjustments of \$(83.5) million and \$(39.2) million, respectively. Nonstockholder changes in equity for the six months ended March 31, 1999 and 1998, were \$614.1 million and \$565.7 million, comprised of net earnings of \$628.3 million and \$589.9 million and foreign currency translation adjustments of \$(14.2) million and \$(24.2) million, respectively. The adoption of this statement had no impact on the Company's results of operations or financial condition.
5. The weighted average number of common shares outstanding (in millions) was 434.3 and 440.8 for the three months ended March 31, 1999 and 1998, and 435.1 and 440.0 for the six months ended March 31,

1999 and 1998, respectively. The weighted average number of shares outstanding assuming dilution (in millions) was 438.5 and 446.2 for the three months ended March 31, 1999 and 1998, and 439.6 and 445.0 for the six months ended March 31, 1999 and 1998, respectively. Dilutive shares primarily relate to stock plans.

Items 2 and 3. Management's Discussion and Analysis of Results of Operations and Financial Condition.

Results of Operations

Sales, net earnings and earnings per share for the second quarter and first six months of fiscal 1999 were the highest for any quarter and first six-month period in the Company's history.

Net sales were \$3,588.7 million for the quarter ended March 31, 1999, up 6.1 percent over net sales of \$3,382.4 million for the quarter ended March 31, 1998, and \$7,015.4 million for the six months ended March 31, 1999, up 7.0 percent over net sales of \$6,553.9 million for the same period a year ago. Sales growth in the United States has been modest after a strong performance last year. Europe has also softened relative to a solid 1998, and the remaining international regions have stabilized after a difficult 1998.

In the Commercial and Industrial segment, sales in the electronics business increased significantly due to the contributions of Advanced Power Systems and Hiross, recent acquisitions that expand Emerson's position in the telecommunications equipment market. Despite softness associated with recent low oil prices, the process business experienced a strong increase in sales compared with the 1998 period, driven by the Westinghouse Process Control acquisition. The industrial motors and drives business experienced a modest sales decrease driven by weak capital goods markets worldwide. The industrial components and equipment business reported a slight increase in sales over a solid performance last year due to recent acquisitions that broadened product offerings.

In the Appliance and Construction-Related segment, the heating, ventilating and air conditioning business continued to achieve very strong sales growth, driven by demand for residential and light commercial air conditioning products in the United States and China. Sales of the underlying tools business increased, benefiting from strong demand for the ClosetMaid (TM) line of home storage products and increased demand for In-Sink-Erator (TM) waste disposers. The fractional motors and appliance components business reported a modest increase in sales after a very strong 1998, driven by recent acquisitions and higher demand in the United States.

Cost of sales for the second quarter was \$2,309.8 million or 64.4 percent of sales, compared with \$2,159.7 million, or 63.9 percent of sales, for the second quarter of 1998. Cost of sales for the six months ended March 31, 1999, was \$4,521.4 million or 64.5 percent of sales, compared to \$4,189.5 million or 63.9 percent of sales for the same period a year ago. Selling, general and administrative expenses for the three months ended March 31, 1999, were \$698.7 million, or 19.4 percent of sales, compared to \$673.3 million, or 19.9 percent of sales for the same period a year ago. For the first six months of 1999, selling, general and administrative expenses were \$1,390.1 million or 19.8 percent of sales, compared to \$1,319.7 million or 20.2 percent of sales for the same period in 1998. Solid underlying profit improvement and rapid integration of several lower-margin acquisitions enabled the Company to maintain profit margins in line with 1998 results.

Financial Condition

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

March 31, 1999	September 30, 1998
-------------------	-----------------------

Working capital (in millions)	\$ 799.5	\$ 979.6
Current ratio	1.2 to 1	1.2 to 1
Total debt to total capital	35.9%	30.8%
Net debt to net capital	33.7%	29.0%

The Company's interest coverage ratio (earnings before income taxes and interest expense, divided by interest expense) was 11.9 times for the six months ended March 31, 1999, compared to 13.2 times for the same period one year earlier. The decrease in the interest coverage ratio reflects higher average borrowings resulting from share repurchases and acquisitions, partially offset by earnings growth. In the second quarter of fiscal 1999, the Company issued \$250 million of 5.85%, 10-year notes and \$250 million of 5.125%, 1-year notes. The notes were simultaneously swapped to floating U.S. commercial paper rates.

Cash and equivalents increased by \$95.9 million during the six months ended March 31, 1999. Cash flow provided by operating activities of \$646.3 million and a net increase in borrowings of \$781.3 million were used primarily to fund purchases of businesses of \$536.5 million, pay dividends of \$284.1 million, fund capital expenditures of \$267.0 million, and fund net purchases of treasury stock of \$216.6 million.

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

Year 2000 readiness was discussed in the Company's 1998 Annual Report on Form 10-K under the caption "Year 2000 Readiness." Subsequently, the Company has completed the assessment phase. Remediation and testing activities at the Company's divisions are at various stages, with more than 80 percent of critical systems completed. Substantially all computer applications and systems are expected to be Year 2000 compliant by June 30, 1999.

Statements in this report that are not strictly historical may be "forward-looking" statements which involve risks and uncertainties. These include economic and currency conditions, market demand, pricing, and competitive and technological factors, among others which are set forth in the Company's Annual Report on Form 10-K for the year ended September 30, 1998.

PART II. OTHER INFORMATION

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

At the Annual Meeting of Stockholders on February 2, 1999, a matter described in the Notice of Annual Meeting of Stockholders dated December 15, 1998, was voted upon.

The directors listed below were elected for terms ending in 2002 with voting for each as follows:

DIRECTOR	FOR	WITHHELD
-----	-----	-----
D. C. Farrell	354,369,225	23,069,282
J. A. Frates	354,328,065	23,110,442
C. F. Knight	354,562,745	22,875,762
R. B. Loynd	354,178,492	23,260,015
R. W. Staley	354,627,934	22,810,573

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

(a) Exhibits (Listed by numbers corresponding to the Exhibit Table of Item 601 in Regulation S-K).

3(a) Restated Articles of Incorporation of Emerson Electric Co., incorporated by reference to Emerson Electric Co. Form 10-Q for the quarter ended March 31, 1997, Exhibit 3(a).

3(b) Bylaws of Emerson Electric Co., as amended through November 3, 1998, incorporated by reference to Emerson Electric Co. 1998 Form 10-K, Exhibit 3(b).

10(j) Fifth Amendment to the Supplemental Executive Savings Investment Plan, filed herewith.

12 Computation of Ratio of Earnings to Fixed Charges

27 Financial Data Schedule

- (b) Reports on Form 8-K. The Company did not file any reports on Form 8-K during the quarter ended March 31, 1999.

9

EMERSON ELECTRIC CO. AND SUBSIDIARIES

FORM 10-Q

SIGNATURE

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

EMERSON ELECTRIC CO.

Date: May 14, 1999

By /s/ Walter J. Galvin

-----

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

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

FIFTH AMENDMENT TO THE  
EMERSON ELECTRIC CO.  
SUPPLEMENTAL EXECUTIVE  
SAVINGS INVESTMENT PLAN  
-----

WHEREAS, Emerson Electric Co. ("Company") previously adopted the Supplemental Executive Savings Investment Plan ("Plan") effective as of August 1, 1989, in order to attract and retain selected executives; and

WHEREAS, the Company desires to amend and restate the Plan effective as of January 1, 1999;

NOW, THEREFORE, effective as of January 1, 1999, the Plan is amended and restated to read as follows:

SECTION I  
-----

DEFINITIONS  
-----

A. "Account" means the book entry account established for each Participant under Section IV.

B. "Basic ESIP Contribution" means the Participant's contribution to the ESIP with respect to which the Participant's Employer makes a matching contribution.

C. "Beneficiary" means the Beneficiary designated to receive a death benefit under the Plan.

D. "Change of Control" means any of the following: (i) the purchase or other acquisition (other than from the Company) by any person, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Exchange Act (excluding, for this purpose, the Company or its subsidiaries or any employee benefit plan of the Company or its subsidiaries) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of twenty percent (20%) or more of the then-outstanding shares of common stock of the Company or the combined voting power of the Company's then-outstanding voting securities entitled to vote generally in the election of directors; (ii) individuals who, as of August 1, 1989, constituted the Board of Directors of the Company (the "Board" and, as of the date the "Incumbent Board") cease for any reason to constitute at least the majority of the Board, provided that any person who becomes a director subsequent to said date whose election or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of this Section, considered as though such person were a member of the Incumbent Board; or (iii) approval by the stockholders of the Company of a reorganization, merger or consolidation, in each case with respect to which persons who were the stockholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than fifty percent (50%) of, respectively, the common stock and the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated corporation's then-outstanding voting securities, or of a liquidation or dissolution of the Company or of the sale of all or substantially all of the assets of the Company.

E. "Code" means the Internal Revenue Code of 1986, as amended.

F. "Committee" means the Compensation and Human Resources Committee of the Board of Directors of the Company.

G. "Company" means Emerson Electric Co., a Missouri Corporation.

H. "Compensation" means, for any calendar year, all cash pay for such year received by an Employee from the Employer plus amounts contributed through a salary reduction arrangement to a qualified Plan which meets the requirements of Section 401(k) of the Code or to a cafeteria plan which meets the requirements of Section 125 of the Code, excluding any reimbursed item, any payment under any Emerson Electric Co. Performance Share Bonus Plan or Incentive Shares Plan, any payment for a stock appreciation right, any payment deferred for more than one year and any severance pay. Compensation shall also include amounts deferred by the Employee under this Plan.

I. "Employee" means any person employed by an Employer.

J. "Employer" means the Company and any of its subsidiaries or affiliates



which has, with the consent of the Board of Directors of the Company, adopted the Plan.

K. "Employment" means employment with an Employer.

L. "ESIP" means the Emerson Electric Co. Employee Savings Investment Plan.

M. "Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

N. "Participant" means an Employee eligible to participate in the Plan pursuant to Section II.

O. "Plan" means this Emerson Electric Co. Supplemental Executive Savings Investment Plan.

P. "Reporting Person" means an Employee who is required to file reports with the Securities and Exchange Commission pursuant to Section 16(a) of the Exchange Act.

Q. "Total and Permanent Disability" shall have the same meaning as set forth in the ESIP.

R. "Years of Service" means the most recent consecutive full years of Employment (commencing with the first day of an individual's Employment and each anniversary thereof).

## SECTION II

-----

### ELIGIBILITY

-----

Participation in the Plan shall be limited each calendar year to those Employees who have been selected by the Committee from time to time and who have completed a form provided by the Committee.

## SECTION III

-----

### DEFERRAL OF COMPENSATION

-----

A. Any Participant who elects to make either the maximum pre-tax contribution to the ESIP for the calendar year permitted by Section 402(g) of the Code, or the maximum contribution to the ESIP for the ESIP plan year permitted by Sections 401(a)(17) or 415 of the Code, may elect to defer up to the excess of five percent (5%) of his Compensation over his Basic ESIP Contribution for such calendar year.

B. In addition to deferrals permitted under Paragraph A, each Participant may elect to defer up to fifteen percent (15%) of his Compensation for a calendar year.

C. Such deferrals may be made on either a pre-tax basis, an after-tax basis, or a combination of pre-tax and after-tax bases, as selected by the Participant, and must be made by filing a written notice with the Committee. Notwithstanding the preceding, a deferral under Paragraph A must be either one hundred percent (100%) pre-tax or one hundred percent (100%) after-tax and a deferral under Paragraph B must be either one hundred percent (100%) pre-tax or one hundred percent (100%) after-tax.

D. An election to defer Compensation and the manner in which such deferrals are to be made must be made by the December 1 prior to the calendar year for which such Compensation would otherwise be earned.

E. The maximum amount which may be deferred for any calendar year for any Participant is twenty percent (20%) of his Compensation, minus his contribution for such calendar year to the ESIP.

## SECTION IV

-----

### ESTABLISHMENT OF ACCOUNTS

-----

A. The Committee will establish an Account for the benefit of each Participant. As of each payroll date, the Account of each Participant will be credited with the amount by which the Participant elected to defer his Compensation pursuant to Section III.

B. The Account will also be credited, as of each payroll date, with fifty percent (50%) (but not in excess of 2.5% of a Participant's Compensation minus the matching amounts contributed by the Company for such Participant to the ESIP on account of the Participant's Basic ESIP Contribution for such calendar year) of the amount by which the Participant elected to defer his Compensation

pursuant to Section III(a).

C. The Account will be reduced by any payments made under Section VIII.

#### SECTION V

-----

#### INVESTMENT INDICES

-----  
The value of each Participant's Account shall be measured as follows: (a) all amounts invested in the Plan prior to January 1, 1998 shall be measured against the underlying investment funds of the ESIP in the proportions reflected in the Company's records for such Participant's Account; and (b) all amounts invested in the Plan on or after January 1, 1998 shall be measured against the underlying investment funds of the ESIP in the proportions that the Participant's ESIP accounts are invested in the underlying funds of the ESIP.

#### SECTION VI

-----

#### CREDITING OF INVESTMENT GAINS AND LOSSES

-----  
As of the end of each calendar quarter, the Committee shall credit or debit each Participant's Account, as the case may be, with the appropriate amount of gain or loss assuming such Account had been invested in the underlying funds in the ESIP in the manner set forth under Section V.

#### SECTION VII

-----

#### VESTING

-----

A. A Participant shall be fully vested in the portion of his Account attributable to amounts credited under Section IV.A. A Participant shall be vested in the portion of his Account attributable to amounts credited under Section IV.B pursuant to the following schedule:

Years of Service	Percent Vesting
Less than 1	0%
1	20%
2	40%
3	60%
4	80%
5	100%

B. Notwithstanding the foregoing, the Participant shall be fully vested in his Accounts in the event of any of the following: (i) retirement with the approval of the Committee on or after attainment of age fifty-five (55); (ii) death or Total and Permanent Disability of the Participant; (iii) termination of the Plan; or (iv) a Change of Control.

#### SECTION VIII

-----

#### PAYMENT OF BENEFITS

-----  
A. A Participant shall be paid, within sixty (60) days following his termination of Employment, a single lump cash sum equal to the vested portion of his Account based upon the last valuation under Section V coincident with or immediately preceding such termination of Employment; provided, however, that a Participant may elect prior to the calendar year in which his termination of Employment occurs, to receive his vested Account in ten (10) or fewer substantially equal annual installments in lieu of a lump sum. Such installments, if elected, shall commence on or before March 1 of the calendar year following the Participant's termination. If the Participant is a Reporting Person and makes the installment election permitted above, such election is subject to the approval of the Committee.

In the event of the Participant's death, his Beneficiary shall be paid, within sixty (60) days following such death, the vested portion of the Participant's

unpaid Account (if any) based upon the value as of the last valuation under Section V coincident with or immediately preceding the Participant's death.

Notwithstanding the preceding, the Committee, in its discretion, may

- (i) value the Participant's Account as of any other date for purposes of determining the amount of payment; and
- (ii) direct that the Participant (or the Participant's Beneficiary) shall be paid all or a portion of the vested portion of his Account as of any other date designated by the Committee.

B. Notwithstanding the preceding, in the event of a Change of Control, all future deferrals shall cease and each Participant shall be paid a single lump cash sum equal to the vested portion of his Account as of the last day of the

month coincident with or immediately preceding the Change of Control. Such payment shall be made, at such Participant's election, (i) upon the Change of Control, or (ii) upon the Participant's termination of Employment after the Change of Control. If the Participant is a Reporting Person, such election (and any change in such election) is subject to the approval of the Committee.

C. A Participant may, at any time upon thirty (30) days' written notice to the Committee, elect to be paid all or any portion of the aggregate amounts of his after-tax deferrals under the Plan, reduced by (i) any prior payments of such deferrals and (ii) any reduction in value of the Participant's Accounts under Section V. If the Participant is a Reporting Person, such election is subject to the approval of the Committee and must be made at least six (6) months after the date of the Participant's most recent election, with respect to any plan of the Company, that effected a "discretionary transaction" that was an "acquisition," as those terms are defined in Rule 16b-3 under the Exchange Act.

D. The Committee may direct, upon the request of a Participant and a showing of an emergency beyond the Participant's control which results in severe financial hardship, that all or a portion of the value of such Participant's Account be distributed to him. If the Participant is a Reporting Person, such request must be made at least six (6) months after the date of the Participant's most recent election, with respect to any plan of the Company, that effected a "discretionary transaction" that was an "acquisition," as those terms are defined in Rule 16b-3 under the Exchange Act.

## SECTION IX

-----

### ADMINISTRATION AND CLAIMS PROCEDURE

-----

A. The Committee shall construe, interpret and administer all provisions of the Plan and a decision of a majority of the members of the Committee shall govern.

B. A decision of the Committee may be made by a written document signed by a majority of the members of the Committee or by a meeting of the Committee. The Committee may authorize any of its members to sign documents or papers on its behalf.

C. The Committee may appoint such agents, who need not be members of the Committee, as it may deem necessary for the effective exercise of its duties, and may, to the extent not inconsistent herewith, delegate to such agents any powers and duties, both ministerial and discretionary, as the Committee may deem expedient and appropriate.

D. A Participant who believes that he or she is being denied a benefit to which he or she is entitled (hereinafter referred to as "Claimant") may file a written request for such benefit with the Committee setting forth his claim. The request must be addressed to: Compensation and Human Resources Committee, Emerson Electric Co., 8000 West Florissant, St. Louis, Missouri 63136.

E. Upon receipt of a claim the Committee shall advise the Claimant that a reply will be forthcoming within ninety (90) days and shall in fact deliver such reply in writing within such period. The Committee may, however, extend the reply period for an additional ninety (90) days for reasonable cause. If the claim is denied in whole or in part, the Committee will adopt a written opinion using language calculated to be understood by the Claimant setting forth:

- (i) the specific reason or reasons for denial,
- (ii) the specific references to pertinent Plan provisions on which the denial is based,
- (iii) a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation why such material or such information is necessary,
- (iv) appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review, and
- (v) the time limits for requesting a review under Subsections F and G.

F. Within sixty (60) days after the receipt by the Claimant of the written opinion described above, the Claimant may request in writing that the Chief Executive Officer of the Company review the determination of the Committee. Such request must be addressed to: Chief Executive Officer, Emerson Electric Co., 8000 West Florissant, St. Louis, Missouri 63136. The Claimant or his or her duly authorized representative may, but need not, review the pertinent documents and submit issues and comments in writing for consideration by the Chief Executive Officer. If the Claimant does not request a review of the Committee's determination by the Chief Executive Officer within such sixty-day period, he or she shall be barred and estopped from challenging the Committee's determination.

G. Within sixty (60) days after the Chief Executive Officer's receipt of a

request for review, the Chief Executive Officer will review the Committee's determination. After considering all materials presented by the Claimant, the Chief Executive Officer will render a written opinion, written in a manner calculated to be understood by the Claimant, setting forth the specific reasons for the decision and containing specific references to the pertinent Plan provisions on which the decision is based. If special circumstances require that the sixty-day time period be extended, the Chief Executive Officer will so notify the Claimant and will render the decision as soon as possible but not later than one hundred twenty (120) days after receipt of the request for review.

#### SECTION X

-----

#### MISCELLANEOUS

-----

- A. Plan Year. The Plan Year shall be the calendar year.
- B. Spendthrift. No Participant or beneficiary shall have the right to assign, transfer, encumber or otherwise subject to lien any of the benefits payable or to be payable under this Plan.
- C. Incapacity. If, in the opinion of the Committee, a person to whom a benefit is payable is unable to care for his affairs because of illness, accident or any other reason, any payment due the person, unless prior claim therefore shall have been made by a duly qualified guardian or other duly appointed and qualified representative of such person, may be paid to some member of the person's family, or to some party who, in the opinion of the Committee, has incurred expense for such person. Any such payment shall be a payment for the account of such person and shall be a complete discharge of any liability.
- D. Employee Rights. The Employer, in adopting this Plan, shall not be held to create or vest in any Employee or any other person any benefits other than the benefits specifically provided herein, or to confer upon any Employee the right to remain in the service of the Employer.
- E. Service of Process and Plan Administrator.
- (i) The Vice President-Law of the Company shall be the agent for service of legal process.
  - (ii) The Company shall constitute the Plan Administrator.
- F. Unfunded Plan. The Plan shall be unfunded. All payments to a Participant (or the Participant's Beneficiary) under the Plan shall be made from the general assets of the Employer. The rights of any Participant to payment shall be those of an unsecured general creditor of the Employer.
- G. Company Rights. The Company reserves the right to amend or terminate the Plan. Each Employer may terminate its participation in the Plan at any time.
- H. Reemployment. If a Participant is receiving benefits under the Plan and is re-employed by an Employer, benefits shall cease until he is no longer employed by an Employer.
- I. Governing Law. The Plan shall be governed and construed according to the laws of the State of Missouri.

IN WITNESS WHEREOF, the Company has caused this Plan to be executed by its duly authorized officer this 2nd day of February, 1999.

EMERSON ELECTRIC CO.

Name: J. A. Harmon

By: /s/ J. A. Harmon

Title: Senior Vice President

## EXHIBIT 12

EMERSON ELECTRIC CO. AND SUBSIDIARIES  
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES  
 (Dollars in millions)

	YEAR ENDED SEPTEMBER 30, 1998 -----	THREE MONTHS ENDED DECEMBER 31, 1998 -----	SIX MONTHS ENDED MARCH 31, 1999 -----
Earnings:			
Income before income taxes	\$ 2,002.3	481.9	998.6
Fixed charges	218.2	61.5	122.8
	-----	-----	-----
Earnings, as defined	\$ 2,220.5	543.4	1,121.4
	=====	=====	=====
Fixed charges:			
Interest expense	\$ 161.4	47.3	94.4
One-third of all rents	56.8	14.2	28.4
	-----	-----	-----
Total fixed charges	\$ 218.2	61.5	122.8
	=====	=====	=====
Ratio of Earnings to Fixed Charges	10.2x	8.8x	9.1x
	=====	=====	=====

<TABLE> <S> <C>

<ARTICLE> 5

Exhibit 27

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE EMERSON ELECTRIC CO. CONSOLIDATED STATEMENT OF EARNINGS AND CONSOLIDATED BALANCE SHEET AS OF AND FOR THE SIX MONTHS ENDED MARCH 31, 1999, FILED WITH THE COMPANY'S 1999 SECOND QUARTER FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	6-MOS
<FISCAL-YEAR-END>	SEP-30-1999
<PERIOD-END>	MAR-31-1999
<CASH>	305,600
<SECURITIES>	0
<RECEIVABLES>	2,621,000
<ALLOWANCES>	54,900
<INVENTORY>	1,926,200
<CURRENT-ASSETS>	5,190,200
<PP&E>	6,241,800
<DEPRECIATION>	3,193,600
<TOTAL-ASSETS>	13,255,800
<CURRENT-LIABILITIES>	4,390,700
<BONDS>	1,286,300
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	238,300
<OTHER-SE>	5,708,800
<TOTAL-LIABILITY-AND-EQUITY>	13,255,800
<SALES>	7,015,400
<TOTAL-REVENUES>	7,015,400
<CGS>	4,521,400
<TOTAL-COSTS>	4,521,400
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	89,700
<INCOME-PRETAX>	976,700
<INCOME-TAX>	348,400
<INCOME-CONTINUING>	0
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	628,300
<EPS-PRIMARY>	1.44
<EPS-DILUTED>	1.43

</TABLE>