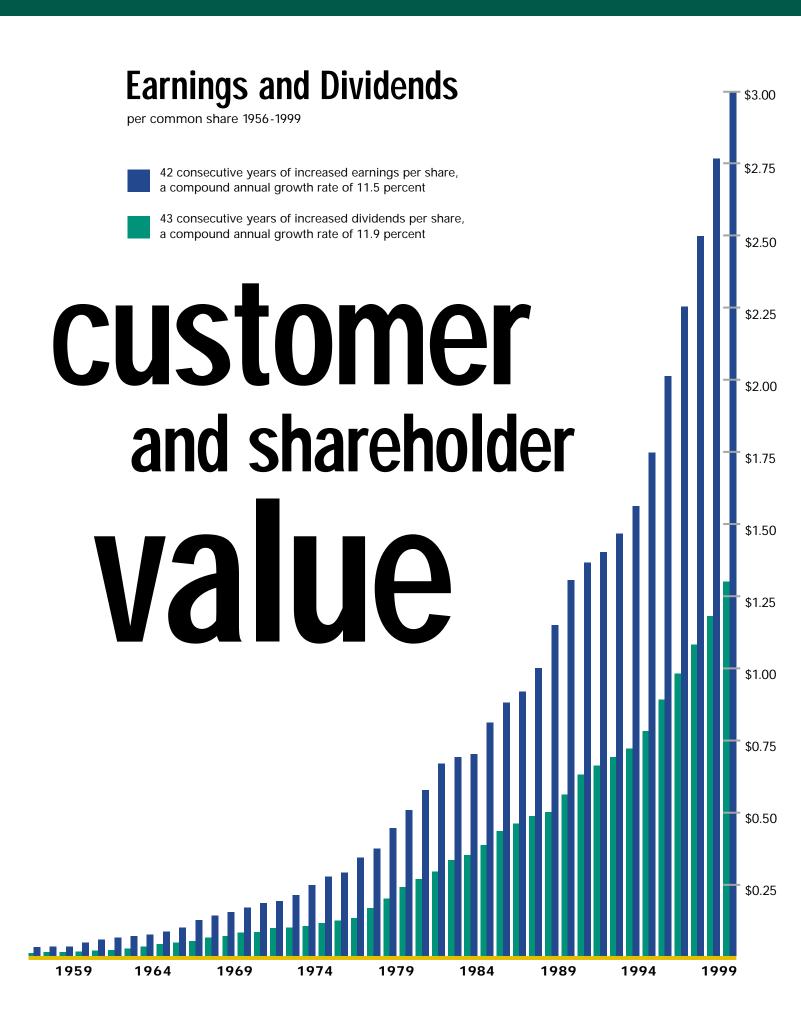
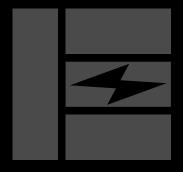
Emerson means OUSINESS

Emerson's consistent
performance reflects
our long-standing
commitment to growth,
operational excellence
and shareholder value.



Emerson Means Business



5-Year Performance

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

	1994	1999	5-Year CAGR ⁽¹⁾
Sales	\$ 8,607	\$ 14,270	11%
Operating Profit ⁽²⁾ Percent of Sales	\$ 1,375 16.0%	\$ 2,306 16.2%	11%
Net Earnings	\$ 789	\$ 1,314	11%
Earnings Per Share	\$ 1.75	\$ 3.00	11%
Earnings Per Share Excluding Goodwill	\$ 1.85	\$ 3.27	12%
Dividends Per Share	\$ 0.78	\$ 1.30	11%
Operating Cash Flow	\$ 1,097	\$ 1,811	11%
Return on Total Capital	15.4%	16.4%	
Return on Equity	19.1%	21.9%	

⁽¹⁾ Compound Annual Growth Rate

1-Year Performance

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

	1998	1999	Percent Increase
Sales	\$ 13,447	\$ 14,270	6%
Operating Profit ⁽¹⁾	\$ 2,175 16.2%	\$ 2,306 16.2%	6%
Net Earnings	\$ 1,229	\$ 1,314	7%
Earnings Per Share	\$ 2.77	\$ 3.00	8%
Earnings Per Share Excluding Goodwill	\$ 2.99	\$ 3.27	9 %
Dividends Per Share	\$ 1.18	\$ 1.30	10%
Operating Cash Flow	\$ 1,652	\$ 1,811	10%
Return on Total Capital	17.0%	16.4%	
Return on Equity	21.9%	21.9%	

⁽¹⁾ Operating Profit equals sales less cost of sales and SG&A expenses $\,$

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⁽²⁾ Operating Profit equals sales less cost of sales and SG&A expenses

Dear Fellow Investors,

Fiscal 1999 was another successful year for Emerson. We achieved our 42nd consecutive year of increased earnings and earnings per share and 43rd consecutive year of increased dividends per share, a record of consistent, strong performance.

Fiscal 1999 also caps a five-year period that has been one of the most outstanding in Emerson's history. During this period, our stockholders averaged a 19 percent annual return on their investment. Consolidated sales, earnings and operating cash flow all grew at double-digit rates, while return on total capital improved from 15.4 percent to 16.4 percent. Earnings per share excluding goodwill amortization, a measure more indicative of cash operating performance, increased an average of 12 percent per year, a point higher than the traditional metric. We are working hard to continue delivering this type of performance.

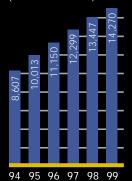
During the year, we faced a number of challenges in the industrial automation and process markets that masked outstanding performance in our growth initiatives and led to the first year in six that we fell short of double-digit earnings per share growth. Low oil prices, consolidations of customers in the oil and chemical industries, and the continued impact of the Asian

economic crisis combined to create some of the weakest market conditions I can recall in more than 25 years with Emerson. Given these economics, I give our people a great deal of credit for their performance. We are disappointed by the performance of our stock price during the fiscal year. While we have realized solid growth for the past several years, our price/earnings multiple has not kept pace with the market. We are confident this slowdown is an economic cycle phenomenon, something we have seen before and will experience from time to time. Our growth initiatives will continue to strengthen Emerson's performance in all phases of these cycles. From my perspective, the Company is well positioned for the future in all areas - growth, profitability, technology and organization.

Our three leading areas of technology spending are now electronics, communications and software. I view this as an important shift, given the opportunities for product differentiation and the increased value proposition for customers that these technologies provide.

SALES

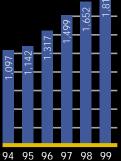
(Dollars in millions)



From 1994 to 1999, Emerson's reported sales increased at a compound annual growth rate of 11 percent.

OPERATING CASH FLOW (Dollars in millions)

(Dollars III IIIIIIori:



From 1994 to 1999, Emerson's operating cash flow increased at a compound annual growth rate of 11 percent.

Commitment to Growth

When we intensified our focus on top-line growth several years ago, we recognized the need to leverage the Company's resources – human, technology, and capital – across the corporation and to expand our served markets. We are pleased with our progress.

One of the key ways we are entering more and faster-growing markets is through technology investment. In fiscal 1999, Engineering and Development expenditures exceeded \$500 million for the first time. Our three leading areas of technology spending are now electronics, communications and software. I view this as an important shift, given the opportunities for product differentiation and the increased value proposition for customers that these technologies provide. Customers are responding enthusiastically to the intelligence embedded in our products, as well as to our new software and service offerings. As a result, sales of new products introduced in the past five years reached 35 percent of sales in fiscal 1999, and we fully expect to surpass 40 percent within five years.

to power the digital -conomy and participate in the rapid expansion of the global communications infrastructure.

Focusing on growth has provided several lessons. Among these is the need to develop large, "change the game" initiatives based on new technologies. We are making excellent progress. For example:

- The Copeland Scroll compressor continues to transform the air conditioning and refrigeration markets and other industries. Scroll sales grew over 35 percent in fiscal 1999 and are now over \$700 million. We expect scroll sales to surpass \$1 billion in the near future.
- Our PlantWeb process control architecture, made possible by new communications and control technologies and the intelligence we have embedded in a broad offering of field devices, doubled in sales last year. Total control systems and solutions sales in 1999 approached \$700 million, and at the current rate of growth will exceed \$1 billion within a few years.
- We are enjoying terrific success in electronics with our focus on telecom. Electronics sales in 1999 increased 32 percent, to over \$2 billion. Emerson is uniquely positioned to power the digital economy and participate in the rapid expansion of the global communications infrastructure. We plan to double this business in the next five years.
- Across the Company, we are including services and solutions in our business models. In many cases, this means partnering with other divisions to present a single face to the customer. Bob Yopko,

a seasoned services professional who grew Liebert Services from a small business to nearly \$300 million in sales, is leading this companywide initiative. We have over \$1.6 billion of services and solutions revenue today, and plan to surpass \$3 billion within five years.

Our continued commitment to technology investment forms the foundation of these and many other opportunities, and we are pursuing growth with the focus you have come to expect from Emerson.

Focus on E-Business

E-Business presents many opportunities as Emerson evolves from using the Internet as an information medium, to automating customer and supplier transactions, to ultimately transforming the way we do business.

The E-Business Opportunity Spectrum



We are moving beyond the information level and focusing on higher level applications of the Internet. For example, in our electronics business, Liebert conducts virtually all sales transactions electronically, including product configuration, order entry and delivery update. In process control, Fisher-Rosemount has developed an innovative site, www.testdriveplantweb.com, to communicate the substantial benefits of PlantWeb in an intuitive and user-friendly manner that could not be achieved through printed documents.

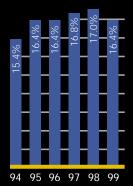
We continue to grow operating cash flow at high rates as we intensify our focus on asset management. We plan to free up an additional \$1 billion of operating capital in the next five years . . .

In my opinion, we are just beginning to recognize the potential of Internet technology to transform our businesses. We are moving quickly in this area, and over the next year each of our divisions will identify E-Business models to further strengthen our competitiveness.

Repositioning the Company

Acquisitions provide new technologies, access to new markets, and broadened product lines. In 1999, we invested a total of \$1.2 billion in 16 separate transactions, including Daniel Industries, which strengthens our presence in the growing, global natural gas market. We also recently purchased Nortel's Advanced Power Systems business and the outstanding equity in Astec, which brings our investment in electronics and telecommunications to more than \$600 million in the past 18 months.

We continue to make divestitures, both to focus on faster-growing businesses and to create value for stockholders. In 1999, we sold Emerson's interest in F.G. Wilson to our partner, Caterpillar. As a result of this transaction, and our acquisition of the alternator operations of both Caterpillar and MagneTek, we are now a focused world leader in alternators for distributed power generation. We are also a strategic supplier for many of Caterpillar's electrical equipment needs. Also in 1999, we contributed the Louisville Ladder



Emerson's return on total capital is among the highest of its peers and other industries.

operations into a joint venture with Grupo Imsa SA of Mexico, creating a stronger and broader company.

Operational Excellence

We will continue to achieve the high levels of operating performance that have long been a hallmark of Emerson. In the past five years we have improved our base company (excluding acquisitions) operating margins by 1.8 points, from 16.0 percent to 17.8 percent, and driven base company return on capital from 15.4 percent to 23.7 percent.

Return on Total Capital Performance

	1994	1999	Change
Base Company	15.4%	23.7%	+8.3 points
Consolidated	15.4%	16.4%	+1.0 points

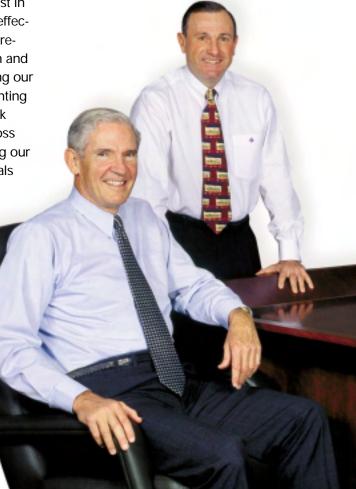
Our success is driven by our rigorous profit planning process, which many have benchmarked as one of the best in business. We have been especially effective in improving our material procurement through supplier consolidation and long-term agreements, and are taking our efforts to the next level by implementing a new Materials Information Network system to aggregate purchases across the Company. We are also increasing our emphasis on the sourcing of materials from best cost suppliers around the globe. In fiscal 1999, we established an Asia-Pacific-

based procurement

organization to capitalize on additional savings opportunities in this region.

The global distribution of our manufacturing operations continues to improve our competitiveness. In addition to enhancing our ability to serve local customers, these operations often enable us to realize significant cost savings. For example, Copeland recently completed its ninth scroll manufacturing facility, in Suzhou, China.

We continue to grow operating cash flow at high rates as we intensify our focus on asset management. We plan to free up an additional \$1 billion of operating capital in the next five years, primarily through a step change in inventory turnover from the implementation of lean manufacturing practices. Seventy of our plants are engaged in this program,



and we will more than double that number in the coming year. This is an exciting initiative that will substantially reduce our lead times and enhance customer satisfaction.

A Strong Organization

We have begun reporting our financial results in five segments: Industrial Automation; Process Control; Heating, Ventilating and Air Conditioning; Electronics and Telecommunications; and Appliance and Tools. This should enable our investors to better understand the performance and contributions of each area. At the same time, we remain *one organization* focused on maximizing the interrelationships among segments and divisions. We continue to pursue opportunities for working in concert and leveraging Emerson's resources across the corporation

for competitive advantage. These opportunities extend across the spectrum, from consolidating material procurement to presenting one Emerson face to the customer.

Throughout our organization, we continue to benefit from extraordinarily skilled and committed people. As discussed in prior reports, I have been working with the Board of Directors over the past three years to develop a plan to transition to the next generation of senior management. As a result of this effort, in May George W. Tamke was named vice chairman and co-chief executive officer, James G. Berges was appointed president, and David N. Farr was promoted to senior executive vice president and chief operating officer. All three of these executives are committed, as I am, to continued consistent performance as a basis for creating shareholder value.

As always, we appreciate the support of our stockholders, directors and employees. Together we make a very strong team.

On behalf of the Office of the Chairman,

Charles F. Knight
Chairman and
Chief Executive Officer

From left:

C.F. Knight,

Chairman and

Chief Executive Officer

G.W. Tamke,

Vice Chairman and

Co-Chief Executive Officer

J.G. Berges,

President

D.N. Farr,

Senior Executive Vice President and Chief Operating Officer

W.J. Galvin,

Senior Vice President -

Finance and

Chief Financial Officer

Emerson Business Segments

Emerson Means Business



Managing Our

Businesses for

Growth and

Leadership

INDUSTRIAL AUTOMATION

Emerson industrial automation products contribute to improved productivity for a variety of industry applications worldwide. The Company is a global leader in providing application-specific motor and drive solutions. In addition, Emerson produces a variety of industrial valves, electrical equipment, specialty heating, lighting, testing, and ultrasonic welding and cleaning products for use in industrial settings. Well-known brands include: Appleton, ASCO, Branson, Browning, Chromalox, Control Techniques, Leroy Somer, MORSE, O-Z/Gedney, and USEM.

Percent of Total Sales:



PROCESS CONTROL

Emerson is a leading producer of process control products, including control systems and automation software, measurement devices, analytical instrumentation and valves. The revolutionary PlantWeb field-based architecture is redefining the way customers manage and connect their businesses by combining intelligent field devices, the innovative DeltaV control system and advanced software. Leading brands include: Daniel, DeltaV, Fisher, Intellution, Micro Motion, Rosemount, Westinghouse Process Control, and Xomox.

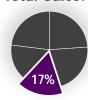
Percent of Total Sales:



HEATING, VENTILATING AND AIR CONDITIONING

Emerson is a leading producer of compressors, thermostats, temperature controls, hermetic terminals and valves for heating, ventilating, air conditioning and refrigeration systems. The Copeland Scroll compressor continues to transform the air conditioning and refrigeration markets with its increased energy efficiency and reliability, and quieter operation. This advanced technology also has vast potential in a number of new markets such as transport refrigeration, cryogenics and air compression. Leading brands include: Alco, Copeland, Therm-O-Disc, and White-Rodgers.

Percent of Total Sales:



ELECTRONICS AND TELECOMMUNICATIONS

Emerson provides a broad array of power-related products for the fast-growing computer, telecommunications and Internet infrastructure markets. The Company is a global leader in uninterruptible AC and DC power systems, embedded power supplies, environmental control systems and site monitoring systems. Emerson also certifies, tests and services electronic equipment. Key brands include: ASCO Switch, Astec, HIROSS, and Liebert.

Percent of Total Sales:



APPLIANCE AND TOOLS

Emerson is a leading producer of electric motors for appliances, HVAC equipment and specialty products. The Company also produces a variety of controls, heating elements and other components for appliances, along with storage products, waste disposers, plumbing tools, benchtop power tools, hand tools and wet/dry vacuums. Well-known brands include: ClosetMaid, Emerson, In-Sink-Erator, Mallory, METRO, and RIDGID.

Percent of Total Sales:





Emerson operates six advanced development centers around the world to identify opportunities for breakthrough products and systems. This corporate commitment to innovation complements division-level initiatives and facilitates companywide collaboration, translating into technology leadership.



Emerson's customer universe is growing rapidly, driven by new products, new applications of existing products, and new services. Several major initiatives are focused on fast-growing industries, geographic regions, systems and solutions approaches, and other opportunities leveraging Emerson's strengths.



Emerson's widely respected management process drives a total commitment to quality, customer satisfaction, cost efficiency and asset utilization. New initiatives include an innovative materials procurement program to optimize the supplier base and lean manufacturing to improve response time to customers and reduce working capital.

1

We have combined our leadership in process control devices with new advanced-technology communication and control capabilities to create the revolutionary PlantWeb architecture. Dow Chemical's Fort Saskatchewan ethylene plant is the world's first and largest commercial installation of this technology.

Emerson Means Business

LEVERAG technology

Fisher-Rosemount's PlantWeb architecture controls critical operations at Dow Chemical's plant in Fort Saskatchewan.

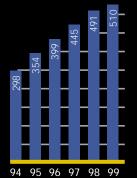




1 LEVERAGING technology

ENGINEERING & DEVELOPMENT INVESTMENT

(Dollars in millions)



Emerson's commitment to technology is reflected in its continued investment in engineering and development. We are developing technologies that change the economics of our customers' businesses. In process control, the most dramatic breakthrough is PlantWeb's field-based architecture.



PlantWeb will control the Shell Philippines Exploration B.V. natural gas platform, onshore gas plant and 500 km pipeline in the Philippines.

PlantWeb is a revolutionary new field-based architecture that redefines the economics of process automation. It combines the growing intelligence embedded in today's field instruments with state-of-the-art digital communications technology and Emerson's DeltaV control system. The result is a dramatic reduction in total project cost, and a dramatic expansion in functionality. Customers can utilize this new functionality to increase plant uptime and improve process performance, achieving savings never before possible.

In contrast to traditional solutions, the scalability of PlantWeb also provides cost-effective solutions across the spectrum, from individual boiler rooms to large refineries. Shell Philippines Exploration B.V., for example, has harnessed the power of PlantWeb to control a major natural gas platform and processing operation. In addition, Bayer and other chemical companies rely on PlantWeb to control critical production processes.

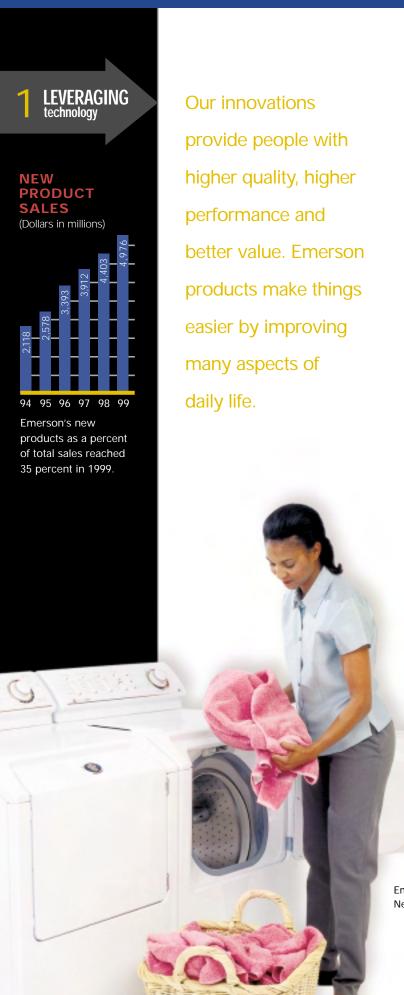
Bayer can monitor chemical processes more easily with Fisher FIELDVUE-equipped valves.

Prospective customers can "test drive" PlantWeb to calculate project savings for their plants.

Emerson is redefining

industries through revolutionary products







Internet-generated shopping lists simplify purchasing of ClosetMaid shelving.

Emerson pioneered a technology that is delivering fresher food to more people than ever before.

Through a partnership with Thermo-King, Copeland Scroll compressors preserve perishable cargo shipped worldwide. Use of the Copeland Scroll compressor is also expanding in such new areas as microturbines, cryogenics, air compression and pump applications.

Emerson's e-business initiatives are making traditional activities simpler. ClosetMaid, for example, helps consumers design and build their own storage space. By visiting www.closetmaid.com, visitors can select the design that best meets their needs – then receive detailed diagrams and a shopping list. In appliances, advanced Emerson variable speed motor and control technology enabled Maytag Corporation to develop

the innovative Neptune washer, which has raised standards for wash performance and energy efficiency.

Emerson's appliance solutions enhance Maytag's Neptune washer and dryer performance.

Emerson improves

the lives of

consumers



2

Our products and services, such as the key electrical components in diesel-powered generators, bring innovation and creative solutions to people throughout the world.

Emerson Means Business

EXPAND our markets

Portable generators help establish power and communications infrastructure in developing regions.







 Our electronics and communications products and services ensure the continuous operation of the leaders of the information economy, including America Online, Charles Schwab, Amazon.com and the New York Stock Exchange.



Emerson electronics products protect the world's financial transactions at locations such as the New York Stock Exchange.

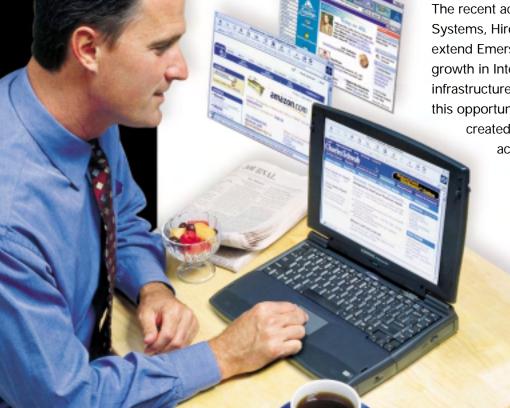
Emerson is at the forefront of the world's fastestgrowing industries, providing products and services that protect and power computing and telecommunications systems.

Emerson provides critical environmental control and Uninterruptible Power Supply products that keep information and communications installations running. The Company also provides internal power supplies for PCs, servers and routers, and switches for wireline, wireless and broadband networks.

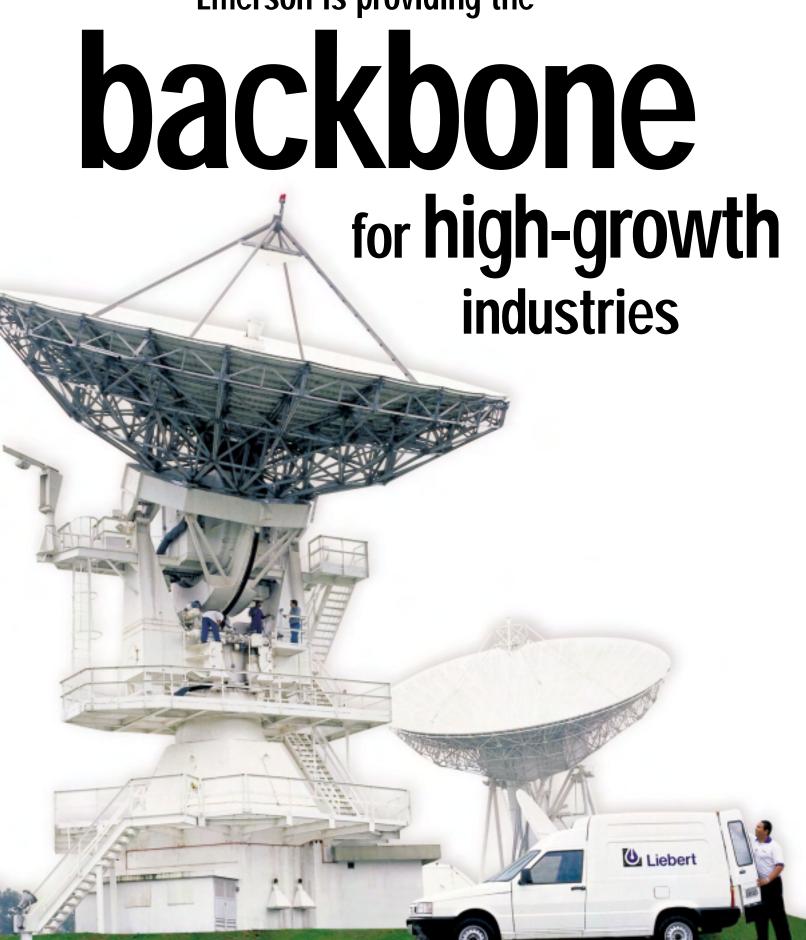
The recent acquisitions of Advanced Power Systems, Hiross, and the remaining equity in Astec extend Emerson's presence in telecom, where the growth in Internet traffic is driving high rates of infrastructure investment. To further capitalize on this opportunity, Emerson Telecom Systems was

created to leverage the Company's ability to act as a complete solutions provider to

this dynamic market.



Emerson provides the power equipment and services that enable global communications. **Emerson is providing the**



We are combining leading products with innovative solutions and services. The increasing intelligence of our products and customers' efforts to focus on core competencies are driving this opportunity.



A bank of large Leroy Somer motors powers a water treatment facility in Paris.

Emerson's products are playing increasingly critical roles in our customers' operations.

The Company is capitalizing on these opportunities in several ways. In electronics, Emerson has become a recognized leader in response time for on-site service of computer and telecom centers. In HVAC, Emerson monitors the refrigerated cases of many supermarkets to detect and resolve potential problems before they result in major product spoilage costs. In water treatment, Emerson's ability to integrate a full range of products, from process control software to smart instruments, has made the Company a market leader.

Through acquisitions and internal efforts, Emerson continues to strengthen its presence in a range of industries including chemicals, power, oil and gas, and pulp and paper. The ability to bundle unique product offerings, engineering and application knowledge, and after-sale services will continue to make Emerson a key partner for its customers.

Emerson's Ovation system controls a San Diego treatment facility, helping to ensure safe drinking water.

CUSTOMETfocused services and



Our long-standing commitment to excellence is reflected in continued investments in manufacturing, quality and customer service. Through the application of leading technologies, we have achieved unprecedented product quality.

Emerson Means Business

OPERATION CONTINUENCE BUSINESS OF THE PROPERTY OF THE PROPERTY

A robotic welding machine ensures consistent, precise welds at Micro Motion.







Through our planning process, considered by many to be the most comprehensive in the world, we continue to identify operational improvements that deliver superior value to customers.



Lean manufacturing techniques enable dramatic improvement in delivery and inventory performance.

Emerson's planning process identifies and implements productivity programs to optimize all areas of operations. For example, the Company continues to base its operations around the world, both to serve customers locally and to benefit from cost advantages.

Emerson also is introducing lean manufacturing techniques to shorten lead times and improve customer delivery performance. This program will reduce inventory, freeing capital for value-added activities. Early results have demonstrated that some plants can improve inventory turnover by over 50 percent.

In addition to internal efficiencies, Emerson is focusing on materials procurement to identify further savings. The Company is implementing an innovative Material Information Network to centralize procurement and optimize its supplier base.

An Emerson alternator plant in the Czech Republic supplies growing European demand.

Emerson's Material Information Network allows consolidated purchases such as these circuit boards from GSS/Array.





3 OPERATIONAL excellence

We have earned our position as a market leader by providing customers with outstanding quality, delivery and service.
Our customers include many of the world's leading corporations.



Emerson's electronics service infrastructure supports telecom customers worldwide.

Operational excellence begins with the highest quality products and extends to every aspect of customer interaction and support.

The Home Depot has become one of Emerson's largest and fastest growing customers, due in part to the success of the Company's RIDGID brand tools. Home Depot relies on Emerson as a partner to support its aggressive expansion throughout the U.S. and international markets.

Nortel Networks and other telecommunications companies depend on Emerson's electronics products and services to provide the reliability required by their customers. Around the world, the Company guarantees on-site service within hours of an incoming call.

In addition, many other companies from owneroperated small businesses to large global corporations, benefit from Emerson's commitment to meeting their specific needs.

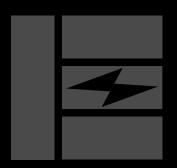
RIDGID power tools provide customers of The Home Depot with professional-quality performance.

RIDGID

Emerson's market

leadership

is based on



relationships

with customers



















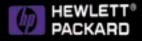




























Financial Review

Emerson Electric Co. achieved another strong performance in 1999, which represented the Company's 42nd consecutive year of increased earnings and earnings per share, and the 43rd consecutive year of increased dividends per share.

Results of Operations

Net Sales

Sales for 1999 were a record \$14.3 billion, an increase of \$822 million, or 6.1 percent, from 1998. The solid sales increase reflected modest underlying sales growth and the contribution of acquisitions. All businesses reported sales increases. United States sales increased approximately \$455 million, or 6 percent, while international sales increased approximately \$368 million, or 7 percent. Underlying sales growth in the consumer-related businesses continued at a moderate pace in the U.S. and internationally, led by strong growth in the Heating, Ventilating and Air Conditioning (HVAC) business. Underlying sales of the capital goods-related businesses were flat in 1999. Strong sales growth in the Electronics and Telecommunications business was offset by global weakness in the Industrial Automation and Process Control businesses. New product sales, from products introduced in the past five years, increased approximately \$570 million, or 13 percent, to a record \$5.0 billion, representing 35 percent of sales. Acquisitions completed throughout fiscal 1999 are expected to have total sales of nearly \$800 million in fiscal 2000.

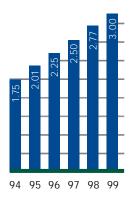
In 1998, sales were \$13.4 billion, up \$1.1 billion, or 9.3 percent, from 1997. The strong sales growth reflected underlying gains from all businesses and the contribution of acquisitions. This growth was achieved despite the impact of a stronger dollar that reduced reported sales growth by more than 2 percent. Slightly more than half of the sales increase was attributable to solid underlying U.S. growth and modest international demand. U.S. sales increased approximately \$1.0 billion, or 14 percent, benefiting from very strong gains in Electronics and Telecommunications and HVAC and acquisitions. International sales increased approximately \$137 million, or 3 percent. Demand was solid throughout the year in the United States and Europe, which account for more than three-quarters of consolidated revenue. New product sales increased approximately \$490 million, or 13 percent, to \$4.4 billion, representing 33 percent of sales.

International Sales

International sales, including U.S. exports, increased approximately 7 percent to a record \$5.7 billion in 1999, representing 40 percent of the Company's total sales. Underlying growth in Europe, Asia and other regions more than offset the impact of weakness in Latin America. Sales by non-U.S. subsidiaries were \$4.8 billion in 1999, up 9 percent from 1998. U.S. exports decreased 1 percent to \$960 million, primarily reflecting weakness in Latin America and Japan. International subsidiary sales increased approximately 2 percent excluding acquisitions and divestitures.

In 1998, international sales increased 3 percent to \$5.3 billion, representing 40 percent of total sales. Solid demand in Europe and the strong growth in other regions of the world, led by Latin America, more than offset the impact of significant weakness in Asian economies. Sales by non-U.S. subsidiaries were \$4.4 billion in 1998, up 5 percent from 1997. U.S. exports decreased 8 percent to \$968 million in 1998 compared with 1997, reflecting weakness in Asia. International subsidiary sales increased approximately 6 percent excluding acquisitions and the unfavorable impact of currency translation of approximately \$250 million.

EARNINGS PER SHARE



Diluted earnings per share increased 8.3 percent, representing the Company's 42nd consecutive year of increased earnings per share.

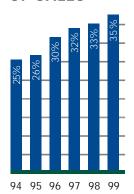
Business Segment Sales – 1999 vs. 1998

The Process Control business increased sales 7 percent to \$2.9 billion in 1999. This solid sales increase was driven by the strong growth of the PlantWeb initiative, and the Westinghouse Process Control and Daniel Industries acquisitions. Underlying sales decreased, reflecting the impact of weak oil prices on U.S. and Asian demand for process-related equipment, which more than offset modest growth in Europe. Sales of the Industrial Automation business were \$3.4 billion in 1999. Despite widespread softness in end markets, the Industrial Automation business realized a small increase in sales due to the contribution of acquisitions. The global weakness in capital spending, largely due to weak oil pricing earlier this year, has had a substantial impact on this business. These results exclude the impact of the F.G. Wilson divestiture. The Electronics and Telecommunications business increased sales 32 percent, to \$2.1 billion in 1999. This outstanding performance, particularly in the U.S. and Europe, was achieved due to rapid growth in power protection and environmental equipment, as well as in the service business that monitors and maintains this equipment. This business also benefited from a significant recovery in the market for power supply products, driven by recovery in Asia and robust growth in the computing and telecommunications infrastructure. The increase in the Electronics and Telecommunications business sales was also aided by the 1998 acquisitions of Nortel's Advanced Power Systems operations and Hiross environmental systems in Europe. Sales of the HVAC business were \$2.4 billion in 1999, an increase of 11 percent from 1998. Underlying sales of the HVAC business increased substantially, driven by a dramatic recovery in residential and light commercial construction in China, a warm summer in the United States, and continued market adoption of scroll technology. Sales of the Appliance and Tools business were \$3.5 billion in 1999, compared with \$3.4 billion in 1998. Underlying sales of the Appliance and Tools business grew slightly, with the results varying by geography and product area. In the United States, strong construction activity drove growth in several consumer-related areas, while European sales declined due to weakness in appliance products. During 1999, this business also made substantial gains in sales to home centers, such as The Home Depot and Lowe's, which are experiencing dramatic growth. Also in 1999, the Company contributed its Louisville Ladder operations into a joint venture with Grupo Imsa SA of Mexico and obtained an equity interest in the venture.

Business Segment Sales – 1998 vs. 1997

The Process Control business increased sales to \$2.7 billion in 1998 from \$2.6 billion in 1997. Excluding the effects of currency translation, this business reported moderate sales growth as demand was balanced across the major geographic regions it serves. Sales of the Industrial Automation business were \$3.3 billion in 1998, an increase of 9 percent from 1997. The Industrial Automation business increase was the result of modest underlying sales growth on a fixed rate basis, the majority-owned joint venture formed with General Signal's Electrical Group in September 1997, and the Computational Systems, Inc. acquisition. The Electronics and Telecommunications business increased sales 30 percent to \$1.6 billion in 1998. This business showed very strong underlying sales growth, reflecting broad strength across product lines and service offerings. In addition, sales of the business benefited from the acquisition of Hiross, an Italian manufacturer of precision environmental control and site monitoring products. Sales of the HVAC business were \$2.1 billion in 1998. The HVAC business reported modest sales growth, as very strong demand in the U.S. and Europe was partially offset by the impact of weak Asian economies on U.S. export sales. Sales of the Appliance and Tools business were up 12 percent to \$3.4 billion in 1998. Sales of the underlying Appliance and Tools business grew solidly, benefiting from solid demand in the U.S. and Europe. The increase in sales also reflected the 1997 acquisition of InterMetro Industries.

NEW PRODUCTS AS A PERCENT OF SALES

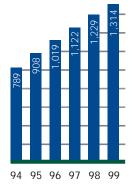


Sales of new products increased 13 percent

in 1999, reaching the previous goal of 35 percent of total sales.

NET EARNINGS

(Dollars in millions)



Net earnings increased 6.9 percent to a record \$1.3 billion.

Total Costs and Expenses

Cost of sales for 1999 was \$9.2 billion, an increase of 7.0 percent, due primarily to increased sales volume. In 1998, cost of sales was \$8.6 billion, compared with \$7.9 billion in 1997, an increase of 9.3 percent. Cost of sales as a percent of net sales was 64.4 percent in 1999 compared to 63.9 percent and 64.0 percent in 1998 and 1997, respectively. The 1999 gross profit margin was impacted by the effect of recent acquisitions, partially offset by the Company's ongoing commitment to cost reduction and containment efforts and productivity improvement programs.

Selling, general and administrative (SG&A) expenses were \$2.8 billion, \$2.7 billion, and \$2.5 billion in 1999, 1998, and 1997, respectively. As a percent of net sales, SG&A expenses were 19.4 percent in 1999, and 19.9 percent in 1998 and 1997. The decrease in SG&A as a percent of net sales was the result of ongoing cost reduction efforts, partially offset by new product development and other revenue growth programs and acquisitions. The Company continued its commitment to new product development by increasing engineering and development expense 4 percent to a record \$510 million in 1999, compared to \$491 million in 1998 and \$445 million in 1997.

Interest expense increased to \$190 million in 1999 from \$152 million in 1998, reflecting higher average borrowings resulting from acquisitions and share repurchases. In 1998, interest expense increased from \$121 million in 1997, reflecting higher average borrowings.

Other deductions, net, including amortization of intangibles, were \$95 million in 1999, compared with \$100 million and \$78 million in 1998 and 1997, respectively. Fiscal 1999 included a gain of \$64 million from the disposition of the Company's interest in F.G. Wilson. The fourth quarter of 1997 included a gain of approximately \$80 million from the formation of the joint venture between Emerson's Appleton Electric division and General Signal's Electrical Group. These gains were offset by other non-recurring items. See note 2 for additional information.

Income Before Income Taxes

Income before income taxes increased \$97 million, or 5.1 percent, to \$2.0 billion in 1999, reflecting increased sales and improvement in underlying margins, partially offset by increased interest expense. The base company (excluding acquisitions and divestitures) realized an outstanding performance in 1999, increasing underlying operating margins approximately 0.5 points. This improvement was offset by the acquisition of businesses with lower margins. Earnings before interest and income taxes in the Process Control business were \$313 million in 1999, a decrease from 1998, reflecting weak demand associated with lower oil prices and higher expenditures for cost reduction efforts and productivity improvement programs. The Industrial Automation business income increased \$17 million to \$448 million in 1999, driven by cost containment measures that mitigated the impact of a challenging economic environment. Income of the Electronics and Telecommunications business increased \$87 million, or 58 percent, to \$237 million in 1999, due to strong sales growth and the acquisition of the Advanced Power Systems business. Income of the HVAC business increased \$45 million, or 14 percent, to \$361 million in 1999, reflecting strong sales growth in both U.S. and international markets. The Appliance and Tools business income increased \$16 million to \$577 million in 1999, reflecting varying results by geography and product area.

Income before income taxes increased \$140 million, or 7.8 percent, to \$1.9 billion in 1998, reflecting increased sales and improvement in underlying margins, partially offset by increased interest expense. Earnings before interest and income taxes in the Process Control business increased \$24 million, or 8 percent, to \$343 million in 1998, due to moderate worldwide sales growth. Income of the Industrial Automation business was \$431 million in 1998, a decrease from 1997, due to non-recurring costs in this business. Income of the Electronics and Telecommunications business increased \$34 million, or 29 percent, from 1997 to 1998, reflecting strong underlying sales growth. The HVAC business increased income to \$316 million in 1998, due to modest sales growth. Income of the Appliance and Tools business increased \$81 million, or 17 percent, to \$561 million in 1998, reflecting solid U.S. demand and acquisitions. See note 12 for additional information by business segment and geographic area.

Income Taxes

Income taxes were \$707 million, \$695 million and \$662 million in 1999, 1998 and 1997, respectively. The effective income tax rate was 35.0 percent in 1999, compared with 36.1 percent in 1998 and 37.1 percent in 1997, reflecting the continued implementation of global tax planning strategies and the impact of acquisitions and divestitures.

Net Earnings and Return on Equity

Net earnings for 1999 were a record \$1.3 billion, up 6.9 percent from \$1.2 billion in 1998. Net earnings as a percent of sales was 9.2 percent in 1999 compared with 9.1 percent in 1998. Diluted earnings per common share were a record \$3.00 in 1999, up 8.3 percent from \$2.77 in 1998. Earnings per share excluding goodwill amortization, a metric that management believes is more indicative of cash operating performance, were \$3.27 in 1999, up 9.4 percent from \$2.99 in the prior year. Emerson achieved a return on average stockholders' equity of 21.9 percent in 1999 and 1998 compared to 20.8 percent in 1997. Net earnings for 1998 were up 9.5 percent from \$1.1 billion in 1997. Diluted earnings per common share in 1998 increased 10.8 percent from \$2.50 in 1997. Earnings per share excluding goodwill amortization in 1998 were up 11.2 percent from \$2.69 in the prior year.

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 \$1.8 billion in 1999, an increase of 10 percent compared to 1998. Operating cash flows were \$1.7 billion and \$1.5 billion in 1998 and 1997, respectively. Operating working capital was approximately 16 percent of sales in 1999, and 17 percent of sales in 1998 and 1997.

Capital expenditures were \$592 million, \$603 million and \$575 million in 1999, 1998 and 1997, respectively. These expenditures increase the Company's global capacity to leverage opportunities within the heating, ventilating and air conditioning industries, as well as improve manufacturing productivity in a number of our businesses. In 1999, construction of a ninth scroll production facility was completed. This plant, located in China, will become operational in early fiscal 2000. Cash paid in connection with Emerson's purchase acquisitions was \$1,202 million, \$573 million and \$319 million in 1999, 1998 and 1997, respectively.

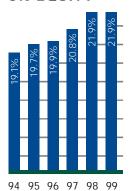
Dividends were a record \$566 million (\$1.30 per share) in 1999, compared with \$521 million (\$1.18 per share) in 1998 and \$481 million (\$1.08 per share) in 1997. In November 1999, the Board of Directors voted to increase the quarterly cash dividend 10 percent to an annualized rate of \$1.43 per share.

Leverage/Capitalization

Total debt increased to \$3.3 billion in 1999, from \$2.6 billion in 1998 and \$2.0 billion in 1997, reflecting the impact of acquisitions and the Company's share repurchase program. The repurchase program, initiated in fiscal 1997, authorizes the repurchase of up to 40 million shares of the Company's outstanding common stock, with nearly 23 million shares repurchased through September 30, 1999. Net purchases of treasury stock totaled \$324 million and \$499 million in 1999 and 1998, respectively. See notes 2, 3 and 4 for additional information.

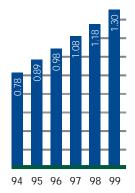
The total debt-to-capital ratio was 34.6 percent at year-end 1999, compared with 30.8 percent in 1998 and 27.1 percent in 1997. At September 30, 1999, net debt (total debt less cash and equivalents and short-term investments) was 32.7 percent of net capital, compared with 29.0 percent in 1998 and 24.9 percent in 1997. The Company's interest coverage ratio (income before income taxes, non-recurring items and interest expense divided by interest expense) was 11.7 times in 1999, compared with 13.7 times in 1998 and 15.8 times in 1997, as a result of higher average borrowings in 1999, partially offset by increased earnings.

RETURN ON EQUITY



Return on equity remained at a high level in 1999

DIVIDENDS PER SHARE



Fiscal 1999 represented the Company's 43rd consecutive year of increased dividends per share.

At year-end 1999, the Company and its subsidiaries maintained lines of credit amounting to \$2.4 billion to support commercial paper and had available non-U.S. bank credit facilities of \$630 million to support non-U.S. operations. Lines of credit totaling \$900 million are effective until 2003, with the remainder through June 2000. These lines of credit and bank credit facilities assure the availability of funds at prevailing interest rates. In addition, as of September 30, 1999, the Company could issue up to \$2 billion 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, including forwards, swaps and purchased options, 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 ten-percent 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.

Year 2000 Readiness

The Company developed a comprehensive Year 2000 plan that includes assessment, hardware and software remediation, and testing. The Company's divisions have completed all phases of the plan, which addressed internal computer applications and information systems, products, facilities and equipment, as well as products and services provided by third parties. Numerous third parties were contacted to assess and monitor their compliance and remediation efforts, with particular emphasis placed on more than 3,000 key suppliers. The estimated costs of the Year 2000 compliance program are not material to the Company's operating results or financial condition.

The Company has supplemented existing emergency recovery plans to mitigate the impact of any unsuccessful remediation or third-party failures. These contingency plans include the identification of alternative suppliers, possible increases in inventory levels, and other backup procedures. In addition, the Company has established global, regional and divisional command centers to address Year 2000-related issues that may arise and respond, as appropriate, to minimize the potential impact. Management believes that the diversity of the Company's operations and systems reduces overall exposure and expects that the consequences of any unsuccessful remediation will not be significant. However, there can be no assurance that the Company's efforts or those of other entities will be successful, or that any potential failure would not have a material adverse effect on the Company's operating results or financial condition.

Consolidated Statements of Earnings

Emerson Electric Co. and Subsidiaries

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

	1999	1998	1997
Net sales	\$ 14,269.5	13,447.2	12,298.6
Costs and expenses:			
Cost of sales	9,193.8	8,595.6	7,865.6
Selling, general and administrative expenses	2,770.2	2,676.7	2,450.9
Interest expense	189.7	151.7	120.9
Other deductions, net	94.9	99.7	77.6
Total costs and expenses	12,248.6	11,523.7	10,515.0
Income before income taxes	2,020.9	1,923.5	1,783.6
Income taxes	707.3	694.9	661.7
Net earnings	\$ 1,313.6	1,228.6	1,121.9
Basic earnings per common share	\$ 3.03	2.80	2.52
Diluted earnings per common share	\$ 3.00	2.77	2.50

Consolidated Balance Sheets

Emerson Electric Co. and Subsidiaries

September 30 (Dollars in millions except per share amounts)

Assets

	1999	_1998_
Current assets		
Cash and equivalents	\$ 266.1	209.7
Receivables, less allowances of \$60.5 in 1999 and \$54.6 in 1998	2,516.3	2,416.1
Inventories: Finished products Raw materials and work in process	871.5 1,049.6	858.6 1,137.9
Total inventories	1,921.1	1,996.5
Other current assets	420.9	379.0
Total current assets	5,124.4	5,001.3
Property, plant and equipment		
Land	216.5	173.4
Buildings	1,287.1	1,205.5
Machinery and equipment	4,497.2	4,373.5
Construction in progress	377.0	318.3
Less accumulated depreciation	6,377.8 3,223.4	6,070.7 3,059.1
Property, plant and equipment, net	3,154.4	3,011.6
Other assets		
Goodwill, less accumulated amortization of \$714.4 in 1999 and \$617.5 in 1998	4,263.0	3,702.7
Other	1,081.7	944.2
Total other assets	5,344.7	4,646.9
	\$ 13,623.5	12,659.8
	Ψ 10,023.3	12,007.0

Liabilities and Stockholders' Equity

Elabilitios and Otookholdolo Equity	1999	1998
Current liabilities		
Short-term borrowings and current maturities of long-term debt	\$ 1,953.7	1,524.4
Accounts payable	1,068.8	1,036.7
Accrued expenses	1,304.8	1,252.7
Income taxes	263.1	207.9
Total current liabilities	4,590.4	4,021.7
Long-term debt	1,317.1	_1,056.6
Other liabilities	1,535.5	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 in		
1999 and 1998	238.3	238.3
Additional paid-in capital	23.9	27.9
Retained earnings	7,803.7	7,056.5
Accumulated other nonstockholder changes in equity	(271.6)	(236.2)
	7,794.3	7,086.5
Less cost of common stock in treasury, 43,632,708		
shares in 1999 and 38,452,823 shares in 1998	1,613.8	1,283.2
Total stockholders' equity	6,180.5	5,803.3
	\$ 13,623.5	12,659.8

Consolidated Statements of Stockholders' Equity

Emerson Electric Co. and Subsidiaries

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

	1999	1998	1997
Common stock	\$ 238.3	238.3	238.3
Additional paid-in capital			
Beginning balance	27.9	3.3	12.3
Stock plans	(3.5)	(43.4)	(2.8)
Treasury stock issued for acquisitions and other	(.5)	68.0	(6.2)
Ending balance	23.9	27.9	3.3
Retained earnings			
Beginning balance	7,056.5	6,348.9	5,707.7
Net earnings	1,313.6	1,228.6	1,121.9
Cash dividends (per share: 1999, \$1.30;			
1998, \$1.18; 1997, \$1.08)	(566.4)	(521.0)	(480.7)
Ending balance	7,803.7	7,056.5	6,348.9
Accumulated other nonstockholder changes in equity			
Beginning balance	(236.2)	(205.9)	(29.2)
Translation adjustments	(35.4)	(30.3)	(176.7)
Ending balance	(271.6)	(236.2)	(205.9)
Treasury stock			
Beginning balance	(1,283.2)	(963.9)	(575.7)
Acquired	(361.2)	(498.4)	(427.2)
Issued under stock plans	27.9	108.5	18.3
Issued for acquisitions and other	2.7	70.6	20.7
Ending balance	(1,613.8)	(1,283.2)	(963.9)
Total stockholders' equity	<u>\$ 6,180.5</u>	5,803.3	5,420.7
Nonstockholder changes in equity			
(Net earnings and Translation adjustments)	\$ 1,278.2	1,198.3	945.2

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Emerson Electric Co. and Subsidiaries

Years ended September 30 (Dollars in millions)

	1999	1998	1997
Operating activities			
Net earnings Adjustments to reconcile net earnings to net cash provided by operating activities:	\$ 1,313.6	1,228.6	1,121.9
Depreciation and amortization Changes in operating working capital Gains on divestitures, pension funding and other	637.5 35.7 (176.3)	562.5 (81.0) (58.5)	511.6 (42.6) (92.3)
Net cash provided by operating activities	1,810.5	1,651.6	1,498.6
Investing activities			
Capital expenditures Purchases of businesses, net of cash and equivalents acquired Divestiture of businesses and other, net	(591.6) (1,202.0) 215.5	(602.6) (572.9) <u>76.2</u>	(575.4) (319.2) 34.0
Net cash used in investing activities	(1,578.1)	(1,099.3)	(860.6)
Financing activities			
Net increase in short-term borrowings Proceeds from long-term debt Principal payments on long-term debt Net purchases of treasury stock Dividends paid	503.5 470.9 (257.0) (323.7) (566.4)	145.4 452.0 (132.5) (499.4) (521.0)	321.8 5.8 (13.1) (376.6) (480.7)
Net cash used in financing activities	(172.7)	(555.5)	(542.8)
Effect of exchange rate changes on cash and equivalents	(3.3)	(8.2)	(23.1)
Increase (decrease) in cash and equivalents	56.4	(11.4)	72.1
Beginning cash and equivalents	209.7	221.1	149.0
Ending cash and equivalents	\$ 266.1	209.7	221.1
Changes in operating working capital			
Receivables Inventories Other current assets Accounts payable Accrued expenses Income taxes	\$ (23.1) 69.0 (12.2) (25.4) (31.5) 58.9	(76.1) (27.7) 19.7 .9 (2.8) 	(117.3) (64.4) (19.5) 28.0 88.6 42.0
	\$ 35.7	(81.0)	(42.6)

See accompanying notes to consolidated financial statements.

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.

Goodwill

Assets and liabilities related to business combinations accounted for as purchase transactions are recorded at their respective fair values. Goodwill 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 accumulated other nonstockholder changes in equity.

Income Taxes

No provision is made for U.S. income taxes on the undistributed earnings of non-U.S. subsidiaries (approximately \$1,140 at September 30, 1999), 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.

Nonstockholder Changes in Equity

In 1999, the Company adopted Statement of Financial Accounting Standards No. 130, which requires the reporting of changes in stockholders' equity that do not result from transactions with stockholders. Nonstockholder changes in equity are comprised of net earnings and foreign currency translation adjustments. The adoption of this statement had no impact on the Company's results of operations or financial condition.

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:

	1999	1998	1997
Fair value of assets acquired	\$ 1,475.7	947.0	359.4
Less liabilities assumed	271.4	214.5	38.2
Less notes and common stock issued to sellers	2.3	159.6	2.0
Cash paid (net of cash and equivalents acquired)	\$ 1,202.0	572.9	319.2

During the first quarter of 1999, the Company purchased the Westinghouse Process Control Division ("WPC") from CBS Corporation for approximately \$260. WPC is a supplier of process controls for the power generation, water and wastewater treatment industries. In addition, in the first and second quarters of 1999, the Company paid \$230 to acquire the remaining ownership interest in Astec (BSR) Plc. In the third quarter of 1999, the Company acquired Daniel Industries, Inc. through a cash tender offer of approximately \$435 plus assumed debt. Daniel is a provider of measurement and control products and services for the oil and gas industry. In addition, the Company acquired MagneTek's alternator operations; Kato Engineering, an alternator business; and a number of smaller businesses in 1999. The companies acquired in 1999 had annualized sales of approximately \$760.

During 1999, the Company received \$226 from the disposition of its interest in F.G. Wilson, resulting in a pretax gain of \$64 (\$30 net of income taxes). The Company also incurred costs for the rationalization of other operations that more than offset this gain. In addition, the Company will receive a percentage of future F.G. Wilson revenue and expects a maximum of \$100 by 2002. F.G. Wilson had sales of approximately \$410 in 1998.

During the first quarter of 1998, the Company purchased Computational Systems, Inc. ("CSI") for approximately \$160, primarily in common stock. CSI is a supplier of condition monitoring and diagnostic products and services for motors and other rotational equipment. During the fourth quarter of 1998, Astec (BSR) Plc, a subsidiary of Emerson, purchased the Advanced Power Systems ("APS") business from Northern Telecom Limited for approximately \$325. APS manufactures power conversion products for a wide variety of telecommunications applications. In addition, the Company purchased Plaset SpA, a European manufacturer of appliance drain pumps, and acquired a majority interest in Hiross, an Italian manufacturer of precision environmental control and site monitoring products. Several smaller businesses were also purchased in 1998. The companies acquired in 1998 had annualized sales of approximately \$775.

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. InterMetro and Clairson had 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.

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 and current maturities of long-term debt are summarized as follows:

	1999	1998
Commercial paper	\$ 1,358.3	992.7
Payable to banks	83.6	258.3
Other	511.8	273.4
Total	\$ 1,953.7	1,524.4
Weighted average interest rate at year end	5.2%	5.3%

In 1999, the Company issued \$250 of 5.125%, one-year notes that were simultaneously swapped to floating interest rates at a cost less than the Company's U.S. commercial paper, with an effective interest rate of 5.3 percent at September 30, 1999. In 1998, the Company entered into an interest rate agreement which capped the rate on \$250 of commercial paper at 6.0 percent through September 1999. 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 Company had 151 million and 152 million of British pound notes with interest rates of 5.3 and 7.5 percent swapped to \$256 and \$257 at U.S. commercial paper rates at September 30, 1999 and 1998, respectively.

The Company and its subsidiaries maintained lines of credit amounting to \$2,375 with various banks at September 30, 1999, to support commercial paper and to assure availability of funds at prevailing market interest rates. Lines of credit totaling \$900 are effective until 2003 with the remainder through June 2000. 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 \$700 (\$630 unused) at September 30, 1999. 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, 1999, the Company could issue up to \$2,000 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:

	1999	1998
Commercial paper with a weighted average interest rate of 5.6 percent at September 30, 1999	\$ 254.0	252.6
6.3% notes due 2006	250.0	250.0
5 ½% notes due 2008	250.0	250.0
5% notes due 2008	175.0	-
5.85% notes due 2009	250.0	-
Term loan with a weighted average interest rate of 6.0 percent at September 30, 1998	_	200.0
Other	147.2	117.9
	1,326.2	1,070.5
Less current maturities	9.1	13.9
Total	\$ 1,317.1	1,056.6

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. In 1999, the Company issued \$250 of 5.85%, ten-year notes that were simultaneously swapped to U.S. commercial paper rates, with an effective interest rate of 5.4 percent at September 30, 1999.

Long-term debt maturing during each of the four years after 2000 is \$24, \$23, \$262 and \$4, respectively. Total interest paid related to short-term borrowings and long-term debt was approximately \$185, \$138 and \$108 in 1999, 1998 and 1997, 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 \$405 and \$335 of contracts outstanding at September 30, 1999 and 1998, 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, 1999 and 1998, the Company had outstanding 8% convertible subordinated debentures due through 2011 with a market value of \$40 and \$44, compared to the related carrying value of \$9 and \$10, respectively. Common stock has been reserved for the conversion of these debentures (see note 9). The fair values of derivative financial instruments were not material at September 30, 1999 and 1998, and the estimated fair value of each of the Company's other classes of financial instruments approximated the related carrying value at September 30, 1999 and 1998.

(6) Retirement Plans

Retirement plan expense includes the following components:

	U.S. Plans			Non-U.S. Plans			
	1999	1998	1997	1999	1998	1997	
Defined benefit plans:							
Service cost (benefits earned during the period)	\$ 38.6	33.2	31.7	9.1	7.9	8.0	
Interest cost	112.5	106.1	94.3	16.9	16.4	16.3	
Expected return on plan assets	(161.4)	(152.2)	(134.6)	(19.0)	(17.0)	(16.0)	
Net amortization	1.6	(2.3)	(3.6)	0.2	(.7)	(.1)	
Settlement gains						(2.0)	
Net periodic pension (income) expense	(8.7)	(15.2)	(12.2)	7.2	6.6	6.2	
Defined contribution and multiemployer plans	59.4	54.6	48.5	8.5	9.4	8.1	
Total retirement plan expense	\$ 50.7	39.4	36.3	15.7	16.0	14.3	

The reconciliations of the actuarial present value of the projected benefit obligations and of the fair value of plan assets follow:

	U.S. P	U.S. Plans		Non-U.S. Plans	
	1999	1998	1999	1998	
Benefit obligation, beginning	\$ 1,437.9	1,248.4	263.2	231.1	
Service cost		25.2	8.0	7.3	
Interest cost	112.5	80.3	15.2	14.3	
Actuarial (gains) losses	(42.8)	100.1	25.1	13.1	
Benefits paid	(63.5)	(44.4)	(11.1)	(11.3)	
Acquisitions/divestitures, net	61.1	28.3	14.2	_	
Foreign currency and other	2.0		_(8.3)	8.7	
Benefit obligation, ending	<u>\$ 1,545.8</u>	1,437.9	306.3	263.2	
Fair value of plan assets, beginning	\$ 1,513.8	1,544.1	232.6	205.3	
Actual return on plan assets	78.3	(20.9)	20.1	26.9	
Employer contributions	75 .5	6.0	6.4	6.2	
Benefits paid	(63.5)	(44.4)	(11.1)	(11.3)	
Acquisitions/divestitures, net		29.0	15.2	-	
Foreign currency and other	1.2		(3.5)	5.5	
Fair value of plan assets, ending	<u>\$ 1,635.0</u>	1,513.8	259.7	232.6	
Plan assets in excess of (less than) benefit obligation	\$ 89.2	75.9	(46.6)	(30.6)	
Unamortized transition amount	(22.0)	(29.2)	(1.6)	(2.0)	
Unrecognized net loss (gain)	127.5	89.3	(10.8)	(32.4)	
Unrecognized prior service costs		23.7	2.9	1.6	
Adjustment for fourth quarter contributions	6	1.7	5		
Net pension asset (liability) recognized in the balance sheet	<u>\$215.7</u>	161.4	(55.6)	(63.4)	
Weighted average assumptions:					
Discount rate	7.75%	7.50%	6.1%	6.8%	
Expected return on plan assets		10.50%	8.5%	8.6%	
Rate of compensation increase	4.25%	4.00%	3.3%	3.7%	

At September 30, 1999 and 1998, the pension assets recognized in the balance sheet were \$271.3 and \$205.9 and the pension liabilities recognized in the balance sheet were \$111.2 and \$107.9, respectively. The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the retirement plans with accumulated benefit obligations in excess of plan assets were \$380.6, \$353.5, and \$208.6, respectively, as of September 30, 1999, and \$301.0, \$284.6, and \$160.9, respectively, as of September 30, 1998.

In 1998, the Company changed the measurement date for the defined benefit pension plans from September 30 to June 30 to improve administrative efficiencies and the timeliness and accuracy of its financial reporting and planning process. The effect of the change on retirement plan expense was immaterial. The fair value of plan assets decreased approximately \$145 in the quarter ended September 30, 1998, reflecting the impact of the equity market decline; this change was offset by an increase in the unrecognized net loss. The 1998 reconciliations of benefit obligations and of the fair value of plan assets include nine months of activity.

(7) Postretirement Plans

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, 1999, 1998 and 1997, follows:

	1999	1998	1997
Service cost	\$ 4.5	4.1	3.6
Interest cost	21.6	20.2	19.0
Net amortization	(3.1)	(3.6)	(4.2)
Net postretirement plan expense	\$ 23.0	20.7	18.4

The reconciliations of the actuarial present value of accumulated postretirement benefit obligations follow:

	1999	1998
Benefit obligation, beginning	\$ 279.6	260.0
Service cost	4.5	4.1
Interest cost	21.6	20.2
Actuarial losses	6.0	12.8
Benefits paid	(20.4)	(20.3)
Acquisitions/divestitures and other	21.8	2.8
Benefit obligation, ending	313.1	279.6
Unrecognized net gain	17.8	25.0
Unrecognized prior service benefit	5.9	8.2
Postretirement benefit liability recognized in the balance sheet	\$ 336.8	312.8

The assumed discount rates used in measuring the obligations as of September 30, 1999 and 1998, were 7.5 percent and 7.25 percent, respectively. The assumed health care cost trend rate for 2000 was 6.5 percent, declining to 4.5 percent in the year 2004. A one-percentage-point increase or decrease in the assumed health care cost trend rate for each year would increase or decrease the obligation as of September 30, 1999, and the 1999 postretirement plan expense by less than 5 percent.

(8) Earnings Per Common Share

Basic earnings per common share consider only the weighted average of common shares outstanding while diluted earnings per common share consider the dilutive effects of stock options, incentive shares and convertible securities. Reconciliations of basic earnings per common share and diluted earnings per common share follow (shares in millions):

		1999	1998			1997			
		Weighted	Earnings		Weighted	Earnings		Weighted	Earnings
		Average	Per		Average	Per		Average	Per
	Earnings	Shares	Share	Earnings	Shares	Share	Earnings	Shares	Share
Basic	\$ 1,313.6	433.8	\$ 3.03	\$ 1,228.6	439.2	\$ 2.80	\$1,121.9	445.0	\$ 2.52
Convertible debt	.5	.7		.6	.9		.9	1.3	
Stock plans		3.9			4.0			3.2	
Diluted	\$ 1,314.1	438.4	\$ 3.00	\$ 1,229.2	444.1	\$ 2.77	\$1,122.8	449.5	\$ 2.50

(9) Common Stock

The Company has various stock option plans that permit certain officers and employees to purchase common stock at specified prices. Options are granted at 100 percent of the market value of the Company's common stock on the date of grant, generally vest one-third each year and expire ten years from the date of grant. At September 30, 1999, 5.4 million options were available for grant under these plans. Changes in the number of shares subject to option during 1999, 1998 and 1997, follow (shares in thousands):

	19	99	19	98	1997	
	Average		Average		Average	
	Price	Shares	Price	Shares	Price	Shares
Beginning of year	\$ 39.02	6,608	\$ 34.77	6,698	\$ 25.47	4,523
Options granted	54.95	3,026	57.71	974	45.09	3,398
Assumed options of acquired company	34.02	71	26.08	330	_	_
Options exercised	29.29	(1,025)	25.91	(1,198)	22.55	(794)
Options canceled	55.25	(176)	45.23	(196)	41.02	(429)
End of year	45.48	8,504	39.02	6,608	34.77	6,698
Exercisable at year end		3,952		3,479		2,727

Summarized information regarding stock options outstanding and exercisable at September 30, 1999, follows (shares in thousands):

		Outstanding		Exerc	sable
Range of		Average	Average		Average
Exercise Prices	Shares	Contractual Life	Price	Shares	Price
up to \$25	554	1.8 years	\$ 16.91	554	\$ 16.91
\$26 to 43	1,495	5.0	31.15	1,442	31.00
\$44 to 65	6,455	8.2	51.25	1,956	46.96
Total	8,504	7.3	45.48	3,952	36.92

The Company's Incentive Shares Plans authorize the distribution of common stock to key management personnel. At September 30, 1999, 1,916,549 shares are outstanding with restriction periods of three to ten years, including 59,500 shares issued in 1999. In addition, 2,292,440 rights to receive common shares have been awarded, including 57,147 shares awarded in 1999, which are contingent upon accomplishing certain objectives by 2001. At September 30, 1999, approximately 6 million shares remained available for award under these plans.

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 was 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 diluted earnings per common share, respectively, would have been \$1,293 and \$2.95 per share in 1999, \$1,215 and \$2.74 per share in 1998, and \$1,110 and \$2.47 per share in 1997. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants: risk-free interest rate of 4.7 percent, 5.7 percent and 6.4 percent, dividend yield of 2.1 percent, 2.0 percent and 2.4 percent, expected volatility of 17 percent, 16 percent and 16 percent for 1999, 1998 and 1997, respectively, and expected life of 5 years for all years. The weighted average fair value of options granted was \$10.38, \$12.01 and \$9.46 for 1999, 1998 and 1997, respectively.

At September 30, 1999, 22,834,153 shares of common stock were reserved, including 22,201,609 shares for issuance under the Company's stock plans and 632,544 shares for conversion of the outstanding 8% convertible subordinated debentures at a price of \$13.49 per share. During 1999, 6,097,200 treasury shares were acquired, and 917,315 treasury shares were issued.

Approximately 1.2 million preferred shares are reserved for issuance under a Preferred Stock 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 \$260, 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, 2008, unless earlier redeemed (at one-half cent per Right), exercised or exchanged under the terms of the plan.

(10) Income Taxes

Income before income taxes consists of the following:

	1999	1998	1997
United States	\$ 1,567.7	1,496.4	1,357.1
Non-U.S.	453.2	427.1	426.5
Income before income taxes	\$ 2,020.9	1,923.5	1,783.6
The principal components of income tax expense follow:			
	1999	1998	1997
Federal:			
Current	\$ 417.3	453.4	447.8
Deferred	77.5	35.9	10.1
State and local	49.8	51.4	48.2
Non-U.S.	162.7	154.2	155.6
Income tax expense	\$ 707.3	694.9	661.7
The federal corporate statutory rate is reconciled to the Company's effective income tax ra	nte as follow	s:	
	1999	1998	1997
Federal corporate statutory rate	35.0%	35.0%	35.0%
State and local taxes, less federal tax benefit	1.6	1.7	1.8
Foreign Sales Corporation benefit and other	(1.6)	(.6)	.3
Effective income tax rate	35.0%	36.1%	37.1%
The principal components of deferred tax assets (liabilities) follow:			
	1999	1998	
Property, plant and equipment and intangibles	\$ (357.0)	(344.1)	
Leveraged leases	(181.0)	(185.4)	
Pension	(92.9)	(69.3)	
Accrued liabilities	249.5	255.9	
Postretirement and postemployment benefits	145.1	129.1	
Employee compensation and benefits	109.1	99.4	
Other	81.6	84.0	
Total deferred tax assets (liabilities)	\$ (45.6)	(30.4)	

At September 30, 1999 and 1998, respectively, net current deferred tax assets were \$261.7 and \$248.3, and net noncurrent deferred tax liabilities were \$307.3 and \$278.7. Total income taxes paid were approximately \$580, \$665 and \$645 in 1999, 1998 and 1997, respectively.

(11) Contingent Liabilities and Commitments

At September 30, 1999, 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.

(12) Business 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. In 1999, the Company adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," which establishes standards for reporting operating segments and related disclosures. The divisions of the Company are primarily organized based on the nature of the products and services provided. The Process Control segment includes measurement and analytical instrumentation, valves, control systems, and factory automation software. The Industrial Automation segment includes integral horsepower industrial motors, variable-speed and index drives, mechanical power transmission equipment, predictive maintenance systems, ultrasonic welding and cleaning, solids separation, fluid control, materials testing, and heating and lighting equipment. The Electronics and Telecommunications segment consists of uninterruptible power supplies, power conditioning equipment, environmental control systems, site monitoring systems, and electrical switching equipment. The Heating, Ventilating and Air Conditioning (HVAC) segment consists of compressors, hermetic terminals, thermostats, and valves. The Appliance and Tools segment includes fractional horsepower motors, controls, and heating elements, as well as hand, plumbing and bench power tools and accessories, and disposers. Summarized information about the Company's operations by business segment and by geographic area follows:

Business Segments (See note 2)		Sales			s Before Ir Income Ta:			Total Asset	S
	1999	1998	1997	1999	1998	1997	1999	1998	1997
Process Control	\$ 2,878	2,684	2,645	313	343	319	3,489	2,643	2,654
Industrial Automation	3,380	3,346	3,084	448	431	438	3,269	3,067	2,721
Electronics and Telecommunications	2,136	1,617	1,246	237	150	116	1,510	1,328	823
HVAC	2,385	2,149	2,122	361	316	312	1,819	1,698	1,568
Appliance and Tools	3,533	3,440	3,060	577	561	480	2,641	2,589	2,410
	14,312	13,236	12,157	1,936	1,801	1,665	12,728	11,325	10,176
Divested businesses	343	557	464	29	45	50	_	531	450
Differences in accounting methods				161	156	138			
Interest income, corporate and other				85	74	52	896	804	837
Sales eliminations/Interest expense	(385)	(346)	(322)	(190)	(152)	(121)			
Total	\$ 14,270	13,447	12,299	2,021	1,924	1,784	13,624	12,660	11,463
				De	preciation	and			
	Inte	ersegment S	Sales	Amor	ization Exp	oense	Cap	ital Expend	itures
	1999	1998	1997	1999	1998	1997	1999	1998	1997
Process Control	\$ 4	2	1	166	147	146	78	83	85
Industrial Automation	28	25	17	144	130	115	99	115	116
Electronics and Telecommunications	11	16	3	59	35	28	54	42	31
HVAC	30	27	26	97	86	81	177	147	155
Appliance and Tools	312	275	273	155	143	124	159	162	149
Divested businesses	_	1	2	8	14	12	17	39	21
Corporate and other				9	8	6	8	15	18
Total	\$ 385	346	322	638	563	512	592	603	575

The primary income measure used for assessing performance and making operating decisions is earnings before interest and income taxes. Intersegment sales approximate market prices. Accounting method differences between segment reporting and the consolidated financial statements primarily include management fees allocated to segments based on a percentage of sales and the accounting for pension and other retirement plans. Corporate assets primarily include cash and equivalents, investments, pensions, deferred charges, and certain fixed assets. Divested businesses include F.G. Wilson and other smaller businesses.

Geographic	Sales	by Destinat	tion	Property,	Plant and E	quipment
	1999	1998	1997	1999	1998	1997
United States	\$ 8,557	8,102	7,091	2,312	2,120	1,980
Europe	3,064	2,869	2,647	527	627	534
Asia	1,211	1,096	1,328	205	169	138
Latin America	458	484	402	88	77	65
Other regions	980	896	831	22	19	18
Total	\$ 14,270	13,447	12,299	3,154	3,012	2,735

(13) Other Financial Data

Items reported in earnings during the years ended September 30, 1999, 1998 and 1997, included the following:

	1	999	1998	1997
Depreciation and other amortization	\$	508.1	459.4	421.0
Goodwill amortization		129.4	103.1	90.6
Research, new product development and product improvement costs		510.3	491.3	445.1
Rent expense		177.4	170.4	156.9
Interest revenue		16.1	25.1	18.4
Other assets, other are summarized as follows:	_1	1999	1998	
Equity and other investments	\$	235.1	187.9	
Retirement plans		271.3	205.9	
Leveraged leases		185.5	187.5	
Other		389.8	362.9	
Total	\$ 1	,081.7	944.2	
Other liabilities are summarized as follows:	_	1999	1998	
Minority interest	\$	297.2	619.9	
Postretirement plans, excluding current portion		313.1	292.7	
Deferred taxes		333.9	306.6	
Other		591.3	559.0	
Total	\$ 1	,535.5	1,778.2	

Accrued expenses include employee compensation of \$316.8 and \$295.2 at September 30, 1999 and 1998, respectively. 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 \$83 in 2000 and decline substantially thereafter.

(14) Quarterly Financial Information (Unaudited)

Financial Results	Net S	ales	Gross	Profit	Net Ea	rnings
	1999	1998	1999	1998	1999	1998
First Quarter	\$ 3,426.7	3,171.5	1,215.1	1,141.7	302.4	282.3
Second Quarter	3,588.7	3,382.4	1,278.9	1,222.7	325.9	307.6
Third Quarter	3,634.0	3,465.2	1,294.0	1,254.1	345.1	324.8
Fourth Quarter	3,620.1	3,428.1	1,287.7	1,233.1	340.2	313.9
Fiscal Year	\$ 14,269.5	13,447.2	5,075.7	4,851.6	1,313.6	1,228.6
	Basic Ear	nings per	Diluted Ea	rnings per	Divide	nds per
	Commo	n Share	Commo	n Share	Commo	on Share
	1999	1998	1999	1998	1999	1998
First Quarter	\$.69	.64	.69	.64	.325	.295
Second Quarter	.75	.70	.74	.69	.325	.295
Third Quarter	.80	.74	.79	.73	.325	.295
Fourth Quarter	.79	.72	.78	.71	.325	.295
Fiscal Year	\$ 3.03	2.80	3.00	2.77	1.30	1.18

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

Stock Prices

(per common share)	199	9	1998	
	High	Low	High	Low
First Quarter	\$ 66 ¹⁵ / ₁₆	58 ⁵ / ₁₆	58 ¹ / ₄	49 3/4
Second Quarter	65	51 ⁷ / ₈	66 ¹ / ₄	$55^{1}/_{2}$
Third Quarter	71 ⁷ / ₁₆	51 ⁷ / ₁₆	67 ⁷ /16	58 ⁹ /16
Fourth Quarter	65 ⁷ / ₈	59 1/8	63 ³ / ₄	54 ¹ / ₂
Fiscal Year	\$ 71 ⁷ / ₁₆	51 ⁷ / ₁₆	67 ⁷ / ₁₆	49 3/4

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

Report of Management

The Company's management is responsible for the integrity and accuracy of the financial statements. Management believes that the financial statements for the three years ended September 30, 1999, have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances. In preparing the financial statements, management makes informed judgments and estimates where necessary to reflect the expected effects of events and transactions that have not been completed.

In meeting its responsibility for the reliability of the financial statements, management relies on a system of internal accounting control. This system is designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. The design of this system recognizes that errors or irregularities may occur and that estimates and judgments are required to assess the relative cost and expected benefits of the controls. Management believes that the Company's accounting controls provide reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected within a timely period.

The Audit Committee of the Board of Directors, which is composed solely of Directors who are not employees of the Company, is responsible for monitoring the Company's accounting and reporting practices. The Audit Committee meets with management and the internal auditors periodically to review the work of each and to monitor the discharge by each of its responsibilities. The Audit Committee also meets periodically with the independent auditors who have free access to the Audit Committee and the Board of Directors to discuss internal accounting control, auditing and financial reporting matters, as well as management advisory services.

The independent auditors are engaged to express an opinion on the Company's consolidated financial statements. Their opinion is based on procedures which they believe to be sufficient to provide reasonable assurance that the financial statements contain no material errors.

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, 1999 and 1998, 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, 1999. 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, 1999 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 1999, in conformity with generally accepted accounting principles.

KPMG LLP

St. Louis, Missouri November 1, 1999

Eleven-Year Summary

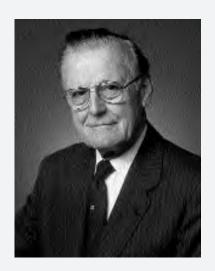
Emerson Electric Co. and Subsidiaries

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

		1999	1998	1997
Summary of	Net sales	\$ 14,269.5	13,447.2	12,298.6
Operations	Gross profit	\$ 5,075.7	4,851.6	4,433.0
	Interest expense	\$ 189.7	151.7	120.9
	Income before income taxes	\$ 2,020.9	1,923.5	1,783.6
	Net earnings	\$ 1,313.6	1,228.6	1,121.9
	Percent of net sales	9.2%	9.1%	9.1%
	Return on average stockholders' equity	21.9%	21.9%	20.8%
Per Share of	Basic earnings	\$ 3.03	2.80	2.52
Common	Diluted earnings	\$ 3.00	2.77	2.50
Stock	Cash dividends	\$ 1.30	1.18	1.08
	Book value	\$ 14.27	13.24	12.30
Year-End	Working capital	\$ 534.0	979.6	874.4
Financial	Current ratio	1.1 to 1	1.2 to 1	1.2 to 1
Position	Property, plant and equipment, net	\$ 3,154.4	3,011.6	2,735.4
	Total assets	\$ 13,623.5	12,659.8	11,463.3
	Long-term debt	\$ 1,317.1	1,056.6	570.7
	Stockholders' equity	\$ 6,180.5	5,803.3	5,420.7
	Total debt to total capital	34.6%	30.8%	27.1%
	Net debt to net capital	32.7%	29.0%	24.9%
Other Data	Capital expenditures	\$ 591.6	602.6	575.4
	Depreciation	\$ 446.8	406.4	368.5
	Total taxes, including income taxes	\$ 1,125.5	1,092.6	1,033.9
	Salaries and wages	\$ 3,171.4	3,003.1	2,770.6
	Average number of employees	116,900	111,800	100,700
	Approximate number of stockholders at year end	36,300	37,200	35,900
	Average common shares – basic (in thousands)	433,801	439,193	445,020
	Average common shares – diluted (in thousands)	438,397	444,121	449,501

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

1989	1990	1991	1992	1993	1994	1995	1996
7,071.3	7,573.4	7,427.0	7,706.0	8,173.8	8,607.2	10,012.9	11,149.9
2,408.6	2,571.6	2,585.5	2,651.4	2,884.0	3,054.2	3,532.5	3,984.9
78.4	116.5	113.4	91.0	119.2	88.5	110.6	126.9
954.0	989.0	1,003.1	1,043.9	1,112.0	1,237.8	1,424.9	1,609.0
588.0	613.2	631.9	662.9	708.1	788.5	907.7	1,018.5
8.3%	8.1%	8.5%	8.6%	8.7%	9.2%	9.1%	9.1%
20.0%	20.2%	20.2%	19.0%	18.5%	19.1%	19.7%	19.9%
1.31	1.37	1.41	1.48	1.57	1.76	2.03	2.27
1.31	1.37	1.40	1.47	1.56	1.75	2.01	2.25
.56	.63	.66	.69	.72	.78	.89	.98
6.90	6.69	7.27	8.31	8.71	9.71	10.88	11.96
1,317.3	802.8	894.8	1,165.1	381.7	720.9	503.4	1,166.1
1.9 to 1	1.3 to 1	1.4 to 1	1.6 to 1	1.1 to 1	1.3 to 1	1.2 to 1	1.4 to 1
1,197.7	1,535.8	1,583.4	1,694.5	1,880.1	1,947.3	2,134.9	2,450.8
5,408.0	6,376.4	6,364.4	6,627.0	7,814.5	8,215.0	9,399.0	10,481.0
418.9	496.2	450.2	448.0	438.0	279.9	208.6	772.6
3,073.4	2,989.9	3,256.9	3,729.8	3,915.1	4,341.8	4,870.8	5,353.4
19.5%	32.1%	27.2%	19.1%	29.3%	21.7%	24.7%	24.5%
16.9%	30.5%	25.4%	17.7%	27.9%	20.0%	23.3%	22.9%
285.8	309.7	310.9	345.5	305.6	332.3	420.7	513.5
200.4	231.3	254.0	253.1	269.3	274.0	303.0	339.4
560.3	637.7	656.3	674.0	709.5	762.2	862.2	962.9
1,702.8	1,882.0	1,850.0	1,916.0	2,064.2	2,155.5	2,379.7	2,568.5
72,600	73,700	69,500	69,400	71,600	73,900	78,900	86,400
35,200	34,800	33,900	33,100	32,700	31,800	31,000	29,800
447,520	446,300	447,178	448,504	450,166	448,464	447,506	448,095
452,535	450,915	452,508	454,047	455,125	452,747	451,946	452,754



In Memoriam W.R. "Buck" Persons

W.R. "Buck" Persons, Director Emeritus, passed away in November 1999. Mr. Persons served the Company for more than 19 years as Chief Executive Officer and more than 35 years as a Director. He retired as a director in 1989, becoming Director Emeritus. Mr. Persons was the architect of the Company's extraordinary growth and profitability for two decades beginning in 1954, transforming Emerson from a small motor manufacturer into a major diversified corporation operating worldwide. His foresight, leadership, pioneering innovations and enduring contributions have earned him a special place in Emerson's history and national recognition as a driving force in American industry.

Board of Directors

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R.B. Horton

of State for

London, England

Former Chairman,

Railtrack Group plc

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R.B. Loynd

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W.M. Van Cleve St. Louis, Missouri Partner, Bryan Cave LLP

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J-P.L. Montupet **Executive Vice President**

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A.E. Suter

W.M. Van Cleve

Management

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Chief Executive Officer

G.W. Tamke Vice Chairman & Co-Chief Executive Officer J.G. Berges President

D.N. Farr Senior Executive Vice President & Chief Operating Officer

Senior Vice President-& Chief Financial Officer

W.J. Galvin

A.E. Suter

R.W. Staley Chief Administrative Officer Chairman- Emerson Electric Asia-Pacific

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H.L. Lance Group Vice President

D.G. Perkins **Group Vice President** T.E. Bettcher Senior Vice President

J.J. Lindemann Senior Vice President

C. A. Peters Senior Vice President E.K. Feeney **Group Vice President**

G.T. McKane Senior Vice President

P.J. Sly Senior Vice President C. Henry J.A. Kight **Group Vice President Group Vice President**

J-P.L. Montupet **Executive Vice President**

L.W. Solley **Executive Vice President**

P.K. Murphy **Group Vice President**

Corporate Officers

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T.C. Derrick, Jr. Vice President-**Labor Relations**

C.G. Heath Vice President-**Executive Compensation**

L.J. Kremer Vice President-Materials

M.J. Molloy Vice President-Development

P.A. Roberts Vice President-Public Affairs

J.D. Switzer Senior Vice President-Development

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Vice President-Corporate Sales S.C. Roemer

Vice President-

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R.D. Ledford Senior Vice President & Chief Technology Officer

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R.J. Schlueter Vice President-Accounting

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K.D. Hahn Vice President-Information Technology

R.E. Keefe Vice President-Manufacturing

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M.J. Proudfoot Vice President-International **Business Development**

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P.E. McKnight Vice President-Organization Planning

S.L. Rieves Vice President-Telecom Services

A.K. Singh Vice President & President-**Emerson Electric** Asia-Pacific

R.M. Yopko Vice President-**Emerson Global Services**

Stockholders' Information

Annual Meeting

The annual meeting of stockholders will be held at 10:00 a.m., Tuesday, February 1, 2000, in Emerson's World Headquarters Building, 8000 W. Florissant Ave., St. Louis, Missouri. Notice of the meeting, proxy statement and proxy were sent to stockholders with this annual report.

Registrar & Transfer Agent

ChaseMellon Shareholder Services Attention: Emerson Electric Co.

P.O. Box 3338

South Hackensack, NJ 07606-1938 Toll Free Telephone: (888) 213-0970 Internet: http://www.chasemellon.com

Stockholder Inquiries

Inquiries regarding dividend payments, loss or non-receipt of a dividend check, stock transfers (including name changes, gifts and inheritances), lost stock certificates, Form 1099 information and address changes should be directed to the Registrar and Transfer Agent.

All other inquiries should be addressed to: Investor Relations Department, Station 2197 Emerson Electric Co. 8000 W. Florissant Ave. P.O. Box 4100

St. Louis, MO 63136-8506 Telephone: (314) 553-2197

10-K Report

A copy of the Company's 1999 Annual Report filed with the Securities and Exchange Commission on Form 10-K is available to stockholders without charge. To obtain a copy, please contact the Investor Relations Department.

Internet Access

Corporate news releases, Forms 10-K and 10-Q, the annual report and other information about the Company are available through Emerson's Web site on the Internet. It may be accessed as follows: http://www.emersonelectric.com

Stockholder Services

Dividend Reinvestment Plan

Emerson offers stockholders of record a convenient Dividend Reinvestment Plan for purchasing additional shares of stock without paying brokerage commissions or other service fees. Participant dividends are automatically reinvested and participants can make supplemental cash payments to purchase additional shares. For further information and an authorization form, contact the Registrar and Transfer Agent.

Direct Deposit of Dividends

Stockholders may elect to have dividends electronically deposited into a checking or savings account at a bank, savings and loan institution or credit union. For details, contact the Registrar and Transfer Agent.

Low Cost Investment Plan

Investors may purchase their initial shares of Emerson stock through NAIC's Low Cost Investment Plan. For details contact: National Association of Investors Corp. (NAIC)

711 W. Thirteen Mile Rd. Madison Heights, MI 48071 Telephone: (248) 583-6242

Duplicate Mailings

When stockholders own shares in more than one account or when several stockholders live at the same address, they may receive multiple copies of the annual report. To eliminate multiple copies, write to the Registrar and Transfer Agent.

Environmental Programs

Information on Emerson's environmental programs may be obtained by contacting:

Environmental Affairs Department, Station 3800 Emerson Electric Co. 8000 W. Florissant Ave. P.O. Box 4100

St. Louis, MO 63136-8506

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, are subject to risk and uncertainties and Emerson undertakes no obligation to update any such statement to reflect later developments. 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 and (viii) timely resolution of the Year 2000 issues by the Company, its customers and suppliers.

Emerson, Emerson Telecom Systems, Advanced Power Systems, Alco, Appleton, ASCO, ASCO Switch, Asset Management Solutions, Astec, Branson, Browning, Chromalox, ClosetMaid, Control Techniques, Copeland, Copeland Scroll, Daniel, DeltaV, Fisher, Fisher FIELDVUE, Fisher-Rosemount, HIROSS, In-Sink-Erator, Intellution, Leroy Somer, Liebert, Liebert Global Services, Louisville Ladder, Mallory, METRO, Micro Motion, MORSE, Ovation, O-Z/Gedney, PlantWeb, RIDGID, Rosemount, Therm-O-Disc, USEM, White-Rodgers, Xomox and their related trademark designs and logotypes are service/trade names of Emerson Electric Co., its subsidiaries, affiliates, investments or joint ventures.

The customer names, trademarks and logotypes used within this Annual Report are the registered names, trade names, trademarks and logotypes of the respective companies.

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