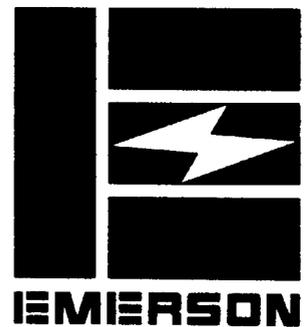


PERSONAL



10-K REPORT
1976

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

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

For the fiscal year ended September 30, 1976

Commission file number 1-278

EMERSON ELECTRIC CO.

(Exact name of registrant as specified in its charter)

Missouri (State or other jurisdiction of incorporation or organization)	43-0259330 (I.R.S. Employer Identification No.)
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8100 West Florissant Avenue, St. Louis, Missouri (Address or principal executive offices)	63136 (Zip Code)
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Registrant's telephone number, including area code (314) 553-2000

Securities registered pursuant to Section 12 (b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock of \$1.00 par value per share	New York Stock Exchange Midwest Stock Exchange

Securities registered pursuant to Section 12 (g) of the Act:

None

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

Common stock outstanding at September 30, 1976 — 57,154,203 shares including 182,996 treasury shares.

Item 1. Business

- (a) Emerson was incorporated in Missouri in 1890. Originally engaged in the manufacture and sale of electric motors and fans prior to World War II and aircraft armament items during the war, Emerson's product lines were subsequently expanded through internal growth and acquisition. Emerson is now engaged principally in the design, manufacture and sale of a broad range of electrical-electronic products and systems.

The products manufactured by Emerson may be classified for marketing purposes into three general categories: commercial and industrial components and systems, consumer products, and government and defense products and systems. The products are sold primarily through independent distributors and to original equipment manufacturers, and to a lesser extent to retailers and other users.

COMMERCIAL AND INDUSTRIAL COMPONENTS AND SYSTEMS

Emerson is engaged in the design, development and manufacture of selected products and systems that drive, measure, and control production and process operations.

Beginning with a selected line of integral horsepower motors for industrial and heavy commercial applications, Emerson's products for industrial automation include certain kinds of horizontal motors, gear drives, pump motors, and electronic variable speed drives. Emerson also manufactures certain specialized controlled speed systems, consisting of a number of motors electrically linked together to control and coordinate high speed automated production operations. Such systems are used typically on conveyors, complex machine tools, printing lines, bottling machines, textile and paper processing equipment, and in other multi-motor industrial applications. Emerson also produces selected electronic industrial controls used in these and other manufacturing, machining and processing applications. Emerson also produces electronic uninterruptible power supplies used in high speed production applications and communications and information processing.

Emerson manufactures and sells mechanical components for the transmission and regulation of mechanical power, such as certain kinds of sprockets, gears, couplings, speed reducers and a comprehensive line of cam-operated index drives and automation accessories. These products are used primarily in industrial and commercial markets requiring the transmission of mechanical motion or drive systems of various types.

Products used for process control include various types of control meters and instrumentation for measurement and control of fluid flow, such as rotometers, positive displacement meters, magnetic flow meters, turbine meters, and laboratory instruments. Other products are meters and control systems for use in irrigation, sewage and water management; bulk liquid storage controls and indicators; solid state telemetering equipment; and various types of pressure and vacuum relief valves. In addition, Emerson manufactures and sells temperature sensors, pressure sensors, and transmitters used to measure and/or control temperature, pressure, air speed, altitude, and rate and amount of flow. Emerson also manufactures electric circulation heaters, boilers, fluid heat transfer systems, component heating elements and electronic measurement and data acquisition equipment for use in industrial processing. Other products are power supplies used in electronic instruments and in computer peripherals and systems.

Emerson manufactures and sells a variety of components and systems for service equipment and comfort control applications, including certain sizes of hermetic motors and terminals for hermetically sealed compressors in freezers, air conditioners and coolers; fractional horsepower motors for selected appliance, ventilating equipment, pump, heater, and other motor-driven machine applications. Automatic temperature controls and thermo-protective devices are manufactured for gas and electric heating systems, refrigeration and air conditioning equipment, and various large and small appliances. Emerson also manufactures and sells a variety of electric heating elements.

Emerson manufactures a broad line of components, tools and equipment used in the electrical distribution and telecommunications markets, including utility construction and line maintenance tools, pole line hardware, electrical distribution system components, transformers, transmission structures and a line of hydraulic truck-mounted aerial devices, cranes and digger derricks.

CONSUMER PRODUCTS

Consumer products include the manufacture and sale of a selected line of electrical products, systems and equipment for the construction markets, tools for the professional and "do-it-yourself" markets and sound systems and equipment.

Selected lighting fixtures are manufactured and sold for use in commercial, institutional, and industrial buildings. These lighting fixtures include fluorescent, incandescent and high intensity discharge light sources and a complete integrated ceiling system which combines lighting, structural, insulation, air handling and other functional components of ceilings in large buildings.

Emerson also manufactures and sells a line of electrical products primarily for the residential markets, including electrostatic air cleaners, door chimes, intercom systems, electric waste disposers, hot water dispensers, electric comfort heating systems, security systems, ventilating equipment and exhaust fans.

Emerson is a producer of selected professional and hardware tools and service equipment. These products include certain kinds of wrenches, thread cutters, pipe cutters, reamers, vises, pipe and bolt threading machines, and certain sewer and drain cleaning equipment which are sold primarily under the "Ridgid" name. The principal markets for these professional tools and service equipment include plumbing, heating, and air conditioning contractors, construction and maintenance companies, petroleum and gas producers, refiners and processors, and farm and home consumers.

Emerson also produces a variety of gas cutting and welding equipment, hobbyists tools, power chain saws, ladders and scaffolding and related accessories, and a specialized line of light-duty industrial bench power tools. In addition a line of bench power tools for home "do-it-yourself" workshop use are produced for Sears, Roebuck & Co., which retails them under the brand name "Craftsman".

GOVERNMENT AND DEFENSE PRODUCTS AND SYSTEMS

Emerson is engaged in research, development and manufacture of electronic systems, principally for the United States Government under contracts with the Air Force, Army, Navy, National Aeronautics and Space Administration, and United States Postal Service. Sales are also made to foreign customers. Products in this area include electronic systems covering electronic test equipment systems, aviation instrumentation, antisubmarine warfare detection and recording systems, missile components, launching systems and components, surveillance and radar systems for air, naval and ground use, flexible and fixed armament systems, fire control systems, power supplies, satellite communication and telemetry systems, anechoic chamber electronics and material and mail processing and handling systems.

The major portion of Emerson's contracts with the United States Government are fixed price, some of which contain price redetermination provisions. The balance of the contracts are cost type contracts. Most of the contracts are subject to both renegotiation and cancellation at any time for the convenience of the Government. Proceedings under the Renegotiation Act of 1951 have been concluded through September 30, 1972 with no refund required. Emerson's renegotiation reports for the fiscal years 1973 and 1974 have been assigned to the Western Regional Renegotiation Board for additional review. Emerson does not anticipate any significant adjustments to reports undergoing such review.

Competition

All categories of Emerson's business are highly competitive and the methods of competition vary across all industry segments served by the Company. Although no one company competes directly with Emerson in all of its product lines, there are a number of companies which compete in one or more of Emerson's principal markets. Some of these companies have substantially greater sales and assets than Emerson. In addition, Emerson experiences competition from many smaller companies, particularly in products sold to the construction and contracting industry.

Production

Emerson utilizes various production operations and techniques. The principal production operations are metal forming, machining, heat treating and plating, electrical and electronic assembly, and painting and anodizing. In addition, Emerson also utilizes specialized production operations, including automatic and semi-automatic electronic testing, magnesium machining, and specialized gas and electric furnaces for heat treating and foundry applications. Management believes the machinery and equipment utilized in the above processes are of modern design and well maintained.

Raw Materials and Energy

Emerson's major requirements for basic raw materials include steel, copper, cast iron, aluminum and brass, and, to a lesser extent, plastics and other petroleum based chemicals. Emerson has multiple sources of supply for each of its material requirements. The raw materials and various purchased components required for its products have generally been available in sufficient quantities, although occasional shortages have occurred. It is expected that all required raw materials and principal purchased components will continue to be available in quantities sufficient to continue normal manufacturing levels for 1977.

Emerson's production has not been adversely affected by shortages of various sources of energy, although its energy costs have increased. A majority of the plants have the capability of being converted to use alternative higher cost sources of energy. Based upon information available to Emerson concerning the current energy supplies within the geographical areas in which it operates, Emerson does not anticipate any unusual difficulties in maintaining 1977 projected production levels.

Environment

Compliance with laws regulating the discharge of materials into the environment or otherwise relating to the protection of the environment has not had a material effect upon Emerson's capital expenditures, earnings or competitive position. It is not anticipated that Emerson will have material capital expenditures for environmental control facilities during the current or next fiscal year.

Employees

Emerson and its subsidiaries had an average of approximately 38,800 employees during 1976.

- (b) There have been no material changes or developments since the beginning of the fiscal year in the business done and intended to be done by Emerson and its subsidiaries.

During 1976 Emerson acquired Rosemount Inc., Van Gorp Mfg., Inc. and Fourdee, Inc. for an aggregate of 1,695,702 shares of common stock and accounted for these acquisitions as poolings of interests. The Company also purchased the capital stock or net operating assets of five businesses for a total of approximately \$21,428,000, including Micro Devices Corp. for \$13,200,000 and combined Elettromeccanica Olmo S.p.A. and Taylor Electric Italiana S.p.A. for \$4,635,000. See Note 2 of Notes to Consolidated Financial Statements.

- (c)(1) The following table sets forth the approximate amounts of net sales and net earnings attributable to each of the marketing categories during each of the last five years:

SALES AND NET EARNINGS BY MAJOR MARKET CATEGORIES

(Millions of Dollars)

Fiscal Years Ended September 30	1976		1975		1974		1973		1972	
	<u>Sales</u>	<u>Net Earnings</u>	<u>Sales</u>	<u>Net Earnings</u>	<u>Sales</u>	<u>Net Earnings</u>	<u>Sales</u>	<u>Net Earnings</u>	<u>Sales</u>	<u>Net Earnings</u>
Commercial & Industrial	\$ 985.0	71.5	834.4	63.9	864.4	62.0	729.5	60.2	599.9	48.1
Consumer	\$ 395.1	37.9	366.0	30.3	374.0	29.2	324.0	22.0	295.2	22.8
Government & Defense	\$ 124.9	7.4	103.0	5.9	71.1	2.7	33.7	1.4	32.6	1.3
Total	<u>\$1,505.0</u>	<u>116.8</u>	<u>1,303.4</u>	<u>100.1</u>	<u>1,309.5</u>	<u>93.9</u>	<u>1,087.2</u>	<u>83.6</u>	<u>927.7</u>	<u>72.2</u>

Sales for each category exclude sales between categories. Net Earnings for each category include allocation of corporate items. The sales and net earnings have been restated to include all companies acquired on a pooling of interests basis.

- (c)(2) Based on classification under the Standard Industrial Classification Code (five digits), no class of products contributed 10% or more to total sales in either of the last two fiscal years.
- (d) Emerson has 39 manufacturing or assembly operations in 12 foreign countries. Total international sales, including exports, amounted to \$298,836,000 or approximately 20% of total sales in fiscal 1976. Management believes that the profitability of its foreign business (including earnings on export sales and sales to foreign subsidiaries) is comparable to that of its domestic business. Although there are additional risks attendant to foreign operations, such as nationalization of facilities, currency fluctuations and restrictions on the movement of funds, Emerson has not been materially affected thereby to date. See Notes 1 and 3 of Notes to Consolidated Financial Statements for further information with respect to foreign operations.

Item 2. Summary of Operations

	Thousands of Dollars Except Share Data				
	Years Ended September 30,				
	1976	1975	1974	1973	1972
Net sales-----	\$1,505,023	1,303,415	1,309,479	1,087,213	927,689
Cost of sales-----	1,011,355	872,159	887,590	722,963	610,459
Interest expense-----	8,943	9,482	7,942	5,205	4,627
Earnings before income taxes----	\$ 222,645	189,363	180,411	164,791	141,960
Income taxes-----	105,800	89,242	86,543	81,164	69,723
Net earnings-----	<u>116,845</u>	<u>100,121</u>	<u>93,868</u>	<u>83,627</u>	<u>72,237</u>
Preferred stock dividends-----	-	-	163	2,572	3,014
Net earnings applicable to common stock-----	<u>\$ 116,845</u>	<u>100,121</u>	<u>93,705</u>	<u>81,055</u>	<u>69,223</u>
Average number of common and common equivalent shares outstanding during each year:					
For primary earnings-----	57,108,000	57,052,000	56,602,000	52,604,000	51,913,000
For fully diluted earnings--	<u>57,108,000</u>	<u>57,079,000</u>	<u>56,871,000</u>	<u>56,863,000</u>	<u>56,665,000</u>
Per common share:					
Primary earnings-----	\$2.05	1.75	1.66	1.54	1.33
Fully diluted earnings-----	2.05	1.75	1.65	1.47	1.27
Cash dividends declared-----	<u>.78 3/4</u>	<u>.73 3/4</u>	<u>.68 3/4</u>	<u>.62 1/2</u>	<u>.59 1/2</u>

Net sales and net earnings as originally reported to stockholders are reconciled to amounts in the summary of operations in the following tabulation:

	Thousands of Dollars			
	Years Ended September 30,			
	1975	1974	1973	1972
Net sales:				
As originally reported-----	\$1,250,299	1,137,771	937,606	764,740
Poolings of interests-----	53,116	171,708	149,607	162,949
As restated-----	<u>\$1,303,415</u>	<u>1,309,479</u>	<u>1,087,213</u>	<u>927,689</u>
Net earnings:				
As originally reported-----	\$ 96,187	86,650	75,873	63,596
Poolings of interests-----	3,934	7,218	7,754	8,641
As restated-----	<u>\$ 100,121</u>	<u>93,868</u>	<u>83,627</u>	<u>72,237</u>

Management's Discussion and Analysis of the Summary of Operations

Fiscal 1976 as Compared to 1975

Emerson's 1976 sales increased 15.5% to a total of \$1,505,023,000. This increase was primarily due to strengthened demand in all of the Company's major market categories, both domestic and foreign. International sales, including export sales, totaled \$298,836,000 during 1976, as compared to \$241,455,000 in 1975.

Cost of sales increased in 1976 over 1975 as a result of the substantial increase in sales. As a percentage of sales, cost of sales increased to 67.2% in 1976 from 66.9% in 1975. This minor percentage increase resulted principally from changes in product mix. To a lesser extent, cost of sales increased due to the adoption in 1976 of the method of translating foreign currency into U. S. Dollars as prescribed by the Financial Accounting Standards Board Statement No. 8. This translation method was not applied retroactively to years prior to 1976 because the effect was not material.

Selling, general and administrative expenses increased \$28,079,000 in 1976, representing additional expenses incurred to support increased sales volume. However, the percentage of selling, general and administrative expenses to sales declined to 17.0% from 17.5% in 1975. This percentage decline is attributable to changes in product mix and tight budgetary controls.

Other deductions, net of other income, increased \$1,590,000 in fiscal 1976. This increase was caused primarily by the write-off of all the Company's interest in Western Digital Corporation and by increased exchange losses, partially offset by increased income from short-term investments.

The Company's effective income tax rate rose to 47.5% in 1976 from 47.1% in 1975. This increase resulted principally from additional foreign currency translation losses which are not deductible for income tax purposes.

Fiscal 1975 as Compared to 1974

Sales declined slightly in 1975 to \$1,303,415,000 from \$1,309,479,000 in 1974. This resulted from the severe economic recession which affected Emerson's domestic markets for commercial and industrial and consumer products. The decline was partially offset by increases in international sales and government and defense business.

Cost of sales decreased in 1975 as compared to 1974 to a greater extent than the decrease in sales. This reduction in cost of sales was attributable to effective cost reduction programs and stringent cost controls, resulting in more efficient production in many facilities.

Selling, general and administrative expenses increased only slightly from 1974 levels. As a percentage of sales, these expenses increased from 17.4% in 1974 to 17.5% in 1975.

The Company's effective income tax rate declined to 47.1% in 1975 from 48.0% in 1974. This decline resulted primarily from increased utilization of Domestic International Sales Corporations and investment tax credits.

It has been the Company's practice to use agents and consultants in connection with obtaining foreign business in countries in which the Company does not have its own sales force. It is anticipated that future increases in the Company's foreign sales will require continued use of such agents. The Company's Board of Directors has broadened the scope of its Conflict of Interest and Ethics Committee to establish and review the implementation of Company policies on business ethics and a new policy statement was adopted by the Company in 1975 to be used by its operating personnel as a guideline for employing agents in foreign countries. Company policy requires that all payments to agents and consultants be bona fide fees and commissions.

Item 3. Properties

Emerson occupies office, production and warehouse facilities in 37 states and 25 foreign countries having a total of approximately 17,700,000 square feet, of which 10,800,000 square feet are in buildings owned by Emerson and the balance in leased buildings. Approximately 11,300,000 square feet are allocated to manufacturing operations. Emerson considers that its facilities are suitable and adequate for the purposes for which they are used. Emerson properties in St. Louis County, Missouri comprising 1,692,000 square feet, 1,348,000 owned and 344,000 leased for periods through 1987, are used as corporate and divisional offices and production facilities; no other single location has more than 5% of the total square footage. See Note 8 of Notes to Consolidated Financial Statements for further information with respect to leases.

Item 4. Parents and Subsidiaries

Parents: None

Subsidiaries:

<u>Name</u>	<u>Jurisdiction of Incorporation</u>	<u>Percentage Owned by Immediate Parent</u>
A. B. Chance Company	Delaware	100%
A. B. Chance Company of Canada, Ltd.	Canada	100%
A. B. Chance Company International, Inc.	Missouri	100%
A. B. Chance de Mexico, S.A. de C.V.	Mexico	60%
A. B. Chance Equipamentos do Brasil, Ltda.	Brazil	100%
Ritz-Chance Industria e Comercio, S.A.	Brazil	50%
Chance International Sales, Inc.	Delaware	100%
Power Switching Equipment, Inc.	Texas	100%
***Aichi-Emerson Electric Co.	Japan	40%
Bell's Foundry, Inc.	Ohio	100%
Brooks Instrument B.V.	Netherlands	100%
Brooks Instrument Limited	United Kingdom	100%
Chromalox, S.A.	Mexico	100%
*Commercial Ohio, S.A. de C.V.	Mexico	100%
Cognition, Inc.	Delaware	81%
Doric Scientific, S.A.	Belgium	100%
Elettromeccanica Olmo S.p.A.	Italy	100%
Emerint, Inc.	Delaware	100%
Emerson Electric Canada Limited	Canada	100%
Emerson Electric, C.A.	Venezuela	100%
Emerson Electric, S.A.	Belgium	100%
Emerson Electric (France) S.A.	France	100%
Emerson Electric Overseas Finance Corp.	Delaware	100%
** Emerson Electric GmbH	Germany	76%
Motores U.S. de Mexico, S.A.	Mexico	100%
Emerson Electric Puerto Rico, Inc.	Delaware	100%
Emerson Puerto Rico, Inc.	Delaware	100%
Emerson Eletrica Ltda.	Brazil	100%
Emerson Electronics, Inc.	Pennsylvania	100%
****Emerson Systems International Ltd.	Iran	35%
Etirex S.A.	France	80%
***Fisher Corporation	Delaware	50%
Fusite Corporation	Ohio	100%
Emerson Japan, Ltd.	Japan	100%
Fusite Italiana S.a.r.l.	Italy	100%
Fusite, B.V.	Netherlands	100%
Grimwood Heating Elements Limited	United Kingdom	100%
Emerson Electric Industrial Controls Limited	United Kingdom	100%
Harris Calorific Deutschland, GmbH	Germany	100%
Harris Calorific France, S.a.r.l.	France	100%
*Harris de Mexico, S.A. de C.V.	Mexico	50%
Harris Europa, S.p.A.	Italy	100%

<u>Name</u>	<u>Jurisdiction of Incorporation</u>	<u>Percentage Owned by Immediate Parent</u>
Metaloy, Inc.	Massachusetts	80%
Micro Devices International Sales Corp.	Ohio	100%
Motores Bufalo Industria E Comercio Ltda.	Brazil	100%
Ridge Tool Company	Ohio	100%
Emerson Electric S.r.l.	Italy	100%
Ridge International Sales Corp.	Delaware	100%
Ridge Tool A.G.	Switzerland	100%
Ridge Tool (Australia) Pty., Ltd.	Australia	100%
Ridge Tool GmbH	Germany	100%
Ridge Tool, N.V.	Belgium	100%
Ridge Tool (U.K.) Ltd.	United Kingdom	100%
Ridgid Vaerktoj A/S	Denmark	100%
Ridge Western, Inc.	Delaware	100%
Svenska Ridgid A/B	Sweden	100%
Rosemount Inc.	Minnesota	100%
Uniflo Systems Company	Minnesota	100%
Rosemount Nashville Inc.	Minnesota	100%
Rosemount International Inc.	Delaware	100%
Rosemount Partitions Inc.	Minnesota	100%
Rosemount Instruments Ltd.	Canada	100%
Rosemount Holding AG	Switzerland	100%
Rosemount Engineering Co. Ltd.	Great Britain	100%
Rosemount S.A.R.L.	France	100%
Rosemount A/S	Denmark	100%
Rosemount AG	Switzerland	100%
Rosemount GmbH	Germany	100%
Ohkura-Rosemount Co., Ltd.	Japan	50%
Seal Seat Co., Inc.	California	100%
Taiwan Upland Industries, Inc.	Taiwan	100%
Techno-Ventures, Inc.	Delaware	100%
*** InnoVen Capital Corporation	Delaware	39%
*** Western Digital Corporation	California	46%
Terminal Products, Inc.	Delaware	100%
Therm-O-Disc, Incorporated	Ohio	100%
TOD International Sales Corp.	Delaware	100%
Therm-O-Disc (Canada) Limited	Canada	100%
Upland Bermuda, Ltd.	Bermuda	100%
Upland Mexicana S.A. de C.V.	Mexico	100%
Urick Foundry Co.	Pennsylvania	100%
U.S.E.M. International, Inc.	Delaware	100%
Van Gorp Corporation	Iowa	100%
Varec/Brooks N.V.	Belgium	100%
WER Canada Limited	Canada	100%
WER Electrostat Fertigungs GmbH	Germany	100%
***Yamada/Day-Brite Ltd.	Japan	50%

- * Commercial Ohio, S.A. de C.V. is the owner of the balance of the outstanding shares of Harris de Mexico, S.A. de C.V., representing a fifty percent interest therein.
- ** Emerson Electric Co. is the owner of the twenty-four percent remaining interest in Emerson Electric GmbH.
- *** Equity investments between twenty and fifty percent in common stock accounted for using the equity method.
- **** Emerson Electric Overseas Finance Corp. is the owner of the thirty-three percent and Techno-Ventures, Inc. is the owner of the thirty-two percent remaining interests in Emerson Systems International Ltd.

The assets, liabilities, and results of operations of Emerson's subsidiaries listed above are included in the consolidated financial statements filed as part of this report except equity investments accounted for using the equity method.

Item 5. Legal Proceedings

Emerson is a party to a number of pending legal proceedings none of which is expected to have a materially adverse effect on its business.

Item 6. Increases and Decreases in Outstanding Securities

(a) All increases and decreases in Emerson's equity securities during the fiscal year ended September 30, 1976 were as follows:

	<u>Shares of Common Stock*</u>	<u>Treasury Shares of Common Stock*</u>
Outstanding September 30, 1975, as previously reported	55,429,043	191,631
Issued during year ended September 30, 1976 for companies acquired:		
Issued in merger with Rosemount Inc., August 18, 1976	1,355,702	
Shares not registered pursuant to Section 4(2) of the Securities Act of 1933, see (b)(1) below	340,000	
Treasury stock acquired, March and September 1976		298
Exercise of Common Stock Options, October 1975 - September 1976	<u>29,458</u>	<u>(8,933)</u>
Outstanding September 30, 1976	<u>57,154,203</u>	<u>182,996</u>

* Shares outstanding include Treasury shares.

The following table summarizes information with respect to options to purchase Common Stock:

	Shares	
	<u>Qualified Options</u>	<u>Nonqualified Options</u>
Outstanding at September 30, 1975	2,000	415,390
Options granted Dec. 1975 to Feb. 1976	34,000	9,000
Assumed options of pooled company	41,720	12,600
Options exercised	(175)	(38,216)
Options cancelled	(6,100)	(12,452)
Outstanding at September 30, 1976	<u>71,445</u>	<u>386,322</u>

(b)(1) Securities issued by Emerson during fiscal 1976 which were not registered under the Securities Act of 1933 in reliance upon the exemption from registration provided by Section 4(2) of the Act were issued in the following acquisitions:

<u>Date</u>	<u>Acquired</u>	<u>Shares of Common Stock Issued*</u>	<u>Market Value of Common Stock on Date of Sale</u>
May 10, 1976	Assets of Van Gorp Mfg., Inc. and Pella Leasing, Inc. and certain real estate owned by Franklin Van Gorp	125,000	\$ 4,953,000
Sept. 29, 1976	Substantially all assets of Fourdee, Inc. and certain real estate owned by Ronald J. Worswick	<u>215,000</u>	<u>7,901,000</u>
		<u>340,000</u>	<u>\$12,854,000</u>

* Includes shares held in escrow to provide for undisclosed or contingent liabilities.

All of the foregoing shares were issued in exchange for substantially all of the assets of the acquired companies. No brokers, underwriters or finders were employed by Emerson in these transactions. Each of the stockholders of the acquired companies represented that the shares received as a result of the transaction were being acquired for investment and not with a view to distribution.

The certificates representing the shares bear legends restricting the transfer thereof, and the transfer agents have been instructed to observe such restrictions in the absence of registration under the Securities Act of 1933, except pursuant to Rule 144, the receipt of a "no action" letter from the staff of the Commission or the receipt of a satisfactory opinion of counsel to the effect that the shares may be sold without registration.

Item 7. Approximate Number of Equity Security Holders

The approximate number of holders of record of each class of equity securities as of September 30, 1976 was as follows:

<u>Title of Class</u>	<u>Number of Record Holders</u>
Common stock of \$1.00 par value per share	25,150

Item 8. Executive Officers of Emerson

- (a) The following sets forth certain information with respect to Emerson's executive officers appointed to terms which will expire February 1977:

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Served as Officer Since</u>
*C. F. Knight	Chairman of the Board and Chief Executive Officer	40	1972
V. T. Gorguze	President and Chief Operating Officer and Director	60	1968
L. L. Browning, Jr.	Executive Vice President and Chief Administrative Officer and Director	47	1971
J. C. Wilson	Vice President of Finance and Chief Financial Officer and Director	51	1963
*R. H. McRoberts	Secretary and Director	81	1941
C. W. Groennert	Treasurer and Assistant Secretary	39	1972

* Member of the Executive and Compensation Committee.

There are no family relationships between any of the executive officers.

- (b) Each of the above has served as an officer or in a supervisory capacity with Emerson during the last five years except C. F. Knight who joined Emerson as a Director and Vice-Chairman in December 1972, was designated Chief Executive Officer in October 1973 and was elected Chairman of the Board in July 1974. For more than five years prior to December 1972, he was President of Lester B. Knight and Associates, Inc., a multi-national industrial and management consulting firm. Mr. Knight and Lester B. Knight and Associates, Inc., have served as consultants to Emerson and its subsidiaries in the United States and abroad for many years.

Item 9. Indemnification of Directors and Officers

Section 351.355(3) of the Revised Statutes of Missouri (1969), as amended in 1972, provides that a corporation shall indemnify a director, officer, employee or agent of the corporation against expenses actually and reasonably incurred in defense of any action if he has been successful in defense of such action and if such action is one for which the corporation may indemnify him under Section 351.355(1) or (2). Section 351.355(1) provides that the corporation may indemnify any such person in any action, other than an action by or in the right of the corporation, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action, had no reasonable cause to believe his conduct was unlawful. Section 351.355(2) provides that the corporation may indemnify any such person in an action by or in the right of the corporation if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, except that he may not be indemnified in respect of any matter in which he has been adjudged liable for negligence or misconduct unless authorized by the court.

Emerson's by-laws contain provisions indemnifying its directors, officers, employees and agents to the extent permitted by Section 351.355.

Emerson's directors and officers are covered by directors' and officers' liability insurance.

Pursuant to the terms of agreements relating to acquisitions made by Emerson from time to time, Emerson has in the past registered under the Securities Act of 1933 shares of its Common Stock for public offerings of shares by certain former shareholders of companies acquired, and may be required to register additional shares in the future. Emerson may be required to indemnify the selling shareholders against liabilities which may be incurred by them in connection with such registrations. Such selling shareholders may be or become directors or officers of Emerson, and such indemnification may extend to them.

Item 10. Financial Statements and Exhibits Filed

(a) Financial Statements - An index to financial statements and schedules is included separately elsewhere herein.

(b) Exhibits:

None

PART II

Part II is omitted pursuant to Instruction H of the General Instructions to Form 10-K.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EMERSON ELECTRIC CO.
(Registrant)

By /S/ John C. Wilson
John C. Wilson,
Vice President of Finance
and Chief Financial Officer

Date: December 20, 1976

ACCOUNTANTS' REPORT

The Board of Directors and Stockholders
Emerson Electric Co.:

We have examined the consolidated financial statements and related schedules of Emerson Electric Co. and subsidiaries as listed in the accompanying index. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Emerson Electric Co. and subsidiaries at September 30, 1976 and 1975, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis; and the supporting schedules, in our opinion, present fairly the information set forth therein.

PEAT, MARWICK, MITCHELL & CO.

St. Louis, Missouri
November 8, 1976

EMERSON ELECTRIC CO. AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

<u>FINANCIAL STATEMENTS</u>	<u>Page</u>
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Consolidated Statements of Earnings, Years ended September 30, 1976 and 1975	F-4
Consolidated Statements of Stockholders' Equity, Years ended September 30, 1976 and 1975	F-5
Consolidated Statements of Changes in Financial Position, Years ended September 30, 1976 and 1975	F-6
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Financial statements of the Company have been omitted because it is primarily an operating company and all subsidiaries included in the consolidated financial statements being filed, in the aggregate, do not have minority equity interests and/or indebtedness (not guaranteed by the Company) to any person other than the Company or its consolidated subsidiaries in amounts which together exceed 5% of the total assets as shown by the most recent year-end consolidated balance sheet.

SCHEDULES

Schedule V	Property, Plant and Equipment	F-16
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Schedule IX	Bonds, Mortgages and Similar Debt	F-17

All other schedules are omitted because they are not required, not applicable or the information is given in the financial statements or notes thereto.

CONSOLIDATED BALANCE SHEETS

Emerson Electric Co. and Subsidiaries

September 30, 1976 and 1975

ASSETS

Current assets

	Thousands of Dollars	
	1976	1975
Cash	\$ 3,810	\$ 11,540
Short-term investments, at cost which approximates market	96,788	55,234
Receivables, less allowance for doubtful accounts of \$3,290,000 in 1976 and \$3,021,000 in 1975	220,822	197,300
Unbilled costs and estimated earnings under long-term contracts, less progress billings of \$4,211,000 in 1976 and \$5,643,000 in 1975	4,156	2,288
Inventories:		
Finished products	118,889	109,887
Raw materials and work in process	260,650	235,543
Total inventories	379,539	345,430
Prepaid expenses	10,750	8,335
Total current assets	715,865	620,127

Property, plant and equipment, at cost

Land	16,981	13,740
Buildings	131,708	119,910
Machinery and equipment	312,645	277,793
Construction in progress	19,521	12,518
	480,855	423,961
Less accumulated depreciation	205,972	182,882
Net property, plant and equipment	274,883	241,079

Other assets

	31,238	26,044
	<u>\$1,021,986</u>	<u>\$ 887,250</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities

Current maturities on long-term debt and foreign borrowings	\$ 20,676	\$ 15,968
Accounts payable	73,144	64,293
Advance payments on long-term contracts, less costs incurred of \$13,646,000 in 1976 and \$4,779,000 in 1975	23,331	16,709
Accrued expenses	75,248	57,686
Income taxes	36,238	27,786
Total current liabilities	228,637	182,442

Long-term debt, less current maturities

	104,623	90,141
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Stockholders' equity

Preferred stock of \$2.50 par value per share. Authorized 5,400,000 shares: issued — none	—	—
Common stock of \$1 par value per share. Authorized 80,000,000 shares; issued 57,154,203 shares in 1976 and 57,087,184 in 1975	57,154	57,087
Additional paid-in capital	31,803	30,666
Retained earnings	604,572	531,951
	693,529	619,704
Less cost of common stock in treasury. 182,996 shares in 1976 and 191,631 in 1975	4,803	5,037
Total stockholders' equity	688,726	614,667

	<u>\$1,021,986</u>	<u>\$ 887,250</u>
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See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS

Emerson Electric Co. and Subsidiaries

Years ended September 30, 1976 and 1975

	Thousands of Dollars Except per Share Amounts	
	<u>1976</u>	<u>1975</u>
Net sales	\$1,505,023	\$1,303,415
Costs and expenses:		
Cost of sales	1,011,355	872,159
Selling, general and administrative expenses	256,090	228,011
Interest expense	8,943	9,482
Other deductions, net	5,990	4,400
	<u>1,282,378</u>	<u>1,114,052</u>
Earnings before income taxes	222,645	189,363
Income taxes	<u>105,800</u>	<u>89,242</u>
Net earnings	<u>\$ 116,845</u>	<u>\$ 100,121</u>
Earnings per common share	<u>\$ 2.05</u>	<u>\$ 1.75</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Emerson Electric Co. and Subsidiaries
Years ended September 30, 1976 and 1975

Year ended	Thousands of Dollars				
	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
September 30, 1976					
Balance at beginning of year	\$57,087	30,666	531,951	(5,037)	614,667
Net earnings	—	—	116,845	—	116,845
Stock options exercised	29	914	—	236	1,179
Stock transactions by pooled companies prior to combination	38	223	—	—	261
Treasury stock acquired	—	—	—	(2)	(2)
Cash dividends:					
Common stock— \$.78¾ per share	—	—	(43,835)	—	(43,835)
By pooled companies prior to combination	—	—	(389)	—	(389)
Balance at end of year	\$57,154	31,803	604,572	(4,803)	688,726
 Year ended September 30, 1975					
Balance at beginning of year:					
As previously reported	\$55,362	28,983	462,825	(5,050)	542,120
Adjustments for poolings of interests	1,397	1,251	10,124	—	12,772
As restated	56,759	30,234	472,949	(5,050)	554,892
Net earnings	—	—	100,121	—	100,121
Stock options exercised	5	109	—	22	136
Stock transactions by pooled companies prior to combination	323	323	—	—	646
Treasury stock acquired	—	—	—	(9)	(9)
Cash dividends:					
Common stock— \$.73¾ per share	—	—	(39,733)	—	(39,733)
By pooled companies prior to combination	—	—	(1,386)	—	(1,386)
Balance at end of year	\$57,087	30,666	531,951	(5,037)	614,667

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Emerson Electric Co. and Subsidiaries
Years ended September 30, 1976 and 1975

	Thousands of Dollars	
	1976	1975
Sources of working capital		
Net earnings	\$ 116,845	\$ 100,121
Add depreciation	38,578	35,243
Working capital provided from operations	155,423	135,364
Proceeds from long-term debt	25,093	19,747
Sale and retirement of property, plant and equipment, net of accumulated depreciation	2,927	2,814
Common stock transactions:		
Stock options exercised	1,179	136
By pooled companies prior to combination	261	646
Decrease in other assets	1,979	723
	<u>186,862</u>	<u>159,430</u>
Uses of working capital		
Purchase of property, plant and equipment	66,567	42,871
Cash dividends paid	44,224	41,119
Reduction of long-term debt	10,611	8,785
Purchases of businesses, less working capital acquired of \$7,085,000 in 1976 and \$4,525,000 in 1975:		
Property, plant and equipment	8,742	7,880
Other assets	7,173	5,045
Acquisition of common stock for treasury	2	9
	<u>137,319</u>	<u>105,709</u>
Increase in working capital	<u>\$ 49,543</u>	<u>\$ 53,721</u>
Changes in components of working capital		
Increase (decrease) in current assets:		
Cash and short-term investments	\$ 33,824	\$ 49,001
Receivables	25,390	(17,444)
Inventories	34,109	12,955
Prepaid expenses	2,415	(136)
	<u>95,738</u>	<u>44,376</u>
Decrease (increase) in current liabilities:		
Notes payable to banks	—	20,464
Current maturities on long-term debt and foreign borrowings	(4,708)	(1,622)
Accounts payable and advance payments on long-term contracts	(15,473)	(5,596)
Accrued expenses	(17,562)	(5,308)
Income taxes	(8,452)	1,407
	<u>(46,195)</u>	<u>9,345</u>
Increase in working capital	<u>\$ 49,543</u>	<u>\$ 53,721</u>

See accompanying notes to consolidated financial statements.

EMERSON ELECTRIC CO. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 1976 and 1975

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. All significant intercompany transactions, profits, and balances are eliminated in consolidation. Common stock investments of between twenty and fifty percent are accounted for using the equity method. Other investments are recorded at cost.

Foreign Currency Translation

In accordance with Statement No. 8 of the Financial Accounting Standards Board, monetary assets and liabilities are translated into United States Dollars at exchange rates in effect at the close of the fiscal year. The remaining assets and liabilities are translated principally using exchange rates which were in effect at the time the respective transactions were initiated (historical rates). The results of operations are translated at the weighted average rates prevailing during the year except that income or expenses arising from the disposition, depreciation, or amortization of historically translated assets and liabilities are similarly translated at historical exchange rates. The Company's policy prior to 1976 was to use the current, noncurrent method of translating foreign currencies.

Inventories

Inventories are stated at the lower of cost or market. The majority of inventories 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 on a pro rata basis to ending inventories.

Property, Plant and Equipment

The Company records investments in land, buildings and machinery and equipment at cost. Improvements are capitalized, while repair and maintenance costs are charged to operations as incurred. When assets are fully depreciated, retired or disposed of, the cost and accumulated depreciation thereon are removed from the accounts. Gains or losses realized are included in results of operations.

EMERSON ELECTRIC CO. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

Property, Plant and Equipment (continued)

Depreciation is computed principally using accelerated methods over estimated service lives for both financial reporting and income tax purposes. Service lives used are: land improvements - 5 to 25 years, buildings - 8 to 50 years, and machinery and equipment - 3 to 20 years.

Certain of the Company's assets are acquired through use of long-term lease obligations financed principally by Industrial Development Revenue Bonds. These leases are considered in substance to be installment purchases. Accordingly, the assets so acquired are recorded at cost and the related obligations are included in long-term debt.

Excess of Purchase Price Over Fair Value of Net Assets Acquired

When business combinations are accounted for as purchase transactions, the purchase price is first allocated to the individual assets and liabilities in accordance with their fair values as of the purchase date. Any unallocable amounts are included in other assets as the excess of purchase price over fair value of net assets acquired (Goodwill) and are written off in equal annual installments over the periods estimated to be benefited, the most extended period being twenty years.

Start-Up Costs

Costs incurred in connection with the establishment of new plants and other facilities are amortized over periods not exceeding twelve months upon commencement of operations in the respective facilities.

Income Taxes

The same accounting principles are generally used for the determination of income for both financial reporting and income tax purposes. In those circumstances where tax accounting principles differ from generally accepted accounting principles, appropriate recognition of the timing differences are recorded for financial reporting purposes. No provision is made for deferred income taxes on the undistributed earnings of foreign subsidiaries because the continued retention of these earnings is considered essential to their operations.

Investment tax credits are accounted for using the "flow-through" method which recognizes the tax benefit in the year the assets are placed in service.

Retirement Plans

Pension and profit-sharing retirement plans cover substantially all of the Company's employees. Accrued pension costs are funded and prior service pension costs are amortized principally over thirty-year periods.

EMERSON ELECTRIC CO. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

Research and Product Development

Costs associated with research and product development are charged to operations in the year incurred. Such costs approximated \$30,000,000 in 1976 and \$25,000,000 in 1975.

Long-Term Contracts

Income is recognized on the percentage of completion or unit of delivery basis on long-term contracts, which are principally government and defense contracts. The excess of accumulated costs and estimated earnings over progress payments received is presented in current assets in the accompanying balance sheets. When advance payments exceed costs incurred, the excess of such payments is presented as a current liability. Long-term contracts do not constitute a significant part of the Company's business.

Earnings Per Common Share

Earnings per common share are computed by dividing net earnings by the weighted average number of common and common equivalent shares outstanding during the respective years. Stock options are considered to be common stock equivalents.

Common Stock Options

Differences between nonqualified option prices and the market value of common stock at date of grant are recorded as compensation expense upon grant of options. Subsequent tax adjustments arising from differences between option prices and market values of common stock at date of exercise, plus the related accrued compensation, are recorded as an adjustment to additional paid-in capital in the year options are exercised.

(2) BUSINESS COMBINATIONS

The Company issued 1,695,702 shares of common stock during 1976 in three business combinations (including 1,355,702 shares for Rosemount Inc.) which were accounted for as poolings of interests. In 1975, 2,881,185 shares of common stock were issued in three similar transactions. The accounts of these companies were restated to conform with Emerson's fiscal year and certain retroactive adjustments were made to conform with Emerson's accounting policies. These adjustments had an immaterial effect upon the results of operations of the respective companies. The accounts of these companies are included in the consolidated financial statements for both 1976 and 1975.

Sales, net earnings and earnings per common share as reported by the Company in 1975 amounted to \$1,250,299,000, \$96,187,000 and \$1.74, respectively. Sales and net earnings of pooled companies are not material to consolidated results of operations in the year of combination.

EMERSON ELECTRIC CO. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

In 1976, the Company purchased the capital stock or net operating assets of five businesses for a total consideration of approximately \$21,428,000. In 1975, two businesses were purchased for \$17,450,000. The results of operations of such purchased businesses have been included in consolidated results of operations since the respective dates of acquisition. The results of operations of businesses purchased in 1976 and 1975 are not material to consolidated results of operations.

(3) FOREIGN OPERATIONS

Net sales and net earnings (after exchange losses) of foreign subsidiaries totaled \$177,495,000 and \$7,955,000, respectively, in 1976 (\$142,561,000 and \$7,510,000 in 1975). The Company's equity in net assets of foreign subsidiaries amounted to approximately \$69,000,000 at September 30, 1976 and \$61,000,000 at September 30, 1975. Exchange adjustments resulted in a net expense of \$1,880,000 in 1976 and \$980,000 in 1975.

In September 1976, the Company retroactively adopted for 1976 the Financial Accounting Standards Board's recommended method of translating foreign denominated currencies into United States Dollars. The effect of the change in 1976 and prior years was not material and, accordingly, prior years have not been restated.

(4) LINES OF CREDIT

Domestic lines of credit amounting to \$94,000,000 were maintained with various banks at September 30, 1976 to assure credit availability at prime interest rates. These credit lines are periodically reviewed by the banks and are generally subject to withdrawal at their discretion. In support of such lines, the Company has informally agreed to maintain average bank balances equal to 10% of each line plus 10% of any loans outstanding under such lines. These compensating balances are normally maintained in the Company's operating accounts and are not restricted as to withdrawal.

There were no domestic short-term borrowings outstanding at September 30, 1976 or during the year except for immaterial amounts by pooled companies prior to combination.

The Company's foreign subsidiaries maintained lines of credit totaling approximately \$45,000,000 at September 30, 1976 in various currencies. In most instances, borrowings against these lines of credit have been guaranteed by the parent company to assure credit availability at prime interest rates.

EMERSON ELECTRIC CO. AND SUBSIDIARIES
Notes to Consolidated Financial Statements, Continued

During 1976, monthly average short-term borrowings (principally bank overdrafts) by the Company's foreign subsidiaries were \$9,500,000 at a monthly weighted average interest rate of 11.5%. Maximum short-term borrowings by the Company's foreign subsidiaries during 1976 were \$12,500,000.

(5) INVENTORIES

Inventories at September 30, used in determining cost of sales for the two years ended September 30, 1976 were: 1976 - \$379,539,000, 1975 - \$345,430,000, and 1974 - \$332,475,000.

(6) ACCRUED EXPENSES

Accrued expenses are as follows (thousands of dollars):

	1976	1975
Accrued payrolls	\$31,251	\$24,182
Pensions	10,633	8,213
Accrued taxes other than income taxes	6,936	5,702
Accrued interest	1,875	1,807
Other	24,553	17,782
Total	\$75,248	\$57,686

(7) LONG-TERM DEBT

Long-term debt is summarized as follows (thousands of dollars):

	1976	1975
Notes payable in annual installments:		
5-1/2%, \$1,000 to 1986, balance 1987	\$ 10,500	\$11,500
8-1/4%, \$445 to 1992, balance 1993	7,555	8,000
5-3/4%, \$500 to 1987, balance 1988	6,500	7,000
6-1/4%, \$500 to 1984, balance 1985	4,400	4,900
9-1/2%, \$245 to 1980, \$300 thereafter, balance 1990	4,000	4,000
Lease obligations payable in varying installments through 2001, at interest rates as follows:		
3.75% to 5.0%	4,702	4,534
5.01% to 6.0%	31,806	22,160
6.01% to 7.0%	17,927	7,387
7.01% to 8.5%	1,784	1,799
Obligations arising from purchase of businesses, payable through 1980 principally at interest rates not exceeding prime rate	11,050	11,050
Notes payable through 1979 at interest rates of 5.25% to 6.14% at September 30, 1976	5,514	7,696
Other	7,471	7,824
	113,209	97,850
Less current maturities	8,586	7,709
	\$104,623	\$90,141

EMERSON ELECTRIC CO. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

Long-term debt maturing during each of the five years ending September 30, 1981 are \$8,586,000, \$13,276,000, \$8,636,000, \$10,410,000 and \$8,161,000, respectively.

Certain loan agreements contain restrictions on the purchase, redemption or retirement of the Company's common stock and payment of dividends (except stock dividends). At September 30, 1976, approximately \$460,000,000 of retained earnings were free from restriction under the most restrictive provisions of these agreements.

(8) NONCAPITALIZED LEASE OBLIGATIONS

The Company operates at various locations under long-term lease agreements and leases computers, automotive equipment and various other property under noncapitalized rental agreements. Some of these agreements provide for the lessor to pay for maintenance, taxes, insurance and other operating expenses. Certain of these leases can be construed as "financing" type leases. However, if all financing leases were capitalized, there would be no material effect on consolidated financial position or results of operations.

The minimum annual rentals of long-term lease agreements decrease from approximately \$6,200,000 in 1977 to \$2,100,000 in 1981 and aggregate \$6,700,000 for the period 1982 through 1998, excluding maintenance, taxes, insurance and other operating expenses.

(9) COMMON STOCK

The Company has in effect various qualified and nonqualified stock option plans which permit certain officers and employees to purchase common stock. Qualified options are granted at market value, expire in five years and are exercisable in installments. Nonqualified options are granted generally at 90% of market value, expire in ten years and are exercisable in installments. At September 30, 1976, 593,088 shares of common stock, including 180,944 treasury shares, are reserved for issuance under these plans. Differences between nonqualified option prices and market values at date of grant are charged to expense upon grant of the related options; such charges amounted to \$6,000 in 1976 and \$50,000 in 1975.

The following tabulation summarizes information with respect to the stock option plans described above for the two years ended September 30, 1976:

EMERSON ELECTRIC CO. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

<u>Options granted during year</u>	<u>Number of Shares</u>	<u>Option Price</u>		<u>Market Value at Date Granted, Exercisable or Exercised</u>	
		<u>Range Per Share</u>	<u>Total</u>	<u>Range Per Share</u>	<u>Total</u>
1975	24,000	\$26.33 - 37.25	674,507	29.25 - 37.25	741,089
1976	<u>43,000</u>	<u>31.75 - 37.25</u>	<u>1,463,250</u>	<u>34.13 - 38.00</u>	<u>1,493,813</u>
<u>Options assumed in Rosemount merger</u>					
1976	<u>54,320</u>	<u>\$ 4.29 - 19.64</u>	<u>643,789</u>	<u>4.29 - 19.64</u>	<u>643,789</u>
<u>Options becoming exercisable during year</u>					
1975	70,873	\$22.95 -	1,626,536	25.25 - 34.50	2,317,721
1976	<u>68,453</u>	<u>13.14 - 37.25</u>	<u>1,583,882</u>	<u>34.88 - 38.00</u>	<u>2,538,970</u>
<u>Options exercised during year</u>					
1975	5,833	\$22.19 - 22.95	130,055	33.50 - 34.38	196,041
1976	<u>38,391</u>	<u>13.14 - 27.00</u>	<u>880,702</u>	<u>34.25 - 40.50</u>	<u>1,402,956</u>
<u>Shares under option at September 30,</u>					
1976	<u>457,767</u>	<u>\$ 4.29 - 37.25</u>	<u>10,550,865</u>	<u>4.29 - 37.25</u>	<u>11,519,120</u>

EMERSON ELECTRIC CO. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

(10) INCOME TAXES

Following is a summary of the principal components of income taxes:

	<u>Thousands of Dollars</u>	
	<u>1976</u>	<u>1975</u>
Federal	\$ 88,943	\$74,860
State and local	8,350	7,101
Foreign	8,507	7,281
	<u>\$105,800</u>	<u>\$89,242</u>

Deferred taxes relating to timing differences are included in each category of income taxes. The amounts thereof, in the aggregate, are immaterial.

No provision is made for deferred income taxes on the undistributed earnings of foreign subsidiaries because the continued retention of these earnings is considered essential to their operations. At September 30, 1976, undistributed retained earnings of foreign subsidiaries amounted to approximately \$46,000,000.

Investment tax credits of \$3,928,000 in 1976 and \$2,938,000 in 1975 have been applied as a reduction of Federal income taxes.

The following table reconciles the differences between the Company's effective income tax rate and the Federal corporate statutory rate of 48%:

	<u>1976</u>	<u>1975</u>
Federal statutory rate	48.0%	48.0%
State and local taxes, less		
Federal tax benefit	2.0	1.9
Investment tax credits	(1.8)	(1.6)
Benefits from DISC, Western Hemisphere Trade and U.S. Possessions Corporations	(1.7)	(1.7)
Other	1.0	.5
Effective income tax rate	<u>47.5%</u>	<u>47.1%</u>

(11) COMMITMENTS AND CONTINGENT LIABILITIES

As of various actuarial valuation dates during 1976, the value of vested pension benefits on certain pension plans exceeded pension fund assets plus year-end balance sheet accruals by approximately \$13,000,000. On the majority of the Company's pension plans, pension fund assets plus year-end balance sheet accruals exceeded vested benefits. The unfunded past service liabilities of all plans was estimated by independent actuaries to be approximately \$59,000,000. The Company has not experienced and expects no significant future impact on participation, vesting or funding requirements of its pension

EMERSON ELECTRIC CO. AND SUBSIDIARIES

Notes to Consolidated Financial Statements, Concluded

and profit-sharing retirement plans arising from provisions of the Employee Retirement Income Security Act of 1974. Expenses related to the Company's pension and profit-sharing retirement plans amounted to \$16,562,000 in 1976 and \$14,888,000 in 1975.

Contingent liabilities, which consist of guarantees, taxes, renegotiation, pending litigation and various other claims, occurring in the normal course of business, are considered by management to be immaterial.

(12) SUPPLEMENTARY STATEMENT OF EARNINGS INFORMATION

	<u>Thousands of Dollars</u>	
	<u>1976</u>	<u>1975</u>
Maintenance and repairs	<u>\$21,823</u>	<u>\$17,540</u>
Depreciation of property, plant and equipment and amortization of intangible assets	<u>\$39,914</u>	<u>\$36,124</u>
Taxes, other than income taxes:		
Payroll	\$29,465	\$23,078
Property and other state and local taxes	<u>8,059</u>	<u>7,436</u>
	<u>\$37,524</u>	<u>\$30,514</u>
Rents:		
Buildings	\$ 4,481	\$ 4,738
Computer, automotive equipment, and other	<u>10,803</u>	<u>9,331</u>
	<u>\$15,284</u>	<u>\$14,069</u>
Advertising costs	<u>\$12,880</u>	<u>\$11,979</u>

EMERSON ELECTRIC CO. AND SUBSIDIARIES

SCHEDULE V

Property, Plant and Equipment

Years Ended September 30, 1976 and 1975

Classification	Thousands of Dollars				Balance at Close of Period
	Balance at Beginning of Period(1)	Additions at Cost	Retirements and Sales	Other Additions(2)	
<u>Year Ended September 30, 1976</u>					
Land and land improvements	\$ 13,740	2,553	234	922	16,981
Buildings	119,910	10,621	2,150	3,327	131,708
Machinery and equipment	277,793	46,451	17,735	6,136	312,645
Construction in progress	12,518	6,942	-	61	19,521
	<u>\$423,961</u>	<u>66,567</u>	<u>20,119</u>	<u>10,446</u>	<u>480,855</u>
<u>Year Ended September 30, 1975</u>					
Land and land improvements	\$ 12,849	426	334	799	13,740
Buildings	109,567	9,699	475	1,119	119,910
Machinery and equipment	250,551	39,910	19,830	7,162	277,793
Construction in progress	19,397	(7,164)	-	285	12,518
	<u>\$392,364</u>	<u>42,871</u>	<u>20,639</u>	<u>9,365</u>	<u>423,961</u>

Accumulated Depreciation of
Property, Plant and Equipment

SCHEDULE VI

Years Ended September 30, 1976 and 1975

Classification	Thousands of Dollars				Balance at Close of Period
	Balance at Beginning of Period(1)	Additions Charged to Operations	Retirements and Sales	Other Additions(2)	
<u>Year Ended September 30, 1976</u>					
Land improvements	\$ 1,661	299	62	-	1,898
Buildings	36,662	4,784	1,256	198	40,388
Machinery and equipment	144,559	33,495	15,874	1,506	163,686
	<u>\$182,882</u>	<u>38,578</u>	<u>17,192</u>	<u>1,704</u>	<u>205,972</u>
<u>Year Ended September 30, 1975</u>					
Land improvements	\$ 1,496	261	96	-	1,661
Buildings	31,902	4,755	176	181	36,662
Machinery and equipment	130,576	30,227	17,548	1,304	144,559
	<u>\$163,974</u>	<u>35,243</u>	<u>17,820</u>	<u>1,485</u>	<u>182,882</u>

Notes:

(1) Previously reported balances have been restated to add property, plant and equipment (\$11,166,000 and \$10,658,000 at September 30, 1975 and 1974, respectively) and accumulated depreciation (\$4,675,000 and \$4,028,000 at September 30, 1975 and 1974, respectively) attributable to poolings of interests during the year ended September 30, 1976.

(2) Other additions represent purchased companies.

Bonds, Mortgages, and Similar Debt
September 30, 1976

Name of Issuer and Title of Each Issue	Thousands of Dollars		
	Amount Authorized by Indenture	Amount Issued and Not Retired or Cancelled and Not Held by or for Account of Issuer Thereof	Amount Included in Balance Sheet Caption "Long-term Debt"
Emerson Electric Co.:			
Notes payable in installments:			
5 1/2%, \$1,000,000 annually to 1986, balance in 1987	\$20,000	\$10,500	\$ 9,500
8 1/4%, \$445,000 annually to 1992, balance in 1993	8,000	7,555	7,110
5 3/4%, \$500,000 annually to 1987, balance in 1988	10,000	6,500	6,000
6 1/4%, \$500,000 annually to 1984, balance in 1985	4,900	4,400	3,900
6%, varying installments annually to 1978, balance in 1979	3,400	2,100	1,400
5%, \$275,000 semi-annually to 1978	9,500	825	275
6 1/8%, \$35,000 semi-annually and balance in 1985	1,400	540	470
7 3/4%, varying installments to 1981	1,000	1,000	1,000
3/4% above London Interbank prime rate, payable in 1979	1,000	570	570
Other, various interest rates thru 1995	3,544	2,108	1,250
Lease obligations payable in varying installments:			
Industrial Development Revenue Bonds:			
Vernon, Al., 5% to 6 3/4% thru 2001	4,300	4,300	4,300
Harrison, Ar., 5.2% to 6% thru 1989	3,300	3,100	3,000
Mena, Ar., 4.1% thru 1987	2,500	1,555	1,435
Nashville, Ar., 5.6% to 6 1/2% thru 1996	4,000	4,000	3,800
Paragould, Ar., 5 1/8% to 6% thru 1988	7,500	5,240	4,925
Rogers, Ar., 3 3/4% to 5% thru 1988	2,500	1,655	1,534
Prescott, Az., 6 1/2% payable 1985	1,000	1,000	1,000
Gainesville, Ga., 6.2% payable 2001	1,500	1,500	1,500
Statesboro, Ga., 5% to 5.9% thru 1982	2,400	1,900	1,800
Independence, Ks., 6 3/8% payable 1985	1,000	1,000	1,000
Maysville, Ky., 6 1/4% payable 1985	1,000	1,000	1,000
Morehead, Ky., 5 1/4% to 6.3% thru 2001	4,300	4,300	4,300
Caddo Parish, La., 5 1/4% thru 1986	1,000	1,000	920
Ava, Mo., 6% to 6 1/2% thru 1990	2,100	1,900	1,800
Hillsboro, Oh., 6 1/8% payable 1986	1,000	1,000	1,000
Preble Co., Oh., 6% to 6 1/4% thru 1981	3,000	2,500	2,400
Bryan Co., Ok., 5 1/2% to 8% thru 1991	1,520	1,288	1,241
Aiken Co., S.C., 5 3/4% payable 1994	2,000	2,000	2,000
Weber Co., Ut., 5.2% to 6% thru 1992	4,000	4,000	4,000
Orange, Va., 5% to 6.3% thru 2001	2,000	2,000	2,000
Wytheville, Va., 5 3/4% thru 1986	1,500	1,315	1,215
Other, various interest rates thru 1997	5,494	4,206	3,892

EMERSON ELECTRIC CO. AND SUBSIDIARIES

SCHEDULE IX

Page 2 of 2

Bonds, Mortgages, and Similar Debt
September 30, 1976

Name of Issuer and Title of Each Issue	Thousands of Dollars		
	Amount Authorized by Indenture	Amount Issued and Not Retired or Cancelled and Not Held by or for Account of Issuer Thereof	Amount Included in Balance Sheet Caption "Long-term Debt"
Domestic subsidiaries:			
A. B. Chance Co. Lease obligations, 4 1/2% to 7% thru 1992	\$ 2,750	\$ 2,235	\$ 2,105
Emerson Electric Overseas Finance Corp. Promissory notes payable 1979, at 3/4% above London Interbank prime rate	4,000	841	841
Rosemount Inc.: 9 1/2% Promissory note payable in varying annual installments thru 1990	4,000	4,000	3,755
Lease obligations, 5 1/4% to 5 3/4% thru 1988	2,225	2,225	2,225
Urick Foundry Co., Mortgage note payable 7 1/4% thru 1982	1,250	570	490
Other, various interest rates thru 1986	65	50	45
Foreign subsidiaries promissory notes payable and installment purchase obligations:			
Emerson Electric GmbH, various interest rates thru 1982	5,039	4,988	4,834
Motores Bufalo, S.A., various interest rates thru 1980	9,125	9,125	7,696
Other, various interest rates thru 1983	1,823	1,318	1,095
	<u>\$151,935</u>	<u>\$113,209</u>	<u>\$104,623</u>

Notes:

- | | |
|---|-----------------|
| 1. Amount issued above | \$113,209 |
| Amount of long-term debt per balance sheet | 104,623 |
| Amount of current maturities on long-term debt | <u>\$ 8,586</u> |
| 2. No amount of bonds, mortgages and similar debt is held by or for issuer thereof. | |



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