SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 1994

OR

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

For the transition period from to

Commission File Number 1-475

A. O. SMITH CORPORATION

Delaware (State of Incorporation)	39-0619790 (IRS Employer ID Number)

P. O. Box 23972, Milwaukee, Wisconsin 53223-0972

Telephone: (414) 359-4000

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

Common Stock Outstanding as of October 31, 1994: 14,851,540

Class A Common Stock Outstanding as of October 31, 1994: 6,054,081

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A. O. Smith Corporation

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PART I--FINANCIAL INFORMATION
ITEM 1--FINANCIAL STATEMENTS

A. O. SMITH CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF EARNINGS

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AND RETAINED EARNINGS

Three and Nine months ended September 30, 1994 and 1993
(000 omitted except for per share data)
(Unaudited)

EARNINGS	Three Months Ended September 30 1994	1993	Nine Months Ended September 30 1994	1993
Electrical Products Company	$ 70,278	$ 56,746	$ 215,577	$186,760
Automotive Products Company	170,666	130,867	538,892	445,167
Water Products Company	64,098	58,014	194,864	180,518
Smith Fiberglass Products Inc.	15,298	16,192	43,855	45,056
Agricultural Products	12,390	10,997	29,537	27,215
NET REVENUES	332,730	272,816	1,022,725	884,716
Cost of products sold	286,439	237,692	864,512	749,618
Gross profit	46,291	35,124	158,213	135,098
Selling, general and administrative expenses	27,278	21,868	78,831	70,379
Interest expense	3,136	3,313	9,191	10,265
Other (income) expense - net	87	(144)	1,225	(427)
	15,790	10,087	68,966	54,881
Provision for income taxes	6,135	5,132	26,248	23,092
Earnings before equity in earnings of affiliated companies	9,655	4,955	42,718	31,789
Equity in earnings of affiliated companies aftertax	475	513	1,076	1,782
NET EARNINGS	10,130	5,468	43,794	33,571
RETAINED EARNINGS				
Balance at beginning of period	206,219	167,495	177,543	147,065
Cash dividends on common shares	(2,717)	(2,262)	(7,705)	(9,935)
BALANCE AT END OF PERIOD	$213,632	$170,701	$213,632	$170,701
DIVIDENDS PER COMMON SHARE				
Regular (Class A and common)	$ .13	$ .11	$ .37	$ .31
Special (Common stock only)	$. --	$. --	$. --	$ .25
NET EARNINGS PER COMMON SHARE	$ .48	$ .27	$2.10	$1.64

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See accompanying notes to unaudited condensed consolidated financial statements.

PART I--FINANCIAL INFORMATION

ITEM 1--FINANCIAL STATEMENTS

A. O. SMITH CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEET
September 30, 1994 and December 31, 1993
(000 omitted)

EDGAR Online EDGARpro 2002. EDGAR Online, Inc.

	(unaudited) September 30, 1994	December 31, 1993
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 6,874	$ 11,902
Trade receivables	157,554	126,949
Finance subsidiary receivables and leases	16,869	19,151
Customer tooling	21,084	15,471
Inventories (note 2)	108,738	89,804
Deferred income taxes	26,597	27,614
Other current assets	14,979	12,987
TOTAL CURRENT ASSETS	352,695	303,878
Investment in and advances to affiliated companies	24,462	23,669
Deferred model change	18,030	22,095
Finance subsidiary receivables and leases	42,178	53,481
Other assets	47,071	44,962
Property, plant and equipment	863,466	823,786
Less accumulated depreciation	481,290	448,772
Net property, plant and equipment	382,176	375,014
TOTAL ASSETS	$866,612	$823,099
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade payables	$115,207	$ 99,320
Accrued payroll and pension	35,620	38,347
Postretirement benefit obligation	9,418	8,950
Other current liabilities	62,591	62,155
Long-term debt due within one year	3,700	8,819
Finance subsidiary long-term debt due within one year	5,932	5,598
TOTAL CURRENT LIABILITIES	232,468	223,189
Long-term debt (note 3)	146,357	148,851
Finance subsidiary long-term debt	32,005	41,723
Postretirement benefit obligation	71,644	69,773
Other liabilities	27,122	28,652
Deferred income taxes	47,229	41,281
STOCKHOLDERS' EQUITY:		
Preferred stock	--	--
Class A common stock, $5 par value: authorized 7,000,000 shares; issued 6,070,041 and 6,084,845	30,350	30,424
Common stock, $1 par value: authorized 24,000,000 shares; issued 15,629,609 and 15,614,805	15,630	15,615
Capital in excess of par value	68,071	65,950
Retained earnings (note 3)	213,632	177,543
Pension liability adjustment	(9,141)	(9,141)
Cumulative foreign currency		

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See accompanying notes to unaudited condensed consolidated financial statements.

PART I--FINANCIAL INFORMATION

ITEM 1--FINANCIAL STATEMENTS

A. O.SMITH CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Nine months ended September 30, 1994 and 1993 (000 omitted) - (unaudited)

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CASH FLOWS	1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$43,794	$33,571
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	36,948	31,345
Deferred income taxes	6,965	7,155
Equity in earnings of affiliates, net of dividends	(1,076)	(182)
Deferred model change and software amortization	6,603	6,915
Other - net	3,359	5,085
Change in current assets and liabilities:		
Trade receivables and customer tooling	(34,159)	(36,776)
Current income tax accounts-net	(63)	4,992
Inventories	(18,934)	(23,195)
Prepaid expenses and other	(1,363)	(11,520)
Trade payables	15,887	41,661
Accrued liabilities, payroll and pension	(1,727)	18,255
Net change in noncurrent assets and liabilities	4,638	1,903
CASH PROVIDED BY OPERATING ACTIVITIES	60,872	79,209
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditures	(44,123)	(42,040)
Other - net	(971)	(769)
CASH USED BY INVESTING ACTIVITIES	(45,094)	(42,809)
CASH FLOW BEFORE FINANCING ACTIVITIES	15,778	36,400
CASH FLOW FROM FINANCING ACTIVITIES		
Long-term debt incurred	-	30,000
Long-term debt retired	(7,613)	(43,513)
Finance subsidiary net long-term debt retired	(9,384)	(15,062)
Proceeds from common stock options exercised	1,902	1,906
Other stock transactions	1,994	361
Dividends paid	(7,705)	(9,935)
CASH USED BY FINANCING ACTIVITIES	(20,806)	(36,243)
Net increase/(decrease) in cash and cash equivalents	(5,028)	157
Cash and cash equivalents-beginning of period	11,902	6,025
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 6,874	$ 6,182

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See accompanying notes to unaudited condensed consolidated financial statements.

PART I--FINANCIAL INFORMATION

ITEM 1--FINANCIAL STATEMENTS

A. O. SMITH CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 1994
(unaudited)

1. Basis of Presentation The financial statements presented herein are based on interim figures and are subject to audit. In the opinion of management, all adjustments consisting of normal accruals considered necessary for fair presentation of the results of operations and of financial position have been made. The results of operations for the nine-month period ended September 30, 1994 are not necessarily indicative of the results expected for the full year. The consolidated balance sheet as of December 31, 1993 is derived from the audited financial statements but does not include all disclosures required by generally accepted accounting principles.

2. Inventories

(000 omitted)	September 30, 1994	December 31, 1993
Finished products	$ 56,458	$ 53,337
Work in process	40,084	37,215
Raw materials	46,206	36,371
Supplies	7,555	5,228
	150,303	132,151
Allowance to state inventories at LIFO cost	41,565	42,347
	$108,738	$ 89,804

3. Long-Term Debt On April 5, 1994, the $12.5 million 8.9 percent term loan agreement was amended to carry a floating interest rate as of April 1994 and the final maturity was extended from April 1996 to April 1999. The interest rate is set at 50 basis points over LIBOR and the loan can be repaid at any time without penalty.

On June 15, 1994, the Corporation put in place a $140 million revolving credit agreement which replaced a $115 million A. O. Smith facility and a $30 million AgriStor Credit Corporation facility. The term of the amended agreement was extended two years until April 3, 1998. In addition to lower fees and lower borrowing rates the agreement contains fewer restrictive covenants. Due to a continuing reduction in funding needs, AgriStor Credit Corporation terminated its commercial paper program on June 15, 1994.

The Corporation's long-term credit agreements contain certain conditions and provisions which restrict payment of dividends. Under the most restrictive of these provisions, retained earnings of $92.4 million were unrestricted as of September 30, 1994 for cash dividends and treasury stock purchases.

PART I - FINANCIAL INFORMATION
ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS
FIRST NINE MONTHS OF 1994 COMPARED TO 1993

The Corporation continued the trend of higher revenues and earnings established during the first half of the year by setting new quarterly revenue and net earnings records for the third consecutive quarter. Through the first nine months of the year, the Corporation's three largest operating units exceeded the revenues and earnings levels for the same period of 1993.

Revenues for the first nine months of 1994 exceeded $1.0 billion reflecting an increase of $138 million or a 15.6 percent improvement from the $884.7 million of revenues reported in the first nine months of 1993. Third quarter revenues increased 22 percent from

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$272.8 million in 1993 to a record $332.7 million in 1994.

The Corporation earned $43.8 million or $2.10 per share for the first nine months of 1994 compared to $33.6 million or $1.64 per share in the first nine months of 1993. Third quarter earnings of $10.1 million or $.48 per share established a record and were nearly double the $5.5 million or $.27 per share reported in the third quarter of 1993. Last year's third quarter was unfavorably impacted by a $1.2 million or $.06 per share adjustment associated with the increase in the federal income tax rate imposed by the Revenue Reconciliation Act of 1993.

The third quarter gross margin of 13.9 percent compared favorably to the 12.9 percent margin in the same period of 1993. Increased volume and improved manufacturing efficiencies at the Electrical Products Company contributed to the third quarter improvement in profit margin. Overtime and other costs to meet higher volumes along with higher new product launch costs at Automotive prevented additional growth in the third quarter margins. The gross profit margin through the first nine months of the year was 15.5 percent or slightly better than the 15.3 percent realized in the same period in 1993. This reflects a weak first quarter comparison where a decline in gross margin compared to the prior year was due largely to costs associated with new product within Automotive Products Company and competitive conditions in the electrical motors markets.

The strong consumer demand for new cars and light trucks that has been prevalent for the past several quarters continued in the third quarter of 1994. The latest indications are that sales of U.S. light trucks will reach 6.1 million units in 1994 reflecting a 13 percent increase over the prior year. This strong demand for light truck products bodes well for the Automotive Products Company since a large percentage of the company's revenues is concentrated in this product line. Automotive's sales increased by 21.1 percent when comparing the first nine months of 1994 to the same period last year. Third quarter sales were 30.4 percent higher than the 1993 third quarter. This strong showing in the third quarter was particularly encouraging since this quarter is traditionally the weakest for the company as a result of customer shutdowns for model year changeover.

Automotive's earnings through the first nine months of 1994 improved when compared to the first nine months of 1993. Although third quarter profits were higher than the same quarter of 1993, the profit realization on the additional volume was somewhat lower than might be expected due to the cost pressures associated with meeting the significant increase in demand. These costs should diminish over time as the company addresses production capacity considerations. Additionally, start-up costs associated with new product programs have offset a portion of the volume related earnings increase. As the life cycle of these new programs progresses, these start-up costs should have less of an impact on earnings.

Early in the fourth quarter, Volvo announced that it had placed its heavy truck side-rail business with the Automotive Products Company. This additional business should provide approximately $12 million in annual sales for the company with the full impact being recognized in 1997. This business may require the operation of a new regional facility in the Southeast.

Earnings of the Corporation's 40-percent-owned Mexican affiliate were also affected by start-up costs for new products as well as costs incurred to realign manufacturing operations. Consequently, the Corporation's equity in these earnings was lower than the previous year for both the first nine months and third quarter.

The Water Products Company sales for the first nine months of 1994 were $194.9 million or almost 8 percent higher than the same period in 1993. The major portion of the year-to-year increase in sales was the result of demand for residential water heaters. Sales for the third quarter of 1994 increased 10.5 percent over 1993's third quarter and reflected a pick up in demand for commercial heaters as wholesalers depleted previously high levels of inventory. The company continues to acquire market share in both the residential and commercial segments and currently remains on a record setting sales pace for 1994. An announced price increase effective January 1, 1995 could pull sales into the fourth quarter of 1994.

Operating profits for the Water Products Company for the first nine months of 1994 were improved over the same period of 1993. The impact of the increased residential volume more than offset the adverse effect of the reduction in the volume of the commercial product. Profits for the third quarter of 1994 demonstrated a significant percentage increase over the third quarter of 1993 due to the recovery in sales of the higher margin commercial product. Given year-to-date results and strengthening demand for commercial product, 1994 should show another solid earnings performance by Water Products.

The turnaround that commenced in the second quarter at the Electrical Products Company continued in the third quarter as nine month and third quarter sales were improved by 15.4 percent and 23.8 percent over the respective periods in 1993. Volumes were strong in all segments of the business with the most notable improvements occurring in the HVAC, garage door opener, air compressor and export businesses. Warm summer weather also provided a positive influence on the sale of replacement motors.

Electrical Products profits for both the first nine months and third quarter reflected significant improvement over the comparable periods in 1993. The major reason for the improved earnings was the additional volume. Also contributing to the increased earnings

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was the effect of enhanced productivity, especially at the Mebane, NC plant which last year had to contend with the transfer-in of hermetic motor production. These factors should continue to have a favorable impact on the business in the fourth quarter.

Sales for Smith Fiberglass Products were lower in 1994 for both the first nine months and third quarter as the prior year benefitted from two large oil field shipments. Earnings for the first nine months were lower than the same period last year as a result of lower volume and the favorable impact in 1993 of a non-recurring patent infringement lawsuit recovery. Third quarter earnings were essentially unchanged from 1993's third quarter. The recent introduction of a new flexible piping system to the service station market meets a need in this segment for a high quality, flexible, underground system that can safely contain all major fuel blends.

The net loss incurred by the agricultural operations for the first nine months of 1994 was modestly higher than the loss reported in the same period last year. A minor third quarter loss was reported compared to a slight profit in the third quarter of 1993. The first nine months and third quarter of 1994 were impacted by higher costs associated with the teardown and re-marketing of repossessed feed storage structures by AgriStor Credit Corporation as well as an additional bad debt provision. A positive development within the agricultural segment has A. O. Smith Harvestore Products, Inc. reporting higher sales and earnings for both the first nine months and third quarter versus the same periods last year. This favorable performance was due largely to strong activity in the municipal and industrial, and water and waste storage markets. Selling, general and administrative expenses in 1994 were higher than the respective periods of 1993 as a result of several factors. Employee incentive and profit sharing accruals were higher due to the increased earnings of the Corporation. The provision for bad debts within the agricultural segment was also responsible for a major portion of the increase. Higher commissions and other expenses in support of additional volume also contributed to the increase. Through the first nine months of 1994, interest expense was approximately 10 percent lower than in the same period of 1993 due to a decline in debt levels from a year ago.

Non-operating expenses for 1994 reflected an unfavorable swing of $1.7 million when comparing the first nine months to the same period in 1993. Nineteen ninety-three benefitted from several one-time litigation items.

The effective tax rate declined from approximately 42 percent in the first nine months of 1993 to around 38 percent thus far in 1994 due to the relative impact of the Revenue Reconciliation Act of 1993 on the respective periods and the recognition of research and development and foreign tax credits on the 1994 rate. The effective rate for the third quarter dropped 12 percentage points from the third quarter of 1993 which was affected by the cumulative impact of the 1993 tax rate increases.

In view of sales and net earnings records for the first three quarters of the year, the prospects remain favorable that 1994 financial results may surpass last year's record setting results.

During the first nine months of 1994, the Corporation was a party to futures contracts for purposes of hedging a portion of certain raw material purchases. The Corporation was also a party to forward foreign exchange contracts to hedge foreign currency transactions consistent with its committed exposures. Had these contracts not been in place, the net earnings of the Corporation would not have been materially affected for either the first nine months or the third quarter of 1994.

Liquidity and Capital Resources

The Corporation's working capital was $120.2 million at September 30, 1994 compared to $80.7 million at December 31, 1993. Business activity related increases in trade receivables, customer tooling and inventories were partially offset by a related increase in trade payables. In addition, certain customer terms for trade receivables were modified during the third quarter which increased this balance.

Cash flow provided by operations was $18.3 million less than the same period last year due to an increase in working capital requirements and pension funding. In view of the favorable cash flow and debt situation, the Corporation took the opportunity to increase its pension plan funding and contributed $9 million during the quarter. The Corporation's long- term debt decreased $2.5 million in the first nine months to $146.4 million and the debt to equity ratio has improved to 47.2% from 55.2% at December 31, 1993. The long-term debt of the finance subsidiary declined $9.7 million to $32.0 million reflecting the continuing liquidation of that business.

The Corporation anticipates that current earnings trends will reduce debt and further improve its debt to equity ratio during the balance of 1994. Capital spending, due largely to new automotive product programs, could total $70 million in 1994.

At its October 11, 1994 meeting, the Board of Directors declared a regular quarterly dividend of $.13 per share on its common stock (Classes A and Common). The dividend will be paid on November 15, 1994 to shareholders of record as of October 31, 1994.

PART II -- OTHER INFORMATION

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ITEM 1 -- LEGAL PROCEEDINGS

At September 30, 1994, the Corporation or A. O. Smith Harvestore Products, Inc. ("AOSHPI"), a wholly-owned subsidiary of the Corporation, were defendants in twenty-seven lawsuits (two of which are class action lawsuits) filed by various plaintiffs who were alleging damages for economic losses claimed to have arisen out of alleged defects in AOSHPI's animal feed storage equipment. In the third quarter of 1994, one new case was filed against the Corporation and AOSHPI and one case was favorably resolved. The United States District Court for the Southern District of Ohio has set an October 16, 1995 trial date in the conditionally certified class action brought on behalf of purchasers and lessees of Harvestore structures manufactured by the Corporation and AOSHPI. The Notice which was mailed during the quarter to the class members resulted in approximately 5,500 "opt out" forms being filed with the Court by the August 31, 1994 deadline, the impact of which is unknown. Information on these lawsuits was previously reported in Part I, Item 3 of the Corporation's 1993 annual report on Form 10-K and in Part II, Item 1 of the Corporation's Form 10-Q reports for the quarterly periods ended March 31, 1994 and June 30, 1994 which are incorporated herein by reference.

There have been no material changes in the environmental matters previously reported in Item 3 in the Corporation's annual report on Form 10-K for the fiscal year ending December 31, 1993, which is incorporated herein by reference.

ITEM 2 -- CHANGES IN SECURITIES

Previously reported in Item 2, Part II of the Corporation's quarterly report on Form 10-Q for the quarter ended March 31, 1994, which is incorporated herein by reference.

ITEM 4 -- SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 6 -- EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

(27) Financial Data Schedule.

(b) Reports on Form 8-K

No reports on Form 8-K were filed by the Corporation in the third quarter of 1994.

SIGNATURES

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

A. O. SMITH CORPORATION

November 7, 1994

THOMAS W. RYAN

Thomas W. Ryan
Vice President
Treasurer and Controller

November 7, 1994

G. R. BOMBERGER

G. R. Bomberger
Executive Vice President
and Chief Financial
Officer

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INDEX TO EXHIBITS

Exhibit
Number Description

27 Financial Data Schedule

ARTICLE 5
MULTIPLIER: 1,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 1994
PERIOD END	SEP 30 1994
CASH	6,874
SECURITIES	0
RECEIVABLES	174,423
ALLOWANCES	0
INVENTORY	108,738
CURRENT ASSETS	352,695
PP&E	863,466
DEPRECIATION	(481,290)
TOTAL ASSETS	866,612
CURRENT LIABILITIES	232,468
BONDS	178,362
COMMON	105,966
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	203,821
TOTAL LIABILITY AND EQUITY	866,612
SALES	1,022,725
TOTAL REVENUES	1,022,725
CGS	864,512
TOTAL COSTS	864,512
OTHER EXPENSES	80,056
LOSS PROVISION	0
INTEREST EXPENSE	9,191
INCOME PRETAX	68,966
INCOME TAX	26,248
INCOME CONTINUING	43,794
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	43,794
EPS PRIMARY	2.10
EPS DILUTED	2.10

End of Filing

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