

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, 1995

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 39-0619790
(State of Incorporation) (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, 1995: 15,027,980

Class A Common Stock Outstanding as of October 31, 1995: 5,885,441

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A. O. Smith Corporation

Part I. Financial Information

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

A. O. SMITH CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF EARNINGS
AND RETAINED EARNINGS

Three and Nine months ended September 30, 1995 and 1994
(000 omitted except for per share data)
(Unaudited)

EARNINGS	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	1995	1994	1995	1994
Electrical Products Company	\$ 71,641	\$ 70,278	\$ 241,457	\$ 215,577
Automotive Products Company	189,736	170,666	631,677	538,892
Water Products Company	66,287	64,098	197,237	194,864
Smith Fiberglass Products Inc.	14,680	15,298	43,997	43,855
Agricultural Products	12,019	12,390	32,826	29,537
	-----	-----	-----	-----
NET REVENUES	354,363	332,730	1,147,194	1,022,725
Cost of products sold	313,922	286,439	978,302	864,512
	-----	-----	-----	-----
Gross profit	40,441	46,291	168,892	158,213
Selling, general and administrative expenses	26,106	27,278	84,383	78,831
Interest expense	3,234	3,136	9,799	9,191
Other expense	20	87	3,151	1,225
	-----	-----	-----	-----
Provision for income taxes	11,081	15,790	71,559	68,966
	4,370	6,135	27,520	26,248
	-----	-----	-----	-----
Earnings before equity in earnings of affiliated companies	6,711	9,655	44,039	42,718
Equity in earnings of affiliated companies	744	475	1,802	1,076
	-----	-----	-----	-----
NET EARNINGS	7,455	10,130	45,841	43,794
	=====	=====	=====	=====
RETAINED EARNINGS				
Balance at beginning of period	256,998	206,219	224,467	177,543
Cash dividends on common shares	(3,137)	(2,717)	(8,992)	(7,705)
	-----	-----	-----	-----
BALANCE AT END OF PERIOD	\$261,316	\$213,632	\$261,316	\$213,632
	=====	=====	=====	=====
DIVIDENDS PER COMMON SHARE	\$.15	\$.13	\$.43	\$.37
NET EARNINGS PER COMMON SHARE	\$.36	\$.48	\$2.19	\$2.10

See accompanying notes to unaudited condensed consolidated financial statements.

A. O. SMITH CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEET
September 30, 1995 and December 31, 1994
(000 omitted)

(unaudited)

September 30, 1995 December 31, 1994

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 5,373	\$ 8,485
Trade receivables	152,184	132,630
Finance subsidiary receivables and leases	14,953	16,361
Customer tooling	27,326	24,489
Inventories (note 2)	110,322	110,863
Deferred income taxes	22,955	28,100
Other current assets	14,249	8,592
	-----	-----
TOTAL CURRENT ASSETS	347,362	329,520

Investment in and advances to

affiliated companies	20,426	17,326
Deferred model change	24,566	18,638
Finance subsidiary receivables and leases	30,914	37,842
Other assets	43,721	42,751
Property, plant and equipment	939,461	881,717
Less accumulated depreciation	516,615	479,937
	-----	-----
Net property, plant and equipment	422,846	401,780
	-----	-----
TOTAL ASSETS	\$889,835	\$847,857
	=====	=====

LIABILITIES AND STOCKHOLDERS'
EQUITY

CURRENT LIABILITIES

Trade payables	\$112,927	\$101,153
Accrued payroll and pension	37,853	36,641
Post-retirement benefit obligation	9,439	9,573
Other current liabilities	60,815	61,301
Long-term debt due within one year	3,925	3,775
Finance subsidiary long-term debt due within one year	3,525	3,480
	-----	-----
TOTAL CURRENT LIABILITIES	228,484	215,923

Long-term debt (note 3)	140,560	136,769
Finance subsidiary long-term debt	23,498	29,357
Post-retirement benefit obligation	72,188	72,388
Other liabilities	20,106	26,230
Deferred income taxes	54,651	54,445

STOCKHOLDERS' EQUITY:

Class A common stock, \$5 par value: authorized 14,000,000 shares; issued 5,888,901 and 6,035,641	29,445	30,178
Common stock, \$1 par value: authorized 60,000,000 shares; issued 15,810,749 and 15,664,109	15,811	15,664
Capital in excess of par value	68,848	68,209
Retained earnings (note 3)	261,316	224,467
Pension liability adjustment	(9,653)	(9,653)
Cumulative foreign currency translation adjustments	(7,359)	(8,035)
Treasury stock at cost	(8,060)	(8,085)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	350,348	312,745
	-----	-----

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$889,835	\$847,857
	=====	=====

See accompanying notes to unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
 Nine months ended September 30, 1995 and 1994
 (000 omitted) - (unaudited)

CASH FLOWS	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 45,841	\$43,794
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	41,038	36,948
Deferred income taxes	5,351	6,965
Equity in earnings of affiliates, net of dividends	(1,802)	(1,076)
Deferred model change and software amortization	7,625	6,603
Other - net	(759)	3,359
Change in current assets and liabilities:		
Trade receivables and customer tooling	(21,315)	(34,159)
Current income tax accounts-net	(275)	(63)
Inventories	541	(18,934)
Prepaid expenses and other	(6,830)	(1,363)
Trade payables	11,774	15,887
Accrued liabilities, payroll and pension	2,040	(1,727)
Net change in non-current assets and liabilities	956	4,638
	-----	-----
CASH PROVIDED BY OPERATING ACTIVITIES	84,185	60,872
	-----	-----
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditures	(61,146)	(44,123)
Other - net	(15,363)	(971)
	-----	-----
CASH USED BY INVESTING ACTIVITIES	(76,509)	(45,094)
	-----	-----
CASH FLOW BEFORE FINANCING ACTIVITIES	7,676	15,778
	-----	-----
CASH FLOW FROM FINANCING ACTIVITIES		
Long-term debt incurred	15,000	-
Long-term debt retired	(11,059)	(7,613)
Finance subsidiary net long-term debt retired	(5,814)	(9,384)
Proceeds from common stock options exercised	90	1,902
Other stock transactions	(13)	1,994
Dividends paid	(8,992)	(7,705)
	-----	-----
CASH USED BY FINANCING ACTIVITIES	(10,788)	(20,806)
Net decrease in cash and cash equivalents	(3,112)	(5,028)
Cash and cash equivalents-beginning of period	8,485	11,902
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 5,373	\$ 6,874
	=====	=====

See accompanying notes to unaudited condensed consolidated financial statements.

A. O. SMITH CORPORATION
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 September 30, 1995
 (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, 1995 are not necessarily indicative of the results expected for the full year. The consolidated balance sheet as of December 31, 1994 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, 1995	December 31, 1994
Finished products	\$ 53,542	\$ 55,331
Work in process	50,880	48,886
Raw materials	41,916	41,709
Supplies	9,199	7,457
	-----	-----
	155,537	153,383
Allowance to state		
inventories at LIFO cost	45,215	42,520
	-----	-----
	\$110,322	\$110,863
	=====	=====

3. Long-Term Debt

The corporation's long-term credit agreements contain certain conditions and provisions which restrict the corporation's payment of dividends. Under the most restrictive of these provisions, retained earnings of \$97.1 million were unrestricted as of September 30, 1995 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 1995 COMPARED TO 1994

Revenues for the first nine months of 1995 were \$1.15 billion reflecting an increase of almost \$125 million or a 12.2 percent improvement from the \$1.02 billion of revenues reported in the first nine months of 1994. Third quarter revenues increased 6.5 percent from \$332.7 million in 1994 to a record \$354.4 million in 1995.

The corporation earned \$45.8 million or \$2.19 per share for the first nine months of 1995 compared to \$43.8 million or \$2.10 per share in the first nine months of 1994. Third quarter earnings of \$7.5 million or \$.36 per share were the second highest in the corporation's history for the quarter and were in line with estimates announced earlier by the corporation. Earnings in the third quarter of 1994 were \$10.1 million or \$.48 per share. A number of non-recurring factors in the third quarter in 1995 were responsible for the decline in third quarter earnings from 1994. Extremely heavy demand at the Automotive Products Company for light and heavy truck products created unusual pressures particularly at the company's Milwaukee, Wisconsin facilities. The impact of strong demand was accompanied by unprecedented hot weather which created numerous production delays and other operational difficulties.

The third quarter gross margin of 11.4 percent was reflective of the aforementioned difficulties and compared to a gross margin of 13.9 percent in last year's third quarter. The gross profit margin through the first nine months of the year declined from 15.5 percent in 1994 to 14.7 percent in 1995 due to production difficulties experienced in the third quarter and higher material costs.

The Automotive Products Company sales for the first nine months of 1995 increased by 17.2 percent over the same period of 1994 while third quarter sales exceeded 1994's third quarter by 11.2 percent. Sales in 1995 for both the quarter and first nine months benefitted from strong demand for light and heavy truck products as well as from added volume resulting from new product programs introduced in 1994 and early 1995.

Automotive's earnings for the first nine months of 1995 were about equal to 1994's nine month earnings. Third quarter earnings in 1995 reflect a sharp decline from the same period in 1994 and resulted from production schedule complications as previously discussed.

Recently, Automotive Products Company announced two positive developments. First, the company established a joint venture agreement with First Auto Works and Golden Lion Group to become the first North American supplier to manufacture automotive structures in China. A. O. Smith owns 60 percent of the venture, which is scheduled to begin production of structural components for the Volkswagen Jetta in January of 1997. Second, labor

negotiations at the Milwaukee plant were successfully concluded in October with all bargaining units ratifying a new four-year contract.

While down somewhat from the second quarter, the corporation's 40 percent owned Mexican affiliate continues to experience improved operating results over the prior year. Export sales and manufacturing costs compare favorably to 1994 reflecting the benefits of the affiliate's realigned operations. Due to the affiliate's current financial position, the recent decline in the value of the peso is not expected to have an adverse effect on operating results.

Third quarter sales for the Electrical Products Company were slightly improved over the third quarter of 1994, and year-to-date sales remain substantially higher than the same period last year. Continued strength in the hermetic market and increased export sales during the quarter helped offset minor volume declines in the HVAC and pump markets.

Electrical Products third quarter earnings were approximately equal to those of last year's third quarter as the favorable impact of the modest increase in volume was offset by higher material costs. Year-to-date profits remain well ahead of last year's nine months earnings and were consistent with the significant increase in volume.

The Water Products Company sales for both the third quarter and first nine months of 1995 surpassed those of the comparable periods last year. The company continues to experience increased domestic commercial water heater demand which more than offset the impact of a slight decline in residential volume, and ongoing sluggishness in the European and Canadian markets.

Recently, Water Products obtained a business license for a joint venture in China in which it will be an 80 percent partner. The joint venture with Nanjing Water Heater Company will manufacture instantaneous and storage type water heaters.

Third quarter earnings for Water Products were higher than the 1994 third quarter due to increased volume. Profits for the first nine months of the year were only marginally better than those of the first nine months of 1994 reflecting the reduced volume experienced in the first quarter of 1995.

Third quarter sales for Smith Fiberglass Products Inc. were lower than the third quarter of 1994 as this subsidiary continues to experience lower demand in its major domestic markets. Sales for the first nine months of the year were unchanged from the same period last year as strong export sales to South American oil fields have helped offset the decline in the domestic markets. Fiberglass Products is a 60 percent partner in a newly formed Chinese joint venture with Harbin Composites Corporation. The business has obtained its license and is scheduled to be in production in early 1996. It will supply fiberglass pipe to the Chinese oil industry.

Earnings for both the third quarter and first nine months of 1995 for Smith Fiberglass were lower than the comparable periods in 1994 as a result of the lower margins realized on export sales.

The corporation's agricultural operations reflected profits for both the third quarter and first nine months of the year in contrast to losses incurred in the same periods in 1994. Through the first nine months of the year, revenues for A. O. Smith Harvestore Products, Inc. have increased 11 percent over the same period last year as the result of a growing market for municipal/industrial water and waste storage products. The significant increase in sales resulted in a substantial improvement in 1995 year-to-date earnings. The losses incurred by AgriStor Credit Corporation were lower in 1995 than 1994 due mostly to a reduction in costs associated with non-performing lease and retail contracts.

Selling, general and administrative expenses for the third quarter of 1995 were \$1.2 million less than the same period last year due to the aforementioned reduction in costs associated with non-performing contracts within the AgriStor Credit Corporation portfolio. For the first nine months of 1995, selling, general and administrative expenses reflect a \$5.6 million increase over the comparable period in 1994 due to general increases to support the higher sales volumes. Interest expense for the third quarter and year-to-date increased over the same periods in 1994 due to higher interest rates.

Other expenses were relatively constant for the third quarters of 1995 and 1994, however the first nine months of 1995 reflects a \$1.9 million increase over the same period in 1994. The increase is explained by translation losses, environmental costs and certain non-recurring costs incurred in 1995. The effective tax rates for the third quarter and first nine months of 1995 were slightly higher than the same periods in 1994 due to recognition of research and development tax credits in 1994.

During the first nine months of 1995, 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 in the third quarter or first nine months of 1995.

With three-fourths of the year complete, and 1995 earnings ahead of last years earnings at the same time, the corporation anticipates that in early 1996 it may be able to announce a third consecutive year of record sales and profits.

Liquidity and Capital Resources

The corporation's working capital was \$118.9 million at September 30, 1995 compared to \$113.6 million at December 31, 1994. Sales related increases in trade receivables were partially offset by related increases to trade payables.

Cash flow provided by operations was \$23.3 million greater than the same period last year due primarily to smaller increases in working capital requirements compared to the prior year. While the corporation's long-term debt increased \$3.8 million in the first nine months to \$140.6 million, the debt to equity ratio, excluding the finance subsidiary, improved over this period from 43.7% to 40.1% at September 30, 1995. The long-term debt of the finance subsidiary declined \$5.9 million to \$23.5 million reflecting the continuing liquidation of that business.

Capital expenditures were \$17 million higher than last year. Capital spending will remain higher for the remainder of the year due largely to new automotive product programs and could total \$100 million in 1995. The corporation anticipates that internally generated funds will cover capital expenditure requirements. Additionally, the corporation expects capital expenditures, excluding investments in joint ventures, to be higher in 1996.

At its October 10, 1995 meeting, A. O. Smith's Board of Directors declared a regular quarterly dividend at \$.15 per share on its common stock (Classes A and Common). The dividend is payable on November 15, 1995 to shareholders of record October 31, 1995.

PART II -- OTHER INFORMATION ITEM 1 -- LEGAL PROCEEDINGS

At September 30, 1995, the corporation or A. O. Smith Harvestore Products, Inc. ("AOSHPI"), a wholly-owned subsidiary of the corporation, were defendants in eight (8) lawsuits (one of which is a class action lawsuit) filed by various plaintiffs who were alleging property damage claimed to have arisen out of alleged defects in AOSHPI's animal feed storage equipment. In the third quarter of 1995, no new cases were filed against the corporation and AOSHPI, one case was favorably resolved and in a New York State Court case, the judge has denied the plaintiffs' petition for class action status. The United States District Court for the Southern District of Ohio has cancelled the trial date and discovery has been suspended in the conditionally certified class action brought on behalf of purchasers and lessees of Harvestore structures manufactured by the corporation and AOSHPI while the court considers the corporation's motions to decertify the class action or in the alternative grant summary judgment in the corporation's favor. Information on these lawsuits was previously reported in Part I, Item 3 of the corporation's annual report on Form 10-K for the fiscal year ended December 31, 1994 and in Part II, Item 1 of the corporation's Form 10-Q reports for the quarterly periods ended March 31, 1995 and June 30, 1995, 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, 1994, which is incorporated herein by reference. Additionally, the corporation has been identified by the U.S. Environmental Protection Agency ("EPA") as being a "Potentially Responsible Party" ("PRP") under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA" or the "Superfund" law) relative to a contaminated site in South Milwaukee, Wisconsin and has, together with approximately 80 other PRPs, received a unilateral order issued by the EPA under Section 106 of CERCLA to remediate the site. There is insufficient information available to the Company at this time to enable it to estimate the extent of the corporation's involvement at the site. However, based upon information that is currently available, the corporation believes that its ultimate share of the costs associated with this site should not be material to its financial condition.

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 1995.

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 13, 1995

/s/ John J. Kita
John J. Kita
Treasurer and Controller

November 13, 1995

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

INDEX TO EXHIBITS

Exhibit Number	Description
27	Financial Data Schedule

<ARTICLE> 5

<LEGEND>

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF A.O. SMITH CORPORATION AS OF AND FOR THE QUARTER ENDED SEPTEMBER 30, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

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