

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1993

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

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

Title of Each Class	Shares of Stock Outstanding February 23, 1994	Name of Each Exchange on Which Registered
Class A Common Stock (par value \$5.00 per share)	6,081,297	American Stock Exchange
Common Stock (par value \$1.00 per share)	14,734,569	American 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 X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item
405 of Regulation S-K is not contained herein, and will not be contained,
to the best of registrant's knowledge, in definitive proxy or information
statements incorporated by reference in Part III of this Form 10-K or any
amendment to this Form 10-K. / X /

The aggregate market value of voting stock held by nonaffiliates of the
registrant was \$25,664,209 for Class A Common Stock and \$499,874,253 for
Common Stock as of February 23, 1994.

Documents Incorporated by Reference:

1. Portions of the Corporation's definitive Proxy Statement dated March
3, 1994 for an April 13, 1994 Annual Meeting of Stockholders are
incorporated by reference in Part III

PART I

ITEM 1 - BUSINESS

A. O. Smith Corporation, a Delaware corporation organized in 1916, its
subsidiaries and its affiliates (hereafter collectively called the
"Corporation" unless the context otherwise requires) are engaged in four
business segments. These segments are Original Equipment Manufacturer
("OEM") Products, Water Products, Agricultural Products, and Other
Products.

The Corporation's principal OEM Products business is the Automotive
Products Company, a supplier of truck and automobile structural components
and assemblies. OEM Products also includes the Electrical Products
Company which produces fractional horsepower and hermetic electric motors.
Included in Water Products is the Water Products Company, a leading
manufacturer of residential and commercial gas, oil, and electric water
heating systems. Agricultural Products consists of two units.
A. O. Smith Harvestore Products, Inc. (Harvestore) is a manufacturer of
agricultural feed storage and handling systems, for which AgriStor Credit
Corporation (AgriStor) provides financing, and industrial and municipal
water and bulk storage systems. The Corporation intends to sell
Harvestore and is in the process of liquidating AgriStor. Other Products

consist of Smith Fiberglass Products Inc. which manufactures reinforced thermosetting resin piping. Information regarding industry segments is provided in Note 13 to the Consolidated Financial Statements which appear elsewhere herein.

The following table summarizes revenues by segment for the Corporation's operations. This segment summary and all other information presented in this section should be read in conjunction with the Consolidated Financial Statements and the Notes thereto which appear elsewhere herein.

	Years Ended December 31 (Dollars in Millions)				
	1993	1992	1991	1990	1989
OEM Products					
Automotive Products					
Truck frames	\$ 487.2	\$ 419.1	\$318.5	\$338.4	\$ 348.1
Axles	17.6	36.9	55.2	63.8	71.6
Other	101.5	71.6	52.4	60.1	76.0
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Total Automotive	606.3	527.6	426.1	462.3	495.7
Electrical Products	242.5	225.6	205.1	222.2	251.8
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Total OEM Products	848.8	753.2	631.2	684.5	747.5
Water Products	248.1	215.2	194.6	197.6	179.0
Agricultural Products	38.1	34.0	36.1	42.4	39.5
Other	58.9	43.9	53.9	53.1	49.8
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Total Corporation	\$1,193.9	\$1,046.3	\$915.8	\$977.6	\$1,015.8
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OEM PRODUCTS Automotive Products

Automotive sales in 1993 of \$606.3 million, or 51 percent of total Corporation revenues, increased almost 15 percent from previous year sales due to continued strength in both the light and heavy truck segments plus added volume in the passenger car segment. As a result of increased volume, Automotive Products showed improved operating profits over 1992.

The largest product group within Automotive Products continues to be truck frames and components which accounted for slightly more than 80 percent of Automotive Products' sales and 41 percent of the Corporation's revenues. The company continues to hold its lead position in truck frame manufacturing in the United States and Canada, supplying more than 30 percent of the 1993 market.

Automotive Products had two product launches during 1993. The company began to ship full frame assemblies for a Mazda pick-up truck in the spring. During the third quarter, the company began production of a new full frame assembly in Milwaukee, Wisconsin, for Chrysler's Dodge Ram pick-up truck.

In 1994, the Granite City, Illinois, plant will begin shipping engine cradles for a new Ford Windstar mini-van and Lincoln Continental, and for the new Ford Contour and Mercury Mystique. The Milan, Tennessee, plant will build trailing axles for the Ford mini-van and will manufacture a new structural assembly for Toyota U.S.A. The company expects capital expenditures to increase in 1994 to support these and additional new product launches.

Automotive Products has contracts, some of which are subject to economic price adjustments, to supply frame assemblies and components to Ford, General Motors and Chrysler in the light truck class. The company is also a supplier of truck frames to most domestic producers of medium and heavy-duty trucks, such as Ford, Navistar International, General Motors, Freightliner and Paccar.

The company believes the North American market will grow in 1994. Longer term, the products now under development, combined with continuing strength in the economy could result in Automotive's sales surpassing \$800 million by 1996.

The company's products are sold in highly competitive markets with its principal competitors including Dana Corporation and vertically integrated units of Ford, General Motors, and Chrysler.

The following table summarizes sales to the company's three largest automotive customers:

	Years Ended December 31 (Dollars in Millions)				
	1993	1992	1991	1990	1989
Ford Sales	\$266.9	\$219.3	\$177.5	\$179.8	\$171.3
Percentage of total Corporation revenues	22.4%	21.0%	19.4%	18.4%	16.9%

General Motors					
Sales	\$132.0	\$148.1	\$115.6	\$136.3	\$169.6
Percentage of total					
Corporation revenues	11.1%	14.2%	12.6%	13.9%	16.7%
Chrysler					
Sales	\$118.2	\$ 96.7	\$ 75.8	\$ 96.8	\$106.2
Percentage of total					
Corporation revenues	9.9%	9.2%	8.3%	9.9%	10.5%
Total	43.4%	44.4%	40.3%	42.2%	44.1%

Electrical Products

The Corporation's sales of electric motors which are included in the OEM Product segment totalled \$242.5 million, or 20 percent of total Corporation revenues in 1993. This represents a 7 percent increase over the previous year's sales of \$225.6 million. Although Electrical Products' sales increased in 1993, profits declined from 1992 levels due in part to the costs and lower initial productivity associated with transferring the hermetic motor production from Mt. Sterling, Kentucky to Mebane, North Carolina location.

Product lines include jet pump motors sold to manufacturers of home water systems, swimming pools, hot tubs and spas plus fan motors used in furnaces, air conditioners and ceiling fans as well as fractional horsepower motors used in other consumer products. Hermetic motors are sold to almost every U.S. manufacturer of compressors and are used in air conditioning and refrigeration systems. In addition to selling its products directly to OEMs, Electrical Products also markets its products through a distributor network which sells to both OEMs and the related after-market.

The company has maintained a reduced break-even point, which remains more than 20 percent lower than in 1989. This improved cost structure has roughly coincided with a competitive period in the motor industry and has accounted for the company's ability to remain profitable during this time. Electrical Products has reduced costs through increased productivity and higher output from its Mexican facilities and reduced manufacturing conversion costs throughout the organization. An improved economy should have a positive effect on Electrical Products' 1994 sales and earnings.

Motor efficiency and environmental concerns are two areas influencing product development. Electrical Products is working with new materials and variable speed designs that can improve the efficiency of both hermetic and fractional horsepower motors. Work continues on new motors and motor insulation materials that are compatible with refrigerants that do not deplete the ozone layer.

The company's principal products are sold in highly competitive markets with its major competitors being Emerson Electric, General Electric, Magnetek, Inc., Fasco and vertically integrated customers.

WATER PRODUCTS

Sales in 1993 were a record \$248.1 million which represented 21 percent of total Corporation revenues. Sales were up over 15 percent compared to 1992 sales of \$215.2 million, as the company gained market share in residential water heaters and increased unit volume in higher margin commercial heaters. Operating profits also set new highs increasing 33 percent over the prior year, which is the result of increased volume and improved pricing. Water Products believes it is the most consistently profitable water heater supplier in the extremely competitive U. S. market.

Water Products markets residential gas and electric water heaters through a diverse network of plumbing wholesalers. About 80 percent of Water Products' sales is in the less cyclical replacement market although the new housing market is an important segment as well. The company's residential plants were able to adjust easily to 1993's increase in volume without significantly increasing costs. The residential water heater market remains highly competitive with Water Products and three other manufacturers supplying over 90 percent of market requirements.

Water Products markets commercial water heating systems through a diverse network of plumbing wholesalers and manufacturers' representatives. Commercial water heating systems are used in a wide range of applications including schools, nursing homes, hospitals, prisons, hotels, motels, laundries, restaurants, stadiums, amusement parks, car washes, and other large users of hot water. The commercial market is characterized by a much broader range of competitors than the residential market.

The company expects both sales and profits will increase in 1994 due primarily to new product introductions and an improving economy. In addition, Water Products intends to grow through the selective addition of quality distribution, possible acquisitions and further expansion of its international presence.

The principal competitors in the Water Products segment are Rheem-Rudd, State Industries, Bradford-White and SABH, Inc. Water Products believes it continues to be the largest manufacturer of commercial water heaters and the fourth largest manufacturer of residential water heaters in the United States.

AGRICULTURAL PRODUCTS

Agricultural Products includes Harvestore and AgriStor. Harvestore sales in 1993 were \$33.3 million, which were about 20 percent higher than 1992 sales of \$27.7 million. The increase was attributable to demand for water and agricultural waste storage systems. Harvestore's operating profits were much improved over 1992. AgriStor revenues in 1993 were \$4.8 million, down 25 percent from \$6.4 million in 1992. The lower revenues resulted from a decline in the size of AgriStor's lending portfolio and represents management's continued progress toward its goal of phasing out of the agricultural finance business. Agricultural Products sustained a net loss of \$4.8 million between Harvestore and AgriStor operations which include additional reserve provisions taken during the year.

Harvestore manufactures and markets agricultural feed storage and handling systems, and industrial and municipal water and bulk storage systems. Harvestore products are distributed through a network of independent dealers. AgriStor assists farm customers in the financing of Harvestore[R] equipment out of offices in Milwaukee, Wisconsin; Columbus, Ohio; and Memphis, Tennessee.

A good backlog of Slurrystore[R] systems orders combined with the recovery in industrial capital spending will benefit Harvestore in 1994. Harvestore expects sales and earnings to increase in 1994.

Stable interest rates and adequate milk prices also will have a positive impact on AgriStor's operations. The Corporation expects its agricultural operations loss in 1994 to be less than it was in 1993.

Harvestore's principal competitor in the municipal and industrial segment is U.S. Filter.

OTHER PRODUCTS

Other Products consists essentially of Smith Fiberglass Products Inc. Sales of Smith Fiberglass Products Inc. totaled \$58.9 million in 1993; up 34 percent from 1992 sales of \$43.9 million. Strong recoveries in the service station and petroleum production markets were largely responsible for the increase in sales. The company doubled its profits compared to 1992 due primarily to this resurgence in sales.

Smith Fiberglass manufactures reinforced thermosetting resin piping used to carry corrosive materials. Typical applications include chemical and industrial plant piping, oil field piping, and underground distribution at gasoline service stations. Smith Fiberglass also manufactures high pressure fiberglass piping systems used in the petroleum production industry. Its products are sold through a network of distributors.

Smith Fiberglass should have another good year in 1994. The company expects to increase its presence in international markets, expand participation in the petroleum marketing segment and aggressively pursue the chemical and industrial markets.

Smith Fiberglass has two principal competitors which are Ameron Corporation and Fibercast Company.

Raw Material

Raw materials for the Corporation's operations, which consist primarily of steel, copper and aluminum, are generally available from several sources in adequate quantities.

Seasonality

The Corporation's third quarter revenues and earnings have traditionally been lower than the other quarters due to Automotive Products' model year changeovers and customer plant shutdowns.

Research and Development, Patents and Trademarks

The Corporation conducts new product and process development at its Corporate Technology Center in Milwaukee, Wisconsin, and at its operating unit locations. The objective of this activity is to increase the competitiveness of A. O. Smith and generate new products to fit the Corporation's market knowledge. Total expenditures for research and development in 1993, 1992 and 1991 were approximately \$7.6 million, \$6.5 million, and \$6.1 million, respectively.

The Corporation owns and uses in its businesses various trademarks, trade names, patents, trade secrets and licenses. While a number of these are important to the Corporation, it does not consider a material part of its business to be dependent on any one of them.

Employees

The Corporation and its subsidiaries employed approximately 10,800 persons in its operations as of December 31, 1993.

Backlog

Normally none of the Corporation's operations sustain significant backlogs.

Environmental Laws

Compliance with federal, state and local laws regulating the discharge of materials into the environment or otherwise relating to the protection of the environment has not had a material effect and is not expected to have a material effect upon the capital expenditures, earnings or competitive position of the Corporation. See ITEM 3.

Foreign Sales

Total export sales from the U.S. were \$71 million, \$48 million, and \$49 million in 1993, 1992, and 1991, respectively. The increase in export sales from 1992 to 1993 was largely attributable to increased Automotive Products Company exports to Canada. The amount of revenue and operating profit derived from, or the assets attributable to, sales outside the North American geographic area are not a substantial portion of total Corporation operations.

ITEM 2 - PROPERTIES

The Corporation manufactures its products in 35 locations worldwide. These facilities have an aggregate floor space of approximately 8,927,000 square feet and are owned by the Corporation with the exception of the following leased facilities: four Automotive Products plants, two of which are approximately 124,000 square feet each, located in Corydon, Indiana and Rockford, Illinois, a plant of approximately 39,000 square feet in Bowling Green, Kentucky and a fourth plant of approximately 41,000 square feet located in Barrie, Ontario, Canada; a Water Products Company plant with floor space of approximately 84,000 square feet located in Seattle, Washington and a second plant of approximately 100,000 square feet in El Paso, Texas; and a Smith Fiberglass plant in Little Rock, Arkansas, with floor space of approximately 45,000 square feet. A 258,000 square foot facility for the Electrical Products Company in Mt. Sterling, Kentucky, a 533,000 square foot facility for the Automotive Products Company in Milan, Tennessee, and a 237,000 square foot facility for the Smith Fiberglass plant in Little Rock, Arkansas are being acquired on a lease-purchase basis and have been capitalized for accounting purposes. Included in the above totals are approximately 478,000 square feet of domestic floor space in DeKalb, Illinois, occupied by the Corporation's agricultural operations and which is being held for sale.

Of the Corporation's facilities, thirteen are foreign plants with approximately 1,142,000 square feet of space, including approximately 442,000 square feet which are leased.

The manufacturing plants presently operated by the Corporation are listed below by industry segment. This data excludes six plants operated by a Mexican affiliate.

	United States	Foreign
OEM Products		
-Automotive Products (4,994,000 sq. ft.)	Milwaukee, WI; Milan, TN; Granite City, IL; Belcamp, MD; Corydon, IN; Rockford, IL (2); Bellevue, OH; Bowling Green, KY; Williston, FL	Barrie, Canada
-Electrical Products (1,616,000 sq. ft.)	Tipp City, OH; Mebane, NC; Upper Sandusky, OH; Mt. Sterling, KY	Bray, Ireland; Acuna, Mexico; Monterrey, Mexico; Juarez, Mexico (5)
Water Products (1,402,000 sq. ft.)	McBee, SC; Seattle, WA; El Paso, TX; Florence, KY	Stratford, Canada (2); Veldhoven, The Netherlands; Juarez, Mexico
Agricultural Products (478,000 sq. ft.)	DeKalb, IL	
Other (437,000 sq. ft.)	Little Rock, AR (2); Wichita, KS	

The principal equipment at the Corporation's facilities consist of presses, welding, machining, slitting and other metal fabricating equipment, winding machines, and furnace and painting equipment. The Corporation regards its plant and equipment as well-maintained and adequate for its needs. Multishift operations are used where necessary.

ITEM 3 - LEGAL PROCEEDINGS

As of December 31, 1993, the Corporation and Harvestore were defendants in 26 cases alleging damages for economic losses claimed to have arisen out of alleged defects in Harvestore animal feed storage equipment. Some plaintiffs are seeking punitive as well as compensatory damages. The Corporation believes that a significant number of these claims were related to the deteriorated general farm economy at the time suit was commenced, including those filed in 1993. The Corporation and Harvestore continue to vigorously defend these cases.

In 1993, nine new cases were filed and 38 cases were concluded. One of the cases filed during 1993 is a New York state court action and contains class action allegations, and names the Corporation, Harvestore and two of its dealers as defendants. Among the many motions the defendants have filed in this action is one to stay the action pending the ruling on class action certification requested by the plaintiffs in a lawsuit pending in the Federal District Court for the Southern District of Ohio. Based on the facts currently available to management and its prior experience with lawsuits alleging damages for economic loss resulting from use of the Harvestore animal feed storage equipment, management is confident that the motion for class certification in the Ohio lawsuit can be defeated and that the lawsuit does not represent a material threat to the Corporation. The Corporation believes that any damages, including any punitive damages, arising out of the pending cases are adequately covered by insurance and recorded reserves. The Corporation reevaluates its exposure periodically and makes adjustment of its reserves as appropriate. A lawsuit for damages and declaratory judgments in the Circuit Court of Milwaukee County, State of Wisconsin, in which the Corporation and Harvestore are plaintiffs, is pending against three insurance companies for failure to pay in accordance with liability insurance policies issued to the Corporation. The insurers have failed to pay, in full or in part, certain judgments, settlements and defense costs incurred in connection with pending and closed lawsuits alleging damages for economic losses claimed to have arisen out of alleged defects in Harvestore animal feed storage equipment. While the Corporation has, in part, assumed applicability of this coverage, an adverse judgment should not be material to its financial condition.

As part of its routine business operations, the Corporation disposes of and recycles or reclaims certain industrial waste materials, chemicals and solvents at disposal and recycling facilities which are licensed by appropriate federal, state and local agencies. In some instances, when those facilities are operated such that hazardous substances contaminate the soil and groundwater, the United States Environmental Protection Agency ("EPA") will designate the contaminated sites as Superfund sites, and will designate those parties which are believed to have contributed hazardous materials to the sites as potentially responsible parties ("PRPs"). Under the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA" or the "Superfund" law) and similar state laws, each PRP that contributes hazardous substances to a Superfund site is jointly and severally liable for the costs associated with cleaning up the site. Typically, PRPs negotiate with the EPA and those state environmental agencies that are involved in the matter regarding the selection and implementation of a plan to clean up the Superfund site and the terms and conditions under which the PRPs will be involved in process. PRPs also negotiate with each other regarding allocation of each PRP's share of the clean up costs.

The Corporation is currently involved as a PRP in judicial and administrative proceedings initiated on behalf of the EPA seeking to clean up the environment at fifteen Superfund sites and to recover costs it has or will incur as a result of the clean up. Certain state environmental agencies have also asserted claims to recover their clean up costs in some of these actions. The sites are as follows:

Two separate sites in Kentucky involving related storage and disposal facilities. Proceedings were commenced on behalf of the EPA in the United States District Court for the District of Kentucky, Louisville Division in March, 1988 with respect to these sites. A consent decree allocating liability among the PRPs for costs of remediation at the sites and the response costs of the EPA and the Commonwealth of Kentucky was executed by the Corporation in September, 1993. It is anticipated that the consent decree will be entered by the Court in 1994.

A site in Indiana used for storage, treatment, recycling and disposal of waste chemicals. In January, 1984, the Company and several other PRPs became parties to an action that had been pending in the United States District Court for the District of Indiana since January, 1980 regarding this site. In July, 1988, the Corporation executed a consent decree allocating liability among the PRPs for costs of remediation at the site and the EPA's response costs. Remediation is well underway at the site.

A municipal landfill in Michigan is the subject of a proceeding that was filed on behalf of the EPA in the United States District Court for the Western District of Michigan in this case in April, 1991. The final remedy has been selected and a consent decree has been executed by the PRPs and the EPA. The consent decree was entered by the Court in 1991. The bulk of the work on the remedy is expected to begin in 1995.

A county owned incinerator, ash disposal lagoon and landfill in Ohio. A proceeding was commenced on behalf of the EPA in the United States District Court for the Southern District of Ohio, Western Division regarding this site in December, 1989. The final remedy has been selected and the consent decree, which was executed by the PRPs and the

EPA, was entered by the Court in March, 1993. Work on the remedy began shortly after the consent decree was entered and has been progressing.

An industrial and municipal waste landfill in Wisconsin. Separate proceedings were commenced on behalf of the EPA and the State of Wisconsin in the United States District Court for the Eastern District of Wisconsin in November, 1991 relative to this site. The two actions which were consolidated into a single matter in 1992. The consent decree entered into by the PRPs, the EPA and the State of Wisconsin divides the site into two operable units, the first of which deals with soil remediation and an interim groundwater remedy and the second of which is anticipated to deal with the long term groundwater remedy. Work on the design of the remedy for the first operable unit is underway. At this time, the extent to which remedial action will be required with respect to the second operable unit has not been determined.

A drum disposal site in Wisconsin. In September, 1992, the Corporation joined a group of PRPs that attempted to negotiate with other PRPs and the EPA to come to agreement as to the respective liabilities of the PRPs involved at the site, the implementation of a plan to clean up the site, and the terms and conditions under which the PRPs would be involved in the process. In May, 1993, after those negotiations stalled, the EPA issued an order to 17 of the PRPs, one of which was the Corporation, under Section 106 of CERCLA requiring them to take certain measures to clean up the site. Since then negotiations resumed and settlement was reached among the PRPs with respect to some, but not all of the issues related to liability under the Section 106 order. The clean up has proceeded as directed by the EPA.

A former mining site in Colorado. The Corporation held the majority of stock of a Colorado mining operation for a period of time beginning in 1936 and ending in 1942. Because of that stock ownership, the Corporation was notified by the EPA in March, 1993 that it is a PRP at the site. Estimates of clean up costs at this site have been as high as \$100,000,000. The Corporation believes that a large majority of those costs relate to contamination caused by a corporation that worked the mine in the 1980s, and the EPA has indicated that it does not believe the Corporation is responsible to remediate the damage caused by those operations. The EPA is not bound by that initial determination and may seek to impose joint and several liability upon the PRPs at the site. However, the Corporation believes that it has valid defenses to any liability at this site. It is impossible at this time to reasonably estimate the Corporation's liability at this site, if any.

A manufacturing facility in Indiana. In January, 1994 the Corporation received a general notice of potential liability from the EPA concerning a plant site the Corporation operated in Indiana for a brief period of time in the mid-1980s. Based upon a preliminary investigation into this matter, the Corporation believes that a viable business has a valid obligation to the Corporation to investigate and remediate contamination at this site at the cost and expense of the other business.

A drum recycling facility. In 1992, the EPA commenced an action against a small group of PRPs in the United States District Court for the Western District of Michigan to recover its response costs and require the PRPs to clean up a Superfund site in Michigan. Those PRPs believe they have valid defenses to any liability at this site and have filed a motion for summary judgment in this matter. Those PRPs had previously commenced a third party contribution action against approximately eighty other parties which were involved at the subject site but were not named as defendants in the EPA's action. The Corporation became a third party defendant to that action in January, 1994.

CERCLA provides that the EPA has authority to enter into de minimis settlement agreements with those PRPs that are believed to have contributed relatively small ("de minimis") amounts of materials to a Superfund site as compared to major contributors at the site. The Corporation has settled its liability at sites in Indiana and Arkansas as a de minimis party. Under those settlement agreements, the Corporation may have additional liability to participate in cleaning up the affected site under certain circumstances, such as: changes in the scope of remedial action are required to the extent that costs to clean up the site are substantially increased, or new information is discovered that indicates that the Corporation contributed more or different materials to the site than was previously believed. There is no information at this time which would indicate that the Corporation will incur any material additional liability at either site. Further, the Corporation has joined with similarly situated PRPs to negotiate settlements as de minimis parties at three sites in Indiana and Illinois.

Based upon information compiled by the Corporation, the estimate of known and estimated cleanup costs for all parties at all sites involving claims filed by the EPA where the Corporation has been designated a PRP is approximately \$232 million. The Corporation's estimate of the portion of the total for which the Corporation is or may be responsible is approximately \$5.0 million, of which \$3.6 million has been contributed towards the cleanup costs by the Corporation and its insurance companies. The balance of the identified potential cleanup costs is covered by insurance and established reserves set by the Corporation which are believed to be adequate to cover the Corporation's obligations with respect to the unpaid balance of the claims. To the best of the Corporation's knowledge, the insurers have the financial ability to pay

any such covered claims. The Corporation reevaluates its exposure periodically and makes adjustment of its reserves as appropriate.

The above cost estimates are not complete. It is impossible at this time to estimate the total cost of remediation for all of the sites, or the Corporation's ultimate share of those costs, for a variety of reasons. Many of the reasons are related to the fact that the sites are in various stages of the remediation process. For example, the investigation of the extent of remediation has not been completed at all sites; at several sites the final remedy has not been selected; negotiations concerning the Corporation's liability relative to the liability of the other PRPs continue at some sites; and for others, even though the remedy has been selected, final cost estimates have not been determined. Other uncertainties are based upon the current status of the law. Key issues that have not been resolved include the extent to which costs associated with the sites are recoverable from insurers, the extent to which joint and several liability can be imposed upon PRPs at the various sites, and the viability of defenses asserted by the PRPs. It is impossible to determine at this time how the courts will resolve those issues.

With the exception of the former mining site in Colorado discussed above, the amount allocated to the Corporation at any specific site, or in the aggregate for all sites, is not expected to be material. Concerning the former mining site, a judgment as to materiality is premature given the early stage of the investigation, the uncertainty regarding appropriate remediation and its costs, and the potential liability of governmental agencies in this case.

Over the past several years, the Corporation has self-insured a portion of its product liability loss exposure and other business risks. The Corporation has established reserves which it believes are adequate to cover incurred claims. For the year ended December 31, 1993, the Corporation had \$60 million of third-party product liability insurance for individual losses in excess of \$1.5 million and for aggregate losses in excess of \$10 million.

In March 1992, a subsidiary of the Corporation, Smith Fiberglass Products Inc. (Smith Fiberglass), won a patent infringement suit filed against a competitor. A judgment was entered in favor of Smith Fiberglass. The judgment was appealed by the defendant. However, the Court of Appeals affirmed the award in 1993 and Smith Fiberglass recognized the judgment which amounted to \$1.9 million after recognition of legal fees as other income in the second quarter of 1993.

A lawsuit initiated by the Corporation in connection with previously concluded antitrust action involving a former subsidiary was terminated in the second quarter of 1993 with a favorable settlement of \$2.8 million which was included as other income.

Reference also Note 12 in the Notes to the Consolidated Financial Statements.

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

No matters were submitted to a vote of the security holders during the fourth quarter of 1993. The voting results from the Annual Meeting of Stockholders held on April 7, 1993 were previously reported in the Corporation's quarterly report on Form 10-Q for the quarter ended June 30, 1993.

EXECUTIVE OFFICERS OF THE CORPORATION

ROBERT J. O'TOOLE

Chairman of the Board of Directors, President, and Chief Executive Officer

Mr. O'Toole, 53, became chairman of the board of directors on March 31, 1992. He is a member of the Investment Policy Committee of the board. He was elected chief executive officer in March 1989. From November 1990 to May 1992, he served as head of the A. O. Smith Automotive Products Company, a division of the Corporation. He was elected president, chief operating officer and a director in 1986. He is a director of Firststar Bank Milwaukee, N.A. Mr. O'Toole joined the Corporation in 1963.

GLEN R. BOMBERGER

Executive Vice President, Chief Financial Officer and Director

Mr. Bomberger, 56, has been a director and executive vice president and chief financial officer of the Corporation since 1986. He is a member of the Investment Policy Committee of the board of directors. He is currently a director and vice president-finance of Smith Investment Company. He is a director of Portico Funds, Inc. Mr. Bomberger joined the Corporation in 1960.

DONALD L. DUNAWAY

Executive Vice President

Mr. Dunaway, 56, became executive vice president in 1986. He is a

trustee of the Kemper Mutual Funds. Mr. Dunaway joined the Corporation in 1963. He will retire effective April 30, 1994.

RODNEY A. LEMENSE

Executive Vice President

Mr. LeMense, 56, became executive vice president in 1986. Since July 1990, he has also been the president of A. O. Smith Water Products Company, a division of the Corporation. He is a director of The Oilgear Company. He joined the Corporation in 1957. Mr. LeMense will retire effective March 31, 1994.

JOHN A. BERTRAND

President ~ A. O. Smith Electrical Products Company

Mr. Bertrand, 55, has been president of A. O. Smith Electrical Products Company, a division of the Corporation, since 1986. Mr. Bertrand joined the Corporation in 1960.

CHARLES J. BISHOP

Vice President ~ Corporate Technology

Dr. Bishop, 52, has been vice president-corporate technology since 1985. Dr. Bishop joined the Corporation in 1981.

DONALD M. HEINRICH

Vice President ~ Business Development

Mr. Heinrich, 41, was elected vice president-business development in October 1992. Previously, from 1990 to 1992, he was president of DM Heinrich & Co., a financial advisory firm. From 1983 to 1990, he was senior vice president of Shearson Lehman Brothers, an investment banking firm.

SAMUEL LICAVOLI

President ~ A. O. Smith Automotive Products Company

Mr. Licavoli, 52, was appointed president of A. O. Smith Automotive Products Company, a division of the Corporation, in May 1992. Previously, from 1988 to 1992, he was senior vice president, and from 1984 to 1988, vice president of operations for Walker Manufacturing Company's OEM division, an automotive products company.

EDWARD J. O'CONNOR

Vice President ~ Human Resources and Public Affairs

Mr. O'Connor, 53, has been vice president-human resources and public affairs for the Corporation since 1986. He joined the Corporation in 1970.

W. DAVID ROMOSER

Vice President, General Counsel and Secretary

Mr. Romoser, 50, was elected vice president, general counsel and secretary on March 1, 1992. Prior thereto, he was vice president, general counsel and secretary from 1988 to 1992 and general counsel and secretary from 1982 to 1988 of Amsted Industries Incorporated, a manufacturer of railroad, building and construction and industrial products.

THOMAS W. RYAN

Vice President, Treasurer and Controller

Mr. Ryan, 47, was elected controller in February 1990, and was elected treasurer of the Corporation in 1987. He joined the Corporation in 1985 as vice president and assistant controller.

JAMES C. SCHAAP

President ~ A. O. Smith Harvestore Products, Inc.

Mr. Schaap, 52, has been president of A. O. Smith Harvestore Products, Inc., a subsidiary of the Corporation, since 1988. He joined the Corporation in 1977.

WILLIAM V. WATERS

President ~ Smith Fiberglass Products Inc.

Mr. Waters, 59, has been president of Smith Fiberglass Products Inc., a subsidiary of the Corporation, since 1988. Previously, he served as vice president and controller for Smith Fiberglass Products since 1984. Mr. Waters joined the Corporation in 1960.

MICHAEL W. WATT

President - A. O. Smith Water Products Company

Mr. Watt, 49, was named president of A. O. Smith Water Products Company, a division of the Corporation, on January 1, 1994. Previously, he was executive general manager from June 1988 to June 1991 and president from June 1991 to September 1993 of SABH International Group, a manufacturer of water heaters.

PART II

ITEM 5 - MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(a) Market Information. Both classes of A. O. Smith Corporation stock are listed on the American Stock Exchange. The symbols for these classes of the Corporation's stock are: SMCA for the Class A Common Stock and SMC for the Common Stock. Firstar Trust Company, P. O. Box 2077, Milwaukee, Wisconsin 53201 serves as the registrar, stock transfer agent and the dividend reinvestment agent for both classes of the Corporation's stock.

Quarterly Common Stock Price Range (split adjusted dollars per share)

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
1993				
Class A Common				
High	22-7/16	26-1/2	30	35-7/8
Low	17-7/16	19-1/16	23-1/4	26-3/4
Common Stock				
High	22-5/8	26-7/8	30	35-3/4
Low	17-3/8	18-1/2	23-1/8	26-1/2
1992				
Class A Common				
High	13-1/8	17-3/4	18-3/16	18-15/16
Low	9-11/16	13	13-1/2	12
Common Stock				
High	13	17-5/8	18-1/8	19-1/8
Low	8-15/16	12-7/8	13-1/2	11-15/16

(b) Holders. As of January 31, 1994, the approximate number of holders of Class A Common Stock and Common Stock were 700 and 1300, respectively.

(c) Dividends. Dividends paid on the preferred (which was redeemed in 1992) and common stock are shown in Note 14 to the Consolidated Financial Statements appearing elsewhere herein. The Corporation's 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 \$72.1 million were unrestricted as of December 31, 1993.

ITEM 6 - SELECTED FINANCIAL DATA
(Dollars in Thousands, except per share amounts)

	1993	1992	Years ended December 31		1989
			1991	1990	
Net Revenues	\$1,193,870	\$1,046,345	\$915,833	\$977,586	\$1,015,779
Earnings (loss)					
Continuing operations	42,678	27,206	3,450	22,397	(7,267)
Cumulative effect of accounting changes	--	(44,522)	--	--	--
Extraordinary item	--	--	--	--	(4,594)
Net earnings (loss)	42,678	(17,316)	3,450	22,397	(11,861)
Net earnings (loss) applicable to common stock	42,678	(18,172)	25	18,824	(15,503)
Primary earnings (loss) per share of common stock					
Earnings before cumulative effect of accounting changes	\$2.08	\$1.40	\$.00	\$1.19	\$ (.69)
Realization of tax credits	.00	.08	.00	.00	.00
Earnings before effect of postretirement benefits	2.08	1.48	.00	1.19	(.69)
Change in postretirement benefits, net of taxes	.00	(2.44)	.00	.00	.00
Extraordinary item	.00	.00	.00	.00	(.29)

Net earnings (loss)	\$2.08 =====	\$(.96) =====	\$.00 =====	\$1.19 =====	\$(.98) =====
Fully diluted earnings (loss) per share of common stock					
Earnings before cumulative effect of accounting changes	\$2.08	\$ 1.33	\$.00	\$1.12	\$(.69)*
Realization of tax credits	.00	.08	.00	.00	.00
	-----	-----	-----	-----	-----
Earnings before effect of postretirement benefits	2.08	1.41	.00	1.12	(.69)*
Change in postretirement benefits, net of taxes	.00	(2.25)*	.00	.00	.00
Extraordinary item	.00	.00	.00	.00	(.29)*
	-----	-----	-----	-----	-----
Net earnings (loss)	\$2.08 =====	\$(.84)* =====	\$.00 =====	\$1.12 =====	\$(.98)* =====
Total assets	823,099	768,987	754,332	788,292	795,719
Long-term debt, including finance subsidiary	190,574	236,621	249,186	244,710	239,336
Total stockholders' equity	269,630	244,656	266,897	265,429	260,719
Cash dividends per common share	.42**	.40	.40	.40	.40

* The impact of the assumed conversion in 1989 of the preferred stock is antidilutive. For 1992, the net loss per share amounts are antidilutive because of the conversion of preferred stock.

** Excludes special dividend of .25 per share (split adjusted).

As discussed in Notes 10 and 11 to the Consolidated Financial Statements, the Corporation changed its method of accounting for postretirement benefits other than pensions and income taxes effective January 1, 1992.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Review

A. O. Smith Corporation achieved record earnings of \$42.7 million or \$2.08 per share in 1993 versus \$28 million or \$1.41 per share before a one-time charge for postretirement benefits in 1992. Three units, Automotive Products, Water Products and the Smith Fiberglass Products subsidiary, established new sales records in 1993 while increasing their profits over the prior year. Sales for the Electrical Products Company also increased over 1992, but profits of this company were adversely affected by costs associated with production transfer. Additional details of individual unit performance will be discussed later in this section.

The Corporation's record operating results and improving prospects have favorably impacted the performance of its common stock over the last three years. Since the end of 1991 the market value of outstanding stock has quadrupled, increasing from \$180 million to \$740 million at December 31, 1993.

Working capital at December 31, 1993 was \$80.7 million compared to \$62.6 million and \$36.7 million at December 31, 1992 and 1991, respectively. Higher sales in 1993 resulted in increased working capital requirements, particularly for accounts receivable and inventories, which were partially offset by related increases in trade payables and accrued wages and benefits. In 1992, the Corporation's adoption of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" resulted in an increase in working capital versus 1991 due to the classification of \$20.5 million of deferred taxes as a current asset.

Capital expenditures were \$54.7 million in 1993 compared to \$46.9 million in 1992 and \$59.3 million in 1991. In addition, production equipment acquired under a master operating lease agreement totalled \$10.9 million in 1993, \$8.1 million in 1992 and \$19.2 million in 1991. Capital spending in 1993 was up from 1992 levels due to new Automotive Products Company programs including a full frame assembly for the new Chrysler light truck; structural components for the Ford Contour and Windstar and the Mercury Mystique; and a suspension assembly for Toyota, U.S.A. Capital acquisitions in 1992 were down from 1991 levels primarily because the Automotive Products Company's regional assembly plants had been substantially completed.

The Corporation projects that it will use approximately \$73 million of

internally generated funds and \$13 million of operating lease financing to support 1994 planned capital acquisitions of \$86 million. The majority of this money will be spent by Automotive Products Company to support new product programs including full frames for a new General Motors truck and the Ford Explorer; structural components for a Nissan light truck; and engine cradles for the Ford Taurus, Mercury Sable and Lincoln Continental.

Long-term debt, excluding debt of the finance subsidiary, decreased from \$174.3 million in 1992 to \$148.9 million at the end of 1993. The long-term debt of the finance subsidiary has been reduced, as the planned liquidation of AgriStor Credit Corporation continued, from \$62.3 million in 1992 to \$41.7 million at December 31, 1993. As a result of these reduced debt levels and 1993 earnings, the debt-to-equity ratio, excluding

the finance subsidiary, decreased from 71.2% at December 31, 1992 to 55.2% at the end of 1993. The Corporation anticipates that, given a continued economic rebound, debt and debt-to-equity levels will decline further during 1994.

The Corporation drew a total of \$30 million against facilities totalling \$65 million with two insurance companies. These notes have 10-year terms and carry an average interest rate of approximately 6.8 percent.

During the third quarter the Corporation redeemed, at a modest premium, \$10 million in Granite City Industrial Revenue Bonds. The bonds, which had a coupon rate of 11.5%, were to mature on August 1, 2003.

At a special meeting on January 26, 1993, shareholders approved charter amendments to change the name of the Corporation's Class B Common Stock to "Common Stock"; permit the holders of Class A Common Stock at any time, at their option, to convert to Common Stock on a share-for-share basis; and increase the number of authorized shares. These changes have increased the Corporation's financial flexibility and enhanced the liquidity of the Common Stock.

On February 1, 1993, the Board of Directors declared a special, one-time dividend of \$.25 per share, (split-adjusted), which was paid only to Common Stockholders (formerly Class B) of record as of March 8, 1993. Subsequent to the declaration of the special dividend on the Common Stock, split-adjusted shares totaling 4,019,366 of Class A Common Stock including 1,133,584 shares held in Treasury were converted by the holders into Common Stock.

At its June 8, 1993 meeting, A. O. Smith Corporation's Board of Directors approved a 2-for-1 split of the Corporation's Class A and Common Stock effected in the form of a 100 percent stock dividend to shareholders on August 16, 1993. In addition, the Board of Directors increased the regular quarterly dividend by 10 percent to a split-adjusted \$.11 per share on its common stocks (Class A and Common) for the last two quarterly dividend payments of 1993, resulting in a total of \$.42 per share being paid versus \$.40 per share in 1992. A. O. Smith Corporation has paid dividends on its common stock for 54 consecutive years.

Results of Operations

Revenues in 1993 were \$1.19 billion establishing a record and surpassing 1992 revenues of \$1.05 billion by 14 percent and 1991 revenues of \$915.8 million by 30 percent. All of the Corporation's product operations reported double digit percentage increases in sales in 1993 with the exception of the Electrical Products Company where sales increased 7.5 percent over 1992. For the second consecutive year the Automotive Products Company provided the majority of the Corporation's year-to-year sales increase as the recovery in the domestic automotive industry which commenced in 1992 gained momentum in 1993.

The Corporation's gross profit margin was 14.9 percent in 1993, representing a significant improvement from 13.6 percent and 11.1 percent gross margins in 1992 and 1991, respectively. The impact of increased volume was evident in the favorable trend in the gross margin.

The Automotive Products Company achieved record sales of \$606.3 million in 1993, reflecting a 14.9 percent increase from 1992 sales of \$527.6 million and a 42.3 percent increase from 1991 sales of \$426.1 million. The record sales were a result of several factors. Light trucks continued to be the vehicle of choice within the marketplace, as evidenced by the second straight year in which this market has demonstrated 11 percent growth. Automotive benefitted from the preference for this vehicle type over the past two years, since it is a supplier for such popular vehicles as the Ford Ranger, Econoline, and Explorer, General Motors GMT-400 and Suburban, and the recently introduced redesigned Dodge Ram pick-up. The successful launch of Chrysler's three new mid-sized LH model passenger cars also had a major impact on Automotive's sales growth in 1993. The excellent acceptance of these Chrysler vehicles resulted in additional production of engine cradles and rear suspension modules and resulted in a new line being placed in Automotive's plant in Belcamp, Maryland. Sales of heavy-truck related products also bolstered Automotive's sales as the number of heavy trucks sold during the year was the highest in the last five years.

Operating profits at Automotive increased over 1992 which in turn reflected a significant improvement over the loss incurred in 1991. The favorable trend in earnings was a direct result of Automotive's position as a supplier of vehicles experiencing strong demand.

The prognosis for 1994 is encouraging. In addition to the core of successful products for which Automotive is the supplier, several new launches will occur during the year. Shipment of engine cradles and rear trailing axles for the new Ford Windstar mini van will begin in the first quarter as will production of rear suspension assemblies for Toyota U.S.A. During the second quarter Automotive will commence manufacturing of engine cradles for the new Ford Contour/Mercury Mystique. Later in the year Automotive will begin producing cradles for the redesigned Lincoln Continental. Additional programs are being developed for subsequent years and with a new automotive products office in Yokohama, Japan, a very good opportunity exists for early involvement in future new products to be manufactured by the Japanese.

Equity in the earnings of the Corporation's 40-percent owned Mexican affiliate, Metalsa S.A., was \$2.3 million in 1993 compared to \$3.5 million and \$1.5 million in 1992 and 1991, respectively. In 1993, Metalsa's sales

decreased approximately 10% due to a decline in automotive industry sales in Mexico. Earnings were lower than the prior year due to the lower sales, product mix, and certain restructuring costs. In 1992, Metalsa's sales increased about 8 percent over 1991 due to the improved Mexican economy and, in particular, strength in the automotive sector. This increase, combined with higher gross margins, lower administrative and interest costs, and a low effective tax rate due to the benefit of tax loss carryforwards, resulted in a significant increase in profits compared to 1991.

Sales at the Electrical Products Company increased 7.5 percent in 1993 to \$242.5 million from \$225.6 million in 1992. Sales in 1991 were \$205 million. The company has shown a steady growth in sales over the past two years despite weak market conditions and competitive pressures. In 1993 the market for pools, spas and room air conditioners was adversely impacted by poor spring weather while in 1992 the same market was affected by a cautious attitude on the part of consumers toward discretionary spending.

Although sales increased in 1993, earnings declined from the 1992 level and were slightly better than in 1991. The favorable impact of increased 1993 volume and productivity improvements resulting from the initiation of a continuous improvement program throughout the organization were more than offset by the costs associated with transferring the hermetic motor production from the Mt. Sterling, Kentucky plant to the lower-cost Mebane, North Carolina location. Costs associated with the transfer of production, which was substantially completed in 1993, amounted to several million dollars.

Sales for the Water Products Company established a record for the second straight year in 1993, increasing more than 15 percent to \$248.1 million from the previous record of \$215.2 million in 1992. 1991 sales were \$194.6 million. The domestic residential water heater market as a whole increased by nearly seven percent in 1993 with Water Products benefitting from this expanded market by capturing more than a pro rata share of the increase. The company's most notable market penetration occurred in the western United States where additional product distribution was established. The introduction of the power vent line of water heaters also had a favorable impact on residential volume. The commercial segment of the business experienced mixed results. While the sales of replacement commercial heaters was strong in 1993, a weakness in commercial construction caused a decline in sales of specialty commercial units. Plans to increase the activity in the international export market, introduction of redesigned commercial products and an expected increase in housing starts in 1994 should continue the trend of improved sales.

Earnings for the Water Products Company increased significantly in 1993 when compared to 1992 and 1991 as a result of higher revenues and the ability to minimize incremental manufacturing costs associated with the additional volume.

Sales for Smith Fiberglass Products, Inc. increased 34 percent in 1993 to \$58.9 million from \$43.9 million in 1992 and exceeded the previous record of \$53.9 million in 1991. Strong recoveries in the service station and petroleum production markets contributed significantly to the increase in sales over both 1992 and 1991. 1993 volumes were particularly strong in the service station market as customers increased their fiberglass pipe installation to meet environmental regulations including the requirements of the Federal Clean Air Act Amendments. The shipment of a large overseas oil field order provided a major share of the increase in petroleum production volume in 1993. The chemical and industrial segment of the business experienced a relatively flat year in 1993. Continued penetration of the overseas markets coupled with domestic service station demand resulting from state programs to comply with federal vapor recovery regulations bode well for 1994 sales activity.

Earnings for Fiberglass Products in 1993 more than doubled 1992 earnings and were improved over 1991. The increased earnings were a direct result of the resurgence of demand in the service station and petroleum production market.

Revenues for agricultural products were \$38.1 million in 1993, an increase of \$4.1 million and \$2.0 million over 1992 and 1991, respectively. Much of the increase in sales was attributable to the water storage segment of A. O. Smith Harvestore Products, Inc. (Harvestore) where new markets for this product line have developed as a result of recent Environmental Protection Agency regulations regarding the handling and disposal of waste water. Harvestore's 1993 earnings were much improved over both 1992 and 1991 as a result of higher volume. Revenues for AgriStor Credit Corporation were \$7.7 million, \$6.4 million and \$4.8 million in 1991, 1992, and 1993, respectively. This trend of decreasing revenues is consistent with management's objective of expeditiously liquidating this finance subsidiary. As the liquidation proceeds, the losses of AgriStor continue to decline as a result of reduced operating expenses. Despite operating earnings improvement for Harvestore and AgriStor the overall loss within the agricultural segment has been relatively consistent over the period of 1991 to 1993 reflecting the impact of maintaining adequate bad debt and liability reserves.

Selling, general and administrative expense in 1993 was \$96.3 million compared to \$85.6 million in 1992 and \$77.9 million in 1991. The increases over this time period were caused in part by higher employee incentive and profit sharing accruals associated with the improved earnings. Higher commissions and other expenses in support of the increased sales volumes also contributed to the upward trend.

Interest expense in 1993 was \$13.4 million and compares favorably to interest of \$17.9 million in 1992 and \$20.9 million in 1991. The trend of declining interest expense is a function of the continuation of lower interest rates in conjunction with a steady reduction in debt levels throughout the three year period.

During 1993, other income and expense for the Corporation reflected several non-recurring items which had a minimal aggregate impact on net earnings. A total of \$4.7 million of income was recognized as a result of favorable resolution of litigation which was offset by the impairment or write off of certain fixed assets and receivables.

The Corporation's overall effective income tax rate increased from 1992 to 1993 due to the one percent federal rate increase and increased state franchise taxes.

For purposes of determining net periodic pension expenses, the discount rate was reduced to 8.5 percent. A further reduction in the discount rate to 7.75 percent was made as of year-end to determine the benefit obligations. At discount rates below 7.75 percent, management estimates each 25 basis points of incremental lower discount rate would reduce earnings by about two cents per share and would increase the pension liability adjustment charged to stockholders' equity by about \$3.5 million.

The assumed rate of return on plan assets was reduced to 10.25 percent in 1993. While this return assumption has been exceeded meaningfully and consistently, including 1993 when the return was 14.8 percent, management deemed it prudent to reduce the rate to reflect current market conditions. The changes made resulted in an increase of approximately \$2.0 million in pension expense for 1993 compared to 1992.

As to other postretirement benefits, a reduction in discount rate assumption to 7.75 percent was also made. Due to recent coverage policy changes and current demographics, the discount rate change is anticipated to have only a minimal impact on future expense.

A. O. Smith Corporation achieved record net earnings in 1993 of \$42.7 million or \$2.08 per share. In 1992 the Corporation earned \$28 million or \$1.41 per fully diluted share before recognition of a one-time charge for postretirement benefits as required by Financial Accounting Standard No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions". The Corporation recorded an after tax charge of \$46.1 million, or \$2.25 per share to record the cumulative effect of the accounting change. 1992's earnings were also impacted by a \$1.6 million favorable cumulative effect as a result of the Corporation being able to recognize tax credits. This tax adjustment was required due to the adoption of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" in the first quarter of 1992. As a result of adopting FAS Nos. 106 and 109 in 1992, the Corporation reported a net loss applicable to common shareholders of \$18.2 million or \$.84 per fully diluted share. 1991 was essentially a break-even year.

The Corporation achieved its expectation of establishing new sales and earnings records in 1993. Considering domestic light vehicle sales are projected to increase in 1994, the process of transferring electric motor production is complete, and interest rates appear stable at historically attractive rates, it appears that similar expectations may be achieved in 1994.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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For each of the three years in the period ended December 31, 1993:	
- Consolidated Statement of Operations and Retained Earnings	25
- Consolidated Statement of Cash Flows	26
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REPORT OF ERNST & YOUNG, INDEPENDENT AUDITORS

The Board of Directors and Stockholders
A. O. Smith Corporation

We have audited the accompanying consolidated balance sheet of A. O. Smith Corporation as of December 31, 1993 and 1992 and the related consolidated statements of operations and retained earnings and cash flows for each of the three years in the period ended December 31, 1993. Our audits also included the financial statement schedules listed in the Index in Item 14(a). These financial statements and schedules are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of A. O. Smith Corporation at December 31, 1993 and 1992, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Notes 10 and 11 to the financial statements, the Corporation changed its method of accounting for postretirement benefits other than pensions and income taxes effective January 1, 1992.

ERNST & YOUNG

Milwaukee, Wisconsin
January 19, 1994

CONSOLIDATED BALANCE SHEET

December 31 (Dollars in Thousands)

Assets	1993	1992
Current Assets		
Cash and cash equivalents	\$ 11,902	\$ 6,025
Trade receivables	126,949	102,172
Finance subsidiary receivables and leases	19,151	19,680
Customer tooling	15,471	5,651
Inventories	89,804	72,750
Deferred income taxes	27,614	20,487
Other current assets	12,987	7,432
	-----	-----
Total Current Assets	303,878	234,197
Investments in and advances to affiliated companies		
Deferred model change	23,669	22,919
Finance subsidiary receivables and leases	22,095	34,652
Other assets	53,481	67,098
Net property, plant and equipment	44,962	46,015
	375,014	364,106
	-----	-----
Total Assets	\$823,099	\$768,987
	=====	=====
Liabilities		
Current Liabilities		
Trade payables	\$ 99,320	\$ 62,106
Accrued payroll and pension	38,347	29,803
Postretirement benefit obligation	8,950	8,332
Accrued liabilities	59,448	57,752
Income taxes	2,707	840
Long-term debt due within one year	8,819	6,406
Finance subsidiary long-term debt due within one year	5,598	6,401
	-----	-----
Total Current Liabilities	223,189	171,640
Long-term debt	148,851	174,284
Finance subsidiary long-term debt	41,723	62,337
Postretirement benefit obligation	69,773	71,198
Product warranty	12,981	10,917
Deferred income taxes	41,281	28,148
Other liabilities	15,671	5,807
	-----	-----
Total Liabilities	553,469	524,331
Commitments and contingencies (notes 7 and 12)		
Stockholders' Equity		
Preferred Stock	--	--
Class A Common Stock (shares issued 6,084,845 and 5,039,498)	30,424	25,197
Common Stock (shares issued 15,614,805 and 5,766,927)	15,615	5,767
Capital in excess of par value	65,950	78,009
Retained earnings	177,543	147,065
Cumulative foreign currency translation adjustments	(841)	656
Pension liability adjustment	(9,141)	(1,120)
Treasury stock at cost	(9,920)	(10,918)
	-----	-----
Total Stockholders' Equity	269,630	244,656
	-----	-----
Total Liabilities and Stockholders' Equity	\$823,099	\$768,987
	=====	=====

See accompanying notes which are an integral part of these statements.

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

Years ended December 31 (Dollars in Thousands, except per share amounts)

Operations	1993	1992	1991
Net revenues	\$1,193,870	\$1,046,345	\$915,833
Cost of products sold	1,015,397	903,615	813,960
	-----	-----	-----
Gross profit	178,473	142,730	101,873
Selling, general and administrative expenses	96,345	85,578	77,866
Interest expense	13,431	17,897	20,874
Other expense--net	179	448	669
	-----	-----	-----
Provision for income taxes	68,518	38,807	2,464
	28,124	15,122	560
	-----	-----	-----
Earnings before equity in earnings of affiliated companies	40,394	23,685	1,904
Equity in earnings of affiliated companies	2,284	3,521	1,546
	-----	-----	-----
Earnings Before Cumulative Effect of Changes in Accounting Principles	42,678	27,206	3,450
Tax credits realizable under FAS No. 109 resulting from reclassification of agricultural businesses	--	1,600	--
	-----	-----	-----
Earnings before effect of postretirement benefits	42,678	28,806	3,450
Change in method of accounting for postretirement benefits, net of tax benefit of \$28,873	--	(46,122)	--
	-----	-----	-----
Net Earnings (Loss)	42,678	(17,316)	3,450
Preferred dividends (per share--\$.00, \$.531 and \$2.125, respectively)	--	(856)	(3,425)
	-----	-----	-----
Net Earnings (Loss) Applicable to Common Stock	42,678	(18,172)	25
Retained Earnings			
Balance at beginning of year	147,065	172,869	179,176
Cash dividends on common stock	(12,200)	(7,632)	(6,332)
	-----	-----	-----
Balance at End of Year	\$ 177,543	\$ 147,065	\$172,869
	=====	=====	=====
Primary Earnings (Loss) Per Share of Common Stock Earnings before cumulative effect of accounting changes			
	\$2.08	\$1.40	\$.00
Realization of tax credits of agricultural businesses	--	.08	--
	-----	-----	-----
Earnings before effect of postretirement benefits	2.08	1.48	.00
Change in postretirement benefits, net of taxes	--	(2.44)	--
	-----	-----	-----
Net earnings (loss)	\$2.08	\$ (.96)	\$.00
	=====	=====	=====
Fully Diluted Earnings (Loss) Per Share of Common Stock Earnings before cumulative effect of accounting changes			
	\$2.08	\$1.33	\$.00
Realization of tax credits of agricultural businesses	--	.08	--
	-----	-----	-----
Earnings before effect of postretirement benefits	2.08	1.41	.00
Change in postretirement benefits, net of taxes	--	(2.25)	--
	-----	-----	-----
Net earnings (loss)	\$2.08	\$ (.84)	\$.00
	=====	=====	=====

See accompanying notes which are an integral part of these statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended December 31 (Dollars in Thousands)

Cash Flow from Operating Activities	1993	1992	1991
Net earnings (loss)	\$ 42,678	\$(17,316)	\$ 3,450
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation	42,607	39,458	37,773
Cumulative effect of change in method of accounting for postretirement benefits	--	74,995	--
Vacation policy adjustment	--	--	(7,862)
Deferred income taxes	11,800	(22,928)	1,530
Equity in earnings of affiliates, net of dividends	516	(1,456)	(1,519)
Deferred model change and software amortization	9,080	9,520	9,445
Net change in current assets and liabilities	(1,310)	(16,454)	22,174
Net change in noncurrent assets and liabilities	4,640	(4,617)	1,408
Other	5,340	6,465	3,640
	-----	-----	-----
Cash Provided by Operating Activities	115,351	67,667	70,039
	-----	-----	-----
Cash Flow from Investing Activities			
Capital expenditures	(54,703)	(46,947)	(59,339)
Deferred model change expenditures	(1,586)	(4,169)	(6,574)
Other	(562)	(437)	(1,165)
	-----	-----	-----
Cash Used by Investing Activities	(56,851)	(51,553)	(67,078)
	-----	-----	-----
Cash Flow before Financing Activities	58,500	16,114	2,961
Cash Flow from Financing Activities			
Bank borrowings--net	--	--	(1,986)
Long-term debt incurred	30,000	--	26,172
Long-term debt retired	(53,020)	(2,760)	(5,463)
Finance subsidiary net long-term debt retired	(21,417)	(13,682)	(11,684)
Proceeds from common stock issued	3,167	4,539	763
Purchase of common and redemption of preferred stock includes fees associated with conversion, stock dividends and odd lot buy back	(1,380)	(746)	(312)
Tax benefit from exercise of stock options	2,227	2,159	--
Dividends paid	(12,200)	(8,488)	(9,757)
	-----	-----	-----
Cash Used by Financing Activities	(52,623)	(18,978)	(2,267)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	5,877	(2,864)	694
Cash and cash equivalents--beginning of year	6,025	8,889	8,195
	-----	-----	-----
Cash and Cash Equivalents--End of Year	\$11,902	\$ 6,025	\$ 8,889
	=====	=====	=====

See accompanying notes which are an integral part of these statements.

1. Summary of Significant Accounting Policies

Consolidation and Basis of Presentation. The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries including the Corporation's agricultural businesses which are being held for sale or liquidation.

Foreign Currency Translation. Financial statements for the Corporation's subsidiaries outside of the United States are translated into U.S. dollars at year-end exchange rates for assets and liabilities and weighted average exchange rates for revenues and expenses. The resulting translation adjustments are recorded as a component of stockholders' equity.

Inventory Valuation. Domestic inventories are carried at lower of cost or market determined on the last-in, first-out (LIFO) method. Inventories of foreign subsidiaries and supplies are determined using the first-in, first-out (FIFO) method.

Futures Contracts. The Corporation enters into futures contracts to hedge certain raw material purchases, principally copper and aluminum, with the objective of minimizing cost risk due to market fluctuations. Any gains or losses from hedging transactions are included as part of the inventory cost.

The Corporation also enters into forward foreign exchange contracts to hedge foreign currency transactions on a continuing basis for periods consistent with its committed exposures. The Corporation does not engage in speculation. The Corporation's foreign exchange contracts do not subject the Corporation to risk due to exchange rate movements because gains and losses on these contracts offset gains and losses on the assets, liabilities, and transactions being hedged.

Gains and losses are recognized in the same period in which gains or losses from the transactions being hedged are recognized. As of December 31, 1993, the Corporation and its foreign subsidiaries had contracts to purchase or sell the U.S. dollar equivalent of \$36.2 million in foreign currencies (Canadian dollars, Irish punts, British pounds, Dutch guilders and French francs) at varying maturities, most of which occur during 1994.

Deferred Model Change. Tool costs not reimbursed by customers and expenses associated with significant model changes are amortized over the estimated model life which ranges from four to ten years, with the shorter periods associated with automobile structural components and the longer periods associated with structural components for trucks.

Property, Plant and Equipment. Property, plant and equipment are stated at cost. Depreciation is computed primarily by the straight-line method.

Finance Subsidiary. Finance charges for retail contracts receivable are recognized as income as installments become due using the interest method. For direct finance leases, income is recognized based upon a constant rate of return on the unrecovered lease investment over the term of the related lease.

Income Taxes. The Corporation accounts for income taxes using the liability method prescribed by FAS No. 109 in 1993 and 1992 and FAS No. 96 in 1991.

Research and Development. Research and development costs are charged to expense as incurred and amounted to approximately \$7.6, \$6.5 and \$6.1 million during 1993, 1992 and 1991, respectively.

Common Stock Dividend. On January 26, 1993, the stockholders authorized certain increases in the authorized capital stock as follows: increase of 1,000,000 shares of Class A Common Stock for a total of 7,000,000 shares and 12,000,000 shares of Common Stock (formerly Class B Common Stock) for a total of 24,000,000 shares. In addition, the stockholders authorized the conversion of the Class A Common Stock into Common Stock on a share-for-share basis, at any time, at the option of the holder.

On June 8, 1993, the Board of Directors declared a two-for-one stock split in the form of a 100 percent stock dividend to stockholders of record on July 30, 1993 and payable on August 16, 1993. All references in the financial statements to average number of shares outstanding, price per share, per share amounts and stock option plan data have been restated to reflect the split.

Earnings (Loss) Per Share of Common Stock. Primary per share amounts are determined by dividing earnings (loss) applicable to common shareholders by the weighted average number of shares of common stock and materially dilutive common stock equivalents (stock options) outstanding.

Fully diluted per share amounts include the dilutive effect, if any, of the assumed conversion in 1991 and 1992 of the outstanding preferred stock into common stock with appropriate adjustments being made to earnings (loss) applicable to common stock for dividends on the preferred stock. For 1992, fully diluted net loss per share amounts are anti-dilutive because of the preferred stock conversion.

If the redemption of the Series I Preferred Stock discussed in Note 8 had taken place at the beginning of 1992, primary loss per share for 1992 would not have been significantly impacted.

Reclassifications. Certain prior year amounts have been reclassified to conform to the 1993 presentation.

2. Statement of Cash Flows

For purposes of the consolidated statement of cash flows, cash and cash equivalents include investments with original maturities of three months or less. Supplemental cash flow information is as follows:

Years ended December 31 (Dollars in Thousands)

	1993	1992	1991
Change in Current Assets and Liabilities:			
Trade receivables and customer tooling	\$(35,008)	\$(17,340)	\$30,142
Finance subsidiary receivables	529	3,845	569
Inventories	(17,054)	2,862	13,975
Other current assets	(5,297)	1,327	6,092
Trade payables	37,214	1,501	(18,149)
Accrued liabilities, payroll and pension	16,274	(9,242)	(5,069)
Current income tax accounts-net	2,032	593	(5,386)
	-----	-----	-----
	\$ (1,310)	\$(16,454)	\$22,174
	=====	=====	=====

The finance subsidiary provided cash before financing activities of \$21.4, \$13.7 and \$11.7 million in 1993, 1992 and 1991, respectively.

3. Agricultural Businesses

The Corporation's strategic plan is to concentrate the Corporation's resources in nonagricultural businesses and withdraw from the agricultural market. The strategy includes plans to sell A. O. Smith Harvestore Products, Inc. (Harvestore), a wholly-owned manufacturing subsidiary, and to phase out AgriStor Credit Corporation (AgriStor), a wholly-owned finance subsidiary.

Due to the uncertainties which continue to impact the farm sector, it is not possible to predict when the sale of Harvestore will occur. The Corporation is continuing to phase out AgriStor's operations in an orderly manner. The agricultural businesses are classified as continuing operations in accordance with SEC Staff Accounting Bulletin No. 93.

The Corporation's consolidated balance sheet includes AgriStor. A condensed consolidated balance sheet of AgriStor is presented below:

December 31 (Dollars in Thousands)	1993	1992
Assets		
Cash and cash equivalents	\$ 3,680	\$ 4,688
Retail contracts receivable	29,049	33,856
Net investment in leases	32,023	37,685
Residual value of equipment	11,560	15,237
Due from parent	13,660	19,908
Other assets	2,941	4,161
	-----	-----
Total Assets	\$92,913	\$115,535
	=====	=====
Liabilities and stockholder's equity		
Long-term debt due within one year	\$ 5,598	\$ 6,401
Other liabilities	21,838	21,410
Long-term debt	41,723	62,337
Subordinated debt due parent	--	1,900
Stockholder's equity	23,754	23,487
	-----	-----
Total Liabilities and Stockholder's Equity	\$92,913	\$115,535
	=====	=====

The receivables and net investment in leases are net of bad debt reserves totalling \$14.6 and \$20.6 million at December 31, 1993 and 1992, respectively. AgriStor is the lessor in the direct finance leasing of Harvestore equipment. The equipment has an estimated economic life of 15 years and is leased under agreements with original terms of 5 to 12 years.

Following is a summary of the components of net retail contracts receivable and net investment in leases, which are included in the consolidated balance sheet as finance subsidiary receivables and leases.

December 31 (Dollars in Thousands)	1993	1992
Installment contracts and loans		
(net of allowance for credit losses)	\$32,362	\$ 39,044
Less unearned finance charges	(3,313)	(5,188)
	-----	-----
Net installment contracts and loans	29,049	33,856

Gross rentals receivable (net of allowance for credit losses)	17,789	21,252
Less unearned and deferred income	(5,653)	(8,033)
Estimated residual value	11,560	15,237
Equipment held for resale	19,887	24,466
	-----	-----
	43,583	52,922
	-----	-----
 Total	 \$72,632	 \$ 86,778
	=====	=====
Current	\$19,151	\$ 19,680
Non-current	53,481	67,098
	-----	-----
Total	\$72,632	\$ 86,778
	=====	=====

There is no quoted market price available for the retail contracts and leases. Management believes fair value approximates book value. While some maturities extend beyond the year 2000, the portfolio is predominantly of two to three year duration carrying an average interest rate of 8.2%. As a liquidating business, it is possible certain instruments could be sold before maturity and gains or losses recognized at time of sale. Given the maturities involved, it is not expected that such gains or losses would be material to the financial condition of the Corporation.

Finance subsidiary long-term debt was comprised of the following:

December 31 (Dollars in Thousands)		
	1993	1992
Bank credit lines, average year-end interest rate of 3.8% for 1993 and 6.0% for 1992	\$ 4,969	\$ 4,640
Commercial paper, average year-end interest rate of 3.5% for 1993 and 3.9% for 1992	32,159	50,110
Other notes, expiring through 1998, average year-end interest rate of 8.1% for 1993 and 8.1% for 1992	10,193	13,988
	-----	-----
	47,321	68,738
Less amount due within one year	5,598	6,401
	-----	-----
	\$41,723	\$62,337
	=====	=====

AgriStor has \$36.5 million in committed bank credit facilities at December 31, 1993. The total consists of a \$35 million multi-year revolving credit facility from a group of eleven banks which expires January 2, 1997 and \$1.5 million from a revolver bank under a separate revolving credit facility to provide additional liquidity for up to one year. In addition, AgriStor Credit Corporation-Canada (AgriStor Canada) has a \$7.6 million credit facility to meet its borrowing needs. Included in AgriStor's other notes are a \$5.0 million term loan with a final maturity in 1995 and a \$5.2 million note with a final maturity in 1998 for AgriStor-Canada which require a combined annual principal payment of \$3.5 million in 1994. It has been AgriStor's practice to renew or replace its credit agreements to maintain 100% coverage of its borrowing needs in the commercial paper market as well as its direct borrowing under the credit facilities.

AgriStor has entered into interest rate swap agreements to minimize the impact of changes in interest rates on its line of credit and commercial paper borrowings. At December 31, 1993, AgriStor had outstanding three interest rate swap agreements and four interest rate cap agreements with commercial banks, having a total notional principal of \$40 million. The fixed rates under the swap agreements range from 7.46% to 7.84% and expire August 6, 1994. The interest rate cap agreements expire February 21, 1995.

Long-term, debt maturing within each of the five years subsequent to December 31, 1993, is as follows: 1994--\$5.6, 1995--\$3.5, 1996--\$1.0, 1997--\$1.0, 1998--\$1.0 million.

A condensed consolidated statement of operations of AgriStor is presented below. The following does not include certain bad debt reserves provided by the Corporation totalling \$1.8, \$1.4 and \$1.0 million in 1993, 1992 and 1991, respectively:

Years Ended December 31 (Dollars in Thousands)			
	1993	1992	1991
Revenues	\$ 4,783	\$ 6,354	\$ 7,713
Interest expensed and paid	3,794	5,984	7,937
General and administrative expenses	2,951	3,250	4,553
	-----	-----	-----
Total expenses	6,745	9,234	12,490
	-----	-----	-----
Loss before income taxes	\$(1,962)	\$(2,880)	\$(4,777)
	=====	=====	=====

4. Inventories

December 31 (Dollars in Thousands)

	1993	1992
Finished products	\$ 53,337	\$ 41,951
Work in process	37,215	31,901
Raw materials	36,371	31,043
Supplies	5,228	6,054
	-----	-----
	132,151	110,949
Allowance to state inventories at LIFO cost	42,347	38,199
	-----	-----
	\$ 89,804	\$ 72,750
	=====	=====

During 1992 and 1991, inventory reductions in certain operations resulted in liquidations of certain LIFO inventory quantities acquired at lower costs in prior years as compared with 1992 and 1991 costs, the effect of which reduced the 1992 net loss by \$2.8 million and increased the 1991 net earnings by \$.6 million.

The inventory amounts exclude \$19.9 and \$24.5 million, respectively, of equipment held for resale by AgriStor.

5. Investments in and Advances to Affiliated Companies

Investments in affiliates in which ownership is 50 percent or less are accounted for under the equity method. During 1993, 1992 and 1991, the Corporation received dividends of \$2.8, \$1.3 and \$.8 million, respectively, from such affiliates. The Corporation's equity in the undistributed earnings of such affiliates at December 31, 1993, amounted to approximately \$22.5 million. In 1993, the Corporation advanced \$1.2 million to its Mexican affiliate with repayment due in 1996 and interest at 5% due quarterly.

6. Property, Plant and Equipment

December 31 (Dollars in Thousands)

	1993	1992
Land	\$ 7,538	\$ 7,539
Buildings	183,485	175,883
Equipment	632,763	600,692
	-----	-----
	823,786	784,114
Less accumulated depreciation	448,772	420,008
	-----	-----
	\$375,014	\$364,106
	=====	=====

Interest on borrowed funds during construction of \$1.1, \$.8 and \$3.0 million was capitalized in 1993, 1992 and 1991, respectively. As of December 31, 1993, the Corporation has pledged \$4.1 million of net property, plant and equipment under long-term debt obligations.

7. Long-Term Debt and Lease Commitments

December 31 (Dollars in Thousands)

	1993	1992
Bank credit lines, average year-end interest rate of 3.8% for 1993 and 4.6% for 1992	\$ 12,413	\$ 14,340
Commercial paper, average year-end interest rate of 3.5% for 1993 and 3.9% for 1992	60,838	94,508
8.75% notes, payable annually through 1997	14,275	17,850
8.9% term loan, payable semi-annually, through April 1996	12,500	15,000
Long-term notes, expiring through 2003, average year-end interest rate of 6.8% for 1993	30,000	--
Other notes, expiring through 2012, average year-end interest rate of 5.8% for 1993 and 8.3% for 1992	27,644	38,992
	-----	-----
	157,670	180,690
Less amount due within one year	8,819	6,406
	-----	-----
	\$148,851	\$174,284
	=====	=====

The Corporation has a \$115 million multi-year revolving credit facility from a group of eleven banks which expires April 3, 1996. At its option, the Corporation maintains either cash balances or pays fees for bank

credit and services.

In 1993, the Corporation entered into two loan facilities with insurance companies totalling \$65 million. Through December 31, 1993, the Corporation had drawn down, under ten year terms, \$30 million under these facilities. The Corporation used a portion of these proceeds to redeem a \$1.2 million bank note with an interest rate of 9.5% due December 1, 2001 and, at a modest premium, a \$10 million Industrial Revenue Bond with an interest rate of 11.5% due August 1, 2003 saving several million dollars in interest costs over the remaining term of the retired instruments.

The Corporation's credit agreement and term loans contain certain conditions and provisions which restrict the Corporation's payment of dividends. Under the most restrictive of these provisions, retained earnings of \$72.1 million were unrestricted as of December 31, 1993.

Borrowings under the bank credit lines and in the commercial paper market are supported by the revolving credit agreements and have been classified as long-term. It has been the Corporation's practice to renew or replace the credit agreements so as to maintain the availability of debt on a long-term basis and to provide 100% backup for its borrowings in the commercial paper market.

Long-term debt, exclusive of AgriStor, maturing within each of the five years subsequent to December 31, 1993, is as follows: 1994--\$8.8; 1995--\$8.9; 1996--\$6.6; 1997--\$7.9; 1998--\$5.0 million.

The Corporation sold, without recourse and at market rates, certain automotive related receivables totalling \$16.0 million at December 31, 1993, compared to \$14.0 million at December 31, 1992. The receivables sale program is scheduled to expire on April 30, 1994, unless mutually extended.

Future minimum payments under noncancelable operating leases total \$105.4 million and are due as follows: 1994--\$20.7; 1995--\$18.1; 1996--\$14.6; 1997--\$13.1; 1998--\$12.7; thereafter--\$26.2 million. Rent expense, including payments under operating leases, was \$28.2, \$27.5 and \$23.9 million in 1993, 1992 and 1991, respectively.

Interest paid by the Corporation, excluding AgriStor, was \$10.2, \$12.4 and \$12.5 million in 1993, 1992 and 1991, respectively.

8. Stockholders' Equity

As of December 31, 1993, there were 7,000,000 shares of Class A Common Stock \$5 par value, 24,000,000 shares of Common Stock \$1 par value and 3,000,000 shares of preferred stock \$1 par value authorized. The Common Stock has equal dividend rights with Class A Common Stock and is entitled as a class to elect 25 percent of the board of directors and has 1/10th vote per share on all other matters.

On February 1, 1993 the Board of Directors declared a special \$.25 per share dividend payable on March 22 to Common Stockholders of record March 8. No special dividend was declared on the Class A Common Stock. During 1993, 2,009,683 shares of Class A Common Stock including 623,362 shares held in Treasury were converted by the holders into Common Stock. Regular dividends paid on the Class A Common and Common Stock amounted to \$.42, \$.40 and \$.40 per share in 1993, 1992 and 1991, respectively.

The Corporation issued 1,725,000 shares of Series I Preferred Stock in 1985. The preferred stock was convertible at the option of the holder at any time into approximately 1.1905 shares of Common Stock. The Corporation called for redemption of all of its \$2.125 Convertible Exchangeable Preferred Stock on April 23, 1992. The Corporation issued 1,901,458 shares of Common Stock as a result of the conversion of 1,597,313 shares of its preferred stock prior to the redemption date with cash of \$377,659 paid in lieu of 14,387 shares of preferred stock which otherwise would have been converted into fractional shares of Common Stock. On January 26, 1993, the stockholders authorized a restatement of the Certificate of Incorporation deleting the designation relating to Series I Preferred Stock.

Changes in certain components of stockholders' equity are as follows:

(Dollars in Thousands)	Preferred	Class A Common	Common	Capital in Excess of Par Value	Treasury Stock	
					Shares	Amount
Balance at December 31, 1990	\$ 1,725	\$25,197	\$3,500	\$74,692	736,411	\$13,462
Exercise of stock options	--	--	35	432	(17,300)	(296)
Purchase of treasury shares	--	--	--	--	19,350	312
	-----	-----	-----	-----	-----	-----
Balance at December 31, 1991	1,725	25,197	3,535	75,124	738,461	13,478
Redemption of preferred stock	(1,725)	--	1,901	(3,452)	(113,300)	(2,530)
Exercise of stock options	--	--	331	4,178	(1,799)	(30)
Tax benefit from exercise of stock options	--	--	--	2,159	--	--

Balance at December 31, 1992	--	25,197	5,767	78,009	623,362	10,918
Conversion of Class A Common Stock	--	(10,048)	2,010	7,746	--	--
Exercise of stock options (net of 21,200 shares surrendered as stock option proceeds)	--	--	43	1,056	(183,300)	(1,267)
Purchase of treasury shares	--	--	--	--	5,930	269
Tax benefit from exercise of stock options	--	--	--	2,227	--	--
Two-for-one stock split	--	15,275	7,795	(23,088)	566,792	--
Balance at December 31, 1993	\$ --	\$30,424	\$15,615	\$65,950	1,012,784	\$9,920

In 1993, 5,930 shares of treasury stock were acquired under a purchase offer made to holders of less than 100 shares of Class A Common Stock and Common Stock.

At December 31, 1993, 3,460 and 1,009,324 shares of Class A Common Stock and Common Stock, respectively, were held as treasury stock.

9. Stock Options

During 1990, the Corporation adopted a Long-Term Executive Incentive Compensation Plan (1990 Plan). The 1990 Plan initially reserved 1,000,000 shares of common stock for granting of nonqualified and incentive stock options. The Corporation will submit a proposal to stockholders in 1994 for approval to reserve an additional 1,000,000 shares of Common Stock. Each option entitles the holder upon exercise to obtain one share of Common Stock. In addition, the Corporation has a Long-Term Executive Incentive Compensation Plan (1980 Plan) which has terminated except as to outstanding options. Options under both plans become exercisable one year from date of grant and, for active employees, expire ten years after date of grant. The number of shares available for granting of options at December 31, 1993 and 1992 was 25,400. Options as to 188,400 shares granted in 1993 are subject to approval by the stockholders.

Changes in option shares (all Common Stock) were as follows:

Years ended December 31	1993	1992	1991
Outstanding at beginning of year	1,184,200	1,627,200	1,469,400
Granted			
1993--\$27.50 per share	188,400		
1992--\$11.125 to \$15.188 per share		232,200	
1991--\$8.438 and \$9.563 per share			262,400
Exercised			
1993--\$6.375 to \$15.188 per share	(362,800)		
1992--\$6.375 to \$9.563 per share		(666,200)	
1991--\$6.375 to \$8.688 per share			(104,600)
Canceled or expired	--	(9,000)	--
Outstanding at End of Year (1993--\$7.00 to \$27.50 per share)	1,009,800	1,184,200	1,627,200
Exercisable at December 31, 1993	821,400		

10. Retirement Plans

The Corporation and its domestic subsidiaries have noncontributory defined benefit pension plans covering all employees. Plans covering salaried employees provide benefits that are based on an employee's years of service and compensation. Plans covering hourly employees provide benefits of stated amounts for each year of service. The Corporation's funding policy is to contribute amounts which are actuarially determined to provide the plans with sufficient assets to meet future benefit payment requirements consistent with the funding requirements of federal laws and regulations. Plan assets consist primarily of marketable equities and debt securities. The Corporation also has several foreign pension plans, none of which are material.

The following tables present the components of pension expense, the funded status and the major assumptions used to determine these amounts for domestic pension plans:

Years ended December 31 (Dollars in Thousands)

1993

1992

1991

Components of pension expense:			
Service cost--			
benefits earned during the year	\$6,261	\$5,581	\$5,484
Interest cost on projected benefit obligation	27,400	27,067	26,740
Return on plan assets:			
Actual return	\$(42,270)	\$(25,140)	\$(60,650)
Deferral of investment return in excess of (less than) expected return	9,145	(8,802)	30,651
	(33,125)	(33,942)	(29,999)
Net amortization and deferral	569	353	420
Net periodic pension expense (income)	\$ 1,105	\$ (941)	\$ 2,645

December 31 (Dollars in Thousands)

	1993	1992
	Assets Exceed Accumulated Benefits	Assets Exceed Accumulated Benefits
Actuarial present value of benefit obligations:		
Vested benefit obligation	\$138,138	\$164,454
Accumulated benefit obligation	\$147,018	\$191,152
Projected benefit obligation	\$174,210	\$191,152
Plan assets at fair value	232,188	153,208
Plan assets in excess of (less than) projected benefit obligation	57,978	(37,944)
Unrecognized net transition (asset) obligation at January 1, 1986	(14,061)	15,448
Unrecognized net (gain) loss	(11,480)	1,821
Prior service cost not yet recognized in periodic pension cost	4,244	10,944
Adjustment required to recognize minimum liability ¹	--	(28,213)
Prepaid pension asset (liability)	\$ 36,681	\$(37,944)
Net liability recognized in consolidated balance sheet	\$(12,948)	\$(5,977)

1 The provisions of FAS No. 87, "Employers' Accounting for Pensions", require the recognition of an additional minimum liability for each defined benefit plan for which the accumulated benefit obligation exceeds plan assets. This amount has been recorded as a long-term liability with an offsetting intangible asset. Because the asset recognized may not exceed the amount of unrecognized prior service cost and transition obligation on an individual plan basis, the balance, net of tax benefits, is reported as a separate reduction of stockholders' equity at December 31, 1993 and 1992, as follows:

	1993	1992
Minimum liability adjustment	\$39,598	\$28,213
Intangible asset	24,539	26,392
Tax benefit	15,059	1,821
	5,918	701
Pension liability adjustment to stockholders' equity	\$ 9,141	\$ 1,120

Major assumptions at year-end:

	1993	1992	1991
Discount rate	7.75%	8.75%	8.75%
Rate of increase in compensation level	4.00%	5.50%	5.50%
Expected long-term rate of return on assets	10.25%	10.50%	10.50%

Net periodic pension cost is determined using the assumptions as of the beginning of the year. The funded status is determined using the assumptions as of the end of the year.

The Corporation has a defined contribution profit sharing and retirement plan covering salaried nonunion employees which provides for annual corporate contributions of 35 percent to 140 percent of qualifying contributions made by participating employees. The amount of the Corporation's contribution in excess of 35 percent is dependent upon the Corporation's profitability. The amount of the contribution was \$4.0, \$2.3 and \$1.2 million for 1993, 1992 and 1991, respectively.

The Corporation has several unfunded defined benefit postretirement plans covering certain hourly and salaried employees which provide medical and life insurance benefits from retirement to age 65. Salaried employees retiring after January 1, 1995 will be covered by an unfunded defined contribution plan with benefits based on years of service. Certain hourly employees retiring after January 1, 1996 will be subject to a maximum annual benefit limit. Salaried employees hired in the future are not eligible for postretirement medical benefits.

Effective January 1, 1992, the Corporation adopted FAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The Corporation recorded a charge of \$46.1 million (\$75.0 million before tax) or \$2.25 per share to record the cumulative effect of the accounting change which represents the transition obligation as of January 1, 1992.

Net periodic postretirement benefit cost included the following components:

Years ended December 31 (Dollars in Thousands)

	1993	1992
Service cost--benefits attributed to employee service during the years	\$1,841	\$1,672
Interest cost on accumulated postretirement benefit obligation	6,959	6,931
Net periodic postretirement benefit cost	\$8,800	\$8,603

The following table sets forth the plans' status as reflected in the consolidated balance sheet:

December 31 (Dollars in Thousands)

	1993	1992
Accumulated postretirement benefit obligation:		
Retirees	\$39,269	\$36,227
Fully eligible active plan participants	11,880	10,958
Other active plan participants	35,062	32,345
	86,211	79,530
Unrecognized net loss	(7,488)	--
Accrued postretirement benefit cost	\$78,723	\$79,530

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation (APBO) was 10% in 1992, declining by 1% per year to 6% in 1996. The weighted average discount rate used in determining the APBO was 7.75% and 8.75% at December 31, 1993 and 1992, respectively. If the health care cost trend rate was increased by 1%, the APBO at December 31, 1993 would increase by \$4.1 million and net periodic postretirement benefit cost for 1993 would increase by \$.5 million.

Prior to 1992, the cost of continuing life and health insurance for eligible retirees was accounted for on a pay-as-you-go basis and totalled \$8.5 million in 1991.

11. Income Taxes

Effective January 1, 1992, the Corporation adopted FAS No. 109, "Accounting for Income Taxes." The adoption of FAS No. 109 had a \$1.6 million favorable effect as of January 1, 1992 as a result of the realization of tax credits.

The components of the provision for income taxes consisted of the following:

Years ended December 31 (Dollars in Thousands)

1993	1992	1991
------	------	------

Current:			
Federal	\$11,208	\$ 4,916	\$ 931
State	1,955	1,449	725
Foreign	3,109	1,466	1,462
Cumulative effect of rate change	836	--	--
Deferred	11,297	7,879	(1,715)
Business tax credits	(281)	(588)	(843)
	-----	-----	-----
Provision for income taxes	\$28,124	\$15,122	\$ 560
	=====	=====	=====

The tax provision differs from the statutory U.S. federal rate due to the following items:

Years ended December 31 (Dollars in Thousands)	1993	1992	1991
Provision at federal statutory rate	\$23,981	\$13,195	\$ 838
Cumulative effect of rate change	836	--	--
Foreign income taxes	637	286	539
State income and franchise taxes	3,056	1,864	73
Business and foreign tax credits	(631)	(588)	(1,143)
Non-deductible items	287	325	265
Other	(42)	40	(12)
	-----	-----	-----
Provision for income taxes	\$28,124	\$15,122	\$ 560
	=====	=====	=====

On August 10, 1993, the Revenue Reconciliation Act of 1993 was signed into law. The Act increased the corporate federal income tax rate from 34 percent to 35 percent. In the third quarter, the Corporation adjusted its deferred income tax accounts by \$.8 million and increased its provision for current income taxes for the first half of 1993 by \$.4 million.

The domestic and foreign components of income (loss) from operations before income taxes were as follows:

Years ended December 31 (Dollars in Thousands)	1993	1992	1991
Domestic	\$60,407	\$34,776	\$ (926)
Foreign	8,111	4,031	3,390
	-----	-----	-----
	\$68,518	\$38,807	\$ 2,464
	=====	=====	=====

Taxes paid amounted to \$12.2, \$5.4 and \$4.6 million in 1993, 1992 and 1991, respectively.

The Corporation has the following carryforwards for federal income tax purposes:

- Tax credits of \$14.4 million which expire from 1996 through 2007.
- Alternative Minimum Tax credits of \$6.1 million which do not expire.

No provision for U.S. income taxes has been made on the undistributed earnings of foreign subsidiaries as such earnings are considered to be permanently invested. At December 31, 1993, the undistributed earnings amounted to \$16.7 million. It is not practical to determine the income tax liability that would result had such earnings been repatriated. The amount of withholding taxes that would be payable upon such repatriation is estimated to be \$.7 million.

No provision for U.S. income taxes has been made on undistributed earnings of equity investees attributable to cumulative net translation gains and other items. Since the investees do not have the capability to remit such gains in the foreseeable future, such gains are considered permanently invested. At December 31, 1993, the amount of unrecognized U.S. tax liability for the net translation gains and other items of \$17.7 million amounted to \$6.2 million.

The approximate tax effects of temporary differences between income tax and financial reporting at December 31, 1993 and 1992, respectively, are as follows:

December 31 (Dollars in Thousands)	1993		1992	
	Assets	Liabilities	Assets	Liabilities
Finance subsidiary leases	\$ --	\$(19,999)	\$ --	\$(24,174)
Group health insurance and other postemployment obligations	35,214	--	34,190	--
Employee benefits	3,465	(6,031)	3,118	(8,242)
Product liability and warranty	7,592	--	8,692	--
Bad debts	7,111	--	9,163	--
Tax over book depreciation	--	(48,388)	--	(46,652)
Deferred model change	--	(11,150)	--	(13,302)
Equity in affiliates	--	(1,068)	--	(1,109)
Tax carryforwards	22,331	--	33,333	--
All other	--	(2,744)	--	(2,678)
	-----	-----	-----	-----
	\$75,713	\$(89,380)	\$88,496	\$(96,157)

Net liability	\$(13,667)	\$ (7,661)
---------------	------------	------------

These deferred tax assets and liabilities are classified in the balance sheet as current or long-term based on the balance sheet classification of the related assets and liabilities. The balances are as follows:

Current deferred income tax assets	\$ 27,614	\$20,487
Long-term deferred income tax liabilities	(41,281)	(28,148)
	-----	-----
Net liability	\$(13,667)	\$(7,661)
	=====	=====

12. Litigation and Insurance Matters

As of December 31, 1993, the Corporation and Harvestore were defendants in 26 cases alleging damages for economic losses claimed to have arisen out of alleged defects in Harvestore animal feed storage equipment. Some plaintiffs are seeking punitive as well as compensatory damages. The Corporation believes that a significant number of these claims were related to the deteriorated general farm economy at the time suit was commenced, including those filed in 1993. The Corporation and Harvestore continue to vigorously defend these cases.

In 1993, nine new cases were filed and 38 cases were concluded. One of the cases filed during 1993 is a New York state court action and contains class action allegations, and names the Corporation, Harvestore and two of its dealers as defendants. Among the many motions the defendants have filed in this action is one to stay the action pending the ruling on class action certification requested by the plaintiffs in a lawsuit pending in the Federal District Court for the Southern District of Ohio. Based on the facts currently available to management and its prior experience with lawsuits alleging damages for economic loss resulting from use of the Harvestore animal feed storage equipment, management is confident that the motion for class certification in the Ohio lawsuit can be defeated and that the lawsuit does not represent a material threat to the Corporation. The Corporation believes that any damages, including any punitive damages, arising out of the pending cases are adequately covered by insurance and recorded reserves. The Corporation reevaluates its exposure periodically and makes adjustment of its reserves as appropriate. A lawsuit for damages and declaratory judgments in the Circuit Court of Milwaukee County, State of Wisconsin, in which the Corporation and Harvestore are plaintiffs, is pending against three insurance companies for failure to pay in accordance with liability insurance policies issued to the Corporation. The insurers have failed to pay, in full or in part, certain judgments, settlements and defense costs incurred in connection with pending and closed lawsuits alleging damages for economic losses claimed to have arisen out of alleged defects in Harvestore animal feed storage equipment. While the Corporation has, in part, assumed applicability of this coverage, an adverse judgment should not be material to its financial condition.

The Corporation is involved in other litigation and claims which arise in the ordinary course of its business including governmental proceedings regarding the disposal of hazardous waste at sites which are in various stages of the remediation process. For some of the sites, total costs for remediation are not available because the final remedy has not been selected or for other reasons. Further, the ultimate liability of the Corporation, if any, has not been determined at all of the sites. As a result, it is impossible at this time to estimate the total cost of remediation for all of the sites. The total estimated cleanup costs identified at this time for all parties at all sites involving claims filed by the Environmental Protection Agency or similar state agencies where the Corporation has been designated a potentially responsible party is approximately \$232 million. The estimated portion of the total for which the Corporation is or may be responsible is approximately \$5.0 million, of which \$3.6 million has been contributed towards the cleanup costs by the Corporation and its insurance companies. The balance of the identified potential cleanup costs is covered by insurance and established reserves set by the Corporation which are believed to be adequate to cover the Corporation's obligations with respect to the unpaid balance of the claims. To the best of the Corporation's knowledge, the insurers have the financial ability to pay any such covered claims. The Corporation reevaluates its exposure periodically and makes adjustment of its reserves as appropriate.

In March 1992, a subsidiary of the Corporation, Smith Fiberglass Products Inc. (Smith Fiberglass), won a patent infringement suit filed against a competitor. A judgment was entered in favor of Smith Fiberglass. The judgment was appealed by the defendant. However, the Court of Appeals affirmed the award and Smith Fiberglass recognized the judgment which amounted to \$1.9 million after recognition of legal fees as other income in the second quarter of 1993.

A legal action against a supplier of certain automotive equipment alleging breach of warranty was settled in December 1992. The Corporation recorded the settlement, net of expenses, of \$1.1 million as other income in 1992.

A lawsuit initiated by the Corporation in connection with previously concluded antitrust action involving a former subsidiary was terminated in

the second quarter of 1993 with a favorable settlement of \$2.8 million which is included as other income.

Over the past several years, the Corporation has self-insured a portion of its product liability loss exposure and other business risks. The Corporation has established reserves which it believes are adequate to cover incurred claims. For the year ended December 31, 1993, the Corporation had \$60 million of third-party product liability insurance for individual losses in excess of \$1.5 million and for aggregate losses in excess of \$10 million.

13. Operations by Segment

Years ended December 31 (Dollars in Millions)

	Net Revenues/1/					Earnings (Loss)				
	1993	1992	1991	1990	1989	1993	1992	1991	1990	1989/4/
OEM Products										
Auto and truck structural components, fractional horsepower and hermetic electric motors	\$848.8	\$753.2	\$631.2	\$ 684.5	\$ 747.5	\$70.2	\$52.8	\$12.0/2/	\$38.7	\$15.2
Water Products/3/										
Water heaters and water heating systems and protective industrial coatings	248.1	215.2	194.6	197.6	179.0	26.5	18.2	11.0	20.4	7.1
Agricultural Products										
Agricultural feed storage systems, agricultural financing, municipal and industrial storage systems	38.1	34.0	36.1	42.4	39.5	(4.8)	(4.5)	(3.6)	(11.0)	(7.3)
Other										
Fiberglass reinforced piping systems and other	58.9	43.9	53.9	53.1	49.8	9.8	4.9	11.6	12.4	11.4
	=====	=====	=====	=====	=====					
	\$1,193.9	\$1,046.3	\$915.8	\$977.6	\$1,015.8	101.7	71.4	31.0	60.5	26.4
General corporate and research and development expense						(23.6)	(20.7)	(16.0)	(16.4)	(21.8)
Interest income						--	--	.5	.1	.6
Interest expense/5/						(9.6)	(11.9)	(13.0)	(15.7)	(17.5)
Earnings (Loss) Before Income Taxes, Equity in Earnings of Affiliated Companies and Cumulative Effect of Accounting Changes						\$68.5	\$38.8	\$ 2.5	\$ 28.5	\$(12.3)
						=====	=====	=====	=====	=====

/1/ Revenues are primarily from the North American area. Major customers for the Original Equipment Manufacturers (OEM) segment are Ford, General Motors and Chrysler who accounted for \$266.9, \$132.0, and \$118.2 million in 1993; \$219.3, \$148.1 and \$96.7 million in 1992; \$177.5, \$115.6 and \$75.8 million in 1991; \$179.8, \$136.3 and \$96.8 in 1990 and \$171.3, \$169.6 and \$106.2 million in 1989 of this segment's revenues.

/2/ Includes approximately \$4.1 million of non-recurring income.

/3/ Includes approximately \$.7, \$3.1 and \$5.5 million of non-recurring expense in 1993, 1992 and 1991, respectively.

/4/ A restructuring charge of \$15.6 million has been treated as an expense of the related industry segments including general corporate.

/5/ Interest expense of the finance subsidiary of \$3.8, \$6.0, \$7.9, \$9.2 and \$11.4 million in 1993, 1992, 1991, 1990 and 1989, respectively, has been included in earnings (loss) of the Agricultural Products segment.

Further discussion of the segment results, including Automotive Products and Electrical Products which comprise the OEM segment, can be found under "Management's Discussion and Analysis--Results of Operations."

(Dollars in Millions)

	Identifiable Total Assets (December 31)			Depreciation (Years ended December 31)			Capital Expenditures (Years ended December 31)		
	1993	1992	1991	1993	1992	1991	1993	1992	1991
Automotive Products	\$322.4	\$302.7	\$304.9	\$21.1	\$20.6	\$19.1	\$31.5	\$25.4	\$38.2

Electrical Products	161.0	148.7	133.5	12.0	10.1	9.9	14.8	14.0	12.4
Water Products	119.0	105.5	106.3	5.9	5.7	5.4	3.5	4.5	5.1
Agricultural Products	102.5	107.6	120.5	1.4	1.3	1.6	1.2	.6	1.3
Other	30.6	29.6	29.8	1.9	1.4	1.5	3.5	2.1	2.0
Investments in affiliated companies	23.8	22.9	20.2	--	--	--	--	--	--
Corporate Assets	63.8	52.0	39.1	.3	.4	.3	.2	.3	.3
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total	\$823.1	\$769.0	\$754.3	\$42.6	\$39.5	\$37.8	\$54.7	\$46.9	\$59.3
	=====	=====	=====	=====	=====	=====	=====	=====	=====

14. Quarterly Results of Operations (Unaudited)

(Dollars in Millions, except per share amounts)

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	1993	1992	1993	1992	1993	1992	1993	1992
Net revenues	\$296.1	\$253.2	\$315.8	\$286.8	\$272.8	\$241.0	\$309.2	\$265.3
Gross profit	48.1	32.6	51.9	47.1	35.1	27.3	43.4	35.7
Earnings (loss)								
Operations	13.0	4.7	15.1	12.1	5.5	4.2	9.1	6.2
Cumulative effect of accounting changes	--	(44.5)	--	--	--	--	--	--
Net earnings (loss)	13.0	(39.8)	15.1	12.1	5.5	4.2	9.1	6.2
Per share								
Primary earnings (loss)								
Operations	.64	.24	.74	.64	.27	.21	.44	.30
Cumulative effect of accounting changes	--	(2.79)	--	--	--	--	--	--
Net earnings (loss)	.64	(2.55)	.74	.64	.27	.21	.44	.30
Fully diluted earnings (loss)								
Operations	.64	.23	.74	.59	.27	.20	.44	.30
Cumulative effect of accounting changes	--	(2.18)	--	--	--	--	--	--
Net earnings (loss)	.64	(1.95)	.74	.59	.27	.20	.44	.30
Dividends declared								
Preferred	--	.531	--	--	--	--	--	--
Common	.10*	.10	.10	.10	.11	.10	.11	.10

* Excludes \$.25 special dividend on Common Stock (see note 8).

Net earnings (loss) per share is computed separately for each period and, therefore, the sum of such quarterly per share amounts may differ from the total for the year.

See note 7 for restrictions on the payment of dividends.

The cumulative effect of the accounting changes in the first quarter of 1992 includes a credit of \$1.6 million (\$.10 and \$.08 per primary and fully diluted shares, respectively) for a change in accounting for income taxes and a charge of \$46.1 million [(\$2.89) and (\$2.26) per primary and fully diluted shares, respectively] for a change in accounting for postretirement benefits.

The fourth quarter of 1993 includes, on an after-tax basis, approximately \$2.3 million of charges for additions to product liability and bad debt reserves and writedown of certain assets partially offset by inventory adjustments.

The fourth quarter of 1992 includes, on an after-tax basis, approximately \$3.0 million of charges for additions to product liability and bad debt reserves partially offset by net proceeds of a lawsuit settlement.

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information included under the heading "Election of Directors" in the Corporation's definitive Proxy Statement dated March 3, 1994 for the Annual Meeting of Stockholders to be held April 13, 1994 is incorporated herein by reference. The information required regarding Executive Officers of the Corporation is included in Part I of this Form 10-K under the caption "Executive Officers of the Corporation."

The information included under the heading "Compliance with Section 16(a) of the Securities Exchange Act" in the Corporation's definitive Proxy Statement dated March 3, 1994 for the Annual Meeting of Stockholders to be held on April 13, 1994 is incorporated herein by reference.

ITEM 11 - EXECUTIVE COMPENSATION

The information included under the heading "Executive Compensation" in the Corporation's definitive Proxy Statement dated March 3, 1994 for the April 13, 1994 Annual Meeting of Stockholders is incorporated herein by reference, except for the information required by paragraphs (i), (k) and (l) of Item 402(a)(8) of Regulation S-K.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information included under the headings "Principal Stockholders" and "Security Ownership of Directors and Management" in the Corporation's Proxy Statement dated March 3, 1994 for the April 13, 1994 Annual Meeting of Stockholders is incorporated hereby by reference.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information included under the headings "Relationships and Related Transactions" and "Compensation Committee Interlocks and Insider Participation" in the Corporation's Proxy Statement dated March 3, 1994 for the April 13, 1994 Annual Meeting of Stockholders is incorporated herein by reference.

PART IV

ITEM 14 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Financial Statements and Financial Statement Schedules

Form 10-K
Page Number

The following consolidated financial statements of A. O. Smith Corporation are included in Item 8:

Consolidated Balance Sheet at December 31, 1993 and 1992	
For each of the three years in the period ended	
December 31, 1993:	
- Consolidated Statement of Operations	
and Retained Earnings	
- Consolidated Statement of Cash Flows	
Notes to Consolidated Financial Statements	

The following consolidated financial statement schedules of A. O. Smith Corporation are included in Item 14(d):

Schedule V - Consolidated Property, Plant and Equipment	
Schedule VI - Consolidated Accumulated Depreciation	
of Property, Plant and Equipment	
Schedule VIII - Valuation and Qualifying Accounts	
Schedule IX - Consolidated Short-Term Borrowings	
Schedule X - Consolidated Supplementary Income	
Statement Information	

All other schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or the notes thereto.

Financial statements of Metalsa S.A., an affiliate in which the Corporation has a 40 percent investment, are omitted since it does not meet the significant subsidiary test of Rule 3-09 of Regulation S-X.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the last quarter of 1993. A current report on Form 8-K was voluntarily filed by the Corporation on February 9, 1993. The Form 8-K reported on the approval of three charter amendments by the stockholders of the Corporation at a special meeting held on January 26, 1993 and included as an exhibit the Corporation's Amended and Restated Certificate of Incorporation. The Form 8-K also contained a copy of a press release issued by the Corporation relating to the declaration of a special dividend payable only to holders of Common Stock of record on March 8, 1993.

(c) Exhibits

Pursuant to the requirements of Rule 14a-3(b)(10) of the Securities Exchange Act of 1934, as amended, the Corporation will, upon request and upon payment of a reasonable fee not to exceed the rate at which such copies are available from the Securities and Exchange Commission, furnish copies of any of the following exhibits to its security holders.

Management contracts and compensatory plans and arrangements required to be filed as exhibits pursuant to Item 14(c) of Form 10-K are listed below as Exhibits 10(a) through 10(h).

Form 10-K
Page Number

(3i) Restated Certificate of Incorporation of the Corporation as amended and restated January 26, 1993 incorporated by reference to the Form 8-K report dated February 8, 1993 filed by the Corporation	N/A
---	-----

(3ii)	By-laws of the Corporation as amended February 5, 1990 incorporated by reference to the Annual Report on Form 10-K for the year ended December 31, 1989	N/A
(4)	(a) Certain long-term debt is described in Note 7 to the Consolidated Financial Statements. The Corporation agrees to furnish to the Commission, upon request, copies of any instruments defining rights of holders of long-term debt described in Note 7	N/A
	(b) Amended and Restated \$115 Million Credit Agreement incorporated by reference to the Annual Report on Form 10-K for the fiscal year ended December 31, 1992	N/A
	(c) A. O. Smith Corporation agreement dated July 6, 1987 regarding a Credit Agreement on the same date between AgriStor Credit Corporation and various banks incorporated by reference to Amendment No. 1 to the quarterly report on Form 10-Q for the quarter ended September 30, 1987	N/A
	(d) AgriStor Credit Corporation Credit Agreement dated June 25, 1990 extending its revolving credit agreement with its lending banks to June 30, 1994. The Agreement is incorporated by reference to the quarterly report on Form 10-Q for the quarter ended June 30, 1990	N/A
	(e) A. O. Smith Corporation Restated Certificate of Incorporation dated January 26, 1993 (incorporated by reference to Exhibit (3)(i) hereto)	N/A
	(f) Note Purchase and Medium-Term Note Agreement, dated July 23, 1993 between A. O. Smith Corporation and Metropolitan Life Insurance Company, incorporated by reference to the Quarterly Report on Form 10-Q for the quarter ended June 30, 1993	N/A
	(g) Note and Agreement dated May 14, 1993 between A. O. Smith Corporation and The Prudential Insurance Company of America, incorporated by reference to the Quarterly Report on Form 10-Q for the quarter ended June 30, 1993	N/A
(10)	Material Contracts	
	(a) 1990 Long-Term Executive Compensation Plan incorporated by reference to the Corporation's Proxy Statement dated March 3, 1994 for an April 13, 1994 Annual Meeting of Shareholders	N/A
	(b) 1980 Long-Term Executive Incentive Compensation Plan incorporated by reference to the Corporation's Proxy Statement dated March 1, 1988 for an April 6, 1988 Annual Meeting of Shareholders	N/A
	(c) Executive Incentive Compensation Plan, as amended, incorporated by reference to the Annual Report on Form 10-K for the fiscal year ended December 31, 1992	N/A
	(d) Letter Agreement dated December 15, 1979, as amended by the Letter Agreement dated November 9, 1981, between the Corporation and Thomas I. Dolan incorporated by reference to Amendment No. 2 to the Annual Report on Form 10-K for the year ended December 31, 1984	N/A
	(e) Supplemental Benefit Plan, as amended, incorporated by reference to the Annual Report on Form 10-K for the fiscal year ended December 31, 1992	N/A
	(f) Executive Life Insurance Plan, incorporated by reference to the Annual Report on Form 10-K for the fiscal year ended December 31, 1992	N/A
	(g) Corporate Directors' Deferred Compensation Plan, as amended, incorporated by reference to the Annual Report on Form 10-K for the fiscal year ended December 31, 1992	N/A
	(h) Non-employee Directors' Retirement Plan incorporated by reference to the quarterly report on Form 10-Q for the quarter ended June 30, 1991	N/A
(11)	Computation of Earnings Per Common Share	
(21)	Subsidiaries	
(23)	Consent of Independent Auditors	
(24)	(a) Power of Attorney - Thomas F. Russell Arthur O. Smith incorporated by reference to the Annual Report on Form 10-K for the year ended December 31, 1980	N/A

(b) Power of Attorney - Tom H. Barrett
incorporated by reference to the Annual Report
on Form 10-K for the year ended December 31, 1981 N/A

(c) Power of Attorney - Russell G. Cleary
incorporated by reference to the Annual Report
on Form 10-K for the year ended December 31, 1984 N/A

(d) Power of Attorney - Lee W. Jennings
incorporated by reference to the Annual Report
on Form 10-K for the year ended December 31, 1986 N/A

(e) Power of Attorney - Donald J. Schuenke
incorporated by reference to the Annual Report
on Form 10-K for the year ended December 31, 1988 N/A

(f) Power of Attorney - Dr. Agnar Pytte
incorporated by reference to the Annual Report
on Form 10-K for the year ended December 31, 1990 N/A

(g) Power of Attorney - Thomas I. Dolan
incorporated by reference to the Annual Report
on Form 10-K for the year ended December 31, 1992 N/A

N/A = Not Applicable

A. O. SMITH CORPORATION

SCHEDULE V - CONSOLIDATED PROPERTY, PLANT AND EQUIPMENT²
(000 Omitted)

Years ended December 31, 1993, 1992 and 1991

	Balance at Beginning of Year	Additions at Cost	Retirements	Other ³	Balance at End of Year
1993:					
Land	\$ 7,539	\$ 0	\$ 0	\$ (1)	\$ 7,538
Buildings	175,883	7,209	(453)	846	183,485
Equipment	600,692	47,494	(14,533) ¹	(890)	632,763
	-----	-----	-----	-----	-----
	\$784,114	\$54,703	\$ (14,986)	\$ (45)	\$823,786
	=====	=====	=====	=====	=====
1992:					
Land	\$ 7,426	\$ 115	\$ 0	\$ (2)	\$ 7,539
Buildings	168,596	7,400	(17)	(96)	175,883
Equipment	569,909	39,432	(8,313) ¹	(336)	600,692
	-----	-----	-----	-----	-----
	\$745,931	\$46,947	\$ (8,330)	\$ (434)	\$784,114
	=====	=====	=====	=====	=====
1991:					
Land	\$ 7,314	\$ 112	\$ 0	\$ 0	\$ 7,426
Buildings	143,344	25,252	(4)	4	168,596
Equipment	539,699	33,975	(4,553) ¹	788	569,909
	-----	-----	-----	-----	-----
	\$ 690,357	\$ 59,339	\$ (4,557)	\$ 792	\$745,931
	=====	=====	=====	=====	=====

1 Includes amortization of durable tools based on a useful life of 30 months charged to operations:
1993--\$71; 1992--\$85; 1991--\$89.

2 Estimated useful lives are: buildings--20 to 75 years; equipment--3 to 20 years.

3 Translation, other adjustments and reclassifications.

A. O. SMITH CORPORATION

SCHEDULE VI - CONSOLIDATED ACCUMULATED DEPRECIATION OF
PROPERTY, PLANT AND EQUIPMENT
(000 Omitted)

Years ended December 31, 1993, 1992 and 1991

	Balance at Beginning of Year	Additions Charged to Costs and Expenses ¹	Retirements	Other ²	Balance at End of Year
1993:					
Buildings	\$ 84,958	\$ 6,189	\$ (227)	\$ 436	\$ 91,356
Equipment	335,050	36,347	(13,501)	(480)	357,416
	-----	-----	-----	-----	-----
	\$420,008	\$42,536	\$(13,728)	\$ (44)	\$448,772
	=====	=====	=====	=====	=====
1992:					
Buildings	\$ 70,373	\$ 5,980	\$ (15)	\$ 8,620	\$ 84,958
Equipment	318,418	33,393	(7,651)	(9,110)	335,050
	-----	-----	-----	-----	-----
	\$388,791	\$39,373	\$ (7,666)	\$ (490)	\$420,008
	=====	=====	=====	=====	=====
1991:					
Buildings	\$ 65,512	\$ 4,858	\$ (1)	\$ 4	\$ 70,373
Equipment	289,763	32,826	(4,145)	(26)	318,418
	-----	-----	-----	-----	-----
	\$355,275	\$37,684	\$ (4,146)	\$ (22)	\$388,791
	=====	=====	=====	=====	=====

	1993	1992	1991
1 Total	\$42,536	\$39,373	\$ 37,684
Amortization of durable tools (See Schedule V)	71	85	89
	-----	-----	-----
Depreciation and amortization of plant and equipment	\$42,607	\$39,458	\$ 37,773
	=====	=====	=====

2 Translation, other adjustments and reclassifications.

A. O. SMITH CORPORATION

SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS
(000 Omitted)

Years ended December 31, 1993, 1992 and 1991

Description	Balance at Beginning of Year	Charged to Costs and Expenses/1/	Additions Charged to Other Accounts	Deductions/2/	Balance at the End of Year
1993:					
Valuation allowance for trade and notes receivable	\$ 1,738	\$ 2,624	\$ --	\$ 376	\$ 3,986
Valuation allowance for finance subsidiary receivables	20,585	1,750	--	7,771	14,564
1992:					
Valuation allowance for trade receivables	1,158	832	440/3/	692	\$1,738
Valuation allowance for finance subsidiary receivables	26,240	1,442	--	7,097	20,585
1991:					
Valuation allowance for trade receivables	1,039	616	--	497	1,158
Valuation allowance for finance subsidiary receivables	33,950	(972)	--	6,738	26,240

/1/ Provision (credit) based upon estimated collection.

/2/ Uncollectible amounts charged against the reserve.

/3/ Reclassification.

A. O. SMITH CORPORATION
SCHEDULE IX - CONSOLIDATED SHORT-TERM BORROWINGS
(000 Omitted)

Years Ended December 31, 1993, 1992 and 1991

	Category of Aggregate Short-Term Borrowings	Balance at End of Year	Weighted Average Interest Rate	Maximum Amount Outstanding During the Year/1/	Average Amount Outstanding During the Year/2/	Weighted Average Interest Rate During the Year
1993	Notes Payable- Banks	\$ 0	0.0%	\$ 0	\$ 0	0.0%
1992	Notes Payable- Banks	\$ 0	0.0%	\$ 0	\$ 0	0.0%
1991	Notes Payable- Banks	\$ 0	0.0%	\$3,259	\$1,244	10.3%

/1/ The maximum amount outstanding is the maximum amount outstanding at any month-end.

/2/ The average amount outstanding was computed by averaging the month-end balances.

SCHEDULE X - CONSOLIDATED SUPPLEMENTARY INCOME
STATEMENT INFORMATION
(000 Omitted)

Years ended December 31, 1993, 1992 and 1991

Item	Charged to Costs and Expenses		
	1993	1992	1991
Maintenance and Repairs	\$40,609 =====	\$34,743 =====	\$30,339 =====

Depreciation and amortization of intangible assets, pre-operating costs and similar deferrals; taxes, other than payroll and income taxes; royalties; and advertising costs are each less than 1 percent of consolidated net sales.

For the purposes of complying with the amendments to the rules governing Form S-8 (effective July 13, 1990) under the Securities Act of 1933, the undersigned registrant hereby undertakes as follows, which undertaking shall be incorporated by reference into registrant's Registration Statements on Form S-8 Nos. 2-72542 filed on May 26, 1981, Post-Effective Amendment No. 1, filed on May 12, 1983, Post-Effective Amendment No. 2, filed on December 22, 1983, Post-Effective Amendment No. 3, filed on March 30, 1987; 33-19015 filed on December 11, 1987; 33-21356 filed on April 21, 1988; and Form S-8 No. 33-37878 filed November 16, 1990:

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceedings) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

EXHIBIT INDEX

Exhibit No.	Description
(11)	Computation of Earnings Per Common Share
(21)	Subsidiaries
(23)	Consent of Independent Auditors

A. O. SMITH CORPORATION
 COMPUTATION OF EARNINGS PER COMMON SHARE
 YEARS ENDED DECEMBER 31, 1993, 1992, 1991
 (000 omitted except for per share data)

	1993	1992	1991
Primary			
Earnings			
Earnings before cumulative effect of change in accounting principles	\$42,678	\$27,206	\$ 3,450
Deduct:			
Preferred dividends paid	-	856	3,425
	-----	-----	-----
Earnings before cumulative effect of change in accounting principles after preferred dividends	42,678	26,350	25
Tax credits realizable under FAS No. 109	-	1,600	-
	-----	-----	-----
Earnings before effect of postretirement benefits	42,678	27,950	25
Change in method of accounting for postretirement benefits	-	(46,122)	-
	-----	-----	-----
Net earnings (loss) applied to common stock	\$42,678	\$(18,172)	\$ 25
	=====	=====	=====
Shares			
Weighted average number of common shares outstanding	20,538,940	18,865,070	15,843,892
Per share amounts			
Earnings before cumulative effect of accounting changes	\$2.08	\$1.40	\$ -
Realization of tax credits	-	.08	-
	-----	-----	-----
Earnings before effect of postretirement benefits	2.08	1.48	-
Change in postretirement benefits	-	(2.44)	-
	-----	-----	-----
Net earnings (loss)	\$2.08	\$ (.96)	\$ -
	=====	=====	=====
Assuming full dilution			
Earnings			
Earnings before cumulative effect of change in accounting principles	\$42,678	\$ 27,206	\$3,450
Tax credits realizable under FAS No. 109	-	1,600	-
	-----	-----	-----
Earnings before effect of postretirement benefits	42,678	28,806	3,450
Change in method of accounting for postretirement benefits	-	(46,122)	-
	-----	-----	-----
Net earnings (loss)	\$42,678	\$(17,316)	\$3,450
	=====	=====	=====
Shares			
Weighted average number of common shares outstanding	20,538,940	18,865,070	15,843,892
Assuming conversion of preferred stock	-	1,192,108	3,837,458
Assuming exercise of options reduced by the number of shares which could have been purchased with the proceeds from exercise of such options	-	469,524	303,570
	-----	-----	-----
Weighted average number of common shares outstanding as adjusted	20,538,940	20,526,702	19,984,920
	=====	=====	=====
Per share amounts			
Earnings before cumulative effect of accounting changes	\$2.08	\$1.33	\$.17
Realization of tax credits	-	.08	-
	-----	-----	-----
Earnings before effect of postretirement benefits	2.08	1.41	.17
Change in postretirement benefits	-	(2.25)	-
	-----	-----	-----
Net earnings (loss)	\$2.08***	\$ (.84)**	\$.17*
	=====	=====	=====

* Impact of conversion of the preferred stock is antidilutive and, therefore, fully diluted earnings (loss) per share amounts reported in the body of the financial statements are the same amount as for primary earnings (loss) per share.

** An antidilutive fully diluted net loss per share amount is presented for 1992 because the impact of conversion of preferred stock on earnings before accounting changes is dilutive.

*** Due to the absence of any materially dilutive securities the fully diluted earnings per share amounts are the same as the primary earnings per share amounts for 1993.

EXHIBIT 21

SUBSIDIARIES

The following lists all significant subsidiaries and affiliates of A. O. Smith Corporation. Certain direct and indirect subsidiaries of A. O. Smith Corporation have been omitted because, considered in the aggregate as a single subsidiary, such subsidiaries would not constitute a significant subsidiary.

Name of Subsidiary	Jurisdiction in Which Incorporated
AOS Holding Company	Delaware
A. O. Smith Harvestore Products, Inc.	Delaware
A. O. Smith International Corporation	
also d/b/a A. O. Smith Automotive Products Group-Japan	Delaware
AgriStor Credit Corporation	Delaware
Sceptor Finance Company	Delaware
Smith Fiberglass Products Inc.	Delaware
Claymore Insurance Company, Ltd.	Bermuda
A. O. Smith Enterprises Ltd.	
also d/b/a A. O. Smith Automotive Products Company-Canada	Canada
AgriStor Credit Corporation Canada, Ltd.	Canada
A. O. Smith L'eau Chaude S.a.r.l.	France
A. O. Smith Electric Motors (Ireland) Ltd.	Ireland
A. O. Smith Holding (Ireland) Ltd.	Ireland
Fabricadores de Componentes de Motores, S.A. de C.V.	Mexico
Fabricantes de Componentes Motrices, S.A. de C.V.	Mexico
Fabricantes de Motores Electricos de Mexico, S.A. de C.V.	Mexico
Metalsa, S.A.	Mexico
Motores Electricos de Juarez, S.A. de C.V.	Mexico
Motores Electricos de Monterrey, S.A. de C.V.	Mexico
Productos de Agua, S.A. de C.V.	Mexico
Productos Electricos Aplicados, S.A. de C.V.	Mexico
A. O. Smith Water Products Company B.V.	The Netherlands

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 2-72542, 33-19015, 33-21356 and 33-37878) pertaining to the 1980 Long-Term Executive Incentive Compensation Plan and the 1990 Long-Term Executive Incentive Compensation Plan of A. O. Smith Corporation and in the related prospectuses of our report dated January 19, 1994, with respect to the consolidated financial statements and schedules of A. O. Smith Corporation included in this Annual Report (Form 10-K) for the year ended December 31, 1993.

ERNST & YOUNG

Milwaukee, Wisconsin
March 18, 1994