

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

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

For the quarterly period ended March 31, 1997

OR

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

For the transition period from _____ to _____

Commission File Number 1-475

A.O. SMITH CORPORATION

Delaware
(State of Incorporation)

39-0619790
(IRS Employer ID Number)

P. O. Box 23972, Milwaukee, Wisconsin 53223-0972
Telephone: (414) 359-4000

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

Class A Common Stock Outstanding as of April 30, 1997: 5,835,398

Common Stock Outstanding as of April 30, 1997: 13,212,148

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A. O. Smith Corporation

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

A. O. SMITH CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF EARNINGS
AND RETAINED EARNINGS
Three months ended March 31, 1997 and 1996
(000 omitted except for per share data)
(Unaudited)

EARNINGS	Three Months Ended March 31	
	1997	1996
Electric Motor Technologies	\$ 93,927	\$ 92,301
Water Systems Technologies	70,972	68,531
Storage & Fluid Handling Technologies	31,349	33,959
	-----	-----
NET SALES	196,248	194,791
Cost of products sold	153,450	154,371
	-----	-----
Gross profit	42,798	40,420
Selling, general and administrative expenses	27,393	27,174
Interest expense	2,244	1,926
Other expense - net	932	1,338
	-----	-----
Provision for income taxes	12,229	9,982
	4,391	3,809
	-----	-----
Earnings before equity in loss of joint ventures	7,838	6,173
Equity in loss of joint ventures	(717)	(406)
	-----	-----
EARNINGS FROM CONTINUING OPERATIONS	7,121	5,767
EARNINGS FROM DISCONTINUED OPERATIONS [Less related income tax provisions (1997-\$6,324; 1996-\$6,380)] (note 2)	12,790	11,575
	-----	-----
NET EARNINGS	19,911	17,342
RETAINED EARNINGS		
Balance at beginning of period	325,361	273,751
Cash dividends on common shares	(3,560)	(3,138)
	-----	-----
BALANCE AT END OF PERIOD	\$ 341,712	\$ 287,955
	=====	=====
NET EARNINGS PER COMMON SHARE		
Continuing Operations	\$.35	\$.28
Discontinued Operations	\$.63	\$.55
	-----	-----
NET EARNINGS	\$.98	\$.83
	=====	=====
DIVIDENDS PER COMMON SHARE	\$.17	\$.15

See accompanying notes to unaudited condensed consolidated financial statements.

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

A. O. SMITH CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEET
March 31, 1997 and December 31, 1996
(000 omitted)

ASSETS	(unaudited)	
	March 31, 1997	December 31, 1996
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,803	\$ 6,405
Receivables	140,304	121,571
Inventories (note 3)	89,566	80,445
Deferred income taxes	12,562	12,416
Other current assets	6,552	4,537
Net current assets-discontinued operations	104,761	13,836
	-----	-----
TOTAL CURRENT ASSETS	356,548	239,210
Investments in and advances to joint ventures	17,312	14,579
Other assets	136,029	90,945
Property, plant and equipment	420,598	407,016
Less accumulated depreciation	228,473	224,416
	-----	-----
Net property, plant and equipment	192,125	182,600
Net long-term assets - discontinued operations	389,495	357,654
	-----	-----
TOTAL ASSETS	\$ 1,091,509	\$ 884,988
	=====	=====
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES		
Short-term debt	\$ 376,325	\$ -
Trade payables	76,830	82,952
Accrued payroll and benefits	18,742	25,653
Long-term debt due within one year	8,247	11,932
Other current liabilities	30,142	17,851
	-----	-----
TOTAL CURRENT LIABILITIES	510,286	138,388
Long-term debt (note 4)	103,071	238,446
Other liabilities	34,739	35,244
Deferred income taxes	30,182	31,271
Postretirement benefit obligation	16,866	17,000
STOCKHOLDERS' EQUITY:		
Class A common stock, \$5 par value: authorized 14,000,000 shares; issued 5,839,958 and 5,846,158	29,200	29,231
Common stock, \$1 par value: authorized 60,000,000 shares; issued 15,859,692 and 15,853,492	15,860	15,853
Capital in excess of par value	71,290	69,410
Retained earnings (note 4)	341,712	325,361
Cumulative foreign currency translation adjustments	(7,917)	(7,401)
Treasury stock at cost	(53,780)	(7,815)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	396,365	424,639
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,091,509	\$ 884,988
	=====	=====

See accompanying notes to unaudited condensed consolidated financial statements.

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

A. O.SMITH CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Three months ended March 31, 1997 and 1996
(000 omitted)
(unaudited)

	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES		
CONTINUING		
Net earnings	\$ 7,121	\$ 5,767
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	5,774	5,632
Deferred income taxes	(1,235)	(1,881)
Equity in loss of joint ventures	717	406
Net change in current assets and liabilities	(25,431)	(7,736)
Net change in noncurrent assets and liabilities	4,041	1,961
Other - net	1,727	566
	-----	-----
CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	(7,286)	4,715
	-----	-----
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditures	(11,052)	(7,245)
Capitalized purchased software costs	(240)	(522)
Investment in joint ventures	(4,201)	(1,357)
Acquisition of business (net of cash acquired)	(60,443)	(1,111)
	-----	-----
CASH USED BY INVESTING ACTIVITIES	(75,936)	(10,235)
	-----	-----
CASH FLOW FROM CONTINUING OPERATIONS BEFORE FINANCING ACTIVITIES	(83,222)	(5,520)
DISCONTINUED		
Cash provided/(used) by operating activities	(67,234)	4,509
Cash used by investing activities	(42,742)	(22,476)
	-----	-----
CASH FLOW FROM DISCONTINUED OPERATIONS BEFORE FINANCING ACTIVITIES	(109,976)	(17,967)
CASH FLOW FROM FINANCING ACTIVITIES		
Debt incurred	241,940	29,152
Debt retired	(4,675)	(3,650)
Purchase of common stock held in treasury	(46,828)	--
Proceeds from common stock options exercised	2,432	--
Tax benefit from exercise of stock options	287	--
Dividends paid	(3,560)	(3,138)
	-----	-----
CASH PROVIDED BY FINANCING ACTIVITIES	189,596	22,364
Net decrease in cash and cash equivalents	(3,602)	(1,123)
Cash and cash equivalents-beginning of period	6,405	4,807
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 2,803	\$ 3,684
	=====	=====

See accompanying notes to unaudited condensed consolidated financial statements.

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

A. O. SMITH CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1997
(unaudited)

1. Basis of Presentation

The financial statements presented herein are based on interim figures and are subject to audit. In the opinion of management, all adjustments consisting of normal accruals considered necessary for fair presentation of the results of operations and of financial position have been made. The results of operations for the three-month period ended March 31, 1997 are not necessarily indicative of the results expected for the full year. The consolidated balance sheet as of December 31, 1996 is derived from the audited financial statements but does not include all disclosures required by generally accepted accounting principles.

2. Discontinued Operations

On January 27, 1997, the corporation reached a definitive agreement with Tower Automotive, Inc. regarding the sale of A. O. Smith's automotive products business. On April 18, 1997 the corporation closed on this transaction receiving gross proceeds of approximately \$725 million, which reflect additional investment and working capital changes from the initial price of \$625 million and is subject to final adjustment. The transaction excludes the sale of the corporation's 40% interest in its Mexican automotive affiliate, Metalsa S.A.

The results of the automotive businesses have been reported separately as discontinued operations. Prior year consolidated financial statements have been restated accordingly.

3. Inventories

(000 omitted)	March 31, 1997	December 31, 1996
Finished products	\$ 50,724	\$ 51,706
Work in process	18,628	19,593
Raw materials	48,525	3,754
Supplies	1,398	1,368
	-----	-----
	119,275	110,261
Allowance to state inventories at LIFO cost	29,709	29,816
	-----	-----
	\$ 89,566	\$ 80,445

4. Long-Term Debt

The corporation's long-term credit agreements contain certain conditions and provisions which restrict the corporation's payment of dividends. Under the most restrictive of these provisions, retained earnings of \$59.1 million were unrestricted as of March 31, 1997 for cash dividends and treasury stock purchases.

5. Acquisitions

On March 31, 1997 the corporation acquired the business of UPPCO, Incorporated, the world's leading manufacturer of subfractional C-frame electric motors. The purchase price was approximately \$60.4 million and the transaction has been accounted for as a purchase.

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

RESULTS OF OPERATIONS
FIRST THREE MONTHS OF 1997 COMPARED WITH 1996

As a result of significant changes within the automotive supplier industry, such as the increasing globalization, the drive towards systemization and the consolidation of the supplier base, the corporation decided to sell its automotive products business. On April 18, 1997

A. O. Smith sold this business to Tower Automotive, Inc. and received gross proceeds of approximately \$725 million, which reflect additional investment and working capital changes from the initial price of \$625 million and is subject to final adjustment.

The financial results of the automotive business are presented in the accompanying statements as a discontinued operation. Also included in discontinued operations is the corporation's 40% interest in its Mexican automotive affiliate, Metalsa, S. A. Metalsa was not included in the aforementioned sale to Tower Automotive. The corporation intends to sell its interest in Metalsa and expects such sale to be completed by the end of 1997.

Sales from continuing operations in the first quarter of 1997 were \$196.2 million, modestly higher than last year's first quarter sales of \$194.8 million. A 3.6 percent increase in Water Systems Technologies sales was offset by a sales decline within the Storage & Fluid Handling Technologies segment, while sales for Electric Motor Technologies were marginally higher when comparing the first quarter of 1997 with the same period last year.

Earnings from continuing operations were \$7.1 million or \$.35 per share in the first quarter of 1997, compared with \$5.8 million or \$.28 per share reported in the same period last year.

Despite only a modest increase in sales, the corporation's gross profit margin increased a full percentage point from 20.8 percent in the first quarter of 1996 to 21.8 percent in 1997. The most significant improvement in margin occurred within the Water Systems Technologies segment where favorable pricing resulted in a significant improvement in profit margin compared with the first quarter of 1996. Last year's lower margins were a direct result of industry-wide residential price concessions which were established early in the year and continued through June, 1996. A richer mix of sales for fiberglass pipe also contributed to a higher overall margin within the Storage & Fluid Handling segment and more than offset the decline in margin caused by the lower first quarter sales for municipal and industrial tanks at Engineered Storage Products.

First quarter sales for Electric Motor Technologies increased from \$92.3 million in the first quarter of 1996 to \$93.9 million in 1997 as higher volume in the hermetic motor and general industries market segments offset a year-over-year decline in the pump motor market. Electric Motor Technologies first quarter profits were moderately higher than 1996 due primarily to higher volume.

On March 31, 1997, the corporation purchased the business of UPPCO, Incorporated, the world's leading manufacturer of subfractional C-frame motors used in bathroom and range hood fans, microwave and convection ovens, medical equipment and other related equipment. UPPCO, with plant locations in Monticello and Paoli, IN., broadens the product offering for Electric Motor Technologies by moving this segment into markets not previously served. It is anticipated that UPPCO sales will approximate \$60 million for the remaining nine months of 1997 and will be an immediate contributor to profits.

First quarter sales for Water Systems Technologies were \$71.0 million in 1997 or \$2.5 million higher than 1996 first quarter sales of \$68.5 million. 1997 first quarter profits were significantly higher than earnings in the same quarter of 1996. Most of the increase in both sales and earnings was due to the previously discussed improvement in pricing.

First quarter sales for Storage & Fluid Handling Technologies decreased 7.7 percent when compared with the first quarter of 1996. All of the sales shortfall from the prior year's first quarter was attributable to the Engineered Storage Products component of this business segment and was caused by decreased demand for municipal and industrial storage tanks. Sales of fiberglass pipe were at the same level as in the first quarter of 1996.

1997 first quarter earnings for Storage & Fluid Handling Technologies were lower than the same period last year. Although sales of fiberglass pipe were relatively flat with the prior year, a favorable product mix in 1997 resulted in substantial earnings improvement for this element of the business segment. The lower volumes for municipal and industrial storage tanks caused a decline in earnings for Engineered Storage Products which more than offset the favorable effect of the improved margins for fiberglass pipe.

Selling, general and administrative expenses in the first quarter reflected only a minimal increase over the same period of 1996 and remained constant as a percentage of sales for the 1996 and 1997 first

quarters. Interest expense in the first quarter was \$.3 million higher than last year's first quarter due to increased debt levels associated with the corporation's stock repurchase program. The first quarter effective tax rate of 35.9 percent was lower than the 38.2 percent rate in the same period last year due mostly to the recognition of research and development tax credits in 1997.

Equity in the losses of the corporation's Chinese joint ventures was \$.7 million in the first quarter of 1997 compared with a 1996 first quarter loss of \$.4 million. Most of the loss is associated with the Chinese joint venture established to sell water heating equipment that began operation in March of 1996. It is anticipated that this operation will continue to reflect losses in 1997 as start-up costs continue to exceed revenues.

First quarter net earnings from the discontinued automotive business were \$12.8 million and were consistent with previous projections and \$1.2 million better than the first quarter of 1996. The sale of the automotive products business to Tower Automotive, Inc. did not include the corporation's investment in its Mexican affiliate, Metalsa, which is expected to be sold prior to year-end. The corporation's net earnings in the first quarter including those of the discontinued operation, were \$19.9 million or \$.98 per share compared with \$17.3 million or \$.83 per share in the first quarter of 1996.

In February 1997, the Financial Accounting Standards Board issued Statement No. 128, Earnings per Share, which is required to be adopted on December 31, 1997. Among other provisions, the dilutive effect of stock options must be excluded under the new requirements for calculating basic earnings per share, which will replace primary earnings per share. This change is not expected to materially impact the corporation's earnings per share calculations.

During the first three months of 1997, the corporation was a party to futures contracts for the purposes of hedging a portion of certain raw material purchases. The corporation was also a party to forward foreign exchange contracts to hedge foreign currency transactions consistent with its committed exposures. Had these contracts not been in place, the net earnings of the corporation would not have been materially affected in the first quarter of 1997.

Liquidity and Capital Resources

As mentioned earlier, on April 18, 1997, the corporation closed on the sale of its Automotive Products Company, excluding its investment in its Mexican affiliate. As a result of this transaction, approximately \$100 million in taxes will be owed. A portion of the proceeds of the sale will be used to pay down existing debt to approximately \$100 million. The corporation plans to use the remaining proceeds to continue to repurchase stock and make acquisitions in its three core businesses.

At March 31, 1997, the corporation's current liabilities exceeded current assets by \$258.5 million. The significant temporary increase in current liabilities was a result of the reclassification of long term debt to short term debt due to the closing of the sale of the automotive business and the anticipated debt payoff after the sale. After the receipt of the proceeds, the corporation's working capital was positive.

Cash flow provided by operations was \$77.7 million less than the same period last year primarily due to the acquisition of UPPCO. The corporation's total debt increased \$237.2 million from \$250.4 million at the end of December 1996 to \$487.6 million at the end of March 1997. The acquisition of UPPCO for \$60.4 million, the repurchase of 1.4 million shares totalling \$46.8 million, and \$110 million for working capital and capital expenditures associated with discontinued operations all contributed to the significant increase in the level of debt.

Capital expenditures for continuing operations during the first quarter were \$11.1 million, \$3.8 million higher than during the first quarter of 1996. The corporation expects that cash flow from operations will adequately cover 1997 capital expenditures.

At its April 10, 1997 meeting, A. O. Smith's Board of Directors declared a regular quarterly dividend of \$.17 per share on its common stock (Classes A and Common). The dividend is payable on May 15, 1997 to shareholders of record April 30, 1997.

Forward Looking Statements

Certain statements in this report are forward-looking statements. Although the corporation believes that its expectations are based upon

reasonable assumptions within the bounds of its knowledge of its business, there can be no assurance that the corporation's financial goals will be realized. Although a significant portion of the corporation's sales are derived from the replacement of previously installed product and such sales are therefore less volatile, numerous factors may affect the corporation's actual results and may cause results to differ materially from those expressed in forward-looking statements made by or on behalf of the corporation. Among such numerous factors the corporation includes the continued strong growth of the worldwide heating, ventilating and air conditioning market, the stability of the pricing environment for residential water heaters and the successful implementation of the corporation's joint venture strategies in China.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

The corporation is involved in various unresolved legal actions, administrative proceedings and claims in the ordinary course of its business involving product liability, property damage, insurance coverage, patents and environmental matters including the disposal of hazardous waste. Although it is not possible to predict with certainty the outcome of these unresolved legal actions or the range of possible loss or recovery, the corporation believes these unresolved legal actions will not have a material effect on its financial position or results of operations.

The corporation reported in the environmental matters discussed in Item 3 in the corporation's Form 10-K Report for the period ended December 31, 1996, which is incorporated herein by reference, that it was involved as a Potentially Responsible Party in judicial and administrative proceedings initiated on behalf of the United States Environmental Protection Agency and certain state environmental agencies to clean up the environment at a total of 15 Superfund sites and to recover costs incurred or to be incurred as a result of such clean ups. The claims pending against the corporation in one such judicial proceeding were dismissed at the end of the first quarter. Except for that matter, there have been no material changes in the environmental matters that were previously reported in Item 3.

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

No matters were submitted to a vote of security holders during the first quarter of 1997.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- (10) Asset Purchase Agreement, dated as of January 27, 1997, among A. O. Smith Corporation, A. O. Smith Enterprises, Ltd., Tower Automotive Acquisition, Inc., Tower Automotive, Inc. and R. J. Tower Corporation [incorporated by reference to Exhibit 2.1 of the Form S-3 Registration Statement of Tower Automotive, Inc. (Registration No. 333-21943)]. Schedules thereto have not been filed; the corporation agrees to furnish a supplemental copy of any omitted schedule to the Commission upon request.
- (27) Financial Data Schedule

(b) Reports on Form 8-K

No reports on Form 8-K were filed by the corporation in the first quarter of 1997.

SIGNATURES

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

A. O. SMITH CORPORATION

May 9, 1997

/s/ John J. Kita
John J. Kita
Vice President,
Treasurer and Controller

May 9, 1997

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

INDEX TO EXHIBITS

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(27)	Financial Data Schedule

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DEC-31-1997

MAR-31-1997

2,803

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140,304

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89,566

356,548

420,598

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133,961

479,396

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62,750

333,795

1,091,509

196,248

196,248

153,450

153,450

28,325

0

2,244

12,229

4,391

7,121

12,790

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19,911

0.98

0.98