
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Quarter Ended May 3, 1996 Commission File Number 1-8649

THE TORO COMPANY
(Exact name of registrant as specified in its charter)

DELAWARE
(State of Incorporation)

41-0580470
(I.R.S. Employer
Identification Number)

8111 LYNDAL AVE SOUTH
BLOOMINGTON, MINNESOTA 55420
TELEPHONE NUMBER: (612) 888-8801

(Address, including zip code, and telephone number, including area code,
of registrant's principal executive offices)

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X

No

The number of shares of Common Stock outstanding as of May 31, 1996 was 12,147,691.

THE TORO COMPANY
INDEX TO FORM 10-Q

Page Number

PART I. FINANCIAL INFORMATION:

Condensed Consolidated Statements of Operations and Retained Earnings - Three and Six Months Ended May 3, 1996 and April 28, 1995.	3
Condensed Consolidated Balance Sheets May 3, 1996, April 28, 1995 and October 31, 1995, . . .	4
Consolidated Statements of Cash Flows - Six Months Ended May 3, 1996 and April 28, 1995	5
Notes to Condensed Consolidated Financial Statements	6-7
Management's Discussion and Analysis of Financial Condition and Results of Operations	8-10

PART II. OTHER INFORMATION:

Item 4 Results of Votes of Security Holders	11
Item 6 Exhibits and Reports on Form 8-K	11
Exhibit 11 Computation of Earnings Per Common Share.	12

PART I. FINANCIAL INFORMATION
THE TORO COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
(UNAUDITED)
(DOLLARS IN THOUSANDS, EXCEPT PER-SHARE DATA)

	Three Months Ended		Six Months Ended	
	May 3, 1996	April 28, 1995	May 3, 1996	April 28, 1995
Net sales	\$ 288,646	\$ 310,613	\$ 500,147	\$ 524,563
Cost of sales	184,836	203,271	320,008	341,153
Gross profit	103,810	107,342	180,139	183,410
Selling, general and administrative expense	73,540	76,245	137,364	140,239
Earnings from operations	30,270	31,097	42,775	43,171
Interest expense	4,134	3,428	7,103	6,023
Other income, net	(1,640)	(1,563)	(6,153)	(3,415)
Earnings before income taxes	27,776	29,232	41,825	40,563
Provision for income taxes	10,956	11,693	16,507	16,225
Net earnings	\$ 16,820	\$ 17,539	\$ 25,318	\$ 24,338
Retained earnings at beginning of period	149,924	121,751	142,891	116,482
Dividends on common stock of \$0.12, \$0.12, \$0.24 and \$0.24 per share, respectively	(1,470)	(1,528)	(2,935)	(3,058)
Retained earnings at end of period	\$ 165,274	\$ 137,762	\$ 165,274	\$ 137,762
Net earnings per share of common stock and common stock equivalent	\$ 1.33	\$ 1.32	\$ 2.00	\$ 1.83
Net earnings per share of common stock and common stock equivalent - assuming full dilution	\$ 1.33	\$ 1.32	\$ 2.00	\$ 1.83

See accompanying notes to condensed consolidated financial statements.

THE TORO COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(DOLLARS IN THOUSANDS)

	May 3, 1996	April 28, 1995	October 31, 1995
	-----	-----	-----
ASSETS			
Cash and cash equivalents.	\$ 4,238	\$ 11,709	\$ 7,702
Receivables, net	343,344	329,447	198,816
Inventories.	158,841	138,018	145,862
Other current assets	32,270	30,093	33,879
	-----	-----	-----
Total current assets.	538,693	509,267	386,259
	-----	-----	-----
Property, plant and equipment.	216,806	203,928	211,681
Less accumulated depreciation and amortization.	148,100	138,128	141,726
	-----	-----	-----
	68,706	65,800	69,955
Other assets	17,676	17,397	16,439
	-----	-----	-----
Total assets.	\$ 625,075	\$ 592,464	\$ 472,653
	-----	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current portion of long-term debt.	\$ 10,353	\$ 16,055	\$ 15,334
Short-term borrowing	148,585	91,863	41,575
Accounts payable	39,565	44,650	51,052
Other accrued liabilities.	142,853	167,245	113,212
	-----	-----	-----
Total current liabilities	341,356	319,813	221,173
	-----	-----	-----
Long-term debt, less current portion	53,339	65,369	53,365
Other long-term liabilities.	20,201	5,250	7,223
Common stockholders' equity:			
Common stock par value \$1.00, authorized 35,000,000 shares; issued and outstanding 12,099,223 shares at May 3, 1996 (net of 743,102 treasury shares), 12,763,886 shares at April 28, 1995 (net of 63,281 treasury shares), and 12,167,835 shares at October 31, 1995 (net of 674,490 treasury shares).	12,099	12,764	12,168
Additional paid-in capital.	33,359	53,604	35,712
Retained earnings	165,274	137,762	142,891
Foreign currency translation adjustment.	(553)	514	121
	-----	-----	-----
Receivable from ESOP.	210,179	204,644	190,892
	-----	-----	-----
Total common stockholders' equity	210,179	202,032	190,892
	-----	-----	-----
Total liabilities and common stockholders' equity.	\$ 625,075	\$ 592,464	\$ 472,653
	-----	-----	-----

See accompanying notes to condensed consolidated financial statements.

THE TORO COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(DOLLARS IN THOUSANDS)

	Six Months Ended	
	May 3, 1996	April 28, 1995
Cash flows from operating activities:		
Net earnings	\$ 25,318	\$24,338
Adjustments to reconcile net earnings to net cash used in operating activities:		
Provision for depreciation and amortization	8,831	8,906
Loss on disposal of property, plant and equipment	(115)	(234)
Deferred income taxes	-	(297)
Tax benefits related to employee stock option transactions	1,490	1,178
Changes in operating assets and liabilities:		
Receivables, net	(144,528)	(146,954)
Inventories	(12,979)	(5,164)
Other current assets	1,609	(1,874)
Accounts payable and accrued expenses	14,597	38,542
Accrued income taxes	3,557	(2,779)
	(102,220)	(84,338)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(7,236)	(14,683)
Proceeds from asset disposals	184	633
(Increase) decrease in other assets	(1,652)	658
	(8,704)	(13,392)
Cash flows from financing activities:		
Increase in sale of receivables	-	17,417
Increase in short-term borrowing	107,010	91,863
Repayments of long-term debt	(5,007)	(10,030)
Change in other long-term liabilities	12,978	-
Proceeds from sale of common stock	3,238	2,015
Purchases of common stock	(7,150)	(1,919)
Dividends on common stock	(2,935)	(3,058)
	108,134	96,288
Foreign currency translation adjustment	(674)	749
Net decrease in cash and cash equivalents	(3,464)	(693)
Cash and cash equivalents at beginning of period	7,702	12,402
	\$ 4,238	\$ 11,709
	\$ 4,238	\$ 11,709

See accompanying notes to condensed consolidated financial statements.

THE TORO COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
MAY 3, 1996

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the unaudited consolidated financial statements include all adjustments, consisting primarily of recurring accruals, considered necessary for a fair presentation of the financial position and the results of operations. The Toro Company's business is seasonal. Operating results for the six months ended May 3, 1996 are not necessarily indicative of the results that may be expected for the year ending October 31, 1996.

In November 1995, the company changed its fiscal year from a fiscal year ended July 31 to a fiscal year ended October 31.

The quarter ended May 3, 1996 had thirteen weeks of results versus the prior quarter ended April 28, 1995 which had twelve weeks. Both six month periods ended May 3, 1996 and April 28, 1996 had 26 weeks of actual results.

For further information, refer to the consolidated financial statements and notes included in the company's Annual Report on Form 10-K for the year ended July 31, 1995 (the company's former fiscal year end). The policies described in that report are used for preparing quarterly reports.

2. INVENTORIES

The majority of inventories are valued at the lower of cost or net realizable value with cost determined by the last-in, first-out (LIFO) method. Had the first-in, first-out (FIFO) method of cost determination been used, inventories would have been \$24,841,000 and \$19,204,000 higher than reported at May 3, 1996, and April 28, 1995, respectively. Under the FIFO method, work-in-process inventories were \$78,977,000 and \$76,042,000 and finished goods inventories were \$104,705,000 and \$81,180,000 at May 3, 1996, and April 28, 1995, respectively.

3. DEFERRED INCOME

The company entered into a forward starting interest rate exchange agreement with a bank on March 6, 1996 to hedge the anticipated refinancing of its \$50 million, 11% long-term sinking fund debentures callable August 1, 1997, and to realize the benefit of current favorable interest rates. Simultaneously with entering into this interest rate exchange agreement, the company terminated its interest rate exchange agreement entered into during February 1994. The effect of this transaction was to extend the original forward starting interest rate exchange agreement from 5 years to 30 years. As a result of this transaction, the net cash received was increased from \$5.25 million in 1994 to \$17.3 in March of 1996. The net proceeds to the company in March 1996 were \$12.1 million. In return for the net proceeds, the company will pay the bank 10.55% on a notational amount of \$50 million from August 1, 1997 through July 31, 2027 and the company will receive payments based on a floating rate equal to LIBOR on the notational amount over the same period.

The net interest rate differential to be received or paid and the \$17.3 million deferred income will be recognized commencing August 1, 1997 as a reduction to interest expense over the term of the agreement.

In accordance with FASB statement 107 "Disclosures about Fair Value of Financial Instruments" the cost to terminate this agreement at May 3, 1996, had management elected to do so, was approximately \$17.4 million which would have resulted in a loss of approximately \$0.1 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table sets forth sales by product line.

(Dollars in thousands)	Three Months Ended			
	May 3, 1996	April 28, 1995	\$ Change	% Change
Consumer products.	\$ 137,791	\$ 172,925	\$ (35,134)	(20.3)%
Commercial products.	108,523	100,448	8,075	8.0
Irrigation products.	42,332	37,240	5,092	13.7
Total *	\$ 288,646	\$ 310,613	\$ (21,967)	(7.1)%
* Includes international sales of: . . .	\$ 64,339	\$ 56,461	\$ 7,878	14.0%

(Dollars in thousands)	Six Months Ended			
	May 3, 1996	April 28, 1995	\$ Change	% Change
Consumer products.	\$ 240,432	\$ 284,904	\$ (44,472)	(15.6)%
Commercial products.	186,856	174,290	12,566	7.2
Irrigation products.	72,859	65,369	7,490	11.5
Total *	\$ 500,147	\$ 524,563	\$ (24,416)	(4.7)%
* Includes international sales of: . . .	\$ 103,758	\$ 91,243	\$ 12,515	13.7%

Worldwide net sales for the three months ended May 3, 1996 of \$288.6 million decreased by \$22.0 million from the prior year. This decrease was diminished because the quarter ended May 3, 1996 included thirteen weeks of results versus the prior quarter ended April 28th, 1995 which included twelve weeks. The \$21.9 million decrease occurred primarily as a result of decreased consumer sales due to an unusually slow start to the lawn and garden retail season because of unseasonable weather over most of the United States. The decline in consumer product sales for the quarter was offset partially by an increase in commercial and irrigation product sales. Although commercial product sales also had a delayed impact due to the unseasonable weather, they rebounded late in the quarter as sales of equipment to golf courses improved. Sales of irrigation products to mass merchants gained momentum and irrigation sales to golf courses remained strong. International sales, reported within the consumer, commercial and irrigation results above, increased from the prior year due to stronger economies and improved weather conditions.

Gross profit of \$103.8 million decreased \$3.5 million from the prior year. As a percent of sales, gross profit for the period ended May 3, 1996 was 36.0% compared with 34.6% for the period ended April 28, 1995 due primarily to favorable product costs and mix.

Selling General and Administrative Expense

S G & A	May 3, 1996	% of Net Sales	Apr 28, 1995	% of Net Sales
Administrative	\$ 21.7	7.5%	\$ 23.1	7.4%
Sales and Marketing	24.3	8.4	28.9	9.3
Warranty	11.0	3.8	9.6	3.1
Distributor/Dealer Financing	2.8	1.0	3.0	1.0
Research and Development	7.5	2.6	6.4	2.1
Warehousing	4.4	1.5	3.6	1.1
Service/Quality Assurance	1.8	0.6	1.6	0.5
	---	---	---	---
Total	\$ 73.5	25.4%	\$ 76.2	24.5%

Selling, General and Administrative Expense (S G & A) decreased \$2.7 million from the prior year and as a percent of sales increased to 25.4%. Administrative expense decreased \$1.4 million from the prior year primarily because the company was beginning its implementation of an enterprise wide information system in fiscal 1995. Sales and marketing expense decreased primarily because of reduced sales and the company's efforts to reduce marketing costs. Warranty expense increased from the prior year primarily as a result of a reserve established for required rework on a lawnmower product and gas tank was offset partially because warranty reserve requirements were lower. Distributor/Dealer financing was down primarily due to a reduction in distributor financing expense because of the sales decline. Research and development expenditures were above the prior year reflecting the company's continued commitment to product innovation. Warehousing was up due in part to expenses related to the opening of a new parts warehouse/distribution center late in fiscal 1995 and also increased temporary labor and consulting fees.

FINANCIAL POSITION AS OF MAY 3, 1996

MAY 3, 1996 COMPARED TO APRIL 28, 1995

Total assets as of May 3, 1996 were \$625.1 million, up \$32.6 million from April 28, 1995. The primary increases occurred in accounts receivable and inventory. The increase in inventory comes as a result of the slow retail season in many product categories. Production changes and a pick up in retail demand is expected to bring inventory levels back in line with prior periods by October 31, 1996.

Historically, accounts receivable balances increase throughout the winter months as a result of extended payment terms made available to the company's customers and decrease in late spring when payments become due. Accounts receivable showed an increase of \$13.9 million over the prior year. Of this increase, approximately \$17.4 million relates to the sale of receivables in the prior period with no receivables being sold in the current year. The offsetting decrease occurred primarily due to reduced consumer sales of 20.3% which was offset by the increases in the commercial, irrigation and international sales.

Total current liabilities of \$341.4 million at May 3, 1996 increased \$21.5 million compared with current liabilities at April 28, 1995. The majority of this increase occurred in short-term borrowing, which was up \$56.7 million over the prior year. The increase in short-term borrowing reflects the company's cash management strategy of utilizing short-term borrowing to fund the company's seasonal working capital needs. The company's peak borrowing usually occurs in late winter/early spring. The company also acquired \$6.5 million of Toro stock in the second quarter. The purchased stock will be used primarily to fulfill the company's obligations under a variety of benefit plans. The increase in short-term borrowing was offset by a decrease in other accrued liabilities which reflects reductions in marketing programs due to a combination of the consumer sales decline and the company's efforts to reduce marketing costs.

Other long-term liabilities increased \$15.0 million over the prior year because the company entered into a forward starting interest rate exchange agreement. See footnote 3 on page 7.

MAY 3, 1996 COMPARED TO OCTOBER 31, 1995

Total assets as of May 3, 1996 were \$625.1 million, up \$152.4 million from October 31, 1995. The majority of this increase occurred in accounts receivable (\$144.5 million). The increase in accounts receivable is attributable to the company's business cycle with receivables increasing as sales increase in the winter months and extended payment terms are offered to customers. In addition, accounts receivable have increased due to the expansion of the dealer financing customer base.

Total current liabilities of \$341.4 million at May 3, 1996 increased \$120.2 million compared with current liabilities at October 31, 1995. The majority of this increase was the result of additional short-term borrowing of \$107.0 million. The increase in short-term borrowing reflects the company's strategy of utilizing short-term borrowing to fund the company's seasonal working capital needs. The company also acquired \$7.2 million of Toro stock in the six months ended May 3, 1996.

Other long-term liabilities increased \$13.0 million because the company entered into a forward starting interest rate exchange agreement. See footnote 3 on page 7.

LIQUIDITY AND CAPITAL RESOURCES

EQUITY

Equity increased \$8.1 million compared with the prior year. Retained earnings increased \$27.5 million. This was offset by a decrease in additional paid in capital. The company acquired \$31.3 million of Toro stock in the twelve months ended May 3, 1996. The purchased stock will be used primarily to fulfill the company's obligations under a variety of benefit plans.

Equity as of May 3, 1996 increased \$19.3 million compared to October 31, 1995. The increase reflects the earnings over the period.

CASH FLOWS

The seasonal working capital requirements of the business are financed with short-term debt. Management believes that the combination of funds available through its existing financing arrangements, coupled with forecasted cash flows, will provide the capital resources for its anticipated needs.

Cash used in operating activities was primarily to support the increase in accounts receivable and inventory primarily as a result of normal seasonal increases, offset slightly by payments of accounts payable and accrued expenses. Partially offsetting these operating cash outflows were positive cash flows from net earnings.

Net cash used in investment activities was the result of spending related to company improvement projects of property, plant, and equipment. Investment in property, plant, and equipment is down due to the prior year investments including several one-time expenditures on facility expansions.

Net cash provided by financing activities was the result of proceeds from short-term borrowing used to fulfill the operating cash flow requirements described above in addition to reducing long-term debt. The cash provided from the change in other long-term liabilities is the cash received from the forward starting interest rate exchange agreement entered into on March 6, 1996. See footnote 3 on page 7.

INFLATION

The company is subject to the effects of changing prices. The Company has, however, generally been able to pass along inflationary increases in its costs by increasing the prices of its products.

PART II. OTHER INFORMATION

Item 4 Results of Votes of Security Holders

The Annual Meeting of Stockholders was held on March 12, 1996.

The results of the stockholder votes were as follows: on the election of directors, 10,556,001 were voted for election and some of the proxies were cast against the three directors, but not more than 3.7% of the shares represented in person or by proxy at the meeting; on the Annual Management Incentive Plan 9,944,819 shares were voted for, 831,440 shares were voted against and 181,735 shares abstained; and on the amendment of Continuous Performance Award Plan 9,803,760 shares were voted for, 950,554 shares were voted against, and 203,680 shares abstained; and on the Amendment of 1989 and 1993 Stock Option Plans 5,810,547 shares were voted for, 3,861,708 shares were voted against, and 240,234 shares abstained; and on the Amendment of The Toro Company 1992 Directors Stock Plan 7,213,856 shares were voted for, 2,488,113 shares were voted against, and 210,520 shares abstained; on the appointment of the independent auditors 10,698,164 shares were voted for, 153,598 shares were voted against and 106,232 shares abstained.

Item 6 Exhibits and Reports on Form 8-K

(a) Exhibit 11 Computation of Earnings per Common Share

(b) Exhibit 27 Financial Data Schedule

Summarized financial data; electronic filing only.

(c) Reports on Form 8-K

The Company did not file any Form 8-K reports during the second quarter of 1996.

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.

THE TORO COMPANY
(Registrant)

By /s/ Gerald T. Knight

Gerald T. Knight
Vice President, Finance
Chief Financial Officer
(principal financial officer)

Date: June 17, 1996

THE TORO COMPANY AND SUBSIDIARIES
 COMPUTATION OF EARNINGS PER COMMON SHARE (UNAUDITED)
 (DOLLARS IN THOUSANDS, EXCEPT PER-SHARE DATA)

	Three Months Ended		Six Months Ended	
	May 3, 1996	April 28, 1995	May 3, 1996	April 28, 1995
Net earnings	\$ 16,820	\$ 17,539	\$ 25,318	\$ 24,338
Primary:				
Shares of common stock and common stock equivalents:				
Weighted average number of common shares outstanding	12,222,437	12,770,376	12,220,874	12,759,817
Dilutive effect of outstanding stock options (1)	429,796	504,457	437,539	515,562
	12,652,233	13,274,833	12,658,413	13,275,379
Net earnings per share of common stock and common stock equivalent	\$ 1.33	\$ 1.32	\$ 2.00	\$ 1.83
Fully Diluted:				
Shares of common stock and common stock equivalents:				
Weighted average number of common shares outstanding	12,222,437	12,770,376	12,220,874	12,759,817
Dilutive effect of outstanding stock options (2)	429,796	505,169	445,315	523,338
	12,652,233	13,275,545	12,666,189	13,283,155
Net earnings per share of common stock and common stock equivalent	\$ 1.33	\$ 1.32	\$ 2.00	\$ 1.83

- 1) Outstanding stock options and options exercised in the current period are converted to common stock equivalents by the treasury stock method using the average market price of the company's stock during each period.
- 2) Outstanding stock options and options exercised in the current period are converted to common stock equivalents by the treasury stock method using the greater of the average market price or the period-end market price of the company's stock during each period.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS, THE CONDENSED CONSOLIDATED BALANCE SHEET AND EXHIBIT 11 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

6-MOS		
	OCT-31-1995	
	NOV-01-1995	
	MAY-03-1996	4,238
		0
	343,344	0
		158,841
	538,693	216,806
	148,100	
	625,075	
	341,356	63,692
	0	0
		12,099
		198,080
625,075		288,646
	288,646	184,836
		73,540
	(1,640)	0
	4,134	
	27,776	
		10,956
	16,820	0
		0
		0
		16,820
		1.33
		1.33

TOTAL LONG-TERM DEBT
 DOES NOT INCLUDE ADDITIONAL PAID-IN-CAPITAL
 OTHER INCOME-NET
 NOT INCLUDED IN QUARTERLY FINANCIAL INFORMATION
 TOTAL NET RECEIVABLES