UNITED STATES 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 July 31, 1994

OR

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from ______________ to _______________

Commission File Number 1-8649

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

DELAWARE	41-0580470
(State of incorporation)	(I.R.S. Employer Identification Number)

8111 LYNDALE AVENUE 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)

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock par value $1.00 per share	New York Stock Exchange
Preferred Share Purchase Rights	New York 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. [ ]

The aggregate market value of the voting stock held by nonaffiliates of the Registrant, based upon the close price of the Common Stock on September 30, 1994 as reported on the New York Stock Exchange, was approximately $314,586,300.

The number of shares of Common Stock outstanding as of September 30, 1994 was 12,583,452.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Annual Report to Stockholders for the fiscal year ended July 31, 1994, are incorporated by reference into Parts I, II and IV.

Portions of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held December 15, 1994, are incorporated by reference into Part III.

ITEM 1. BUSINESS

INTRODUCTION

The company designs, manufactures and markets consumer and commercial lawn and turf maintenance equipment, snow removal products and turf irrigation systems, including products for maintenance of golf courses, parks and other large turf areas. The company produced its first lawn mower for golf course fairways in 1922 and its first lawn mower for home use in 1939 and has continued to enhance its product lines and expand its market ever since.

The company was incorporated in Minnesota in 1935 as a successor to a business founded in 1914. It was reincorporated in Delaware in 1983. The company's executive offices are located at 8111 Lyndale Avenue South, Bloomington, Minnesota 55420-1196, telephone number (612) 888-8801. Unless the context indicates otherwise, the terms "company" and "Toro" refer to The Toro Company and its subsidiaries. The company finances a significant portion of its receivables through Toro Credit Company ("Toro Credit"), its wholly-owned finance subsidiary.

YARD MAINTENANCE EQUIPMENT

The company classifies its operations into one industry segment, yard maintenance equipment. The company has been a leader in transforming advanced technologies into products and services that provide solutions to lawn and turf care maintenance and beautification demands.

MANUFACTURING

The company's consumer spring and summer products are generally manufactured in the winter and spring months and its consumer fall and winter products are generally manufactured in the summer and fall months. The company's irrigation and commercial products are manufactured throughout the year.

In some areas of its business the company is primarily an assembler while in others it is a fully integrated manufacturer. Most of the components for the company's products are commercially available from a number of sources and the company is generally not dependent on any one supplier. The largest component costs are generally engines, transmissions and electric motors. The company purchases most of its engines and motors for consumer and commercial products from several suppliers. In addition, the company manufactures three types of two-cycle engines for its consumer products.

Management continues to seek greater efficiencies and improve work processes throughout the company. Toro's total quality process is focused upon improving product quality, customer response time and reducing overall product cost and inventory levels both within Toro and in the company's distribution channels.

TRADEMARKS AND PATENTS

Products manufactured by the company are nationally advertised and sold at the retail level under the trademarks "Toro", "Wheel Horse" and "Lawn-Boy", all of which are registered in the United States and in the principal foreign countries in which the company markets its products. The company holds patents for many of its products in the United States and foreign countries and applies for patents on new products as new products are developed. Although management believes patents have value to the company, patent protection sometimes does not deter competitors from attempting to develop similar products. Management believes that factors such as innovation, quality and its distribution systems are significant in protecting its competitive position. Although patent protection is considered to be very beneficial, the company is not dependent on any one or more of its patents.

SEASONALITY

Sales of the company's consumer products, which accounted for approximately 54% of total sales in fiscal 1994, are highly seasonal with greater sales of yard maintenance equipment occurring in the spring. Sales of snow removal equipment in the fall and winter months and contra seasons in some global markets somewhat moderate this seasonality in consumer product sales. Seasonality in irrigation and commercial product sales also exists, but is tempered because the selling season in west coast and southern states continues for a longer portion of the year than in northern states. Overall, worldwide sales levels are highest in the third quarter. Historically, accounts receivable balances increase throughout the winter months as a result of extended payment terms made available to the company's customers. Accounts receivable balances decrease in the late spring when payments are due. The seasonal requirements of the business are financed from operations and with short-term bank lines of credit and off-balance sheet financing.

DISTRIBUTION AND MARKETING

The company markets the majority of its products principally through approximately 48 domestic and 55 foreign distributors and mass merchandisers worldwide. Distributors resell consumer products to approximately 10,800 retail dealers throughout the United States. Riding products are sold primarily to approximately 4,000 retail service dealers throughout the United States through existing distributors acting as sales agents worldwide. Home appliance and Lawn-Boy products are sold directly to mass merchandisers and "do-it-yourself" home improvement retailers. Distributors sell commercial and irrigation products directly to end users, including irrigation contractors. Irrigation products are also sold through distributors to irrigation dealers and direct to general line distributors, mass merchandisers and "do-it-yourself" home improvement retailers for resale to contractors and end-users. Consumer products are sold to international distributors who resell to approximately 2,000 retail dealers outside the United States, principally in Canada, Western Europe, Japan and Australia. Additionally, some irrigation and consumer products are sold directly to approximately 700 retail dealers in Canada, Australia and Western Europe.

The company's current marketing strategy is to maintain distinct and separate brands and brand identification for Toro, Toro/Wheel Horse and Lawn-Boy products.

The company's distribution systems for the sale of its products are intended to assure quality of sales and market presence as well as effective after-market service. The company considers its distribution network to be a significant competitive asset in marketing Toro, Toro/Wheel Horse and Lawn-Boy products.

The company advertises its products during appropriate seasons throughout the year on television, radio and in print. Most of the company's advertising emphasizes its brand names. Advertising is directly paid by Toro as well as through cooperative programs with distributors and dealers.

BACKLOG OF ORDERS

The order backlog at July 31, 1994 and 1993 was as follows:

	July 31	
	1994	1993
Consumer	$107,848,000	$43,190,000
Commercial	40,279,000	33,037,000
Irrigation	10,214,000	7,916,000

The increase in consumer product backlog reflects the fiscal 1994 sell-out of gas snow products and strong demand for snow products in anticipation of another hard winter season. The increase for commercial products reflects a strong first quarter for fiscal 1995 core product sales. Favorable weather conditions and rebounding economies in Europe and the Far East is exhibited by the increase in irrigation product backlog. The existing backlog is expected to be filled in the succeeding fiscal year.

COMPETITION

The principal competitive factors in the company's markets are product innovation, quality, service and pricing. Management believes the company offers high quality products with the latest technology and design innovations. Also, by selling Toro, Toro/Wheel Horse and Lawn-Boy brand products through a network of distributors and dealers who provide service, the company offers competitive service during and after the relevant warranty period.

The company competes in all product lines with numerous manufacturers, many of which have substantially greater financial resources than the company.

CONSUMER

The principal competitors for walk-behind mowers are American Yard Products, Inc. (a subsidiary of Electrolux AB), Deere & Company, Honda Motor Co., Ltd., MTD Products, Inc., Murray Ohio Manufacturing Co., Inc. (a subsidiary of Tompkins Corp.), Sears, Roebuck and Co. and Snapper Power Equipment (a division of ACT). The principal competitors in riding mowers and lawn and garden tractors are Ariens Company, Bolens Corporation (a division of Garden Way, Incorporated), Deere & Company, Honda Motor Co., Ltd., Murray Ohio Manufacturing Co., Inc., MTD Products, Inc., Noma Outdoor Products, Sears, Roebuck and Co., Simplicity Manufacturing Company and Snapper Power Equipment. The principal competitors for snow throwers are Ariens Company, Bolens Corporation, Honda Motor Co., Ltd., Noma Outdoor Products, Sears, Roebuck and Co., Simplicity Manufacturing Company, Snapper Power Equipment and Yamaha Motor Corporation, USA. The principal competitors in home improvement products are Black and Decker Corporation, K & S Industries, Inc., Malibu Lighting (a registered trademark of Intermatic, Inc.) and Poulan/Weed Eater (a division of Electrolux AB).

COMMERCIAL

The company's commercial products compete with products from numerous manufacturers, but the principal competitors across most of the company's commercial product lines are Deere & Company, Jacobsen and Ransomes Sims & Jefferies PLC, based in the United Kingdom.

IRRIGATION

The principal competitors in irrigation products are James Hardie Irrigation, Inc. (a subsidiary of James Hardie Industries Limited, based in Australia), Hunter Industries and Rain Bird Sprinkler Manufacturing Corporation. Management believes that its commitment to product innovation, its distribution systems and its focus on its target markets, position it well to compete in these various markets.

INTERNATIONAL

The international market is generally fragmented so that the degree of competition varies among the different countries in which the company markets its consumer, commercial and irrigation products. Most competitors in the irrigation and commercial product lines are based in the United States. Consumer product lines face more competition because foreign competitors can manufacture and market competing products in their countries at a lower cost. In addition, fluctuations in the value of the U.S. dollar may affect the price of the company's products in such markets, thereby affecting their competitiveness.

RESEARCH AND DEVELOPMENT

The company conducts research and development activities in an effort to improve existing products and to develop new products. Amounts expended on such activities aggregated approximately $30.9 million, or 3.9% of sales in 1994, $25.3 million, or 3.7% of sales in 1993 and $26.9 million, or 4.2% of sales in 1992. Management believes that the company's research and development efforts are important to the quality, mix and growth of its businesses and plans to continue its strong commitment to such activities.

GOVERNMENTAL REGULATION

The company's products are subject to various federal statutes designed to protect consumers and are subject to the administrative jurisdiction of the Federal Consumer Product Safety Commission. The company is also subject to certain federal and state environmental, occupational safety and other regulations, none of which has had a material adverse affect on its operations or business. Management believes the company is in substantial compliance with all such regulations. The Environmental Protection Agency (EPA) released proposed regulations for small engine emissions in May 1994. Toro has been working with industry associations and the EPA on the proposed rules for more than two years and is positioned to respond to whatever final rules are adopted.

EMPLOYEES

During 1994 the company employed an average of 3,434 employees. The total number of employees at July 31, 1994 was 2,800, reflecting the company's normal seasonal fluctuation in employment. Approximately one-quarter of the company's employees are covered by three collective bargaining agreements expiring in September 1994, November 1996 and May 1997, respectively. Management considers its overall relations with its employees to be good.

FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC OPERATIONS

All of Toro's production facilities are located within the United States and Belgium. Except for the sales of the company's foreign subsidiaries which are not significant when compared to total company sales, substantially all financial transactions are made in U.S. dollars. Consequently, the company did not realize any significant impact to earnings due to fluctuations in foreign currencies.

Export sales were $109,344,000, $111,263,000 and $109,076,000 in fiscal 1994, 1993 and 1992, respectively. The identifiable assets attributable to foreign operations are not significant.

ITEM 2. PROPERTIES

The Toro Company utilizes owned manufacturing and office facilities which totaled approximately 2,199,000 square feet of space. The manufacturing facilities operated at about 89% of total capacity in fiscal 1994. The following schedule outlines the owned facilities by location, plant size and function:

Location	Square Feet	Products Manufactured/Use
Plymouth, WI	463,000	Parts distribution center, office
Tomah, WI	274,000	Consumer and Commercial products
Bloomington, MN	244,000	Corporate headquarters
Riverside, CA	222,000	Irrigation products
Sardis, MS (a)	244,000	Consumer products
Windom, MN	253,000	Consumer components and products
South Bend, IN(b)	226,000	Closed facility
Shakopee, MN	146,000	Components for consumer and commercial products
Oxford, MS	64,000	Components for consumer products
Oevel, Belgium	63,000	Consumer products
Total Square Feet	2,199,000	

(a) Facility closed in 1993 due to restructuring. Will be reopened in 1995.
(b) Facility closed in 1993 due to restructuring. Building held for sale.

In 1994, the company leased the following warehouse space for its finished good distribution centers: 304,000 square feet in Lakeville, Minnesota and 228,000 square feet in Baraboo, Wisconsin. The company also leased manufacturing space of 145,000 square feet in Mound, Minnesota and 176,000 square feet in Olathe, Kansas. Other leased office and warehouse space located in various cities in the United States, Australia, Canada, France, Singapore and United Kingdom totaled approximately 92,000 square feet.

ITEM 3. LEGAL PROCEEDINGS

The company is routinely a party to various litigation in the ordinary course of its business. This ongoing litigation primarily involves claims for damages arising out of the use of the company's products, some of which include claims for punitive as well as compensatory damages. The company is also subject to administrative proceedings in respect of certain claims involving the discharge of hazardous substances into the environment. Certain of these claims assert damages and liability for remedial investigations and clean up costs. Management is of the opinion that the amounts which may be awarded or assessed in connection with these matters will not have a material effect on the company's financial position. Further, the company maintains insurance against product liability losses (other than for punitive damages). Such insurance presently covers claims in excess of $1,000,000 per claim or $2,000,000 in the aggregate during any fiscal year. The company regularly reviews these dollar limits.

ITEM 4. SUBMISSIONS OF MATTERS TO A VOTE OF THE SECURITY HOLDERS

None.

All information incorporated herein by reference in this Part II is from the Registrant's Annual Report to Stockholders for the fiscal year ended July 31, 1994 ("Annual Report").

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Toro common stock (including related Preferred Share Purchase Rights) is listed for trading on the New York Stock Exchange. The number of common stockholders of record as of July 31, 1994 was 7,541.

See "Quarterly Financial Data" on page 28 of the Annual Report for dividends paid and range of high and low quotations, which are incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

See financial data for fiscal years 1994, 1993, 1992, 1991 and 1990 included in "Eleven-Year Selected Financial Data" on pages 12 and 13 of the Annual Report which information for this five-year period is incorporated herein by reference.

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

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 14 through 18 of the Annual Report which is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements described in Item 14(a)1 of this report are incorporated herein by reference.

See "Quarterly Financial Data" appearing on page 28 of the Annual Report which is incorporated herein by reference.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding the directors of The Toro Company contained in the Proxy Statement for the Annual Meeting of Stockholders to be held December 15, 1994, is incorporated herein by reference to such proxy statement which will be filed within 120 days after the end of the fiscal year covered by this Form 10-K.

EXECUTIVE OFFICERS - A complete list of all officers of the company is found on the inside back cover of the Registrant's Annual Report for the year ended July 31, 1994. Those persons deemed "EXECUTIVE OFFICERS" are listed below in alphabetical order. The list below includes their age and position with the company as of October 17, 1994, and positions held by them during the last five years. Officers are elected or appointed annually. Additional information regarding certain of the executive officers is contained in the Proxy Statement for the Annual Meeting of Stockholders to be held December 15, 1994.

Name, Age and Position with the Company	Business Experience During the Last Five Years
Calvin R. Hendrix 43, Vice President and General Manager Irrigation Products	Appointed Vice President, Irrigation Division in September 1993. From 1988 to September 1993, held various management positions with Masco Corporation.
Randy B. James 51, Vice President, Controller	Appointed Vice President, Controller in December 1988. Previously held various management positions within the company.
Gerald T. Knight 47, Vice President-Finance, Chief Financial Officer	Elected Vice President-Finance in April 1992. From December 1990 to April 1992, was Executive Director - Finance and Corporate Controller of NeXT Computer, Inc. Prior to December 1990, held various management positions with The Pillsbury Company (a subsidiary of Grand Metropolitan).
Charles B. Lounsbury 51, Vice President, Distribution, Parts and Debris Management	Appointed Vice President, Distribution Parts and Debris Management in November 1993. From May 1991 to November 1993 was President and Chief Operating Officer of Leaseway Transportation Corporation. While Mr. Lounsbury served as President and a director of Leaseway, it filed for protection under Chapter 11 and was, during that period, discharged. From August 1987 to May 1991 was Senior Vice President of Leaseway Transportation Corporation.
J. David McIntosh 51, Vice President and General Manager, Consumer Products	Appointed Vice President, Consumer Division in February 1992. Appointed Vice President and General Manager, Home Improvement Division in May 1986.
J. Lawrence McIntyre 52, Vice President, Secretary and General Counsel	Elected Vice President in July 1993. Elected Secretary and General Counsel in August 1993. Prior to July 1993, was a shareholder with Doherty, Rumble & Butler Professional Association.

Name, Age and Position with the Company	Business Experience During the Last Five Years
Kendrick B. Melrose 54, Chairman of the Board and Chief Executive Officer	Elected Chairman of the Board in December 1987. Elected Chief Executive Officer in December 1983.
Karen M. Meyer 44, Vice President Human Resources/ Administrative Services	Elected Vice President, Human Resources/Administrative Services in December 1991. Appointed Vice President, Human Resources/Administrative Services in December, 1988. Previously held various management positions within the company.
David H. Morris 53, President and Chief Operating Officer	Elected President in December 1988. Elected Chief Operating Officer in August 1988.
Richard R. Pollick 55, Vice President and General Manager International Equipment	Appointed Vice President, International Division in March 1990. Previously held various management positions within the company.
John G. Szafranski 59, Vice President and General Manager, Commercial Equipment	Appointed Vice President, Commercial Products in December 1984.

ITEM 11. EXECUTIVE COMPENSATION

Information contained under the heading "Compensation" in the Proxy Statement for the Annual Meeting of the Stockholders to be held December 15, 1994, is incorporated herein by reference to such proxy statement which will be filed within 120 days after the end of the fiscal year covered by this Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information regarding the security ownership of certain beneficial owners and management of The Toro Company contained in the Proxy Statement for the Annual Meeting of the Stockholders to be held December 15, 1994, is incorporated herein by reference to such proxy statement which will be filed within 120 days after the end of the fiscal year covered by this Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

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

(a) 1. INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Incorporated by reference into Part II, Item 8 of this report:

(a) 2. INDEX TO CONSOLIDATED FINANCIAL STATEMENT SCHEDULES

Included in Part IV of this report:

All other schedules are omitted as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes.

(a) 3. EXHIBITS

3(i)(a) and 4(a)	Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-3, Registration No. 33-16125).
3(i)(b) and 4(b)	Certificate of Amendment to Certificate of Incorporation of the Registrant dated December 9, 1986 (incorporated by reference to Exhibit 3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended January 30, 1987, Commission file No. 1-8649).
3(i)(c) and 4(c)	Certificate of Amendment to Certificate of Incorporation of the Registrant dated December 8, 1987 (incorporated by reference to Exhibit 3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended January 29, 1988, Commission File No. 1-8649).

3(ii) and 4(d)	Bylaws of the Registrant (incorporated by reference to Exhibit 3.3 to the Registrant's Annual Report on Form 10-K for the year ended July 31, 1991, Commission file No. 1-8649)
4(e)	Specimen form of Common Stock certificate (incorporated by reference to Exhibit 4(c) to the Registrant's Registration Statement on Form S-8, Registration No. 2-94417).
4(f)	Rights Agreement dated as of June 14, 1988, between the Registrant and Norwest Bank Minnesota, National Association relating to rights to purchase Series B Junior Participating Voting Preferred Stock, as amended (incorporated by reference to Exhibit 1 to Registrant's Registration Statement on Form 8-A dated June 17, 1988, Commission File No. 1-8649, as amended).
4(g)	Indenture dated as of July 15, 1987, between the Registrant and Manufacturers Hanover Trust Company, Trustee, relating to the Registrant's 11% Sinking Fund Debentures Due August 1, 2017 (incorporated by reference to Exhibit 4 to the Registrant's Registration Statement on Form S-3, Registration No. 44-16175).
10(a)	Form of Employment Agreement in effect for certain officers of the Registrant (incorporated by reference to Exhibit 10(a) to the Registrant's Annual Report on Form 10-K for the year ended July 31, 1993).
10(b)	1985 Incentive Stock Option Plan and 1989 Stock Option Plan, both as amended (incorporated by reference Exhibit 10(b) to the Registrant's Annual Report on Form 10-K for the year ended July 31, 1993).
10(c)	The Toro Company Matching Stock Purchase Plan (incorporated by reference to Exhibit 28 to the Registrant's Registration Statement on Form S-8, Registration No. 33-22469).
10(d)	1993 Stock Option Plan (incorporated by reference to Exhibit A to Registrant's Proxy Statement dated October 29, 1993).
10(e)	Continuous Performance Award Plan (incorporated by reference to Exhibit A to Registrant's Proxy Statement dated October 31, 1991).
11	Computation of Earnings (Loss) per Share of Common Stock and Common Stock Equivalent (page 17 of this report).
13	Registrant's Fiscal 1994 Annual Report to Stockholders.
21	Subsidiaries of Registrant (page 18 of this report).
23	Independent Auditors' Consent (page 19 of this report).

(b) REPORTS ON FORM 8-K

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE TORO COMPANY
(Registrant)

Dated: October 18, 1994

/s/ Gerald T. Knight

Gerald T. Knight
Vice President - Finance
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Kendrick B. Melrose Kendrick B. Melrose	Chairman, Chief Executive Officer and Director	October 18, 1994
/s/ David H. Morris David H. Morris	President, Chief Operating Officer and Director	October 18, 1994
/s/ Gerald T. Knight Gerald T. Knight	Vice President - Finance, Chief Financial Officer (principal financial officer)	October 18, 1994
/s/ Randy B. James Randy B. James	Vice President, Controller (principal accounting officer)	October 18, 1994
/s/ Janet K. Cooper Janet K. Cooper	Director	October 18, 1994
/s/ William W. George William W. George	Director	October 18, 1994
/s/ Alex A. Meyer Alex A. Meyer	Director	October 18, 1994
/s/ Robert H. Nassau Robert H. Nassau	Director	October 18, 1994
/s/ Dale R. Olseth Dale R. Olseth	Director	October 18, 1994
/s/ Dale W. Turnbull Dale W. Turnbull	Director	October 18, 1994
/s/ Edwin H. Wingate Edwin H. Wingate	Director	October 18, 1994

[KPMG Peat Marwick LLP Letterhead]

INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Toro Company:

Under date of September 8, 1994, we reported on the consolidated balance sheets of The Toro Company and subsidiaries as of July 31, 1994 and 1993, and the related consolidated statements of operations and cash flows for each of the years in the three-year period ended July 31, 1994, as contained in the 1994 annual report to stockholders. These consolidated financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for the fiscal year 1994. In connection with our audits of the aforementioned consolidated financial statements, we also have audited the related financial statement schedules as listed in the accompanying index. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ KPMG Peat Marwick LLP
KPMG Peat Marwick LLP

Minneapolis, Minnesota
September 8, 1994

Schedule VIII

THE TORO COMPANY AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS

DESCRIPTION	BALANCE AT BEGINNING OF YEAR	CHARGED TO COSTS AND EXPENSES	OTHER (a)	DEDUCTIONS (b)	BALANCE AT END OF YEAR
Year Ended July 31, 1994					
Allowance for doubtful accounts	$5,589,000	$3,032,000	$ 765,000	$ 1,684,000	$7,702,000
Year Ended July 31, 1993					
Allowance for doubtful accounts	$6,358,000	$2,500,000	$ -	$ 3,269,000	$5,589,000
Year Ended July 31, 1992					
Allowance for doubtful accounts	$3,564,000	$4,083,000	$ -	$ 1,289,000	$6,358,000

(a) Additions to allowance for doubtful accounts during 1995 due to reclassification and acquisitions.
(b) Uncollectible accounts charged off, net of recoveries.

Schedule IX

THE TORO COMPANY AND SUBSIDIARIES
Short-term Borrowing

	Year Ended July 31,	
	1994	1993
Balance at End of Period	$ -	$ -
Weighted Average Interest Rate at End of Period	N/A	N/A
Maximum Amount Outstanding During the Period	$49,600,000	$45,500,000
Average Amount Outstanding During the Period (1)	$12,900,000	$10,600,000
Weighted Average Interest Rate During the Period (2)	6.45%	8.08%

(1) The average amount outstanding during the period represents total monthly borrowing divided by 12 months.

(2) The weighted average interest rate represents total annual short-term interest expense, including facility fees, divided by the average daily debt outstanding.

Short-term borrowing are unsecured borrowing under bank lines of credit.

Schedule X

THE TORO COMPANY AND SUBSIDIARIES
Supplementary Income Statement Information

Charged to Costs and Expenses:

	Year Ended July 31,		
	1994	1993	1992
Maintenance and repairs	$10,650,000	$ 8,515,000	$ 7,074,000
Depreciation and amortization of intangible assets	*	*	*
Taxes, other than payroll and income taxes	*	*	*
Royalties	*	*	*
Advertising	$26,282,000	$17,248,000	$22,058,000

* Less than 1% of net sales for applicable year.

Exhibit 11

THE TORO COMPANY AND SUBSIDIARIES
Computation of Earnings (Loss) per Share of Common Stock and
Common Stock Equivalent
(Not Covered by Independent Auditors' Report)

	Year Ended July 31, 1994	1993	1992
Net earnings (loss)	$22,230,000	$13,040,000	$(23,753,000)
Primary:			
Shares of common stock and common stock equivalents:			
Weighted average number of common shares outstanding	12,472,828	12,135,399	11,982,103
Dilutive effect of outstanding stock options (1), (3)	509,538	248,672	-
	12,982,366	12,384,071	11,982,103
Net earnings (loss) per share of common stock and common stock equivalent	$ 1.71	$ 1.05	$ (1.98)
Fully Diluted:			
Shares of common stock and common stock equivalents:			
Weighted average number of common shares outstanding	12,472,828	12,135,399	11,982,103
Dilutive effect of outstanding stock options (2), (3)	509,538	395,274	-
	12,982,366	12,530,673	11,982,103
Net earnings (loss) per share of common stock and common stock equivalent	$ 1.71	$ 1.04	$ (1.98)

(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 year-end market price of the company's shares during each period.

(3) Loss per share calculations for fiscal 1992 are based on the weighted average number of shares of common stock outstanding excluding common stock equivalents due to their anti-dilutive affect.

FINANCIAL HIGHLIGHTS
Strong Growth Continues at Toro

CONTENTS

TORO DELIVERED RECORD SALES AND A 71 PERCENT EARNINGS INCREASE DURING 1994 WHILE ALSO INVESTING HEAVILY FOR THE FUTURE IN KEY ELEMENTS OF THE OPERATION. MOMENTUM CONTINUES TO BUILD INDICATING ANOTHER GOOD YEAR IN 1995.

EXPANDED AND ENHANCED DISTRIBUTION CHANNELS BROUGHT TORO CLOSER TO ITS CUSTOMERS AND IMPROVED THE COMPETITIVE POSITION OF ITS PRODUCT LINES.

AGGRESSIVE ADVERTISING AND MARKETING PROGRAMS REINFORCED TORO'S BRAND EQUITY.

AGGRESSIVE RESEARCH AND DEVELOPMENT INVESTMENTS CONTINUED TO TRANSLATE TRENDS AND CUSTOMER NEEDS INTO MARKET-LEADING NEW PRODUCTS.

TORO'S BALANCE SHEET CONTINUED TO STRENGTHEN AS THE COMPANY REDUCED LONG-TERM DEBT BY $37 MILLION DURING THE YEAR.

(Dollars in thousands, except per-share data) Years ended July 31	1994	1993	% Change
Net sales	$794,341	$684,324	16.1%
Net earnings	22,230	13,040	70.5
Percent of net sales	2.8%	1.9%	
Net earnings per share of common stock and common stock equivalent	$1.71	$1.05	62.9
Dividends per share of common stock outstanding	0.48	0.48	
Return on:			
Beginning common stockholders' equity	15.4%	9.8%	
Average common stockholders' equity	14.2	9.4	
Average invested capital	10.8	7.8	
AT YEAR END			
Working capital	$175,783	$193,870	(9.3)
Total assets	443,639	419,203	5.8
Total debt	101,325	137,970	(26.6)
Common stockholders' equity	168,652	144,601	16.6
Book value per common share	13.43	11.78	14.0
Number of common stockholders	7,541	7,968	(5.4)
Average number of employees	3,434	3,117	10.2

See accompanying notes to consolidated financial statements.

THE TORO COMPANY
Eleven-Year Selected Financial Data

(Dollars in thousands, except per-share data) Years ended July 31	1994	1993	1992*	1991	1990**
OPERATING DATA:					
Net sales	$794,341	$684,324	$643,748	$718,105	$750,931
EARNINGS:					
Net earnings (loss)	22,230	13,040	(23,753)	9,700	16,558
Percent of sales	2.8%	1.9%	(3.7)%	1.4%	2.2%
Per share of common stock and common stock equivalent	$ 1.71	$ 1.05	$ (1.98)	$ 0.81	$ 1.55
DIVIDENDS:					
On common stock outstanding	5,993	5,824	5,753	5,700	4,797
Per share of common stock outstanding	0.48	0.48	0.48	0.48	0.48
RETURN ON:					
Beginning common stockholders' equity	15.4%	9.8%	(14.8)%	6.4%	16.4%
Average common stockholders' equity	14.2%	9.4%	(16.2)%	6.4%	14.4%
SUMMARY OF FINANCIAL POSITION:					
Current assets	$364,495	$344,130	$332,517	$318,753	$320,204
Current liabilities	188,712	150,260	122,087	107,981	130,452
Working capital	175,783	193,870	210,430	210,772	189,752
Non-current assets	79,144	75,073	88,793	96,551	103,347
Total assets	443,639	419,203	421,310	415,304	423,551
Non-current liabilities, excluding long-term debt	5,250	1,372	2,509	1,469	6,112
CAPITALIZATION:					
Long-term debt, less current portion	81,025	122,970	164,100	145,295	134,400
Redeemable preferred stock	--	--	--	--	--
Common stockholders' equity	168,652	144,601	132,614	160,559	152,587
Total capitalization	249,677	267,571	296,714	305,854	286,987
Book value per common share	13.43	11.78	11.01	13.48	12.92
STOCK DATA:					
Number of shares of common stock outstanding (in thousands)	12,561	12,270	12,042	11,913	11,814
Number of common stockholders	7,541	7,968	8,386	8,503	7,706
Low price	$ 19 3/4	$ 11 3/8	$ 12 1/8	$ 11	$ 20 1/2
High price	30 1/2	21 7/8	17 1/2	24 1/4	30
Close price	22 5/8	19 3/4	13	15 3/4	24 1/4

*Includes restructuring costs of $24.9 million, or $1.41 per share.
**The company's consolidated financial statements include results of operations of Lawn-Boy Inc. from November 7, 1989, the date of acquisition.
***The company's consolidated financial statements include results of operations of Wheel Horse Products, Inc. from December 19, 1986, the date of acquisition.

(Dollars in thousands, except per-share data) Years ended July 31	1989	1988	1987***	1986	1985	1984
OPERATING DATA:						
Net sales	$643,566	$609,205	$521,123	$406,664	$336,813	$280,249
EARNINGS:						
Net earnings (loss)	22,096	20,048	17,032	15,491	13,224	8,306
Percent of sales	3.4%	3.3%	3.3%	3.8%	3.9%	3.0%
Per share of common stock and common stock equivalent	$ 2.10	$ 1.84	$ 1.52	$ 1.34	$ 1.11	$ 0.65
DIVIDENDS:						
On common stock outstanding	4,793	4,410	3,599	2,942	2,034	334
Per share of common stock outstanding	0.48	0.43	0.35	0.28	0.20	0.03
RETURN ON:						
Beginning common stockholders' equity	25.8%	26.3%	25.1%	20.4%	19.3%	12.4%
Average common stockholders' equity	23.8%	24.4%	24.0%	23.1%	17.4%	11.8%
SUMMARY OF FINANCIAL POSITION:						
Current assets	$266,176	$262,638	$245,574	$195,635	$186,678	$183,446
Current liabilities	123,377	126,796	102,913	89,382	69,713	52,658
Working capital	142,799	135,842	142,661	106,253	116,965	130,788
Non-current assets	59,807	57,430	53,970	32,930	29,452	29,365
Total assets	325,983	320,068	299,544	228,565	216,130	212,811
Non-current liabilities, excluding long-term debt	2,329	2,887	3,273	2,432	3,922	3,849
CAPITALIZATION:						
Long-term debt, less current portion	96,730	99,347	110,903	63,198	61,935	81,526
Redeemable preferred stock	6,000	9,000	10,500	10,500	10,500	14,829
Common stockholders' equity	97,547	82,038	71,957	63,053	70,060	59,949
Total capitalization	200,277	190,385	193,360	136,751	142,495	156,304
Book value per common share	9.85	8.16	7.01	6.06	6.84	5.97
STOCK DATA:						
Number of shares of common stock outstanding (in thousands)	9,902	10,049	10,272	10,401	10,245	10,041
Number of common stockholders	7,527	6,802	5,587	3,821	4,288	4,136
Low price	$ 17	$ 11 1/8	$ 14	$ 10 3/8	$ 6 5/8	$ 6
High price	22 7/8	24 7/8	22 1/4	19 1/2	11 3/8	8 1/8
Close price	21 1/2	19 1/4	19 5/8	18 3/4	10 1/2	6 2/3

THE TORO COMPANY
Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The company's product, distribution and operational strategies continued to drive the sales and earnings growth in 1994. Worldwide net sales rose to $794.3 million, a 16.1% increase from the $684.3 million in 1993. Net earnings for 1994 were $22.2 million compared to $13.0 million in 1993.

The table below summarizes operating results included in the Consolidated Statements of Operations for 1994, 1993 and 1992. A discussion of the changes follows the table.

SUMMARY

(Dollars in millions except per share data) Years ended July 31	1994	% Change	1993	% Change	1992
Net sales	$794.3	16.1%	$684.3	6.3%	$643.7
Cost of sales	506.8	13.8	445.5	6.3	419.1
Gross profit	287.5	20.4	238.8	6.3	224.6
Selling, general and administrative expense	244.9	20.4	203.4	(8.9)	223.2
Restructuring expense	--	--	--	--	24.9
Earnings (loss) from operations	42.6	20.3	35.4	--	(23.5)
Interest expense	13.6	(20.9)	17.2	(8.0)	18.7
Other income, net	(8.0)	158.1	(3.1)	(57.5)	(7.3)
Earnings (loss) before income taxes	37.0	73.7	21.3	--	(34.9)
Provision (benefit) for income taxes	14.8	78.3	8.3	--	(11.1)
Net earnings (loss)	$ 22.2	70.8%	$ 13.0	--%	$(23.8)
Net earnings (loss) per common and common share equivalent*	$1.71	62.9%	$1.05	--%	$(1.98)

*Loss per share calculations for fiscal 1992 are based on weighted average common shares outstanding, excluding common stock equivalents due to their anti-dilutive effect.

SALES

Net Sales (Dollars in millions) Years ended July 31	1994	% Change	1993	% Change	1992
Consumer	$425.8	26.0%	$338.0	2.6%	$329.3
Commercial	253.2	8.0	234.5	9.2	214.7
Irrigation	115.3	3.1	111.8	12.1	99.7
Total*	$794.3	16.1%	$684.3	6.3%	$643.7
*Includes International sales of	$130.1	0.5%	$129.4	(2.1)%	$132.2

Certain prior year sales amounts have been reclassified to reflect the current year presentation.

FISCAL 1994 COMPARED TO FISCAL 1993

Worldwide sales increased $110.0 million to $794.3 million with increases in all product lines.

CONSUMER PRODUCTS

Worldwide consumer sales rose 26.0% to $425.8 million in 1994. Consumer product sales represented 53.6% and 49.4% of consolidated sales for 1994 and 1993, respectively. International sales included in consumer product sales increased $4.4 million from the previous year.

There were strong performances in all consumer products. The new lawn and garden tractor lines were well accepted and all snow products sold out. Lawn-

Boy-R- walk power mowers were successful because of new product offerings and lower retail price points. Increased sales of electric appliance products including blowers, trimmers and low-voltage lighting were primarily the result of product improvements and retail pricing strategies.

COMMERCIAL PRODUCTS

Worldwide commercial sales increased $18.7 million over the prior year. Domestic sales rose 11.8%, while international sales declined 1.5%. The domestic increase is attributed to strong golf and commercial turf markets. The improved economy had a positive impact on municipalities and other tax-supported customers as these entities continued to purchase more efficient, labor-saving equipment. Golf sales continued to be strong because of new course openings as well as existing courses updating their maintenance equipment. ProLine-R- sales strengthened compared to the prior year as a result of the improved economy combined with increased market share. Sluggish economies in Europe and Japan had a slightly negative impact on international sales.

IRRIGATION PRODUCTS

Worldwide irrigation sales rose 3.1% to $115.3 million in 1994. Domestic irrigation sales increased $3.6 million over 1993 while international irrigation sales decreased $0.1 million. During 1994, the company reorganized irrigation distribution to better respond to customer needs.

INTERNATIONAL MARKETS
International sales are included in the preceding net sales table. International sales have increased 0.5% to $130.1 million in 1994. The majority of the international sales increase was because of the change from a two-step distribution system to a direct distribution system in Canada which resulted in volume increases. Increases in the Pacific Rim were related to the expansion of the golf market. These increases were offset by a decline in European sales because of the continuing weak economy.

FISCAL 1993 COMPARED TO FISCAL 1992

Worldwide net sales increased $40.6 million to $684.3 million with increases in all product lines.

CONSUMER PRODUCTS
Worldwide consumer sales increased $8.7 million to $338.0 million in 1993. Consumer sales represented 49.4% and 51.2% of consolidated sales for 1993 and 1992, respectively. Domestic sales increased 4.2%, while international sales decreased 7.6%. International sales included in consumer sales were down $3.4 million from the previous year.

The largest sales growth occurred in Lawn-Boy-R- walk power mowers. This growth was the result of expanded distribution in the mass merchant channel and reduced pricing levels on new product introductions.

COMMERCIAL PRODUCTS
Worldwide commercial sales increased $19.8 million to $234.5 million in 1993. Domestic sales rose 10.0%, while international sales rose 7.4%. The increase is attributed to new product introductions, especially the Workman-R- vehicle line, which was well received and sold out early in the year. Also, overall sales increased over the prior year because of an improving economy which had a positive impact on municipalities and other tax-supported customers as these entities purchased more efficient, labor-saving equipment.

ProLine-R- sales increased because of the introduction of new and improved products, and continued growth in the professional lawn service industry.

Golf sales were strong as courses updated their maintenance equipment.

IRRIGATION PRODUCTS
Worldwide irrigation sales increased $12.1 million to $111.8 million in 1993. Domestic sales increased $16.1 million over 1992 while international sales declined $4.0 million. The domestic sales increase was the result of unusually low distributor and dealer inventory levels at the beginning of the year, new product introductions, expanded distribution in the mass merchant channel and favorable economic conditions in several key markets.

INTERNATIONAL MARKETS
International sales are included in the preceding net sales table. International sales decreased 2.1% to $129.4 million in 1993 primarily because of a strengthened U.S. dollar in the Canadian and European markets. Irrigation sales suffered the greatest decline because of weak economies in the company's key markets which had a negative impact on new golf course construction. Consumer sales were down because of the weak economies in key markets and competitive pressures from locally manufactured brands. Commercial sales were ahead of the prior year by $4.8 million principally because of new product introductions.

COST TRENDS AND PROFIT MARGINS

Margins (Percent of net sales) Years ended July 31	1994	1993	1992
Gross profit	36.2%	34.9%	34.9%
Operating profit (loss)	5.4	5.2	(3.7)
Pretax earnings (loss)	4.7	3.1	(5.4)
Net earnings (loss)	2.8	1.9	(3.7)

FISCAL 1994 COMPARED TO FISCAL 1993

Gross profit for 1994 increased 20.4% to $287.5 million over the 1993 amount of $238.8 million because of a combination of increased sales, improved plant utilization and improved inventory controls.

FISCAL 1993 COMPARED TO FISCAL 1992

Gross profit for 1993 increased 6.3% to $238.8 million over the 1992 amount of $224.6 million principally because of increased sales and improved manufacturing efficiencies. 1993 gross profit as a percent of sales did not change from the prior year. However, excluding the prior year's LIFO benefit, gross profit as a percent of sales for 1992 would have been 34.0%.

1993 gross profit improved as a result of the restructuring initiatives implemented in 1992. Specifically, consolidation of certain manufacturing functions and lower spending levels resulted in increased plant utilization which lowered the break-even point.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE (SG&A)

SG&A Expense (Dollars in millions)

Years ended July 31	1994	% of Net Sales	1993	% of Net Sales	1992	% of Net Sales
Administrative	$ 80.3	10.0%	$ 73.0	10.7%	$ 64.8	10.1%
Sales and marketing	96.1	12.1	71.2	10.4	90.0	14.0
Warranty	29.0	3.7	26.3	3.8	28.0	4.3
Distributor/dealer financing (floor plan)	8.6	1.1	7.6	1.1	13.5	2.1
Research and development	30.9	3.9	25.3	3.7	26.9	4.2
Total	$244.9	30.8%	$203.4	29.7%	$223.2	34.7%

FISCAL 1994 COMPARED TO FISCAL 1993

SG&A expense was up $41.5 million from 1993 and as a percent of sales, SG&A expense was 30.8% for 1994 compared with 29.7% for 1993.

The increase in administrative expense of $7.3 million consisted of the start up cost of the company's recycling equipment division (debris), increased investment in information systems technology, the cost associated with the realignment of the irrigation manufacturing operations in Riverside, California and distributor marketing support for the company's product lines. These increases were offset by a reduction in employee performance based incentives, product liability and group health insurance costs.

Sales and marketing expense was up $24.9 million from the prior year. As a percent of net sales, sales and marketing expense was 12.1%, up from 10.4% in 1993. This increase reflects the company's increased sales volume, additional marketing personnel and an increase in brand advertising and market research.

Warranty expense increased by $2.7 million and as a percent of sales was 3.7% as compared to 3.8% in 1993. The $2.7 million increase relates to increased sales volume and charges for a lawn tractor component modification, a walk power mower gas tank issue and a walk power mower brake issue.

Distributor/dealer financing (floor plan) expense represents the cost incurred by the company to share the costs of financing dealer and distributor inventory. This expense was up $1.0 million in 1994 because of the sales increase, which was offset partially by lower field inventory levels held by dealers.

Research and development expense was up $5.6 million from 1993 primarily because of the addition of personnel to support new product development and enhancements to existing products.

FISCAL 1993 COMPARED TO FISCAL 1992

SG&A expense was down $19.8 million from 1992. As a percent of sales, SG&A expense was 29.7% for 1993 compared to 34.7% for 1992. The decrease in SG&A expense was attributable to cost control and restructuring initiatives implemented in 1992.

The increase in administrative expense of $8.2 million was primarily the result of increased employee incentives which were based on the company's performance, costs incurred to enhance the company's distribution channels and the resumption of contributions to the company's Employee Stock Ownership Plan (ESOP). These expenses were not incurred in 1992.

Sales and marketing expense was down $18.8 million from the prior year. As a percent of net sales, sales and marketing expense was 10.4%, down from the 14.0% for 1992. This decline reflected the results of actions implemented by the company to lower costs through the realignment of the consumer and irrigation divisions and changes in marketing and distribution strategies.

Warranty expense was down slightly from the amounts incurred in 1992 and as a percent of net sales was 3.8% in 1993, down from 4.3% in 1992. The change was the result of ongoing quality improvements and prior year quality issues on specific consumer and irrigation products corrected in 1992.

Distributor/dealer financing (floor plan) expense was down $5.9 million in 1993 because of the following: the company was shipping closer to the selling season resulting in a reduced financing period; lower field inventory levels held by dealers and distributors throughout the year; and a decline in interest rates.

Research and development expense was down $1.6 million from 1992. This decrease was because the majority of the costs to develop the Workman-R- vehicle line were incurred in 1992 and also because of the efficiencies gained through cost control measures implemented with the realignment of the consumer division.

RESTRUCTURING EXPENSE IN FISCAL 1992

In the second quarter of 1992, the company recorded restructuring expenses of $15.0 million ($10.2 million after-tax) related to consolidation of consumer product manufacturing, marketing and administrative operations. The charge covered costs for plant closings, workforce reductions, discontinued products and other related costs.

In addition, the company incurred restructuring expenses in the fourth quarter of 1992 of $9.9 million ($6.7 million after-tax) related to the facility closing of a consumer riding products manufacturing plant, an irrigation controller assembly operation and a satellite distribution center. This restructuring was part of the company's plan to increase its competitiveness and profitability by consolidating manufacturing and warehousing activities.

INTEREST EXPENSE
FISCAL 1994 COMPARED TO FISCAL 1993

Interest expense for 1994 was down $3.6 million from the $17.2 million reported for 1993. This decline was primarily the result of calling $24.9 million of outstanding debt in July 1993 and a lower interest rate on short-term borrowing.

FISCAL 1993 COMPARED TO FISCAL 1992

Interest expense for 1993 was down $1.5 million from the $18.7 million reported for 1992. This decline was primarily the result of decreased short-term borrowing levels and lower short-term interest rates during the year. Short-term borrowing was down from 1992 because of the company's focus on asset management and improving working capital.

OTHER INCOME, NET
FISCAL 1994 COMPARED TO FISCAL 1993

Other income, net was $4.9 million greater than the $3.1 million reported in 1993. This increase was principally the result of the settlement of a patent infringement lawsuit and a lawsuit relating to the purchase of Lawn-Boy,-R- Inc. The majority of the other income, net was finance revenue from dealers and distributors of $4.2 million which was earned by the Toro Credit Company (TCC), a consolidated finance subsidiary of The Toro Company (see footnote 13 regarding TCC).

FISCAL 1993 COMPARED TO FISCAL 1992

Other income, net was $4.2 million less than the $7.3 million reported in 1992. The decrease was principally because of losses incurred in the start-up of a fertilizer joint venture investment, foreign currency exchange losses and reduced royalty fees related to a one-time settlement of a paid-up license received in 1992 related to a patent lawsuit. The majority of the other income, net was finance revenue from dealers and distributors of $4.4 million which was earned by the Toro Credit Company (TCC), a consolidated finance subsidiary of The Toro Company (see footnote 13 regarding TCC).

PROVISION (BENEFIT) FOR TAXES
FISCAL 1994 COMPARED TO FISCAL 1993

The effective tax rate increased to 40.0% of pretax earnings in 1994 from 38.9% of pretax earnings in 1993. The increase was the result of an increase in the effective tax rate on reversing timing differences and the effect of state income taxes. Effective August 1, 1992, the company adopted Financial Accounting Standards No. 109 and has reflected a deferred tax asset/liability on the accompanying balance sheets. The net deferred tax asset is $26.0 million which is principally the result of timing differences on warranty reserves, the provision for bad debts and distributor reserves (see footnote 4) accrued for financial statement purposes which are not deductible for tax purposes. The total future tax deductions related to the net deferred tax asset total $90.0 million, and management believes these will be realized during periods in which the company will generate sufficient taxable income. Including the available tax carry back history of the company, the company will be required to generate book and taxable income of $7.0 million to support the net deferred tax asset reflected on the balance sheet. The company anticipates the effective tax rate in 1995 to continue at 40%.

FISCAL 1993 COMPARED TO FISCAL 1992

The effective tax rate increased to 38.9% of pretax earnings in 1993 from 31.9% of pretax losses in 1992. The profitable environment normalized the tax rate of 38.9% for federal and state income taxes. Effective August 1, 1992, the company adopted Financial Accounting Standards No. 109 "Accounting for Income Taxes" (FAS 109). The net deferred tax asset resulted primarily from warranty reserves and restructuring charges for which a tax deduction was not yet available.

NET EARNINGS (LOSS)
FISCAL 1994 COMPARED TO FISCAL 1993

Net earnings for 1994 was $22.2 million or $1.71 per share, as compared to net earnings of $13.0 million or $1.05 per share in 1993. The improved earnings was principally the result of increased sales and improved gross margin which were partially offset by investments in new products, manufacturing and distribution enhancements.

FISCAL 1993 COMPARED TO FISCAL 1992

Net earnings for 1993 was $13.0 million or $1.05 per share, a significant increase over the net loss of $23.8 million or $1.98 loss per share in 1992. The earnings improvement was principally the result of increased sales, the company's restructuring efforts initiated during 1992 and lower interest costs.

LIQUIDITY AND CAPITAL RESOURCES

The company continues to improve its balance sheet by focusing on debt reduction and closely aligning working capital needs with the best available financing alternatives. This was demonstrated by the continued reduction of long-term debt by $36.7 million in 1994.

FUNDS FROM OPERATIONS

Cash flows from operations decreased $44.3 million from 1993. The majority of this decrease was the result of increased inventories in anticipation of strong fall demand and increased accounts receivable because of the sales growth. These increases were offset by the increase in accounts payable and accrued expenses and the increase in cash flows from operating earnings.

CASH FLOW FROM OPERATIONS

89 90 91 92 93 94

(Millions)	$17.8	$(0.4)	$43.9	$40.9	$72.1	$27.8

ASSETS
Total assets as of July 31, 1994, were $443.6 million, up $24.4 million from 1993. The largest increase occurred in inventory which was up $40.0 million from the prior year. This increase was principally the result of ending 1994 with higher inventories in anticipation of strong fall demand for most products. In addition, deferred income taxes and other assets increased over the prior year. These increases were offset by a decrease in cash and cash equivalents which declined $25.6 million to $36.2 million as a result of improved cash management combined with the repayment of $40.6 million in long-term debt.

WORKING CAPITAL
Working capital at July 31, 1994, was $175.8 million, a decrease of $18.1 million from the $193.9 million reported in 1993. The current ratio for 1994 was 1.9 versus 2.3 in 1993. Working capital as a percent of sales was 22.1% in 1994 compared to 28.3% in 1993.

The changes listed above result from current assets increasing $20.4 million while current liabilities increased $38.5 million. The majority of the increase in current liabilities was the result of an increase in accounts payable, accrued marketing programs and an accrual for the costs necessary to implement the company's distribution strategies.

CAPITAL STRUCTURE
Long-term debt includes:
- - - - - $50.0 million of 11% sinking fund debentures, due August 2017 with sinking fund payments after 1998:

- - - - - $2.3 million of variable rate industrial revenue bonds, due annually August 1995 through August 2009:

- - - - - $4.0 million variable rate industrial revenue bond, due annually June 1995 through June 2004:

- - - - - $45.0 million of subordinated and senior notes, due September 1994 through August 1996 bearing interest rates of 7.38% to 9.57%.

TOTAL DEBT

	89	90	91	92	93	94
(Millions)	$114.4	$154.5	$155.3	$164.1	$138.0	$101.3

CAPITALIZATION

	89	90	91	92	93	94
(Millions)	$200.3	$287.0	$305.9	$296.7	$267.6	$249.7

Total debt at July 31, 1994, was $101.3 million, down $36.7 million from $138.0 million at July 31, 1993. Of this balance $20.3 million is current. The amount of total long-term debt attributable to Toro Credit Company, the company's consolidated finance subsidiary, was $45.0 million at July 31, 1994, compared to $60.0 million at July 31, 1993.

During 1994 the company made scheduled payments on maturing debt of $40.6 million. The total debt to total capital ratio decreased from 48.8% in 1993 to 37.5% in 1994. This decrease was the result of lower debt levels and an increased equity position as a result of current year earnings and the annual payment of the company's Employee Stock Ownership Plan (ESOP) receivable.

Total capitalization at July 31, 1994, consisted of $81.0 million of long-term debt and $168.7 million in stockholders' equity.

CREDIT LINES AND OTHER CAPITAL RESOURCES
The company's seasonal working capital requirements are funded with $100.0 million of unsecured bank credit lines. Average borrowings under these lines were $12.9 million in 1994. There were no aggregate outstanding borrowings on these lines at July 31, 1994. In 1993, the company had $120.0 million of unsecured bank credit lines. Average borrowings under these lines were $10.6 million in 1993. There were no aggregate outstanding borrowings on these lines at July 31, 1993. The increase in average borrowing was the result of the reduction in long-term debt.

Additionally, the company's resources included two bankers' acceptance financing agreements totaling $40.0 million in 1994 and one bankers' acceptance financing agreement of $20.0 million in 1993. The company had no amounts outstanding under these agreements at July 31, 1994, and July 31, 1993.

SUMMARY
The Toro Company's long-term initiatives contributed to the financial growth in 1994. In addition, significant investments in key areas strengthened the company's competitiveness. Sales increased as a result of product improvements, the improved economy, pricing strategies and an increased focus on brand advertising. The company's balance sheet was strengthened through the reduction

of long-term debt and solid asset management.

The company anticipates that 1995's results will continue the trends established in 1994 and position the company to deliver sustainable future growth.

THE TORO COMPANY
Independent Auditors' Report

The Stockholders and Board of Directors
The Toro Company:

We have audited the accompanying consolidated balance sheets of The Toro Company and subsidiaries as of July 31, 1994 and 1993, and the related consolidated statements of operations and cash flows for each of the years in the three-year period ended July 31, 1994. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Toro Company and subsidiaries as of July 31, 1994 and 1993, and the results of their operations and their cash flows for each of the years in the three-year period ended July 31, 1994 in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

Minneapolis, Minnesota
September 8, 1994

THE TORO COMPANY
Consolidated Statements of Operations

(Dollars in thousands, except per-share data) Years ended July 31	1994	1993	1992
Net sales	$794,341	$684,324	$643,748
Cost of sales	506,816	445,495	419,138
Gross profit	287,525	238,829	224,610
Selling, general and administrative expense	244,943	203,377	223,166
Restructuring expense	--	--	24,900
Earnings (loss) from operations	42,582	35,452	(23,456)
Interest expense	13,562	17,150	18,726
Other income, net	(8,030)	(3,053)	(7,279)
Earnings (loss) before income taxes	37,050	21,355	(34,903)
Provision (benefit) for income taxes	14,820	8,315	(11,150)
Net earnings (loss)	$ 22,230	$ 13,040	$(23,753)
Net earnings (loss) per share of common stock and common stock equivalent	$ 1.71	$ 1.05	$ (1.98)

The financial statements should be read in conjunction with the Notes to Consolidated Financial Statements.

THE TORO COMPANY
Consolidated Balance Sheets

(Dollars in thousands, except per-share data) July 31	1994	1993
ASSETS		
Current assets:		
Cash and cash equivalents	$ 36,231	$ 61,793
Receivables:		
Customers	185,620	180,927
Other	5,765	5,025
Subtotal	191,385	185,952
Less allowance for doubtful accounts	7,702	5,589
Total receivables	183,683	180,363
Inventories	118,764	78,708
Prepaid expenses	1,111	4,476
Deferred income tax benefits	24,706	18,790
Total current assets	364,495	344,130
Property, plant and equipment:		
Land and land improvements	5,516	4,478
Buildings and leasehold improvements	42,359	41,548
Equipment	137,603	127,371
Subtotal	185,478	173,397
Less accumulated depreciation and amortization	126,635	113,428
Total property, plant and equipment	58,843	59,969
Deferred income taxes	1,296	--
Other assets	19,005	15,104
Total assets	$443,639	$419,203
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 20,300	$ 15,000
Accounts payable	37,035	28,786
Accrued warranty	32,476	26,995
Accrued marketing programs	29,290	20,552
Accrued restructuring	5,083	9,637
Accrued payroll	5,542	4,994
Other accrued liabilities	55,482	42,472
Accrued income taxes	3,504	1,824
Total current liabilities	188,712	150,260
Deferred income taxes	--	1,372
Long-term debt, less current portion	81,025	122,970
Deferred income	5,250	--
Common stockholder's equity:		
Common stock, par value $1.00, authorized 35,000,000 shares; issued and outstanding 12,561,204 shares in 1994 (net of 76,153 treasury shares) and 12,270,404 shares in 1993 (net of 307,469 treasury shares)	12,561	12,270
Additional paid-in capital	49,420	44,898
Retained earnings	109,688	93,451
Foreign currency translation adjustment	(405)	(795)
Subtotal	171,264	149,824
Receivable from ESOP	(2,612)	(5,223)
Total common stockholders' equity	168,652	144,601
Total liabilities and common stockholders' equity	$443,639	$419,203

The financial statements should be read in conjunction with the Notes to Consolidated Financial Statements.

THE TORO COMPANY
Consolidated Statements of Cash Flows

(Dollars in thousands) Years ended July 31	1994	1993	1992
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings (loss)	$ 22,230	$ 13,040	$(23,753)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Provision for depreciation and amortization	18,839	19,245	21,971
Loss on disposal of property, plant and equipment	1,265	1,230	1,037
Deferred income taxes	(2,668)	(1,547)	(13,263)
Tax benefits related to employee stock option transactions	953	--	--
Changes in operating assets and liabilities:			
Net receivables	(3,320)	28,199	21,376
Inventories	(40,056)	(4,583)	9,174
Prepaid expenses and deferred income tax benefits	(2,551)	3,396	(4,057)
Accounts payable and accrued expenses	31,472	11,438	28,025
Accrued income taxes	1,680	1,714	413
Net cash provided by operating activities	27,844	72,132	40,923
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(18,173)	(11,397)	(13,687)
Proceeds from asset disposals	267	2,323	220
(Increase) decrease in other assets	(4,973)	2,319	(1,603)
Net cash used in investing activities	(22,879)	(6,755)	(15,250)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Decrease in sale of receivables	--	(1,892)	(21,809)
Proceeds from issuance of long-term debt	4,000	--	20,000
Repayments of long-term debt	(40,645)	(26,130)	(11,195)
Proceeds from deferred income	5,250	--	--
Proceeds from exercise of stock options	6,144	3,771	2,355
Purchases of common stock	(2,284)	(816)	(794)
Dividends on common stock	(5,993)	(5,824)	(5,753)
Repayments from ESOP	2,611	2,611	--
Net cash used in financing activities	(30,917)	(28,280)	(17,196)
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	390	(795)	_
Net increase (decrease) in cash	(25,562)	36,302	8,477
Cash and cash equivalents at beginning of year	61,793	25,491	17,014
Cash and cash equivalents at end of year	$ 36,231	$ 61,793	$ 25,491
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 14,092	$ 17,138	$ 22,245
Income taxes	19,498	8,148	1,548

The financial statements should be read in conjunction with the Notes to Consolidated Financial Statements.

THE TORO COMPANY
Notes to Consolidated Financial Statements

1 Summary of Significant Accounting Policies and Related Data

BASIS OF CONSOLIDATION
The accompanying consolidated financial statements include the accounts of The Toro Company and all of its domestic and foreign subsidiaries (the company). Investments in 50% or less owned companies are accounted for by the equity method. The accounts of foreign subsidiaries, which are not material, have been adjusted to conform to U.S. accounting principles and practices and have been converted to appropriate U.S. dollar equivalents. All material intercompany accounts and transactions have been eliminated from the consolidated financial statements.

CASH AND CASH EQUIVALENTS
The company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

ALLOWANCE FOR DOUBTFUL ACCOUNTS
The provision for doubtful accounts included in selling, general and administrative expense was $3,032,000 in 1994, $2,500,000 in 1993 and $4,083,000 in 1992.

INVENTORIES
The majority of all 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 $19,204,000 and $17,221,000 higher than reported at July 31, 1994 and 1993, respectively. Using the FIFO method, inventories were $63,473,000 and $51,252,000 of work-in-process and $74,495,000 and $44,677,000 of finished goods at July 31, 1994 and 1993, respectively. During 1992 the company liquidated certain LIFO inventory quantities carried at lower costs prevailing in prior years. The effect was to reduce the 1992 net loss by $4,120,000 or $0.34 per common share.

PROPERTY AND DEPRECIATION
Property, plant and equipment are carried at cost. The company provides for depreciation of plant and equipment utilizing the straight-line method over the estimated useful lives of the assets. Buildings, including leasehold improvements, are generally depreciated over 10 to 45 years and equipment over 3 to 7 years. Tooling costs are generally amortized using the units of production basis. Expenditures for major renewals and betterments which substantially increase the useful lives of existing assets are capitalized, and maintenance and repairs are charged to operating expenses as incurred. The cost and related accumulated depreciation of all plant and equipment disposed of are removed from the accounts, and any gain or loss from such disposal is included in current period earnings.

ACCRUED WARRANTY
The company provides an accrual for estimated future warranty costs based upon the historical relationship of warranty costs to sales.

DEFERRED INCOME
An interest rate exchange agreement was entered into primarily as a hedge against interest costs on long-term debt. The net interest differential to be received or paid and the $5,250,000 deferred income will be recognized, commencing August 1, 1997, over the term of the agreement as an adjustment to interest expense.

FOREIGN CURRENCY TRANSLATION
The functional currency of the company's foreign operations is the applicable local currency. The functional currency is translated into U.S. dollars in accordance with Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation" which is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using a weighted average exchange rate during the period. The gains or losses resulting from such translations are included in stockholders' equity. Gains or losses resulting from foreign currency transactions are included in other income, net.

ACCOUNTING FOR REVENUES
Revenue is recognized at the time products are shipped to distributors, dealers or direct accounts.

COST OF FINANCING DISTRIBUTOR/DEALER INVENTORY (FLOOR PLAN)
Included in selling, general and administrative expense are costs associated with various programs in which the company shares costs of financing distributor and dealer inventories. These costs of $8,587,000 in 1994, $7,606,000 in 1993 and $13,483,000 in 1992 are charged against operations as incurred.

RESEARCH AND DEVELOPMENT
Expenditures for research and development, including engineering, of $30,864,000 in 1994, $25,293,000 in 1993 and $26,932,000 in 1992 are charged against operations as incurred.

DISTRIBUTION
Included in selling, general and administrative expense are costs associated with changes to the company's distribution channels. These costs were $4,300,000 in 1994 and $4,500,000 in 1993. Costs for distribution changes were not separately identified in 1992. Those costs associated with business changes are accrued on the basis of historical experience, while costs related to specific

changes to the company's distribution system are recorded when authorized.

INCOME TAXES
Effective August 1, 1992, the company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," (FAS 109) which requires a change from the deferred method of accounting for income taxes of APB Opinion 11 to the asset and liability method of accounting for income taxes. Under the new method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under Statement 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Adoption of Statement 109 had an immaterial effect on the company's 1992 consolidated statement of operations. The company has reflected the necessary deferred tax asset/liability in the accompanying balance sheets. Management believes the future tax deductions will be realized in periods in which the company will generate sufficient taxable income to realize the benefit of the tax deductions.

EARNINGS (LOSS) PER SHARE OF COMMON STOCK AND COMMON STOCK EQUIVALENT
Earnings (loss) per share of common stock and common stock equivalent are computed by dividing net earnings (loss) by the weighted average number of common shares and common stock equivalents outstanding during the respective periods. Common stock equivalents include potentially dilutive stock options. These shares are included under the treasury stock method using the average market price of the company's stock during each period. The effect of full dilution using the year-end price of the company's shares is immaterial. Loss per share calculations for 1992 are based on weighted average common shares outstanding excluding common stock equivalents due to their anti-dilutive affect.

RECLASSIFICATIONS
Certain prior year amounts have been reclassified to conform with the current year presentation.

2 Short-term Capital Resources

At July 31, 1994, the company had available unsecured lines of credit with five banks in the aggregate of $100,000,000. The terms of these agreements require the company to pay a fee of 1/4 percent per year on the available lines of credit. This fee is recorded by the company as interest expense. The company had no amounts outstanding under these lines at July 31, 1994, and 1993.

In addition, the company's capital resources include two $20,000,000 bankers' acceptance financing agreements in 1994 and one $20,000,000 bankers' acceptance financing agreement in 1993. The company had no amounts outstanding under these agreements at July 31, 1994, and 1993.

3 Long-term Debt

A summary of long-term debt is as follows:

(Dollars in thousands) July 31	1994	1993
11% Sinking Fund Debentures due annually August 1998-2017	$ 50,000	$ 50,000
Industrial Revenue Bonds due annually August 1995-2009 with various interest rates	2,325	2,970
Industrial Revenue Bond due annually June 1995-2004 with various interest rates	4,000	--
10.0% senior note due September 1993	--	15,000
9.0% senior notes due August 1994, paid July 1994	--	25,000
9.4% senior notes due September 1994	10,000	10,000
9.45% senior note due February 1995	10,000	10,000
7.38% senior note due August 1995	10,000	10,000
9.57% senior note due January 1996	5,000	5,000
9.53% senior note due August 1996	10,000	10,000
	101,325	137,970
Less current portion	20,300	15,000
Long-term debt, less current portion	$ 81,025	$122,970

The weighted average interest rate on long-term debt for 1994 was 9.8 percent (9.8 percent in 1993 and 9.9 percent in 1992) based upon actual interest expense of $12,236,000 in 1994 ($16,118,000 in 1993 and $16,248,000 in 1992), including commitment and facility fees and weighted average long-term debt outstanding of $125,388,000 in 1994 ($164,107,000 in 1993 and $164,876,000 in 1992).

During the year the company entered into an interest rate exchange agreement with a bank to preserve the value of the call option included in the $50,000,000, 11%, long-term sinking fund notes due August 1, 1998-2017, and to realize the benefit of current interest rates. As a result of this agreement the company received $5,250,000 which is recorded as deferred income on the consolidated balance sheets. In return, the company is obligated to pay 10.25% on a notational amount of $50,000,000 from August 1, 1997 through July 31, 2002 and the company will receive payments based on a floating rate equal to the London Interbank Offered Rate (LIBOR) on the notational amount of $50,000,000 for the same period.

Under the terms of the long-term debt agreements and the interest rate exchange agreement, the company is subject to certain covenants. At July 31, 1994, the company was in compliance with all such covenants.

The terms of certain agreements of the Toro Credit Company restrict the payment of dividends and loans or advances to the parent company. Toro Credit retained earnings of approximately $22,192,000 were available for dividends to its parent at July 31, 1994.

Principal payments required on long-term debt in each of the next five years ending July 31 are as follows: 1995, $20,300,000; 1996, $16,090,000; 1997, $10,460,000; 1998, $485,000; 1999, $515,000; and after 1999, $53,475,000.

4 Income Taxes

A reconciliation of the statutory federal income tax rate to the company's effective tax rate is summarized as follows:

Years ended July 31	1994	1993	1992
Statutory federal income tax rate	35.0%	34.0%	(34.0)%
Increase (reduction) in income taxes resulting from:			
Benefits from foreign sales corporation	(1.6)	(1.7)	(0.3)
State and local income taxes, net of federal income tax benefit	2.4	1.9	1.7
Effect of foreign source income	1.3	0.5	0.2
Other, net	2.9	4.2	0.5
Consolidated effective tax rate	40.0%	38.9%	(31.9)%

Components of the provision (benefit) for income taxes are as follows:

(Dollars in thousands) Years ended July 31	1994	1993	1992
Current:			
Federal	$18,487	$ 8,986	$ 1,233
State	2,610	876	880
	21,097	9,862	2,113
Deferred:			
Federal	(5,059)	(1,288)	(13,263)
State	(1,218)	(259)	--
	(6,277)	(1,547)	(13,263)
Provision (benefit) for income taxes	$14,820	$ 8,315	$(11,150)

The tax effects of temporary differences that give rise to the deferred assets and deferred liabilities at July 31, 1994, and 1993 are presented below.

(Dollars in thousands) Years ended July 31	1994	1993
Inventory reserves	$ (902)	$(1,649)
Depreciation expense	1,296	(1,372)
Warranty reserves	12,688	9,859
Provision for doubtful accounts	3,256	3,265
Distributor reserves	2,858	2,148
Uniform capitalization	2,310	1,213
Restructuring expense	1,965	3,691
Accrued retirement	1,820	1,600
Other	711	(1,337)
Consolidated deferred income tax assets and (liabilities)	$26,002	$17,418

The significant components of deferred income tax expense for the year ended July 31, 1992, resulting from timing differences in the recognition of income and expense for income tax and financial reporting purposes are as follows:

(Dollars in thousands) Year ended July 31	1992
Accrued warranty costs	$ (1,962)
Addition to allowance for doubtful accounts	(1,430)
Accrued expenses	(836)
Depreciation	(2,261)
Restructuring accruals	(6,290)
Other	(484)
Provision for deferred income taxes	$(13,263)

During the year ended July 31, 1994, $953,000 was added to additional paid-in capital in accordance with "Accounting Principal Board" opinion 25 reflecting the permanent book to tax difference in accounting for tax benefits related to employee stock option transactions.

5 Stockholders' Equity

Changes in common stock, additional paid-in capital, retained earnings, receivable from ESOP and foreign currency translation adjustment during fiscal years ended July 31, 1994, 1993 and 1992 were as follows:

(Dollars in thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Receivable from ESOP	Foreign Currency Translation Adjustment
Balance at July 31, 1991	$11,913	$40,739	$115,741	$(7,834)	$ --
Common dividends paid ($0.48 per share)	--	--	(5,753)	--	--
Issuance of 178,848 shares under stock option plans	179	2,176	--	--	--
Purchase of 50,269 common shares	(50)	(744)	--	--	--
Net loss	--	--	(23,753)	--	--
Balance at July 31, 1992	12,042	42,171	86,235	(7,834)	--
Common dividends paid ($0.48 per share)	--	--	(5,824)	--	--
Issuance of 272,149 shares under stock option plans	272	3,499	--	--	--
Purchase of 43,242 common shares	(44)	(772)	--	--	--
Payment received from ESOP	--	--	--	2,611	--
Foreign currency translation adjustment	--	--	--	--	(795)
Net earnings	--	--	13,040	--	--
Balance at July 31, 1993	12,270	44,898	93,451	(5,223)	(795)
Common dividends paid ($0.48 per share)	--	--	(5,993)	--	--
Issuance of 388,558 shares under stock option plans	388	5,756	--	--	--
Purchase of 97,758 common shares	(97)	(2,187)	--	--	--
Payment received from ESOP	--	--	--	2,611	--
Foreign currency translation adjustment	--	--	--	--	390
Tax benefits related to employee stock option transactions	--	953	--	--	--
Net earnings	--	--	22,230	--	--
Balance at July 31, 1994	$12,561	$49,420	$109,688	$(2,612)	$(405)

Under the terms of a Preferred Stock Rights Agreement established June 14, 1988, each share of the company's common stock entitles its holder to one preferred share purchase right. Each right entitles the registered holder to purchase from the company one one-hundredth of a share of Series B Junior Participating Voting Preferred Stock, $1.00 par value at a price of $85 per one one-hundredth of a Preferred Share. The rights become exercisable and tradable 10 days after a person or a group acquires 20% or more, or makes an offer to acquire 20% or more, of the company's outstanding common stock. At no time do the rights have any voting power. The rights may be redeemed by the company for $0.01 per right at any time prior to the time that a person or group has acquired beneficial ownership of 20% or more of the common shares.

6 Stock Option Plans

Incentive stock options and non-qualified options may be granted under the terms of the 1985 Incentive Stock Option Plan, the 1989 Stock Option Plan and the 1993 Stock Option Plan (the "Plans"). Each incentive stock option is granted at an exercise price equal to 100% of the fair market value of the common stock on the date of the grant. The exercise price of a non-qualified stock option may be determined by the Compensation Committee of the Board of Directors, but may not be less than 50% of the fair market value of the common stock on the date of grant. Stock options granted under the Plans may be exercised in whole or in part from time to time, not later than 10 years from the date of grant or other period, as specified in the option agreement. Most stock options are subject to cancellation upon termination of the optionee's employment. However, some non-qualified options granted under the Plans can be exercised for up to four years after retirement, at or after age 60, but not beyond the date the option originally expires. During 1992, the stockholders voted to increase the shares reserved for future stock option grants under the 1989 plan by 500,000 shares. During 1994, the stockholders approved the 1993 Stock Option Plan authorizing a reserve of 1,000,000 shares for future stock option grants. Stock option transactions are summarized as follows:

Years ended July 31	1994	1993	1992
Outstanding at beginning of year	1,421,923	1,329,069	922,590
Granted	264,217	418,200	822,414
Excercised or cancelled	(426,631)	(325,346)	(415,935)

Outstanding at end of year	1,259,509	1,421,923	1,329,069
Price range of granted options	$18.75--25.50	$10.90--19.75	$11.70--16.39
Shares reserved for granting future stock options:			
Beginning of year	136,642	497,060	595,447
End of year	923,240	136,642	497,060
Options exercisable at end of year	765,510	941,090	874,642
Price range of exercisable options	$10.70--25.875	$10.70--22.50	$10.10--22.50

The options outstanding at July 31, 1994, were granted in 1990, (77,013 shares); 1991, (154,754 shares); 1992, (502,077 shares); 1993, (271,563 shares); and 1994, (254,102 shares).

7 Employee Benefit Programs

The company has an Employee Stock Ownership Plan (ESOP) which covers substantially all employees. The ESOP currently owns 1,260,000 common shares which represents 10.03% of Toro's outstanding common stock. The Plan is a leveraged ESOP which means funds were borrowed to purchase the shares. The company's contributions to the Plan, net of dividends, were $2,929,000 in 1994, $3,085,000 in 1993 and $467,000 in 1992. Principal payments of ESOP debt were $2,611,000 in 1994, $2,611,000 in 1993 and $0 in 1992. Interest incurred on ESOP debt and interest received by the company was $512,000 in 1994, $774,000 in 1993 and $786,000 in 1992. Dividends on the ESOP shares used for debt service by the ESOP were $195,000 in 1994, $300,000 in 1993 and $319,000 in 1992. The expenses recognized related to the ESOP were $2,416,000 in 1994, $2,311,000 in 1993 and $0 in 1992. At July 31, 1994, the ESOP indebtedness to the company, which bears an interest rate of 10% and is due in 1995, was $2,612,000 and has been shown as a reduction of common stockholders' equity in the consolidated balance sheets.

Contributions to employees' profit sharing plans which cover substantially all employees of the company and its subsidiaries were $4,150,000 in 1994, $4,254,000 in 1993 and $3,277,000 in 1992. Such amounts are based upon annual earnings before income taxes and minimum contributions required under the plans.

Under the company's matching stock plan, a total of 1,000,000 shares of common stock may be acquired by employees through payroll deductions and employer matching contributions pursuant to the plan. Contributions were $485,000 in 1994, $510,000 in 1993 and $224,000 in 1992.

In addition, the company and its subsidiaries have supplemental and other retirement plans covering certain employees. Pension expense under these plans in 1994, 1993 and 1992 was not significant.

8 Segment Data

The company classifies its operations into one industry segment, yard maintenance equipment. International sales were $130,053,000, $129,422,000 and $132,154,000 for 1994, 1993 and 1992, respectively. Of these amounts, export sales were $109,344,000, $111,263,000 and $109,076,000 for 1994, 1993 and 1992, respectively. Export sales by geographic area are as follows:

(Dollars in thousands) Years ended July 31	1994	1993	1992
Europe	$ 48,976	$ 53,992	$ 52,867
Canada	28,039	26,573	25,326
Pacific Rim	27,535	26,208	26,343
Other	4,794	4,490	4,540
Total export sales	$109,344	$111,263	$109,076

Sales to any particular customer were not significant.

9 Lease Commitments

Minimum lease commitments in future years under noncancelable operating leases are as follows: 1995, $3,211,000; 1996, $1,908,000; 1997, $1,196,000; 1998, $481,000; 1999, $450,000 and after 1999, $1,430,000.

Total lease expense was as follows:

(Dollars in thousands) Years ended July 31	1994	1993	1992
Warehouse and office space	$2,198	$1,800	$2,199
Trucks and autos	2,039	1,024	1,240
Equipment	3,044	3,154	4,142
Total	$7,281	$5,978	$7,581

10 Commitments and Contingent Liabilities

Certain receivables have been sold to financial institutions. Under these arrangements, the company acts as agent for collections and/or was contingently liable for $659,000 at July 31, 1994, and $644,000 at July 31, 1993. The company was also contingently liable to repurchase $5,222,000 at July 31, 1994 and $8,535,000 at July 31, 1993, of inventory relating to receivables under dealer financing (floor plan) arrangements. Additionally, debts incurred by distributors, aggregating $1,486,000 at July 31, 1994, and $3,278,000 at July 31, 1993, have been guaranteed by the company.

At July 31, 1994, the company had contracts maturing at various dates to purchase $8,372,000 in foreign currency (845,000,000 yen) and to sell $10,153,000 in foreign currency (13,000,000 Deutschemarks and 2,825,000 Canadian Dollars) at the spot rate on the maturity dates.

In the ordinary course of business, the company may become liable with respect to pending and threatened litigation, taxes and environmental and other matters. While the ultimate results of investigations, lawsuits and claims involving the company cannot be determined, management does not expect that these matters will have a material adverse effect on the consolidated financial position of the company.

11 Financial Instruments

OFF-BALANCE SHEET RISK

Letters of credit are issued by the company during the ordinary course of business, as required by certain vendor contracts, through major domestic banks. As of July 31, 1994, and 1993, the company had $16,872,000 and $11,876,000, respectively, in outstanding letters of credit.

CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the company to concentrations of credit risk consist principally of accounts receivable which are concentrated in the lawn and turf care business sector. The credit risk associated with this sector is limited because of the large number of customers in the company's customer base and their geographic dispersion. Generally, the company does not require collateral or other security to support customer receivables.

FAIR VALUE

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of FAS Statement 107 "Disclosures about Fair Value of Financial Instruments." Estimated fair value amounts have been determined using available information and appropriate valuation methodologies. Because considerable judgement is required in developing the estimates of fair value, these estimates are not necessarily indicative of the amounts that could be realized in a current market exchange.

The carrying and estimated fair values of the company's financial instruments at July 31, 1994, are as follows:

(Dollars in millions)	Carrying Value	Estimated Fair Value
Long-term debt	$101,325	$105,107
Deferred income (interest rate exchange agreement)	5,250	3,928

For cash and cash equivalents, receivables, and accounts payable, carrying value is a reasonable estimate of fair value.

For long-term debt with fixed interest rates, fair value is estimated by discounting the projected cash flows using the rate at which similar amounts could currently be borrowed.

The fair value of the 11% sinking fund debentures represents the amount the company would pay to redeem the notes based on the terms of the debenture.

The estimated fair value of the deferred income represents the cost to terminate the interest rate exchange agreement, had management elected to do so, which would have resulted in a gain of approximately $1,300,000.

12 Restructuring Expense

In 1992, the company recognized $24,900,000 of restructuring charges (after-tax effect of $16,900,000 or $1.41 per share) related to the consolidations of its consumer products manufacturing, marketing and administrative operations, its irrigation manufacturing operations and its distribution facilities. The charges included costs for plant and office closings, workforce reductions, inventory obsolescence and other related costs.

13 Consolidated Finance Subsidiary -- Toro Credit Company

Toro Credit Company is a consolidated finance subsidiary of the company and operates primarily in the finance industry with wholesale financing of distributor and dealer inventories under various financing (floor plan) arrangements and other programs.

(Dollars in thousands) Years ended July 31	1994	1993	1992
SUMMARY OF EARNINGS			
Finance revenues	$17,436	$17,060	$17,702
Expenses:			
Operating	2,068	1,841	1,659
Interest	4,737	5,879	6,279

Foreign currency exchange net losses	96	31	37
Total expenses	6,901	7,751	7,975
Earnings before income taxes	10,535	9,309	9,727
Provision for income taxes	3,669	3,310	3,049
Net earnings	$ 6,866	$ 5,999	$ 6,678

(Dollars in thousands) Years ended July 31	1994	1993
Summary Balance Sheets		
ASSETS		
Cash and cash equivalents	$ 4,394	$ 18,602
Receivables-net	99,932	94,628
Other receivables and assets	1,377	1,510
Total assets	$105,703	$114,740
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current portion of long-term debt	$ 20,000	$ 15,000
Other liabilities	7,994	8,897
Long-term debt, less current portion	25,000	45,000
Shareholders' equity	52,709	45,843
Total liabilities and shareholders' equity	$105,703	$114,740

Of the finance revenues presented previously, $13,272,000 in 1994, $12,659,000 in 1993 and $13,314,000 in 1992 represent transactions with TCC's parent company, The Toro Company, which are eliminated in consolidation. The remaining finance revenues of $4,164,000 in 1994, $4,401,000 in 1993 and $4,388,000 in 1992 are included in other income, net in The Toro Company's Consolidated Statements of Operations. The expenses and balance sheet items (net of eliminations) are included in the Consolidated Statements of Operations and Consolidated Balance Sheets under the corresponding classifications.

14 Quarterly Financial Data (unaudited)

Summarized quarterly financial data for 1994 and 1993 is as follows:

(Dollars in thousands except per-share data) Quarter	First	Second	Third	Fourth
1994				
Net sales	$135,761	$189,413	$276,476	$192,691
Gross profit	49,035	66,587	97,689	74,214
Net earnings (loss)	(1,895)	4,477	15,637	4,011
Net earnings (loss) per share of common stock and common stock equivalent	(0.15)	0.35	1.19	0.31
Dividends per common share	0.12	0.12	0.12	0.12
Market price of common stock				
High bid	26 3/4	28	30 1/2	26 3/4
Low bid	19 3/4	23 5/8	25	20 7/8
1993				
Net sales	$113,443	$153,172	$241,347	$176,362
Gross profit	38,889	53,709	83,794	62,437
Net earnings (loss)	(4,135)	1,816	12,742	2,617
Net earnings (loss) per share of common stock and common stock equivalent	(0.34)	0.15	1.01	0.21
Dividends per common share	0.12	0.12	0.12	0.12
Market price of common stock				
High bid	15 1/4	19 3/8	21 7/8	20 1/4
Low bid	11 3/8	14 1/8	18	16 3/4

Exhibit 21

THE TORO COMPANY
SUBSIDIARIES OF REGISTRANT

All the following subsidiaries are included in the consolidated financial statements of The Toro Company as of July 31, 1994.

NAME	STATE OR OTHER JURISDICTION OF INCORPORATION	PERCENTAGE OF VOTING SECURITIES OWNED BY IMMEDIATE PARENT
Toro Australia Pty. Limited	Australia	100%
Toro Credit Company	Minnesota	100%
Toro Europe	Belgium	100%
Toro Foreign Sales Corporation	Barbados	100%
Lawn-Boy Inc.	Delaware	100%
Toro Probiotic Products, Inc.	Minnesota	100%
Toro Sales Company	Minnesota	100%
Toro Southwest, Inc.	California	100%

EXHIBIT 23

[KPMG Peat Marwick LLP Letterhead]

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
The Toro Company:

We consent to incorporation by reference in the registration statements (Nos. 33-22469, 33-31586, 33-26268, 33-38308, 33-44668, 33-51563, 33-55550, 33-67748) on Form S-8 of The Toro Company of our reports dated September 8, 1994, relating to the consolidated balance sheets of The Toro Company and subsidiaries as of July 31, 1994 and 1993, and the related consolidated statements of operations and cash flows and related financial statement schedules for each of the years in the three-year period ended July 31, 1994, which reports are included in or incorporated by reference in the July 31, 1994 annual report on Form 10-K of The Toro Company.

/s/ KPMG Peat Marwick LLP
KPMG Peat Marwick LLP

Minneapolis, Minnesota
October 28, 1994