FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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ALCO STANDARD CORP

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

Form 10-Q

(Mark One)*
[X] Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 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 1-5964

ALCO STANDARD CORPORATION

(Exact name of registrant as specified in its charter)

OHIO	23-0334400
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Box 834, Valley Forge, Pennsylvania 19482

(Address of principal executive offices)
(Zip Code)

(215) 296-8000

(Registrant's telephone number, including area code)

NONE

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

* Applicable only to issuers involved in bankruptcy proceedings during the preceding five years:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

* Applicable only to corporate issuers:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of April 30, 1994.

Common Stock, no par value 53,624,372 shares

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ALCO STANDARD CORPORATION AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

PART I. FINANCIAL INFORMATION

Item 1: Financial Statements

ALCO STANDARD CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands)

ASSETS	March 31 1994	September 30 1993
Current Assets		
Cash	$ 33,135	$ 36,495
Accounts receivable less allowance for doubtful accounts: 3/94 - $30,668; 9/93 - $27,528	852,441	855,666
Inventories	628,257	591,964
Prepaid expenses, deposits and deferred taxes	113,479	92,600
Total current assets	1,627,312	1,576,725
Investment in Unconsolidated Affiliate	116,256	118,060
Other Investments and Long-Term Receivables	47,551	46,813
Property and Equipment, at cost	632,282	596,901
Less accumulated depreciation	286,620	260,551
	345,662	336,350
Other Assets		
Excess of cost of acquired companies over equity	704,536	694,757
Miscellaneous	66,148	69,662
Deferred taxes	20,746	22,454
	791,430	786,873

Finance Subsidiaries Assets	558,214	484,069
	$3,486,425	$3,348,890

</TABLE>

See notes to consolidated financial statements.

<TABLE>
<CAPTION>

ALCO STANDARD CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY	March 31 1994	September 30 1993
<S>	<C>	<C>
Current Liabilities		
Current portion of long-term debt	$ 38,342	$ 39,915
Notes payable	156,947	164,249
Trade accounts payable	396,659	426,971
Accrued salaries, wages and commissions	70,210	80,097
Deferred revenues	117,697	116,631
Restructuring costs	69,940	27,480
Other accrued expenses	146,473	164,831
Total current liabilities	996,268	1,020,174
Long-Term Debt	392,674	590,154
Other Liabilities		
Restructuring costs	90,000	142,459
Workers' compensation and other	135,814	113,069
	225,814	255,528
Finance Subsidiaries Liabilities; including debt of: 3/94 - $454,927; 9/93 - $413,092	482,228	437,418
Redeemable Preferred Stock of Subsidiary	25,000	25,000
Shareholders' Equity		
Series AA convertible preferred stock, no par value, 4,025 depositary shares issued and outstanding	198,906	197,900
Common stock, no par value: authorized 75,000 shares; Issued 3/94 - 54,522 shares; 9/93 - 48,772 shares	551,051	259,031
Retained earnings	686,747	651,373
Foreign currency translation adjustment	(31,574)	(23,640)
Cost of common shares in treasury: 3/94 - 979 shares; 9/93 - 1,808 shares	(40,689)	(64,048)
	1,364,441	1,020,616
	$ 3,486,425	$ 3,348,890

</TABLE>
See notes to consolidated financial statements.

ALCO STANDARD CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

<TABLE>
<CAPTION>

	Three Months Ended March 31		Six Months Ended March 31	
	1994	1993	1994	1993
<S>	<C>	<C>	<C>	<C>
Revenues				

Net sales	$1,952,627	$1,477,536	$3,858,616	$2,909,441
Dividends, interest and other income	899	745	1,849	1,739
Finance subsidiaries	15,898	12,312	30,739	23,869
	1,969,424	1,490,593	3,891,204	2,935,049
Costs and Expenses				
Cost of goods sold	1,451,184	1,102,613	2,881,318	2,177,173
Selling and administrative	437,343	324,619	856,440	636,586
Interest	10,138	9,713	22,281	21,507
Finance subsidiaries interest	6,535	5,846	12,827	11,581
	1,905,200	1,442,791	3,772,866	2,846,847
Income (Loss) from Unconsolidated Affiliate	(1,157)	654	(1,893)	1,173
Income from Continuing Operations, Before Taxes	63,067	48,456	116,445	89,375
Taxes on Income	25,046	18,916	46,570	35,076
Income from Continuing Operations	38,021	29,540	69,875	54,299
Income from Discontinued Operations, net of income taxes		2,030		3,218
Income before cumulative effect of changes in accounting principles	38,021	31,570	69,875	57,517
Cumulative effect of				
Postretirement benefits other than pensions, net of income taxes			(1,421)	
Income taxes			1,421	
Net Income	38,021	31,570	69,875	57,517
Preferred Dividends	2,893	2,929	5,786	3,214
Net Income Available to Common Shareholders	$ 35,128	$ 28,641	$ 64,089	$ 54,303
Earnings Per Share (1)				
Continuing operations	$0.64	$0.57	$1.24	$1.09
Discontinued operations		0.04		0.07
Before cumulative effect of changes in accounting principles	0.64	0.61	1.24	1.16
Cumulative effect of				
Postretirement benefits other than pensions, net of income taxes			(0.03)	
Income taxes			0.03	
	$0.64	$0.61	$1.24	$1.16
Cash dividends per share of common stock	$0.25	$0.24	$0.50	$0.48

</TABLE>

(1) See Exhibit 11 for computation of earnings per share.

See notes to consolidated financial statements.

ALCO STANDARD CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

<TABLE>
<CAPTION>

	Six Months Ended March 31, 1994	Six Months Ended March 31, 1993
<S>	<C>	<C>
Operating activities		
Net income	$ 69,875	$ 57,517
Additions (deductions) to reconcile net income to net cash provided (used) by operating activities:		
Depreciation	34,352	27,631
Amortization	12,073	10,613

Provision for losses on accounts receivable	10,473	7,952
Benefit for deferred income taxes	(287)	(318)
Change in deferred liabilities	128	(1,640)
Changes in operating assets and liabilities, net of effects from acquisitions and divestitures:		
(Increase) decrease in accounts receivable	9	(15,213)
Increase in inventories	(30,936)	(31,053)
Increase in prepaid expenses	(30,974)	(8,699)
Decrease in accounts payable, deferred revenues and accrued expenses	(50,320)	(50,558)
Miscellaneous	(4,429)	(8,751)
Net cash provided (used)	9,964	(12,519)
Investing activities		
Proceeds from sale of property and equipment	9,417	5,046
Payments received on long-term receivables	6,970	4,124
Cost of companies acquired, net of cash acquired	(18,357)	(156,970)
Expenditures for property and equipment	(51,432)	(38,788)
Purchase of miscellaneous assets	(3,579)	(5,134)
Finance subsidiaries receivables - additions	(162,304)	(129,938)
Finance subsidiaries receivables - collections	98,339	77,399
Net cash used	(120,946)	(244,261)
Financing activities		
Proceeds from issuance of long-term debt	107,995	117,960
Proceeds from option exercises and sale of treasury shares	37,165	30,559
Proceeds from issuance of common stock, net	293,511	
Proceeds from issuance of preferred stock, net		196,383
Proceeds (repayments) from short-term borrowings, net	(3,278)	75,948
Long-term debt repayments	(318,340)	(181,569)
Finance subsidiaries debt - issuance	57,143	84,012
Finance subsidiaries debt - repayments	(15,308)	(34,000)
Dividends paid	(27,611)	(22,296)
Purchase of treasury shares	(23,655)	(10,411)
Net cash provided	107,622	256,586
Net decrease in cash	(3,360)	(194)
Cash at beginning of year	36,495	24,386
Cash at end of period	$ 33,135	$ 24,192

</TABLE>

See notes to consolidated financial statements.

Alco Standard Corporation
Notes To Consolidated Financial Statements
March 31, 1994

Note 1: Accounting Changes

Effective October 1, 1993, the Company adopted SFAS No. 106, "Employer's Accounting for Post Retirement Benefits Other Than Pensions", and SFAS No. 109, "Accounting for Income Taxes". In adopting SFAS No. 106, the Company has elected to immediately recognize the transition obligation, which resulted in a cumulative effect charge of $1,421,000, net of taxes, or $.03 per share. The new standard for income taxes permitted the Company to recognize the benefit of certain deferred tax assets that was prohibited under the previous standard, SFAS No. 96, which the Company adopted for the fiscal year ended September 30, 1988. The cumulative effect of establishing the net deferred tax asset as of October 1, 1993 was to increase net income by $1,421,000, or $.03 per share.

Note 2: Common Stock

In December, 1993, the Company issued 5,750,000 shares of common stock in a public offering. The net proceeds from the offering of approximately $294 million were used for repayment of debt. Net income from continuing operations and earnings per share from continuing operations for the fiscal year ended September 30, 1993 would have been $13,288,000 and $.07, respectively, if the offering had occurred on October 1, 1992. Net income and earnings per share for six months ended March 31, 1994 would have been $71,144,000 and $1.20, respectively, if the offering had occurred on October 1, 1993.

Note 3: Debt

On December 13, 1993, the Company amended its $200,000,000 credit agreement dated December 18, 1991 to extend the term of the 364 day portion of the facility to December 14, 1994 and the three year portion to December 18, 1996.

On January 14, 1994, the Company amended its DM 180,000,000 credit agreement dated October 15, 1992 to extend the expiration date of the commitment to January 11, 1995.

On April 20, 1994, the Company amended its $200,000,000 credit agreement dated April 21, 1993 to extend the term of the 364 day portion of the facility to April 19, 1995. The facility fee on the 364 day portion of the agreement was reduced from 1/8% per annum to 1/10%, while the facility fee on the remaining portion of the agreement was reduced from 3/16% per annum to 3/20%.

ALCO STANDARD CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1994

Note 4: Supplemental Information to Statements of Cash Flows

The Company has presented statements of cash flows for the periods ended March 31, 1994 and 1993 in accordance with SFAS No. 95.

Interest paid for the six months ended March 31, 1994 was $34,584,000. Interest paid for the six months ended March 31, 1993 approximates the amount disclosed in the accompanying Statement of Income.

Income tax payments of $40,504,000 and $38,250,000 were made during the six months ended March 31, 1994 and 1993, respectively.

The total assets for acquisitions amounted to $42,969,000 during the six months ended March 31, 1994 and $171,761,000 during the six months ended March 31, 1993. The excess of cost over acquired equity included in these assets was $21,425,000 and $21,671,000, respectively.

Item 2: Management's Discussion and Analysis of Results of Operations and Financial Condition and Liquidity

Results of Operations

The discussion of the results of operations reviews the continuing operations of the Company as contained in the Consolidated Statements of Income.

Three Months Ended March 31, 1994
Compared with Three Months Ended March 31, 1993

Revenues and income before taxes for the second quarter of fiscal 1994 versus the second quarter of fiscal 1993 were as follows:
<TABLE>
<CAPTION>

	Revenues			Income Before Taxes		
	March 31		%	March 31		%
	1994	1993	Change	1994	1993	Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>
(in millions)						
Alco Office Products	$ 544	$ 371	46.6%	$ 47.8	$33.5	42.7%
Unisource						
United States	1,268	952	33.2	34.3	28.9	18.7

Canada	159	170	(6.5)	2.9	4.3	(32.6)
Total Unisource	1,427	1,122	27.2	37.2	33.2	12.0
Operating	1,971	1,493	32.0	85.0	66.7	27.4
Unconsolidated affiliate				(1.2)	.7	
Interest				(10.1)	(9.7)	
Eliminations and non-Allocated	(2)	(2)		(10.6)	(9.2)	
	$1,969	$1,491	32.1%	$ 63.1	$48.5	30.1%

</TABLE>

Alco Office Products (AOP) contributed $173 million of additional revenues, of which $116 million related to current and prior year acquisitions. The remaining $57 million increase reflects continued internal growth in all revenue areas of AOP's base companies, inclusive of service and facilities management businesses. The $316 million increase in revenues from Unisource's U.S. operations includes $260 million from prior year acquisitions and $56 million of internal growth from its base companies. The $11 million revenue decrease in the Unisource Canadian paper businesses reflects a 6% decrease in the average foreign exchange rate.

AOP's increase in operating income of $14.3 million includes $7 million from current and prior year acquisitions. The remaining $7.3 million of internal growth from its base companies is primarily the result of higher operating contributions from the service and facilities management areas of AOP's businesses, along with increased operating income related to its leasing activities through Alco Capital Resource, Inc.

Operating income from Unisource's U.S. paper operations increased $5.4 million including $4.3 million from prior year acquisitions and $1.1 million from its base companies. The decrease in operating income in the Canadian paper distribution business of $1.4 million is attributable to the gross margin erosion within the Canadian paper industry along with the negative impact of foreign exchange rates.

Revenues from the Company's paper and office products operations outside the U.S. was $208 million for the second quarter of fiscal 1994 compared to $191 million for the second quarter of fiscal 1993. The $17 million increase reflects internal growth along with contributions from prior year AOP acquisitions which collectively overcome the $11 million decrease in revenues from the Canadian paper distribution business.

Operating income from foreign operations was $7 million for the three months ended March 31, 1994, a decline of $700,000 from the prior year which is attributed to the decrease in the operating income of the Canadian paper distribution business along with the negative impact of foreign exchange rates.

The Company incurred a $1.2 million loss in the second quarter of fiscal 1994, from its investment in an unconsolidated affiliate, IMM Office Systems Gmbh (IMM). For the comparative period in fiscal 1993 the Company recorded a $700,000 equity pickup. While results have undoubtedly been hampered by the German economy, the Company believes that the present joint venture does not offer a positive basis on which to grow the business, absent a recapitalization or restructuring of its ownership. This could result in a devaluation of the Company's investment in IMM.

Interest expense increased by $400,000, a result of higher average borrowing levels to fund acquisitions and working capital requirements. The increase in income before taxes of 30.1% or $14.6 million is a combined result of improved operations from base companies along with the earnings contributed by acquisitions made in the prior year. The effective income tax rate for the second quarter was 39.7% compared with 39% in fiscal 1993.

Six Months Ended March 31, 1994
Compared with Six Months Ended March 31, 1993

Revenues and income before taxes for the first half of fiscal 1994 versus the first half of fiscal 1993 were as follows:
<TABLE>
<CAPTION>

	Revenues	Income Before Taxes

	March 31		%	March 31		%
	1994	1993	Change	1994	1993	Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>
(in millions)						
Alco Office Products	$1,042	$ 719	44.9%	$ 90.3	$ 62.0	45.6%
Unisource						
United States	2,534	1,877	35.0	63.2	57.0	10.9
Canada	319	342	(6.7)	5.1	8.7	(41.4)
Total Unisource	2,853	2,219	28.6	68.3	65.7	4.0
Operating	3,895	2,938	32.6	158.6	127.7	24.2
Unconsolidated affiliate				(1.9)	1.2	
Interest				(22.3)	(21.5)	
Eliminations and non-Allocated	(4)	(3)		(18.0)	(18.0)	
	$3,891	$2,935	32.6%	$116.4	$89.4	30.2%

</TABLE>

Alco Office Products generated $323 million in increased revenues of which $193 million relates to fiscal 1993 acquisitions and $29 million to fiscal 1994 acquisitions. The remaining $101 million increase reflects continued growth in all revenue areas of AOP's base companies, but particularly in its equipment, service and facilities management businesses. The $657 million increase in revenues from Unisource's U.S. operations includes $512 million from prior year acquisitions and $145 million of internal growth from its base companies. The $23 million revenue decrease in the Unisource Canadian paper businesses is primarily attributable to a 5% decrease in the average foreign exchange rate.

AOP's operating income increase of $28.3 million includes $10.5 million from prior year acquisitions and $2.4 million from current acquisitions. The remaining $15.4 million increase reflects internal growth from its base companies which is primarily the result of higher operating contributions from the service, facilities management and supply areas of AOP's businesses, along with increased operating income related to its leasing activities through Alco Capital Resource, Inc. Operating income from Unisource's U.S. paper operations increased $6.2 million. This increase represents a contribution of $10.8 million from prior year acquisitions net of a decrease of $4.6 million from its base companies which reflects the gross margin erosion that has been experienced in the paper industry. The Canadian paper distribution business decrease in operating income of $3.6 million is the result of the carryover of certain incremental merger costs related to the Canadian merger plan implemented in fiscal 1993, gross margin erosion within the Canadian paper industry, and the effects of the declining foreign exchange rates.

Geographically, revenues from the Company's paper and office products operations outside the U.S. was $413 million for the first half of fiscal 1994 compared to $384 million for the same period in the prior fiscal year. The increase reflects $48 million from prior year AOP acquisitions along with $4 million from internal growth offset by a decrease of $23 million from the Canadian paper distribution business.

Operating income from foreign operations was $12.6 million for the six months ended March 31, 1994, down $2.2 million from the prior year primarily the result of the decrease in operating income of the Canadian paper distribution business along with the negative impact of foreign exchange rates.

For the first six months of fiscal 1994, the Company incurred a $1.9 million loss from its investment in an unconsolidated affiliate, IMM Office Systems Gmbh., compared to a $1.2 million equity pickup for the comparative period in the prior fiscal year. The German recession has played a part in the $3.1 million decline but, as mentioned previously, the Company intends to analyze IMM's ability to achieve its long-term goals.

Interest expense increased by $800,000 from the comparable period in fiscal 1993, a result of higher borrowing levels to fund acquisitions and working capital requirements. The increase in income before taxes of 30.2% or $27 million is a combined result of improved operations from our base companies along with the earnings contributed by acquisitions. The effective income tax rate for the current period was 40% compared with 39.2% in fiscal 1993. At March 31, 1994 weighted average shares were 4.7 million shares greater than the

47 million shares at March 31, 1993. This increase includes the impact of a public offering of common stock in December, 1993.

The Unisource restructuring plan announced in September, 1993 is proceeding as planned, with fifty-five mergers expected to be completed by the end of the third quarter. Since September 30, 1993, Unisource has reduced its employee base by approximately 350. This excludes the data processing personnel that transferred as part of the information technology system outsourcing agreement with Integrated Systems Solutions Corporation, a subsidiary of IBM. This 10 year agreement for $300 million, which is effective January 1, 1994, will provide the information technology system to be implemented as part of the restructuring plan.

During the first quarter of fiscal 1994, the Company adopted Financial Accounting Standard No. 106, "Employer's Accounting for Retirement Benefits other than Pensions" and Financial Accounting Standard No. 109, "Accounting for Income Taxes"; the combined effect on earnings of these accounting changes was neutral.

Financial Condition and Liquidity

In December 1993, the Company issued 5,750,000 shares of common stock in a public offering, and the net proceeds of approximately $294 million were used to reduce outstanding debt. The Company's total debt (excluding finance subsidiaries) decreased to $588 million at March 31, 1994 from $794 million at September 30, 1993.

At March 31, 1994 debt as a percentage of capitalization was 29.7%, and the current ratio was 1.6 to 1. Finance subsidiaries debt grew by $42 million from September 30, 1993, as a result of increased leasing activity. The Company had a total of $608 million in bank credit commitments as of March 31, 1994, of which $352 million were unused and available.

In connection with the Unisource restructuring accrual, the Company estimates that total cash expenditures will amount to $148 million, of which approximately $15 million has been spent to date. Related cash expenditures in the third and fourth quarters are estimated to aggregate to $43 million.

The Company believes that its operating cash flow together with unused lines of credit will be sufficient to finance current operating requirements including capital expenditure, acquisition and restructuring programs.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) The following Exhibit is furnished pursuant to Item 601 of Regulation S-K:

Exhibit No. (11) Computation of Earnings Per Share

BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10Q and Rule 10-01 of Regulation S-X. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended September 30, 1993.

Date May 12, 1994 /s/ Michael J. Dillon

Michael J. Dillon

Controller

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. This report has also been signed by the undersigned in his capacity as the chief accounting officer of the Registrant.

ALCO STANDARD CORPORATION

Date May 12, 1994 /s/ Michael J. Dillon

Michael J. Dillon
Controller
(Chief Accounting Officer)

Index to Exhibits

Exhibit Number

(11) Computation of Earnings Per Share

EXHIBIT 11

ALCO STANDARD CORPORATION
COMPUTATIONS OF EARNINGS PER SHARE
(in thousands, except earnings per share)

<TABLE>
<CAPTION>

	Six Months Ended March 31			
	1994		1993	
	Primary	Fully Diluted(1)	Primary	Fully Diluted(1)
<S>	<C>	<C>	<C>	<C>
Average Shares Outstanding				
Common shares	50,774	50,774	46,355	46,355
Preferred stock				
Considered common equivalents	9	9	69	69
Senior securities		4,508		2,452
Options	968	1,044	615	856
Total shares	51,751	56,335	47,039	49,732
Income				
Continuing operations	$69,875	$69,875	$54,299	$54,299
Discontinued operations			3,218	3,218
Income before cumulative effect of changes in accounting principles	69,875	69,875	57,517	57,517
Cumulative effect of				
Postretirement benefits other than pensions (net of income taxes)	(1,421)	(1,421)		
Income taxes	1,421	1,421		
Net Income	69,875	69,875	57,517	57,517
Preferred dividends	5,786		3,214	
Net income available to common shareholders	$64,089	$69,875	$54,303	$57,517

Earnings Per Share

- ------------------

Continuing operations	$1.24	$1.24	$1.09	$1.09
Discontinued operations			0.07	0.07
	-------	-------	-------	-------
Before cumulative effect of changes in accounting principles	1.24	1.24	1.16	1.16
Cumulative effect of				
Postretirement benefits other than pensions (net of income taxes)	(0.03)	(0.03)		
Income taxes	0.03	0.03		
	-------	-------	-------	-------
	$1.24	$1.24	$1.16	$1.16
	=======	=======	=======	=======

</TABLE>

(1) This calculation is submitted in accordance with Regulation S-K item 601(b)(11) although not required by footnote 2 to paragraph 14 of APB No. 15 because it results in dilution of less than 3%.