



A.O. Smith to Acquire State Industries, Inc.

MILWAUKEE, Sept. 17 /PRNewswire/ --

A.O. Smith Corporation (NYSE: AOS - Amex: SMCA) today reached a definitive agreement to acquire State Industries, Inc., a privately held manufacturer of residential and commercial water heaters.

The acquisition price will be \$58 million for all of the outstanding shares. A.O. Smith also will assume approximately \$51 million of State Industries' debt. The company expects to conclude the acquisition within the next 90 days, subject to government approval.

State Industries, headquartered in Ashland City, Tenn., manufactures a comprehensive line of residential and standard commercial water heaters. The company reported fiscal 2000 sales of approximately \$325 million. A.O. Smith expects the acquisition will increase earnings by \$.15 per share in 2002, with accretion of \$.30 per share in 2003.

The acquisition includes APCOM, a State Industries subsidiary that manufactures elements, thermostats, drain valves, and other water heater components.

In addition to the Ashland City facility, State Industries has plants in Franklin and Cookeville, Tenn., and Charlotte, N.C., and employs approximately 2,200 people.

"This acquisition would nearly double the size of A.O. Smith's water heating business and would expand the breadth and depth of our product line," Chairman and Chief Executive Officer Robert J. O'Toole said in making the announcement. "State's marketing efforts are well-balanced, with a strong presence in the retail, wholesale, OEM home construction, and specialty market channels. A.O. Smith has an excellent presence in the wholesale channel that is complemented by State's positions in both retail as well as wholesale," O'Toole added.

The addition of the APCOM unit would enable A.O. Smith to enter the water heater component business for the first time. APCOM currently supplies components to four of the six largest North American water heater manufacturers.

A.O. Smith Water Products Company, headquartered in Irving, Texas, manufactures residential water heaters, standard and specialty commercial water heaters, copper tube boilers, pump tanks and expansion tanks. The company has facilities in McBee, S.C.; Renton, Wash.; El Paso, Texas; Florence, Ky.; Alsip, Ill.; Juarez, Mexico; Veldhoven, the Netherlands; Stratford, Ontario, Canada; and Nanjing, China and employs approximately 2,500 people world wide. Water Products Company reported record sales of \$346 million in 2000.

Forward-looking statements

Certain statements in this release are "forward-looking statements." These forward-looking statements can generally be identified as such because the context of the statement includes words such as the company "believes," "anticipates," "estimates," "expects," "projects," or words of similar import.

Although the company believes that its expectations are based upon reasonable assumptions within the bounds of its knowledge of its business, there can be no assurance that the results expressed in forward-looking statements will be realized. Numerous factors may affect actual results and cause results to differ materially from those expressed in forward-looking statements made in this release. The company considers most important among such factors, general economic conditions, cost stability, the competitive environment, the completion and eventual integration of the State Industries acquisition, and successful implementation of cost reduction programs.

All subsequent written and oral forward-looking statements attributable to the company, or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements.