



A.O. Smith to Acquire MagneTek Motor Operations

MILWAUKEE, Wis., June 28 -- A.O. Smith Corporation (NYSE: AOS; Amex: SMCA) has reached a definitive agreement to acquire the worldwide motor operations of MagneTek, Inc. (NYSE: MAG) for approximately \$250 million.

The sale is expected to close at the end of July.

The acquisition would be the largest in A.O. Smith's 125-year history.

MagneTek manufactures both fractional horsepower and integral horsepower AC and DC electric motors. MagneTek motors are used in a wide variety of applications, including pool and spa pumps, air compressors, and commercial air conditioners. The company's fiscal 1998 motor sales were approximately \$367 million.

"This acquisition fits perfectly with our growth strategy. The MagneTek purchase, combined with our prior acquisitions of the UPPCO subfractional business and General Electric's compressor motor operation, takes our Electric Motor Technologies platform from sales of \$337 million as recently as 1996 to a \$1 billion business in the year 2000," Robert J. O'Toole, chairman and chief executive officer of A.O. Smith Corporation, pointed out.

"In fractional horsepower motors, the MagneTek acquisition will help us become the market share leader in a number of important market segments and will fill some gaps in our current product offering. In addition, it triples the size of our replacement motor business, while the direct current (DC) and integral horsepower product lines open new market segments to us.

"More importantly, combining MagneTek with our existing motor business will add significant value to A.O. Smith," O'Toole continued. "While we expect this acquisition will be earnings neutral in 1999, we estimate it will contribute approximately \$.30 to \$.35 per share in 2000, the first full year of operation.

"We believe this business can contribute continuously improved earnings over the next four years through realizing the benefits of \$40 million of enhanced purchasing leverage, improved efficiency, and other synergies, culminating in accretion of \$1.00 per share in 2003."

The MagneTek electric motor business, with headquarters in St. Louis, Mo., operates 12 plants in the United States, Mexico, the United Kingdom, and Hungary. The business employs more than 5,500 people world wide.

For A.O. Smith, this is the third acquisition within the last two years as part of the company's strategic growth initiative. In July 1998, the company acquired the domestic hermetic motor operations of General Electric. When combined with A.O. Smith's existing hermetic motor operations, the acquisition made the company North America's leading supplier of motors for residential air conditioning and commercial refrigeration compressors. In 1997, A.O. Smith acquired UPPCO, the world's leading manufacturer of subfractional horsepower C-frame motors.

"Together these three acquisitions will contribute more than \$600 million in annualized sales to A.O. Smith," O'Toole said, "enabling total company revenue to approach \$1.5 billion in the year 2000."

Forward-looking statements

This press release contains forward-looking statements. 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 its financial goals will be realized. Although a significant portion of the company's sales are derived from the replacement of previously installed product, and such sales are therefore less volatile, numerous factors may affect actual results and cause results to differ materially from those expressed in forward-looking statements made by or on behalf of the company. Among such numerous factors the company includes: the continued growth of the world-wide air conditioning, heating, and refrigeration market; the weather and its impact on the heating and air conditioning market; and the timely and proper implementation of future cost reduction programs.

A.O. Smith Corporation is a diversified manufacturer with headquarters in Milwaukee, Wis. In addition to electric motors, its principal product lines include commercial and residential water heaters; municipal, industrial, and agricultural storage tanks; and fiberglass reinforced composite pipe.