



## A.O. Smith announces third quarter earnings of \$.20 per share

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Milwaukee, Wis.--A. O. Smith Corporation (AOS-NYSE) today announced third quarter net earnings of \$6.0 million or \$.20 per share, in line with the estimate announced in September but lower than third quarter 2002 net earnings of \$10.0 million or \$.34 per share.

Sales for the quarter ended Sept. 30 were \$356.4 million, \$4 million higher than sales for the same period last year.

For the first nine months of 2003, net earnings for the Milwaukee-based manufacturer of electric motors and water heaters were \$39.6 million, compared with \$40.1 million earned during the same period of 2002. Revenues for the nine-month period were \$1.16 billion compared with 2002 nine-month revenues of \$1.11 billion.

As indicated in its Sept. 24 press release, the company incurred costs in the third quarter due to timing delays and disruptions, as both of its businesses undertook significant transitions. These transitions included the transfer of electric motor production to lower-cost facilities in Mexico and China, as well as the introduction of flammable vapor resistant water heaters.

According to Robert J. O'Toole, chairman and chief executive officer, "While we are disappointed in our financial performance in the third quarter, we are pleased in achieving major milestones in both businesses. We expect to begin receiving the benefits of these efforts in the fourth quarter and to be fully on track with our long-term strategic direction by year-end."

The company also announced that it has entered into a letter of intent to acquire the assets of Taicang Special Motor Co., Ltd., near Shanghai. Taicang will serve to expand the company's China manufacturing capability to include hermetic motors. The transaction is expected to be completed in the fourth quarter.

### Electrical Products

Third quarter sales of \$201.2 million were modestly higher than third-quarter 2002 sales of \$197.5 million. Operating earnings of \$9.6 million were \$700,000 lower than the same period in 2002, due to expenses in relocating production to lower-cost facilities, which adversely impacted manufacturing costs and finished goods inventories.

### Water Systems

Water Systems' sales of \$155.2 million were flat compared with the third quarter of 2002. Higher sales in China, coupled with price increases related to steel costs and newly launched products, were offset by lower unit sales of residential and commercial water heaters. Operating profit of \$7.9 million was approximately \$5.5 million lower than the third quarter of 2002 as a result of one-time manufacturing and freight costs due to the flammable vapor resistant product launch.

### Outlook

"As we indicated in our Sept. 24 press release, we expect earnings for 2003 to range between \$1.75 and \$1.80 per share. This reduction from our previous forecast was due to the disruptions in the third quarter and efforts to reduce electric motor inventory in the fourth quarter," O'Toole commented. "We expect these implementation difficulties to be behind us as we enter 2004. Accordingly, we expect earnings per share to be in line with our strategic plan, in a range of \$2.40 to \$2.60 per share."

A. O. Smith Corporation will broadcast a live conference call beginning at 9:30 a.m. (Eastern Time) today. The call can be heard on the company's web site, [www.aosmith.com](http://www.aosmith.com). An audio replay of the call will be available on the company's web site after the live event.

### Forward-looking statements

This release contains statements that we believe are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by the use of words such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe," "continue," or words of similar meaning. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those anticipated as of the date of this release. Factors that could cause such a variance include the following: instability in the company's electric motor and

water products markets; inability to generate the synergistic cost savings from the acquisition of State Industries; the inability to implement cost-reduction programs; adverse changes in general economic conditions; significant increases in raw material prices; competitive pressures on the company's businesses; and the potential that assumptions on which the company based its expectations are inaccurate or will prove to be incorrect.

Forward-looking statements included in this press release are made only as of the date of this release, and the company is under no obligation to upgrade these statements to reflect subsequent events or circumstances. All subsequent written and oral forward-looking statements attributed to the company, or persons acting on its behalf, are qualified entirely by these cautionary statements.

A. O. Smith Corporation, headquartered in Milwaukee, Wis., is one of North America's largest manufacturers of electric motors and a leading marketer and manufacturer of commercial and residential water heating equipment. The company employs approximately 17,000 people at facilities in the United States, Canada, China, England, Hungary, Ireland, Mexico, and the Netherlands.

[Click here to download third quarter financial tables in excel format.](#)