



## A. O. Smith Third Quarter Earnings Increase 13 Percent to \$.52 Per Share

MILWAUKEE, Wis., Oct. 18 -- A. O. Smith Corporation's (NYSE: AOS; Amex: SMCA) third quarter earnings increased 13 percent over the 1998 third quarter to \$.52 per share, bolstered by the continued strong performance of its electric motor business.

Net earnings for the quarter ended September 30 were \$12.4 million, compared with 1998 third quarter net earnings of \$11.0 million. Third quarter sales reached \$318 million, more than 30 percent higher than 1998 third-quarter sales of \$243 million.

"Demand in our principal motor markets remained strong throughout the quarter, sustained by a healthy domestic economy," Robert J. O'Toole, chairman and chief executive officer, observed.

"Electrical Products' results also reflected the first two months' contribution from the MagneTek motors acquisition completed in early August," O'Toole continued.

A. O. Smith's sales for the first nine months of 1999 were \$838 million, \$145 million higher than the \$693 million sales reported for the first nine months of last year. Nine months earnings of \$37.7 million or \$1.59 per share were higher than the \$33.8 million or \$1.39 per share earned during the same period last year.

The Electric Motor Technologies platform, A. O. Smith's largest operating unit, benefited from higher demand in the heating, ventilating, and air conditioning (HVAC) market, increased export motor volume, and expanded sales in the garage door opener market segment. Third quarter sales increased 56 percent to \$212 million, compared with 1998 third quarter sales of \$135 million. The MagneTek electric motor operations, acquired on August 2, contributed \$66 million to third quarter revenues. Operating profits increased significantly due to the higher volumes.

Water Systems Technologies' third quarter sales of \$76 million were approximately \$4 million higher than the same period in 1998. The company benefited from increased sales in China, which helped to offset relatively flat third-quarter domestic demand for commercial and residential water heaters. Third quarter profits were lower than the 1998 third quarter, as a result of the sluggish demand in domestic markets, and costs associated with the expansion of the Chinese water heater business.

The Storage & Fluid Handling Technologies platform reported sales of \$31 million, a decrease of approximately 15 percent compared with the third quarter of 1998. Demand for storage tanks and fiberglass pipe continues to be adversely affected by weak capital spending in the industrial markets served by the platform. Operating profits were lower in the quarter, due to the lower volumes.

A. O. Smith Corporation is a diversified manufacturer with headquarters in Milwaukee, Wis. Its major product lines include fractional horsepower, hermetic, and integral horsepower electric motors; commercial and residential water heaters; municipal, industrial, and agricultural storage tanks; and fiberglass piping systems.

A. O. SMITH CORPORATION AND SUBSIDIARIES  
(condensed consolidated financial statements -  
\$000 omitted except per share data)

	Three Months ended		Nine Months ended	
	September 30		September 30	
	1999	1998	1999	1998
Sales				
Electric Motor Technologies	\$211,609	\$135,309	\$516,148	\$360,913
Water Systems Technologies	75,797	71,685	236,536	220,534
Storage & Fluid Handling Technologies	30,901	36,260	85,729	111,442
Net Sales	318,307	243,254	838,413	692,889
Costs and Expenses				
Cost of Products Sold	258,445	196,232	674,292	552,245
Selling, General and Administrative	35,578	26,324	92,544	80,605
Interest Expense	4,380	1,974	8,879	5,191
Interest Income	(512)	(258)	(1,066)	(3,279)
Other Expense	2,073	927	5,612	2,341

Tax Provision	5,977	6,356	20,469	19,587
Total Costs and Expenses	305,941	231,555	800,730	656,690
Earnings Before Equity in				
Loss of Joint Ventures	12,366	11,699	37,683	36,199
Equity in Loss of Joint Ventures	--	(725)	--	(2,418)
Net Earnings	\$12,366	\$10,974	\$37,683	\$33,781
Net Earnings Per Share of				
Common Stock (Diluted)	\$.52	\$.46	\$1.59	\$1.39
Average Common Shares				
Outstanding (000's omitted)	23,845	23,958	23,771	24,316

A. O. SMITH CORPORATION

Balance Sheet

	September 30 1999	December 31 1998
ASSETS:		
Cash and cash equivalents	\$10,079	\$37,666
Receivables	226,120	133,764
Inventories	162,225	99,984
Deferred income taxes	10,310	11,376
Other current assets	8,084	4,599
Total Current Assets	416,818	287,389
Net property, plant and equipment	331,533	248,770
Goodwill and other intangibles	253,384	149,282
Other assets	95,146	81,991
Total Assets	\$1,096,881	\$767,432
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Trade payables	\$102,443	\$57,429
Accrued payroll and benefits	39,254	31,385
Product warranty	12,792	7,892
Income taxes	5,207	6,786
Long-term debt due within one year	4,629	4,629
Other current liabilities	39,524	24,036
Total Current Liabilities	203,849	132,157
Long-term debt	344,354	131,203
Other liabilities	69,803	60,636
Deferred income taxes	50,377	42,343
Stockholders' equity	428,498	401,093
Total Liabilities and Stockholders' Equity	\$1,096,881	\$767,432

A. O. SMITH CORPORATION

STATEMENT OF CASH FLOWS

	Nine Months ended September 30	
	1999	1998
Operating Activities		
Continuing		
Net earnings	\$37,683	\$33,781
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation & amortization	30,014	22,552
Equity in loss of joint ventures	--	2,418
Net change in current assets and liabilities	(5,682)	(6,963)
Net change in noncurrent assets and liabilities	(11,250)	2,751
Other	(255)	(99)
Cash Provided by Operating Activities	50,510	54,440
Investing Activities		
Capital expenditures	(26,595)	(20,116)
Capitalized purchased software costs	(1,187)	(1,308)
Investment in joint ventures	--	(8,066)

Acquisition of business	(251,892)	(126,456)
Cash Used by Investing Activities	(279,674)	(155,946)
Cash Used by Continuing Operations before Financing Activities	(229,164)	(101,506)
Discontinued Cash Used by Discontinued Operations before Financing Activities	(1,761)	(2,095)
Financing Activities		
Long-term debt incurred	217,780	30,590
Long-term debt retired	(4,629)	(5,590)
Purchase of common stock held in treasury	(2,745)	(33,244)
Other stock transactions	1,296	397
Dividends paid	(8,364)	(8,257)
Cash Provided / (Used) by Financing Activities	203,338	(16,104)
Net decrease in cash and cash equivalents	(27,587)	(119,705)
Cash and cash equivalents - beginning of period	37,666	145,896
Cash and Cash Equivalents - End of Period	\$10,079	\$26,191