SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2002.

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 1-475

A. O. SMITH CORPORATION

Delaware	39-0619790
(State of Incorporation)	(IRS Employer ID Number)

P. O. Box 245008, Milwaukee, Wisconsin 53224-9508
Telephone: (414) 359-4000

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 and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Class A Common Stock Outstanding as of June 30, 2002 -- 8,635,289 shares

Common Stock Outstanding as of June 30, 2002 -- 20,002,122 shares

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A. O. Smith Corporation

PART I--FINANCIAL INFORMATION
ITEM 1--FINANCIAL STATEMENTS

A.O. SMITH CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF EARNINGS
Three and Six Months ended June 30, 2002 and 2001
(000 omitted except for per share data)
(unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2002	2001	2002	2001
Electrical Products	$ 219,199	$ 221,630	$ 415,433	$ 447,883
Water Systems	167,085	86,618	342,778	178,600
Net sales	386,284	308,248	758,211	626,483
Cost of products sold	304,856	249,663	599,882	509,103
Gross profit	81,428	58,585	158,329	117,380
Selling, general and administrative expenses	50,198	36,338	103,402	74,461
Interest expense	3,683	3,901	7,860	8,702
Amortization of intangibles	60	1,734	141	3,467
Other (income) expense - net	(193)	349	596	948
	27,680	16,263	46,330	29,802
Provision for income taxes	9,688	5,570	16,216	10,580
Net Earnings	$ 17,992	$ 10,693	$ 30,114	$ 19,222
Earnings per Common Share				
Basic	$0.68	$0.45	$1.20	$0.82
Diluted	$0.66	$0.45	$1.17	$0.81
Dividends per Common Share	$0.13	$0.13	$0.26	$0.26

See accompanying notes to unaudited condensed consolidated financial statements.

PART I--FINANCIAL INFORMATION
ITEM 1--FINANCIAL STATEMENTS

A.O. SMITH CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
June 30, 2002 and December 31, 2001
(000 omitted)

	(unaudited) June 30, 2002	December 31, 2001
Assets		
Current Assets		
Cash and cash equivalents	$ 26,443	$ 20,759
Receivables	239,030	209,871
Inventories	191,135	194,706
Deferred income taxes	22,374	22,403
Other current assets	11,373	28,039
Net current assets - discontinued operations	-	1,796
Total Current Assets	490,355	477,574
Property, plant and equipment	652,266	637,503
Less accumulated depreciation	306,169	282,205
Net property, plant and equipment	346,097	355,298
Goodwill	295,693	295,073
Other intangibles	6,410	6,851
Other assets	172,561	159,127
Total Assets	$ 1,311,116	$ 1,293,923
Liabilities		
Current Liabilities		
Notes payable	$ -	$ 3,280
Trade payables	136,010	135,684
Accrued payroll and benefits	34,670	29,525
Accrued liabilities	52,915	53,832
Product warranty	19,546	19,470
Income taxes	2,382	887
Long-term debt due within one year	12,472	13,272
Net current liabilities - discontinued operations	2,690	-
Total Current Liabilities	260,685	255,950
Long-term debt	242,044	390,385
Other liabilities	129,479	133,556
Deferred income taxes	73,896	62,154
Total Liabilities	706,104	842,045
Stockholders' Equity		
Class A common stock, $5 par value: authorized 14,000,000 shares; issued 8,667,884	43,339	43,432
Common stock, $1 par value: authorized 60,000,000 shares; issued 23,881,478	23,881	23,863
Capital in excess of par value	74,244	54,785
Retained earnings	575,338	551,420
Accumulated other comprehensive loss	(6,427)	(6,858)
Treasury stock at cost	(105,363)	(214,764)
Total Stockholders' Equity	605,012	451,878
Total Liabilities and Stockholders' Equity	$ 1,311,116	$ 1,293,923

See accompanying notes to unaudited condensed consolidated financial statements

PART I--FINANCIAL INFORMATION
ITEM 1--FINANCIAL STATEMENTS

A.O. SMITH CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Six Months Ended June 30, 2002 and 2001
(000 omitted)
(unaudited)

	Six Months Ended June 30 2002	Six Months Ended June 30 2001
Operating Activities		
Continuing		
Net earnings	$ 30,114	$ 19,222
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	24,400	18,725
Amortization	730	4,255
Net change in current assets and liabilities	(2,337)	(18,645)
Net change in other noncurrent assets and liabilities	(3,623)	(6,707)
Other	906	(49)
Cash Provided by Operating Activities	50,190	16,801
Investing Activities		
Capital expenditures	(16,363)	(15,498)
Acquisition of business	(2,169)	-
Cash Used in Investing Activities	(18,532)	(15,498)
Cash Flow before Financing Activities	31,658	1,303
Financing Activities		
Long-term debt retired	(152,421)	(40,484)
Net proceeds from sale of common stock	127,480	-
Other stock transactions	845	1,046
Dividends paid	(6,196)	(6,139)
Cash Used in Financing Activities	(30,292)	(45,577)
Cash Provided by Discontinued Operations	4,318	44,174
Net increase (decrease) in cash and cash equivalents	5,684	(100)
Cash and cash equivalents-beginning of period	20,759	15,287
Cash and Cash Equivalents - End of Period	$ 26,443	$ 15,187

See accompanying notes to unaudited condensed consolidated financial statements.

A. O. SMITH CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2002
(unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three- and six-month periods ended June 30, 2002 are not necessarily indicative of the results expected for the full year. It is suggested that the accompanying condensed consolidated financial statements be read in conjunction with the audited consolidated financial statements and the notes thereto included in the company's latest Annual Report on Form 10-K. Certain prior year amounts have been reclassified to conform to the 2002 presentation.

2. Acquisitions

On December 28, 2001, A. O. Smith Corporation (the company) acquired all of the outstanding stock of State Industries, Inc. (State) for an aggregate purchase price of $117.6 million. This was comprised of $57.8 million for the outstanding stock, assumption of $56.3 million of debt, and $3.5 million of acquisition costs, of which $2.2 million were paid during the six-month period ended June 30, 2002. The purchase price was allocated to the assets acquired and liabilities assumed based upon current estimates of their respective fair values at the date of acquisition. In connection with the State acquisition, additional purchase liabilities of $3.9 million were recorded for employee severance. As of June 30, 2002, total costs incurred and charged against this liability to date totaled $1.8 million.

On August 2, 1999, the company acquired the assets of MagneTek, Inc.'s (MagneTek) domestic electric motor business and six wholly owned foreign subsidiaries for $244.6 million. In connection with the MagneTek acquisition, the company recorded additional purchase liabilities of $17.9 million, which included employee severance and relocation, as well as certain facility exit costs. The remaining balance of such purchase liabilities at June 30, 2002 is $5.6 million.

3. Business Improvement Programs

In the fourth quarter of 2001, the company recorded restructuring and other charges of $9.4 million. The charges included employee separation costs of $7.7 million associated with product or component manufacturing repositioning and the realignment of certain administrative functions. The resulting reduction of workforce is approximately 150 salaried and 775 hourly employees. In addition, the company recorded facility impairment and lease charges of $1.7 million representing estimated costs of facilities to be vacated. The company spent $2.0 million through June 30, 2002. At June 30, 2002, the company estimates approximately 600 employees are yet to be impacted and plans to be substantially completed with the realignment activities prior to June 30, 2003.

4. Inventories (000 omitted)

	June 30, 2002	December 31, 2001
Finished products	$ 127,172	$ 120,231
Work in process	35,755	40,210
Raw materials	52,318	58,375
	215,245	218,816
Allowance to state inventories at LIFO cost	24,110	24,110
	$ 191,135	$ 194,706

5. Goodwill and Other Intangible Assets

The company adopted Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets", effective January 1, 2002. Under SFAS No. 142, goodwill and certain other intangible assets are no longer amortized but are reviewed for impairment. In connection with the adoption of SFAS No. 142, the company has completed the first step of the transitional goodwill impairment test, which requires the company to compare the fair value of its reporting units to the carrying value of the net assets of the respective reporting units as of January 1, 2002. Based on this analysis, the company has concluded that no impairment existed at the time of adoption, and, accordingly, the company has not recognized any transitional impairment loss.

Changes in the carrying amount of goodwill during the six-month period ended June 30, 2002 consist of the following (000 omitted):

	Electrical Products	Water Systems	Total
Balance at December 31, 2001	$ 230,004	$ 65,069	$ 295,073
Adjustment to property, plant and equipment and other assets	(38)	260	222
Additional acquisition costs	-	398	398
Balance at June 30, 2002	$ 229,966	$ 65,727	$ 295,693

As required by SFAS No. 142, the results of operations for periods prior to its adoption have not been restated. The following table reconciles reported net earnings and earnings per share to pro forma net earnings and earnings per share that would have resulted for the six-month period ended June 30, 2001 if SFAS No. 142 had been adopted effective January 1, 2001 (000 omitted, except per share amounts):

	Three Months Ended June 30, 2001	Six Months Ended June 30, 2001
Net earnings as reported	$ 10,693	$ 19,222
Goodwill amortization - after tax	1,044	2,039
Assembled workforce amortization - after tax	61	119
Net earnings - pro forma	11,798	21,380
Basic earnings per share:		
As reported	$ .45	$ 0.82
Pro forma	$ .50	$ 0.91
Diluted earnings per share:		
As reported	$ .45	$ 0.81
Pro forma	$ .49	$ 0.90

Other intangible assets at June 30, 2002 and December 31, 2001 consist of the following (000 omitted):

		June 30, 2002		
	Amortization Period	Carrying Amount	Accumulated Amortization	Net
Intangible assets subject to amortization:				
Patents	10 - 12 years	$ 618	$ (140)	$ 478
Customer lists	30 years	2,600	(253)	2,347
Other	5 - 15 years	996	(441)	555
		4,214	(834)	3,380
Intangible assets not subject to amortization:				
Trademarks		3,030	-	3,030
Total intangible assets		$ 7,244	$ (834)	$ 6,410

		December 31, 2001		
	Amortization Period	Carrying Amount	Accumulated Amortization	Net
Intangible assets subject to amortization:				
Patents	10 - 12 years	$ 618	$ (111)	$ 507
Customer lists	30 years	2,600	(209)	2,391
Other	5 - 15 years	1,296	(373)	923
		4,514	(693)	3,821
Intangible assets not subject to amortization:				
Trademarks		3,030	-	3,030
Total intangible assets		$ 7,544	$ (693)	$ 6,851

Amortization expense is projected to be approximately $0.2 million for each of the fiscal years ended December 31, 2002 through 2006.

6. Long-Term Debt
The company's credit agreement and term notes contain certain conditions and provisions which restrict the company's payment of dividends. Under the most restrictive of these provisions, retained earnings of $196.6 million were unrestricted as of June 30, 2002.

7. Common Stock Issuance
On May 10, 2002, the company completed the sale of 4,776,065 shares of its common stock held in treasury. The $127.5 million net proceeds from the offering were used to reduce long-term debt.

8. Comprehensive Earnings (000 omitted)
The company's comprehensive earnings are comprised of net earnings, foreign currency translation adjustments, and realized and unrealized gains and losses on cash flow derivative instruments. Also included in comprehensive earnings for the six-month period ended June 30, 2001 was a cumulative loss adjustment on cash flow hedges of approximately $0.6 million in connection with the adoption of Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended, on January 1, 2001.

	Three Months Ended June 30		Six Months Ended June 30	
	2002	2001	2002	2001
Net Earnings	$ 17,992	$ 10,693	$ 30,114	$ 19,222
Other comprehensive earnings (loss):				
Foreign currency translation adjustments	2,375	650	2,099	(1,167)
Unrealized net gains (losses) on cash flow derivative instruments less related income tax (provision) benefit: 2002 - $3,828 & $1,347; 2001 - $(928) & $(1,137)	(5,987)	1,453	(1,668)	1,779
Comprehensive Earnings	$ 14,380	$ 12,796	$ 30,545	$ 19,834

9. Earnings per Share of Common Stock

The numerator for the calculation of basic and diluted earnings per share is net earnings. The following table sets forth the computation of basic and diluted weighted-average shares used in the earnings per share calculations:

	Three Months Ended June 30		Six Months Ended June 30	
	2002	2001	2002	2001
Denominator for basic earnings per share - weighted-average shares	26,486,407	23,644,889	25,136,771	23,578,440
Effect of dilutive stock options	745,678	267,289	645,508	292,127
Denominator for diluted earnings per share	27,232,085	23,912,178	25,782,279	23,870,567

10. Operations by Segment (000 omitted)

	Three Months Ended June 30		Six Months Ended June 30	
	2002	2001	2002	2001
Net sales				
Electrical Products	$ 219,199	$ 221,630	$ 415,433	$ 447,883
Water Systems	167,085	86,618	342,778	178,600
	$ 386,284	$ 308,248	$ 758,211	$ 626,483
Earnings before interest and taxes				
Electrical Products	$ 20,524	$ 15,379	$ 35,686	$ 29,403
Water Systems	16,594	9,885	30,172	19,736
	37,118	25,264	65,858	49,139
Corporate expenses	(5,755)	(5,100)	(11,668)	(10,635)
Interest expense	(3,683)	(3,901)	(7,860)	(8,702)
Earnings before income taxes	27,680	16,263	46,330	29,802
Provision for income taxes	(9,688)	(5,570)	(16,216)	(10,580)
Net earnings	$ 17,992	$ 10,693	$ 30,114	$ 19,222

Intersegment sales, which are immaterial, have been excluded from segment revenues.

11. Accounting for Derivative Instruments

The company utilizes certain derivative instruments to enhance its ability to manage currency exposures and raw materials price risks. Derivative instruments are entered into for periods consistent with the related underlying exposures and do not constitute positions independent of those exposures. The company does not enter into contracts for speculative purposes. The company has hedged certain of its forecasted exposures. Greater than 98 percent of these contracts expire by December 31, 2003. The contracts are executed with major financial institutions with no credit loss anticipated for failure of the counterparties to perform.

Foreign Currency Forward Contracts
The company is exposed to foreign currency exchange risk as a result of transactions in currencies other than the functional currency of certain subsidiaries. The company utilizes foreign currency forward purchase and sale contracts to manage the volatility associated with foreign currency purchases and certain intercompany transactions in the normal course of business. Contracts typically have maturities of a year or less. Principal currencies include the Mexican peso, Hungarian forint, British pound, Euro and U.S. dollar.

Forward contracts are accounted for as cash flow hedges of a forecasted transaction. The fair value of these currency derivatives of $2.8 million has been recorded in accrued liabilities as of June 30, 2002. A fair value of $6.6 million for currency derivatives has been recorded in other current assets as of December 31, 2001. Gains and losses on these instruments are recorded in other comprehensive income (loss) until the underlying transaction is recorded in earnings. When the hedged item is realized, gains or losses are reclassified from accumulated other comprehensive income (loss) to the statement of earnings. The assessment of effectiveness for forward contracts is based on changes in the forward rates. These hedges have been determined to be perfectly effective.

Commodity Future Contracts
In addition to entering into supply arrangements in the normal course of business, the company also enters into future contracts to fix the cost of certain raw material purchases, principally copper and aluminum, with the objective of minimizing changes in inventory cost due to market price fluctuations.

The commodity future contracts are designated as cash flow hedges of a forecasted transaction. Derivative commodity assets for copper of $0.2 million are recorded in other current assets as of June 30, 2002. Derivative commodity liabilities for copper of $6.2 million are recorded in accrued liabilities as of December 31, 2001. Derivative commodity liabilities for aluminum of $0.3 million and $0.7 million are recorded in accrued liabilities as of June 30, 2002 and December 31, 2001, respectively. Overall, the value of the effective portions of the commodity contracts of $0.1 million and ($6.9) million are recorded in accumulated other comprehensive income (loss) as of June 30, 2002 and December 31, 2001, respectively, and reclassified into cost of products sold in the period in which the underlying transaction is recorded in earnings. Ineffective portions of the commodity hedges are recorded into earnings in the period in which the ineffectiveness occurs. Hedge ineffectiveness and impact on earnings was not material for the three- and six-month periods ended June 30, 2002 and 2001, respectively.

The majority of the amounts in accumulated other comprehensive earnings (loss) for cash flow hedges are expected to be reclassified into earnings within one year.

12. Subsequent Event
On July 1, 2002, the company completed the purchase of the hermetic motor assets of the Athens Products division of Electrolux Group for approximately $11 million.

PART I - FINANCIAL INFORMATION
ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS
SECOND QUARTER AND FIRST SIX MONTHS OF 2002 COMPARED TO 2001

Sales were $386.3 million in the second quarter of 2002, $78.1 million, or 25 percent higher than sales of $308.2 million recorded in the second quarter of 2001. Sales for the first half of 2002 were $758.2 million or 21 percent higher than sales of $626.5 million in the same period last year. The increase in second quarter sales was due primarily to our State Industries Inc. (State) water heater operation acquired in December 2001, while the increase in the first half was due to State partially offset by lower sales of electric motors.

Our gross profit margin for the second quarter of 2002 increased from 19.0 percent in 2001 to 21.1 percent. Our year to date gross profit margin in 2002 was 20.9 percent compared with 18.7 percent in the same period in 2001. The improved margins in both the second quarter and first half of 2002 resulted from product repositioning at Electrical Products, the addition of State Industries and material cost savings at both businesses.

Selling, general and administrative (SG&A) expenses in the second quarter and first half of 2002 were higher than the same periods in 2001 by $13.9 million and $28.9 million, respectively, as a result of the incremental SG&A associated with our State acquisition. On a year-to-date basis SG&A was 13.6 percent of sales compared with 11.9 percent of sales for the first six months of 2001. The increase in SG&A relative to sales resulted from our Water Systems business which has higher SG&A levels and has grown from 28.5 percent of total company sales in the first half of 2001 to 45.2 percent of total company sales in the first half of 2002.

Interest expense for the second quarter and first half of 2002 was lower than the comparable periods in 2001 by $.2 million and $.8 million, respectively, due to lower interest rates and reduced debt levels resulting from our stock offering (see Note 7 of notes to consolidated financial statements).

We have significant pension benefit costs and credits that are developed from actuarial valuation. The valuations reflect key assumptions regarding, among other things, discount rates, expected return on plan assets, retirement ages, and years of service. Consideration is given to current market conditions, including changes in interest rates, in making these assumptions. During the second quarter of 2002, we reduced our assumption for expected rate of return on plan assets from 10.0 percent to 9.75 percent. The amount of pension credit recognized in the second quarter and first half of 2002 was $4.1 million and $8.6 million, respectively, and compared with $5.6 million and $10.1 million in the comparable periods of 2001. The second quarter and first half of 2002 included $.5 million and $1.0 million for pension expense associated with our State acquisition. The pension credits are reflected as offsets to cost of products sold and SG&A.

Our effective tax rate for the second quarter and first half of 2002 was 35.0 percent. Our effective tax rates for the second quarter and first half of 2001 were 34.2 percent and 35.5

percent, respectively. The second quarter of 2001 benefitted from a year-to-date favorable adjustment related to the implementation of a more efficient tax structure for international operations.

Net earnings for the second quarter were $18.0 million, surpassing the same quarter last year by $7.3 million and establishing a record for the second quarter. Net earnings of $30.1 million for the first half of 2002 were $10.9 million higher than net earnings of $19.2 million in the first half of 2001. The increase in earnings was attributable to lower manufacturing costs and the elimination of goodwill amortization at Electrical Products; synergies from our State acquisition; and higher sales volume in our base Water Systems business. On a diluted per share basis, second quarter earnings increased from $.45 in 2001 to $.66 in 2002, while for the first half per share earnings increased from $.81 in 2001 to $1.17 in 2002. The 2002 second quarter and first half earnings per share amounts were diluted by approximately $.06 and $.07, respectively, as a result of increased shares outstanding associated with our stock offering.

Electrical Products

Second quarter sales for our Electrical Products segment were $219.2 million, modestly lower than sales of $221.6 million in the second quarter of 2001. Year to date sales for this segment were $415.4 million, a decline of $32.5 million from 2001 first half sales of $447.9 million. The decline in sales for the second quarter and first half occurred mostly in our heating, ventilation and air conditioning business.

Second quarter operating earnings for our Electrical Products business increased from $17.1 million in 2001 (as adjusted to exclude $1.7 million of goodwill amortization) to $20.5 million in 2002. Earnings for the first six months were $35.7 million or $3.0 million higher than 2001 first half earnings of $32.7 million (as adjusted to exclude $3.3 million of goodwill amortization). The favorable trend in earnings reflects the impact of product repositioning and other cost reduction programs.

On July 1, 2002, we purchased the hermetic motor assets of the Athens Products division of the Electrolux Group for approximately $11 million. This purchase is expected to add at least $30 million in annual sales and generate modest incremental earnings in 2003.

Water Systems

Second quarter and first half sales for our Water Systems segment increased by $80.5 million and $164.2 million, respectively over the comparable periods in 2001. Sales in 2002 associated with our State acquisition were $77.9 million for the second quarter and $162.0 million for the first half, accounting for most of the year over year increase.

Operating profits for Water Systems were $16.6 million in the second quarter of 2002 reflecting a $6.7 million increase over the same period last year. For the first half of 2002, earnings were $30.2 million as compared to $19.7 million in the first six months of 2001. The improved earnings performance in the second quarter and first half of 2002 compared with the same periods in 2001 was the result of State Industries and the synergies associated with this acquisition; and improved profitability in our China operation.

Critical Accounting Policies

Our accounting policies are described in Note 1 of notes to consolidated financial statements as disclosed in the Form 10-K for the fiscal year ended December 31, 2001. As disclosed in Note 1 of notes to consolidated financial statements, the preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements.

The most significant accounting estimates inherent in the preparation of our financial statements include estimates associated with the evaluation of the recoverability of certain assets including goodwill and receivables resulting from the payment of claims associated with the dip tube class action lawsuit (see Note 13 of notes to consolidated financial statements in the Form 10-K for the fiscal year ended December 31, 2001) as well as those estimates used in the determination of liabilities related to warranty activity, litigation, product liability, environmental matters and pensions and other post-retirement benefits. Various assumptions and other factors underlie the determination of these significant estimates. The process of determining significant estimates is fact specific and takes into account factors such as historical experience and trends, and in some cases, actuarial techniques. We constantly reevaluate these significant factors and adjustments are made when facts and circumstances dictate. Historically, actual results have not significantly deviated from those determined using the estimates described above.

Recent Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 143, "Accounting for Asset Retirement Obligations," and SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 143 will become effective for us on January 1, 2003. Adoption of this statement is not expected to have a material impact on our consolidated financial statements. SFAS No. 144, which was adopted on January 1, 2002, has not had a material impact on our consolidated financial statements since its adoption.

Outlook

We continue to monitor conditions in our served markets and remain cautious about sales volumes for the rest of the year. However, as a result of the strong performance during the first half of the year, and the expectation for continued success in our cost reduction programs, we improved our full year 2002 earnings guidance to $1.70 to $1.80 per share, from our previous guidance of $1.60 to $1.70 per share.

Liquidity & Capital Resources

Our working capital for continuing operations was $232.4 million at June 30, 2002, $12.5 million higher than at December 31, 2001. A sales-related increase in accounts receivable of $29.2 million was partially offset by a reduction in our other current assets account as a result of receiving an expected $12.4 million tax refund. Cash provided by our operations during the first half of 2002 was $50.2 million compared with $16.8 million during the same period one year ago. We had higher earnings and smaller increases to working capital during the first half of

2002 compared with the first half of 2001. We project operating cash flow of $80 to $85 million for the full year.

Our capital expenditures during the first half of 2002 totaled $16.3 million, which was slightly more than the $15.5 million spent in the first half of 2001. The increase in capital spending is associated with our recent acquisition of State Industries. Our company is projecting 2002 capital expenditures of approximately $45 million, an increase over 2001 primarily due to the acquisition of State. We expect the level of 2002 capital expenditures to be marginally lower than 2002 depreciation expense and that cash flow during 2002 will adequately cover planned capital expenditures. We believe that our present facilities and planned capital expenditures are sufficient to provide adequate capacity for our operations in 2002.

On May 10, 2002, we completed the sale of 4.8 million shares of our common stock through a public offering at a price of $28.25 per share. With the $127.5 million net proceeds from our stock offering and operating cash flow, we reduced our long-term debt by $148.4 million from $390.4 million at December 31, 2001 to $242.0 million at June 30, 2002. Our leverage as measured by the ratio of total debt to total capitalization was 30 percent, down significantly from 47 percent at the end of 2001. Excluding potential acquisitions, we expect 2002 cash flow to result in a year-end leverage ratio slightly below current levels. We did not enter into any significant operating leases during the first six months of 2002. We expect to have adequate liquidity in 2002 as we have a minimal amount of long-term debt maturing, and we have adequate credit facilities to support our short-term borrowing needs. At June 30, 2002, our company had available borrowing capacity of $228.2 million under our credit facilities. We believe that the combination of available borrowing capacity and operating cash flow will provide sufficient funds to finance our existing operations for the foreseeable future.

In connection with our acquisition of State in December 2001, we recorded additional purchase liabilities of approximately $3.9 million associated with employee severance costs. As of June 30, 2002, we have charged $1.8 million against this reserve. In addition, we recorded purchase liabilities of $17.9 million in 1999 associated with our MagneTek motor acquisition, which included employee severance and relocation, as well as certain facility costs. The balance of the MagneTek purchase liabilities was $5.6 million at June 30, 2002. We expect the majority of these activities to be completed within the next year.

On July 9, 2002, our board of directors increased the quarterly dividend on our common stock and Class A common stock by 8 percent to $.14 per share. The dividend is payable on August 15, 2002 to stockholders of record on July 31, 2002.

ITEM 3. - QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISK

As is more fully described in our annual report on Form 10-K for the year ended December 31, 2001, we are exposed to various types of market risks, primarily currency and certain commodities. We monitor our risks in these areas on a continuous basis and generally enter into forward and futures contracts to minimize these exposures for periods of less than one year. Our company does not engage in speculation in our derivative strategies. It is important to note that gains and losses from our forward and futures contract activities are offset by changes in the underlying costs of the transactions being hedged.

Forward Looking Statements
This document 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 timely and properly integrate 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 document are made only as of the date of this filing, and the company is under no obligation to update these statements to reflect subsequent events or circumstances. All subsequent written and oral forward-looking statements attributable to the company, or persons acting on its behalf, are qualified in their entirety by these cautionary statements.

PART II - OTHER INFORMATION
ITEM 1 - LEGAL PROCEEDINGS

There have been no material changes in the legal and environmental matters previously reported in Part 1, Item 3 and Note 12 of the Notes to Consolidated Financial Statements in the company's Form 10-K Report for the year ended December 31, 2001, and Part 2, Item 1 in the quarterly report on Form 10-Q for the quarter ended March 31, 2002, which are incorporated herein by reference.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On March 4, 2002, the company mailed a proxy statement to its stockholders relating to the annual meeting of stockholders on April 8, 2002. The annual meeting included the election of directors, the consideration and action upon a proposal to approve the adoption of the A. O. Smith Combined Executive Incentive Compensation Plan and the reservation of 1,500,000 shares of Common Stock under the Plan, and the ratification of Ernst & Young LLP as the independent auditors of the company for 2002.

Directors are elected by a plurality of votes cast, by proxy or in person, with the holders voting as separate classes. A plurality of votes means that the nominees who receive the greatest number of votes cast are elected as directors. Consequently, any shares which are not voted, whether by abstention, broker nonvotes or otherwise, will have no effect on the election of directors.

For all other matters considered at the meeting, both classes of stock vote together as a single class, with the Class A Common Stock entitled to one vote per share and the Common Stock entitled to 1/10th vote per share. All such other matters are decided by a majority of the votes cast. On such other matters, an abstention will have the same effect as a "no" vote but, because shares held by brokers will not be considered to vote on matters as to which the brokers withhold authority, a broker nonvote will have no effect on the vote.

1. Election of Directors

Class A Common Stock Directors	Votes For	Votes Withheld
Glen R. Bomberger	8,515,191	1,118
Ronald D. Brown	8,515,115	1,194
Robert J. O'Toole	8,515,115	1,194
Dr. Agnar Pytte	8,514,196	2,114
Bruce M. Smith	8,515,191	1,118
Mark D. Smith	8,515,191	1,118

Common Stock Directors	Votes For	Votes Withheld
William F. Buehler	13,708,998	119,174
Kathleen J. Hempel	13,549,354	278,818

2. Approve the adoption of the A. O. Smith Combined Executive Incentive Compensation Plan and reservation of 1,500,000 shares of Common Stock under the Plan

COMBINED CLASS VOTE:	Votes For	Votes Against	Broker Abstentions	Broker Non Votes
Class A Common Stock and Common Stock (1/10th vote)	9,334,587	221,970	53,323	289,247

3. Ratification of Ernst & Young LLP as Independent Auditors

COMBINED CLASS VOTE:	Votes For	Votes Against	Broker Abstentions
Class A Common Stock and Common Stock (1/10th vote)	9,873,365	24,946	815

ITEM 5 - OTHER INFORMATION

None.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

A current report on Form 8-K was filed by the company on April 12, 2002. The Form 8-K announced a strong first quarter performance of $.50 per share earnings and an improved earnings projection to a range of $1.60 to $1.70 per share.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has authorized this report to be signed on its behalf by the undersigned.

A. O. SMITH CORPORATION

July 23,2002

/s/John J. Kita

John J. Kita
Vice President,
Treasurer and Controller

July 23, 2002

/s/Kenneth W. Krueger

Kenneth W. Krueger
Senior Vice President
and Chief Financial Officer

INDEX TO EXHIBITS

Exhibit Number	Description
None	