



A.O. Smith 1997 Earnings Increase 68% to \$2.00 Per Share

Fourth quarter earnings doubled, to \$.56 per share

MILWAUKEE, Wis., Jan. 19 -- A.O. Smith Corporation (NYSE: AOS) today announced 1997 earnings increased 49 percent to \$37.6 million, compared with 1996 earnings of \$25.2 million.

Earnings per share of \$2.00 (diluted) were 68 percent higher than the \$1.19 per share earned in 1996, underscoring the additional benefit of the company's share repurchase program. Sales of \$833 million were \$52 million higher than 1996 sales of \$781 million.

For the fourth quarter, earnings from continuing operations were \$9.7 million or \$.56 per share (diluted), significantly higher than the \$6.0 million or \$.28 per share earned during the same period in 1996. Sales of \$206 million represented a seven percent increase over fourth quarter 1996 sales of \$192 million.

During the fourth quarter, the company completed the sale of its Mexican automotive affiliate, Metalsa, bringing the divestiture of its automotive operations to a conclusion.

"The company was able to achieve its earnings objectives despite recurring challenges in several of our major markets," Robert J. O'Toole, chairman and chief executive officer, observed. "The acquisition of UPPCO, reductions in general and administrative expense and higher interest income contributed to the significant improvement in earnings."

Sales in the Electric Motor Technologies platform increased nearly 16 percent to a record \$391 million. The March 31 acquisition of UPPCO, a manufacturer of subfractional horsepower electric motors, added approximately \$57 million to 1997 sales. The company was able to overcome a nearly 10 percent decline in the domestic air conditioning industry, with sales of fractional horsepower and hermetic motors approximately the same as in the prior year. Operating profits were moderately higher than 1996 due to contributions from the UPPCO acquisition.

Water Systems Technologies' sales of \$287 million were slightly lower than 1996 sales of \$291 million. Higher sales of commercial water heaters and boilers were offset by second-half weakness in the residential water heater market. 1997 marked the sixth consecutive year that A.O. Smith has increased its sales in the important commercial water heating market segment. Profits were essentially unchanged compared with 1996.

Sales of the Storage and Fluid Handling Technologies platform of \$155 million were slightly higher than 1996 sales of \$153 million. Improved performance by the Smith Fiberglass unit was partially offset by lower sales of liquid storage tanks. Operating profits were essentially flat in 1997.

The company also announced that its Board of Directors approved an authorization to repurchase an additional \$50 million of its Common Stock and Class A Common Stock. The company reported that it has nearly completed the previous authorization to repurchase \$80 million of common stock granted on June 10, 1997. Since the inception of the program in January of last year, the company has repurchased approximately 4.9 million shares for \$181 million, representing 23 percent of the total shares outstanding. As of January 19, 1998, there were 16.2 million shares of Common Stock and Class A Common Stock issued and outstanding.

The Board of Directors also today declared a regular quarterly cash dividend of \$.17 per share on Common Stock and Class A Common Stock. The dividend is payable February 17 to shareholders of record January 31, 1998.

A.O. Smith Corporation is a diversified manufacturer with headquarters in Milwaukee, Wis. Its major product lines include fractional horsepower, subfractional horsepower, and hermetic electric motors; residential and commercial water heaters; industrial storage tanks; and fiberglass reinforced plastic pipe.

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

	Three Months ended		Year ended	
	December 31		December 31	
	1997	1996	1997	1996
Continuing Sales				
Electric Motor Technologies	\$91,970	\$73,094	\$390,749	\$337,138

Water Systems Technologies	76,240	79,943	287,458	291,281
Storage & Fluid Handling Technologies	37,577	38,777	154,730	152,774
Net Sales	205,787	191,814	832,937	781,193
Costs and Expenses				
Cost of Products Sold	165,421	150,546	662,227	614,218
Selling, General and Administrative	24,748	25,734	106,999	107,350
Interest Expense	1,160	2,231	7,762	8,114
Interest Income	(2,665)	(153)	(9,035)	(341)
Other Expense	1,243	2,192	3,328	5,629
Tax Provision	5,356	3,848	21,359	17,080
Total Costs and Expenses	195,263	184,398	792,640	752,050
Earnings Before Equity in				
Loss of Joint Ventures	10,524	7,416	40,297	29,143
Equity in Loss of Joint Ventures	(779)	(1,385)	(2,744)	(3,894)
Earnings from Continuing Operations	9,745	6,031	37,553	25,249
Discontinued				
Earnings from Operations (less related				
income tax (1997 - \$0 & \$7,698;				
1996 - \$4,880 & \$19,988))	--	10,778	15,231	40,168
Gain on Disposition (less related income				
tax of \$13,482 & \$71,538)	6,430	--	101,046	--
Net Earnings	\$16,175	\$16,809	\$153,830	\$65,417
Basic Earnings Per Share of Common Stock				
Continuing Operations	\$0.58	\$0.29	\$2.04	\$1.21
Discontinued Operations	\$0.38	\$0.51	\$6.31	\$1.92
Net Earnings	\$0.96	\$0.80	\$8.35	\$3.13
Average Common Shares				
Outstanding	16,880,268	20,929,264	18,422,871	20,922,195
Diluted Earnings Per Share of Common Stock				
Continuing Operations	\$0.56	\$0.28	\$2.00	\$1.19
Discontinued Operations	\$0.37	\$0.51	\$6.19	\$1.90
Net Earnings	\$0.93	\$0.79	\$8.19	\$3.09
Average Common Shares				
Outstanding	17,278,684	21,200,534	18,794,190	21,156,193

A.O. SMITH CORPORATION
STATEMENT OF CASH FLOWS

	Year Ended	
	December 31	
	1997	1996
Operating Activities		
Continuing		
Net earnings	\$37,553	\$25,249
Adjustments to reconcile net earnings		
to net cash provided by operating activities:		
Depreciation & amortization	26,286	23,601
Deferred income taxes	(2,262)	(3,345)
Equity in loss of joint ventures	2,744	3,894
Net change in current assets and liabilities	10,797	24,320
Net change in noncurrent assets and liabilities	3,635	4,083
Other	1,495	2,630
Cash Provided by Operating Activities	80,248	80,432
Investing Activities		
Capital expenditures	(44,886)	(37,804)
Capitalized purchased software costs	(1,295)	(2,567)
Investment in joint ventures	(13,719)	(15,147)
Acquisition of business (net of cash acquired)	(60,918)	(1,111)
Cash Used by Investing Activities	(120,818)	(56,629)
Cash Flow Provided / (Used) by Continuing		
Operations before Financing Activities	(40,570)	23,803
Discontinued		
Cash Provided / (used) by operating activities	(106,132)	113,644

Cash used by investing activities	(52,456)	(177,116)
Proceeds from disposition	773,090	--
Tax payments associated with disposition	(106,039)	--
Cash Flow Provided / (Used) by Discontinued Operations before Financing Activities	508,463	(63,472)
Financing Activities		
Long-term debt incurred	--	58,507
Long-term debt retired	(143,816)	(4,000)
Purchase of common stock held in treasury	(176,550)	--
Proceeds from common stock options exercised	3,757	539
Tax benefit from exercise of stock options	884	28
Dividends paid	(12,677)	(13,807)
Cash Provided/(Used) by Financing Activities	(328,402)	41,267
Net increase in cash and cash equivalents	139,491	1,598
Cash and cash equivalents - beginning of period	6,405	4,807
Cash and Cash Equivalents - End of Period	\$145,896	\$6,405

A.0. SMITH CORPORATION
Balance Sheet

	December 31 1997	December 31 1996
ASSETS:		
Cash and cash equivalents	\$145,896	\$6,405
Receivables	126,232	121,571
Inventories	79,049	80,445
Deferred income taxes	11,849	12,416
Other current assets	2,702	4,537
Total Current Assets	365,728	225,374
Net property, plant and equipment	207,756	182,600
Investments in and advances to joint ventures	25,605	14,579
Prepaid pension asset	37,468	46,628
Goodwill	51,783	6,540
Other assets	28,176	37,777
Net long-term assets - discontinued operations	--	357,654
Total Assets	\$716,516	\$871,152
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Trade payables	\$61,299	\$66,514
Accrued payroll and benefits	26,397	27,362
Product warranty	7,972	7,563
Income taxes	6,607	1,351
Long-term debt due within one year	5,590	11,932
Other current liabilities	13,556	7,228
Net current liabilities - discontinued operations	6,461	2,602
Total Current Liabilities	127,882	124,552
Long-term debt	100,972	238,446
Product warranty	18,349	17,109
Other liabilities	24,410	18,135
Deferred income taxes	28,442	31,271
Postretirement benefit obligation	16,756	17,000
Stockholders' equity	399,705	424,639
Total Liabilities and Stockholders' Equity	\$716,516	\$871,152