



## **A. O. Smith Recovers Quickly from Flood; Adjusts Earnings Guidance to Reflect Better Than Expected Operating Performance and One Time Charge for Flood**

**Milwaukee, Wis.** -Production at A O. Smith's largest water heater facility in Ashland City, Tenn. is up and running faster than expected since the flooding of the Cumberland River in early May. That production, combined with the shifting of residential water heater production to the company's other North American operations, will allow residential water heater backlogs to return to their normal lead times in early July.

The company estimates one time net after-tax direct damages from the flooding, including clean up expenses, damaged inventory and repair or replacement of over 2,000 machines, to be \$.60 to \$.70 per share in the second quarter. The damage estimate is net of the recovery of approximately \$32 million in property and business interruption insurance.

"I am very proud of the teams that are executing a remarkably quick recovery to this natural disaster." said Paul Jones, chairman and chief executive officer. "Bringing a flooded plant back on line is an extraordinarily complicated process, not to mention the complexities of simultaneously relocating production to our other plants. To accomplish this feat in such a short period of time is a testament to our commitment to customers, all of whom have been supportive during this difficult time."

"I am equally impressed with the non-flood related operating performance of both of our divisions. Without the flood, we were likely looking at record operating performance in the first half of the year. We expect second quarter operating margins at electrical products to be in low double digits. This performance is resulting from higher than originally forecasted customer demand and continued execution of our strategy, which includes an improved cost structure created by streamlined, efficient processes and several new energy efficient product introductions."

"Based upon what we know today, the improvements we expect in our operating performance for the year could substantially offset the one time costs from the flood," commented Paul Jones. "As a result, we have modified our 2010 full-year earnings guidance to \$3.05 to \$3.25 per share."

### **Forward-looking statements**

This release contains statements that the company believes 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," "forecast," "guidance" 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: significant volatility in raw material prices; competitive pressures on the company's businesses; inability to implement pricing actions; negative impact of future pension contributions on the company's ability to generate cash flow; instability in the company's electric motor and water products markets; further weakening in housing construction; further weakening in commercial construction; timing of any recoveries in housing or commercial construction; a slowdown in the Chinese economy; further adverse changes in customer liquidity and general economic and capital market conditions; the impact of acquisition accounting or non-GAAP financial measures on the company's financial statements; or difficulties in integrating the China acquisition, and difficulties in realizing future growth and profit expectations and potential or unanticipated negative impacts on the company that the flooding of its Ashland City, Tenn., water heater manufacturing plant may have, including as a result of the ceasing of production in the plant and damages not covered by insurance. 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 update 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, with 2009 sales of \$2.0 billion, is a global leader applying innovative technology and energy-efficient solutions to products marketed worldwide. The company is one of the world's leading manufacturers of residential and commercial water heating equipment, offering a comprehensive product line featuring the best-known brands in North America and China. A. O. Smith is also one of the largest manufacturers of electric motors for residential and commercial applications in North America.