



A.O. Smith Reports Earnings of \$17.6 Million or \$.74 Per Share; Discusses Outlook for Remainder of 2000

MILWAUKEE, July 17 -- Electric motor and water heater manufacturer A.O. Smith Corporation (NYSE: AOS) today reported second quarter earnings from continuing operations of \$17.6 million or \$.74 per share compared with second quarter 1999 earnings of \$14.2 million or \$.60 per share.

Revenues for the quarter ended June 30 were \$331.2 million, compared with second quarter 1999 revenues of \$235.4 million.

"Our two platforms performed well during the second quarter in spite of some weakening in certain key markets," Robert J. O'Toole, chairman and chief executive officer, observed. "We remain pleased with the progress being made in integrating the former MagneTek electric motor operations as well as the continued growth of the water heater operation in China."

For the first six months of 2000, sales grew more than \$200 million to \$666.3 million. Net earnings from continuing operations during the same period were \$31.7 million or \$1.34 per share compared with \$26.2 million or \$1.11 per share in 1999.

Second quarter sales for Electric Motor Technologies, A.O. Smith's largest platform, were nearly \$250 million, compared with 1999 second quarter sales of \$156.7 million. The higher second quarter sales were principally due to the contribution of approximately \$90 million from the former MagneTek motor operations. Operating profits increased in the second quarter due to the higher volume.

Continued international growth, most notably in China and the Far East, contributed to the increase in Water Systems Technologies' second quarter sales to \$83.0 million. Sales in the second quarter of 1999 were \$78.8 million. Operating profits were higher compared with the second quarter of 1999.

Company discusses outlook for remainder of 2000

"While it may be premature to talk about a 'soft landing,' we are seeing signs in our markets that the economy is beginning to moderate," O'Toole pointed out.

"The heating and air conditioning industry, as a whole, is very cautious right now, sales growth is beginning to slacken after two years of record sales," O'Toole said, "as customers cut back on output to keep their inventories in line.

"Demand is also sluggish in the domestic water heater industry, principally due to the slowdown in residential and commercial construction which in part has been brought on by higher interest rates," O'Toole noted. "We expect these conditions to continue through at least the third quarter of this year. Our international businesses are performing as projected and will contribute to favorable full year results for our Water Systems business compared with 1999."

"As a result of the weaker air conditioning industry and the softer market for housing and new construction, we are now cautious about the outlook for the balance of the year," O'Toole continued. "Accordingly, we believe the current analyst earnings estimate of approximately \$2.50 per share for the full year 2000 may prove difficult to achieve."

A.O. Smith Corporation, with headquarters in Milwaukee, Wis., is a leading marketer and manufacturer of electric motors and water heaters, serving customers world wide. It is one of North America's largest manufacturers of electric motors, with a comprehensive line of fractional horsepower, integral horsepower, and hermetic motors. The company also is North America's largest manufacturer of commercial water heating equipment and a leading supplier of residential water heaters and hydronic boilers. The company has facilities in the United States, Mexico, Canada, England, Ireland, Hungary, the Netherlands, and China and employs more than 15,000 people.

Forward-Looking Statements

Certain statements in this report are "forward-looking statements." These forward-looking statements can generally be identified as such because the context of the statement will include words such as the company "believes," "anticipates," "expects," "projects," or words of similar import.

Although the company believes that its expectations are based upon reasonable assumptions within the bounds of its knowledge of its business, there can be no assurance that its financial goals will be realized. Although a significant portion of

the company's sales are derived from the replacement of previously installed product, and such sales are therefore less volatile, numerous factors may affect actual results and cause results to differ materially from those expressed in forward-looking statements made by, or on behalf of, the company. The company considers most important among such factors, the stability in its electric motor and water products markets, the timely and proper integration of the MagneTek motors acquisition, and the implementation of associated cost reduction programs.

All subsequent written and oral forward-looking statements attributable to the company, or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements.

A.O. SMITH CORPORATION AND SUBSIDIARIES
(Condensed Consolidated Financial Statements -
\$000 omitted except per share data)

Statement of Earnings

	Three Months ended		Six Months ended	
	June 30		June 30	
Continuing	2000	1999	2000	1999
Sales				
Electric Motor Technologies	\$ 248,245	\$ 156,664	\$ 496,121	\$ 304,539
Water Systems Technologies	83,036	78,751	170,203	160,739
Net Sales	331,281	235,415	666,324	465,278
Costs and Expenses				
Cost of products sold	264,323	185,952	531,971	369,888
Selling, general and administrative	32,782	23,847	68,434	47,599
Interest expense	5,733	2,007	11,164	3,985
Interest income	(307)	(196)	(404)	(520)
Other expense	1,523	1,397	5,553	3,177
Tax provision	9,634	8,191	17,858	14,980
Total costs and expenses	313,688	221,198	634,576	439,109
Earnings from Continuing Operations	17,593	14,217	31,748	26,169
Discontinued Earnings (loss) from operations less related income tax (benefit)- (2000-\$ (777) & \$ (1,074); 1999-\$175 & \$488)	1,190	(302)	1,646	(852)
Loss on disposition less related tax benefit of \$798	(1,222)	--	(1,222)	--
Net Earnings	\$ 17,561	\$ 13,915	\$ 32,172	\$ 25,317
Net Earnings (Loss) Per Share of Common Stock (Diluted)				
Continuing Operations	\$ 0.74	\$ 0.60	\$ 1.34	\$ 1.11
Discontinued Operations	\$ --	\$ (0.01)	\$ 0.02	\$ (0.04)
Net Earnings	\$ 0.74	\$ 0.59	\$ 1.36	\$ 1.07
Average Common Shares Outstanding (000's omitted)	23,734	23,727	23,716	23,734

A.O. SMITH CORPORATION
Balance Sheet

	June 30 2000	December 31 1999
ASSETS:		
Cash and cash equivalents	\$ 8,308	\$ 14,761
Receivables	221,247	183,442
Inventories	165,745	163,443
Deferred income taxes	10,560	11,323
Other current assets	7,534	5,253
Net current assets-discontinued operations	16,665	10,405
 Total Current Assets	 430,059	 388,627
Net property, plant and equipment	283,698	283,493
Goodwill and other intangibles	248,040	251,085
Other assets	99,655	88,990
Net long-term assets - discontinued operations	49,332	51,791
 Total Assets	 \$ 1,110,784	 \$ 1,063,986
 LIABILITIES AND STOCKHOLDERS' EQUITY:		
Notes payable	\$ --	\$ --
Trade payables	103,296	81,221
Accrued payroll and benefits	30,708	32,272
Product warranty	11,513	10,847
Income taxes	4,112	7,170
Long-term debt due within one year	9,629	9,629
Other current liabilities	30,514	27,301
 Total Current Liabilities	 189,772	 168,440
Long-term debt	344,800	351,251
Other liabilities	63,279	64,536
Deferred income taxes	56,330	48,675
Stockholders' equity	456,603	431,084
 Total Liabilities and Stockholders' Equity	 \$ 1,110,784	 \$ 1,063,986

A.O. SMITH CORPORATION
Statement of Cash Flows

	Six Months ended June 30	
	2000	1999
Operating Activities		
Continuing		
Net earnings	\$ 31,748	\$ 26,169
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation & amortization	22,769	15,817
Net change in current assets and liabilities	(18,671)	(9,437)
Net change in noncurrent assets and liabilities	(6,306)	(9,285)
Other	662	229
Cash Provided by Operating Activities	30,202	23,493
Investing Activities		
Capital expenditures	(20,733)	(15,978)
Capitalized purchased software costs	(558)	(782)
Cash Used in Investing Activities	(21,291)	(16,760)
Cash Flow before Financing	8,911	6,733
Discontinued		
Cash Used in Discontinued Operations	(3,377)	(4,564)
Financing Activities		
Debt incurred	--	1,609
Debt retired	(6,451)	(1,600)
Purchase of treasury stock	--	(2,691)
Other stock transactions	81	128
Dividends paid	(5,617)	(5,578)
Cash Used in Financing Activities	(11,987)	(8,132)
Net decrease in cash and cash equivalents	(6,453)	(5,963)
Cash and cash equivalents - beginning of period	14,761	37,666
Cash and Cash Equivalents - End of Period	\$ 8,308	\$ 31,703

SOURCE: A.O. Smith Corporation