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, 1998

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 23972, Milwaukee, Wisconsin 53223-0972
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 July 31, 1998: 8,722,161

Common Stock Outstanding as of July 31, 1998: 14,876,148

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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,
COMPREHENSIVE EARNINGS AND RETAINED EARNINGS
Three and Six months ended June 30, 1998 and 1997
(000 omitted except for per share data)
(unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
EARNINGS	1998	1997	1998	1997
Electric Motor Technologies	$ 113,765	$ 110,771	$ 225,604	$ 204,698
Water Systems Technologies	74,295	71,374	148,849	142,346
Storage & Fluid Handling Technologies	38,620	42,793	75,182	74,142
NET SALES	226,680	224,938	449,635	421,186
Cost of products sold	178,827	176,296	356,013	329,746
Gross profit	47,853	48,642	93,622	91,440
Selling, general and administrative expenses	26,381	29,845	54,281	57,238
Interest expense	1,593	2,445	3,217	4,689
Interest income	(1,309)	(3,302)	(3,021)	(3,360)
Other expense - net	692	701	1,414	1,691
	20,496	18,953	37,731	31,182
Provision for income taxes	7,193	6,694	13,231	11,085
Earnings before equity in loss of joint ventures	13,303	12,259	24,500	20,097
Equity in loss of joint ventures	(674)	(581)	(1,693)	(1,298)
EARNINGS FROM CONTINUING OPERATIONS	$ 12,629	$ 11,678	$ 22,807	$ 18,799
EARNINGS FROM DISCONTINUED OPERATIONS				
Earnings (less related income tax provisions 1997-$826 and $7,150)	-	1,461	-	14,251
Gain on disposition (less related income tax provision of $58,056)	-	94,616	-	94,616
NET EARNINGS	$ 12,629	$ 107,755	$ 22,807	$ 127,666
Other comprehensive earnings, net of income tax				
Foreign currency translation (less related income tax benefit 1998-$5 and $128; 1997-$457 and $661)	(6)	(700)	(195)	(1,012)
COMPREHENSIVE EARNINGS	$ 12,623	$ 107,055	$ 22,612	$ 126,654
RETAINED EARNINGS				
Balance at beginning of period	473,941	341,712	466,514	325,361
Net earnings	12,629	107,755	22,807	127,666
Cash dividends on common shares	(2,674)	(3,238)	(5,425)	(6,798)
BALANCE AT END OF PERIOD	$ 483,896	$ 446,229	$ 483,896	$ 446,229
BASIC EARNINGS PER COMMON SHARE (note 5):				
Continuing Operations	$ .54	$ .41	$ .96	$ .64
Discontinued Operations	-	3.40	-	3.70
NET EARNINGS	$ .54	$ 3.81	$ .96	$ 4.34
DILUTED EARNINGS PER COMMON SHARE (note 5):				
Continuing Operations	$ .52	$ .40	$ .93	$ .63
Discontinued Operations	-	3.33	-	3.63
NET EARNINGS	$ .52	$ 3.73	$ .93	$ 4.26
DIVIDENDS PER COMMON SHARE (note 5)	$ .11	$ .11	$ .23	$ .23

See accompanying notes to unaudited condensed consolidated financial statements.

A.O. SMITH CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEET
June 30, 1998 and December 31, 1997
(000 omitted)

ASSETS	(unaudited) June 30, 1998	December 31, 1997
CURRENT ASSETS		
Cash and cash equivalents (note 2)	$ 99,672	$ 145,896
Receivables	146,764	126,232
Inventories (note 3)	78,159	79,049
Deferred income taxes	9,707	11,849
Other current assets	4,190	2,702
TOTAL CURRENT ASSETS	338,492	365,728
Property, plant and equipment	458,255	450,147
Less accumulated depreciation	250,518	242,391
Net property, plant and equipment	207,737	207,756
Investments in and advances to joint ventures	29,660	25,605
Other assets	69,809	65,644
Goodwill	50,925	51,783
TOTAL ASSETS	$ 696,623	$ 716,516
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade payables	$ 57,137	$ 61,299
Accrued payroll and benefits	24,948	26,397
Product warranty	7,492	7,972
Accrued income taxes	282	6,607
Long-term debt due within one year	5,566	5,590
Other current liabilities	22,757	20,017
TOTAL CURRENT LIABILITIES	118,182	127,882
Long-term debt (note 4)	100,190	100,972
Other liabilities	55,120	59,515
Deferred income taxes	30,264	28,442
STOCKHOLDERS' EQUITY (note 5):		
Class A common stock, $5 par value: authorized 14,000,000 shares; issued 8,753,901	43,770	29,192
Common stock, $1 par value: authorized 60,000,000 shares; issued 23,795,574	23,796	15,861
Capital in excess of par value	50,776	72,542
Retained earnings (note 4)	483,896	466,514
Cumulative foreign currency translation adjustments	(1,902)	(1,579)
Treasury stock at cost	(207,469)	(182,825)
TOTAL STOCKHOLDERS' EQUITY	392,867	399,705
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 696,623	$ 716,516

See accompanying notes to unaudited condensed consolidated financial statements

A.O. SMITH CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Six Months Ended June 30, 1998 and 1997
(000 omitted)
(unaudited)

	Six Months Ended June 30 1998	1997
OPERATING ACTIVITIES		
CONTINUING		
Net earnings	$ 22,807	$ 18,799
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	13,443	12,708
Deferred income taxes	3,964	(1,455)
Equity in loss of joint ventures	1,693	1,298
Net change in current assets and liabilities	(28,549)	(18,318)
Net change in noncurrent assets and liabilities	(9,441)	656
Other - net	537	491
CASH PROVIDED BY OPERATING ACTIVITIES	4,454	14,179
INVESTING ACTIVITIES		
Capital expenditures	(12,367)	(23,801)
Capitalized purchased software costs	(547)	(730)
Investment in joint ventures	(5,748)	(7,436)
Acquisition of business (net of cash acquired)	-	(59,897)
CASH USED BY INVESTING ACTIVITIES	(18,662)	(91,864)
CASH USED BY CONTINUING OPERATIONS BEFORE FINANCING ACTIVITIES	(14,208)	(77,685)
DISCONTINUED		
Cash provided / (used) by discontinued operations before financing activities	(1,196)	536,178
FINANCING ACTIVITIES		
Long-term debt incurred	819	-
Long-term debt retired	(1,625)	(139,406)
Purchase of common stock held in treasury	(24,860)	(101,579)
Proceeds from common stock options exercised	202	2,880
Tax benefit from exercise of stock options	69	334
Dividends paid	(5,425)	(6,798)
CASH USED BY FINANCING ACTIVITIES	(30,820)	(244,569)
Net increase / (decrease) in cash and cash equivalents	(46,224)	213,924
Cash and cash equivalents-beginning of period (note 2)	145,896	6,405
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 99,672	$ 220,329

See accompanying notes to unaudited condensed consolidated financial statements.

A. O. SMITH CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1998
(unaudited)

1. Basis of Presentation

The financial statements presented herein are based on interim figures and are subject to audit. In the opinion of management, all adjustments consisting of normal accruals considered necessary for fair presentation of the results of operations and of financial position have been made. The results of operations for the six-month period ended June 30, 1998 are not necessarily indicative of the results expected for the full year. The consolidated balance sheet as of December 31, 1997 is derived from the audited financial statements but does not include all disclosures required by generally accepted accounting principles. Certain prior year amounts have been reclassified to conform to the 1998 presentation.

2. Statement of Cash Flows

For purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents include short-term investments held primarily for cash management purposes. These investments normally mature within three months from the date of acquisition.

3. Inventories

(000 omitted)	June 30, 1998	December 31, 1997
Finished products	$ 42,860	$ 45,091
Work in process	17,923	19,656
Raw materials	46,075	42,870
Supplies	1,611	1,634
	108,469	109,251
Allowance to state inventories at LIFO cost	30,310	30,202
	$ 78,159	$ 79,049

4. Long-Term Debt

The company's long-term credit agreements contain certain conditions and provisions which restrict the company's payment of dividends. Under the most restrictive of these provisions retained earnings of $68.4 million were unrestricted as of June 30, 1998 for cash dividends and treasury stock purchases.

5. Stockholders' Equity

On June 9, 1998 the company's Board of Directors declared a three-for-two stock split of the company's Class A Common Stock and Common Stock to be effected in the form of a stock dividend to shareholders of record on July 31, 1998 and payable on August 17, 1998. All earnings and dividend per share calculations presented in this report include the impact of the stock split. At June 30, 1998, 31,740 and 8,925,960 shares of Class A Common Stock and Common Stock, respectively, were held as Treasury Stock.

6. New Accounting Standard

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No.133, "Accounting for Derivative Instruments and Hedging Activities", which is required to be adopted in years beginning after June 15, 1999. Early adoption of the Statement is permitted. The Statement will require the Company to recognize all derivatives in the balance sheet at fair value. The Company has not yet determined what the effect of Statement No. 133 will be on earnings and the financial position of the Company.

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

RESULTS OF OPERATIONS
FIRST SIX MONTHS OF 1998 COMPARED TO 1997

Sales of $226.7 million in the second quarter of 1998 were relatively flat compared with sales in the second quarter of 1997. Higher sales at Water Systems and Electric Motors essentially offset a 10% decline in sales at Storage & Fluid Handling. Sales for the first half of 1998 were $449.6 million or nearly 7 percent higher than the $421.2 million of sales in the same period last year, primarily as the result of the acquisition of Uppco on March 31, 1997.

Second quarter earnings from continuing operations of $12.6 million surpassed last year's second quarter earnings of $11.7 million by approximately $.9 million or 8 percent. The increase is the result of higher operating profit at Water Systems and lower selling, general and administrative expense compared with 1997. Earnings for the first half of 1998 were $22.8 million, or 21 percent higher than earnings of $18.8 million in the first half of 1997. On a per share basis, second quarter diluted earnings from continuing operations increased from $.40 in 1997 to $.52 in 1998, reflecting the additional earnings as well as the benefit of the company's stock repurchase program. Diluted earnings per share for the first half of 1998 were $.93 per share compared to $.63 per share in the same period last year.

On June 9, 1998 the company's Board of Directors declared a three-for-two stock split of the company's Class A Common Stock and Common Stock. The stock split is to be effected in the form of a stock dividend to stockholders of record on July 31, 1998 and payable on August 17, 1998. All earnings and dividend per share calculations presented in this report include the impact of the stock split.

The gross profit margin for the second quarter of 1998 declined from 21.6 percent last year to 21.1 percent in 1998. The year-to-date gross profit margin in 1998 was 20.8 percent compared to 21.7 percent for the same period in 1997. The decline in both the second quarter and year-to-date margins for 1998 when compared to the same periods in 1997 was primarily the result of lower pricing in the Electric Motor Technologies segment.

Second quarter sales of Electric Motor Technologies were $113.8 million, or $3.0 million higher than the second quarter of 1997. Stronger sales of pump, subfractional, and air-moving motors helped offset lower international sales. Year-to-date sales for this segment were $225.6 million, compared to $204.7 million for the same period in 1997, with most of the year-to-year increase attributable to the acquisition of UPPCO on March 31, 1997.

Operating profits for the Electric Motor Technologies segment in the second quarter and the first six months of 1998 were lower than the prior year due to lower pricing.

On July 1, 1998 the company acquired General Electric Company's domestic compressor motor business from the GE Industrial Controls Systems Division for $120 million, subject to adjustment. GE's compressor motor operations, based in Scottsville, KY., manufactures one-half through six horsepower motors. The business's annual sales are expected to be approximately $130 million in 1999.

Second quarter sales for Water Systems Technologies were $74.3 million in 1998 or 4.1% higher than 1997 second quarter sales of $71.4 million, due to stronger sales of both residential and commercial water heaters. Sales for the first half of 1998 were 4.6% higher than the same period last year.

Water Systems Technology operating profits for the second quarter and first half of 1998 increased from the same periods in the prior year. The improvement was due to volume increases and better pricing for commercial product.

Second quarter sales in the Storage & Fluid Handling segment decreased 10% from $42.8 million in 1997 to $38.6 million in 1998, primarily as a result of lower sales to both chemical and petroleum production markets. The soft demand for fiberglass products is attributed to weak oil and chemical prices. Second quarter sales of storage tanks also declined from the second quarter of 1997 due to weakness resulting from wet weather in domestic locations, which constrained construction projects. Year-to-date sales in 1998 for this segment were approximately flat compared with the prior year.

Operating profits for the Storage & Fluid Handling segment for the quarter and the first six months were higher than the prior year as a result of cost reduction actions taken in late 1997.

Selling, general and administrative (SG&A) expenses for the second quarter were $3.5 million lower than the same period in 1997. As a percent of sales, SG&A expense decreased from 13.3% in 1997 to 11.6% in 1998. The decline in SG&A came as a result of the company's continued effort to lower administrative expense at both corporate and operating unit levels as well as actions taken in 1997 to reduce costs in the company's financial services operation.

The company recognized net interest expense of $0.3 million in the second quarter of 1998, compared to net interest income of $0.9 in the second quarter of 1997. The variance in year-to-year net interest is associated with the company's use of funds for its stock repurchase program.

The second quarter effective tax rate was 35.1%, compared to 35.3% in the same period last year, as the company continues to benefit from the impact of its foreign sales corporation as well as research and development tax credits.

After-tax equity in losses of the company's Chinese joint ventures was $0.7 million in the second quarter of 1998 compared to $0.6 million in the second quarter of 1997. The company anticipates that current year losses for the ventures will be comparable to 1997.

During 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard (SFAS) No. 131, "Disclosure about Segments of an Enterprise and Related Information", which is effective for the company for the year ended December 31, 1998. Implementation of this statement will not have any impact on A.O. Smith Corporation's results of operations, financial position or cash flows.

During the first half of 1998, the company was a party to futures contracts for the purposes of hedging a portion of certain raw material purchases. The company was also a party to forward foreign exchange contracts to hedge foreign currency transactions consistent with its committed exposures. Had these contracts not been in place, the net earnings of the company would not have been materially affected. As discussed in Note 6 to the financial statements the Financial Accounting Standards Board has issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities". The Company has not yet determined what the effect of Statement No. 133 will be on earnings and the financial position of the company.

Liquidity & Capital Resources

The company's working capital was $220.3 million at June 30, 1998 compared to $237.8 million at December 31, 1997, a decline of $17.5 million. The reduction was primarily attributable to a change in cash and cash equivalents which were $46.2 million lower at June 30, 1998 than at year end 1997. The decline in cash was primarily the result of stock repurchases in the amount of $24.9 million and a $20.5 million sales-related increase in accounts receivable. Cash flow from operations was $3.6 million higher than the same period last year when adjusted for the $60 million acquisition of UPPCO in the first quarter of 1997.

Capital expenditures during the first half of 1998 were $12.4 million compared with $23.8 million during the same period last year. The company expects lower capital spending in 1998 compared with 1997, and it expects capital expenditures to be covered by 1998 cash flow.

The company repurchased 584,800 shares of its common stock during the first six months of 1998 under the company's stock repurchase program. Since the program's inception in January of 1997, approximately 5.4 million shares have been repurchased. As of the end of June 1998, $32.6 million remained of the $50 million authorization granted in December of 1997.

On July 1, 1998, the company purchased substantially all of the assets of General Electric Company's domestic compressor motor business for $120 million, subject to adjustments. The acquisition was funded with available cash and proceeds from the issuance on July 1, 1998 of $30 million in senior notes under a loan facility with The Prudential Insurance Company of America. The notes mature in 2018 and carry an interest rate of 6.66%.

At its June 9, 1998 meeting, A. O. Smith's Board of Directors approved a plan to split the company's stock 3-for-2 in the form of a 50 percent stock dividend on its common stock (Classes A and Common). The dividend is payable on August 17, 1998 to shareholders of record on July 31, 1998. The stock dividend will increase the number of common stock and Class A common stock shares outstanding to approximately 23.6 million shares. The Board also voted to increase the company's quarterly cash dividend by six percent to $.12 per share (post-split). The dividend is also payable on August 17 to shareholders of record on July 31.

Year 2000

Relative to the Year 2000, the company has conducted a comprehensive review of its computer systems (including hardware, software and embedded systems) to identify those systems that could be affected by this issue and has initiated a company wide project to resolve any potential issues. The company believes that all modifications, enhancements, and deployment of Year 2000-ready systems will be completed in early 1999, allowing adequate time for testing. The company does not expect the costs to be incurred over the next 18 months to have a material effect on its financial position or results of operations.

Forward Looking Statements

Certain statements in this report are forward-looking statements. 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 may cause results to differ materially from those expressed in forward-looking statements made by or on behalf of the company. Among such numerous factors the company includes the continued growth of the worldwide heating, ventilating and air conditioning market; the weather and its impact on the heating and air conditioning market; the stability of the pricing environment for residential water heaters; and the successful implementation of the company's joint venture strategies in China.

PART II - OTHER INFORMATION
ITEM 1 - LEGAL PROCEEDINGS

The company is involved in various unresolved legal actions, administrative proceedings and claims in the ordinary course of its business involving product liability, property damage, insurance coverage, patents and environmental matters including the disposal of hazardous waste. Although it is not possible to predict with certainty the outcome of these unresolved legal actions or the range of possible loss or recovery, the company believes these unresolved legal actions will not have a material effect on its financial position or results of operations.

There have been no material changes in the environmental matters previously reported in Part 1, Item 3 in the company's annual report on Form 10-K for the year ended December 1997.

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

On March 2, 1998, the corporation mailed a proxy statement to its stockholders relating to the annual meeting of stockholders on April 8, 1998. The annual meeting included the election of directors and the consideration and action upon a proposal to approve the ratification of Ernst & Young LLP as the independent auditors of the corporation for 1998.

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	Broker Nonvotes
Tom H. Barrett	5,713,344	1,844	0
Glen R. Bomberger	5,713,344	1,844	0
Robert J. O'Toole	5,713,344	1,844	0
Donald J. Schuenke	5,712,877	2,311	0
Arthur O. Smith	5,713,344	1,844	0
Bruce M. Smith	5,713,344	1,844	0

Common Stock Directors	Votes For	Votes Withheld	Broker Nonvotes
Kathleen J. Hempel	9,045,831	28,470	0
Agnar Pytte	9,049,551	28,750	0

2. 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)	6,618,889	2,293	1,436

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

(27) Financial Data Schedule

(b) Reports on Form 8-K

No reports on Form 8-K were filed by the company in the second quarter of 1998.

SIGNATURES

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

A. O. SMITH CORPORATION

August 14, 1998

/s/ John J. Kita
John J. Kita
Vice President,
Treasurer and Controller

August 14, 1998

/s/ G. R. Bomberger
G. R. Bomberger
Executive Vice President
and Chief Financial Officer

INDEX TO EXHIBITS

Exhibit Number	Description
(27)	Restated Financial Data Schedule

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF A.O. SMITH CORPORATION AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

6-MOS
DEC-31-1998
JAN-01-1998
JUN-30-1998
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