



A.O. Smith Reports Record Third Quarter Earnings of \$.46 Per Share and Issues Outlook for 1999

MILWAUKEE, Oct. 13 -- A. O. Smith Corporation (NYSE: AOS; Amex: SMCA) today announced record third quarter earnings per share of \$.46, a 39 percent increase over 1997 third quarter earnings of \$.33.

Third quarter earnings increased nearly 22 percent to \$11.0 million compared with the \$9.0 million earned in last year's third quarter.

Sales totaled more than \$243 million in the 1998 third quarter, an 18 percent increase over 1997 third quarter sales of \$206 million.

"Improved demand for air conditioning compressor motors combined with sales and profits from our recent compressor motor acquisition had a positive impact on third quarter performance and allowed us to overcome the downturn in the fiberglass pipe and storage tank markets," commented Robert J. O'Toole, chairman and chief executive officer.

For the first nine months of 1998, the Milwaukee-based manufacturer earned \$33.8 million or \$1.39 per share, compared with \$27.8 million or \$.96 per share for the first nine months of 1997. Sales for the first nine months of this year were \$693 million, more than 10 percent higher than sales of \$627 million for the same period in 1997.

Third quarter sales for the Electric Motor Technologies platform increased nearly 44 percent to approximately \$135 million. The motors segment benefited from approximately \$30 million in third quarter sales from its new Scottsville, Ky., operation acquired on July 1. In addition, improved demand for air conditioning and subfractional horsepower motors also contributed to the higher sales achieved in the third quarter.

Operating profit improved significantly compared with the third quarter of 1997, reflecting the higher volumes and the impact of the Scottsville business.

Sales for the Water Systems Technologies platform increased 4 percent in the third quarter, due primarily to better commercial business. Operating profits for the Water Systems segment were higher than the third quarter of 1997.

Third quarter sales of the Storage & Fluid Handling Technologies platform were 16 percent lower than the same period in 1997, due to lower demand for fiberglass pipe and storage tanks in the chemical and petroleum production markets. The soft demand continues to be attributed to weak prices in the oil and chemical markets and the impact of those weak prices on capital spending. Third quarter operating profits declined significantly as a result of the lower volumes.

Company Discusses Outlook

"We are comfortable with the range of analyst estimates for 1998," O'Toole commented. "For 1999, we expect the difficulties at Storage and Fluid Handling to persist. We are cautiously optimistic about the Water Systems market and believe the Electric Motors business should have another good year especially considering the incremental business of the Scottsville acquisition and the new tier one contract with York International.

"We continue to aggressively pursue accretive acquisitions such as UPPCO and Scottsville and consider the pursuit of such acquisitions to be a very important element in our growth strategy considering the slower near term prospects of our non-motor businesses. Although we believe 1999 earnings, excluding acquisitions, will increase over 1998 levels, accretive acquisitions will be required to get us to our target of 15 percent annual growth in earnings per share."

Forward-Looking Statements

Certain statements in this press release 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 pricing environment for residential water heaters; capital spending trends in the oil, petrochemical and chemical markets; and the successful development of the company's business venture in China.

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

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

	Statement of Earnings			
	Three Months ended		Nine Months ended	
	September 30		September 30	
	1998	1997	1998	1997
Continuing Sales				
Electric Motor Technologies	\$135,309	\$94,081	\$360,913	\$298,779
Water Systems Technologies	71,685	68,872	220,534	211,218
Storage & Fluid Handling Technologies	36,260	43,011	111,442	117,153
Net Sales	243,254	205,964	692,889	627,150
Costs and Expenses				
Cost of Products Sold	196,232	167,060	552,245	496,806
Selling, General and Administrative	26,324	25,013	80,605	82,251
Interest Expense	1,974	1,913	5,191	6,602
Interest Income	(258)	(3,010)	(3,279)	(6,370)
Other Expense	927	394	2,341	2,085
Tax Provision	6,356	4,918	19,587	16,003
Total Costs and Expenses	231,555	196,288	656,690	597,377
Earnings Before Equity In Loss of Joint Ventures	11,699	9,676	36,199	29,773
Equity in Loss of Joint Ventures	(725)	(667)	(2,418)	(1,965)
Earnings from Continuing Operations	10,974	9,009	33,781	27,808
Continuing Earnings Per Share of Common Stock (Diluted)	\$0.46	\$0.33	\$1.39	\$0.96
Average Common Shares Outstanding (000's omitted)	23,958	26,982	24,316	28,959

A. O. SMITH CORPORATION
Balance Sheet

	September 30 1998	December 31 1997
ASSETS:		
Cash and cash equivalents	\$26,191	\$ 145,896
Receivables	146,769	126,232
Inventories	86,985	79,049
Deferred income taxes	11,487	11,849
Other current assets	12,863	2,702
Total Current Assets	284,295	365,728
Net property, plant and equipment	232,611	207,756
Investments in and advances to joint ventures	31,253	25,605
Goodwill	141,493	51,783
Other assets	72,913	65,644
Total Assets	\$762,565	\$ 716,516
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Trade payables	\$74,869	\$61,299
Accrued payroll and benefits	30,639	26,397

Product warranty	8,002	7,972
Income taxes	883	6,607
Long-term debt due within one year	4,629	5,590
Other current liabilities	23,478	20,017
Total Current Liabilities	142,500	127,882
Long-term debt	126,933	100,972
Other liabilities	55,291	59,515
Deferred income taxes	44,708	28,442
Stockholders' equity	393,133	399,705
Total Liabilities and Stockholders' Equity	\$762,565	\$716,516

A. 0. SMITH CORPORATION

STATEMENT OF CASH FLOWS

Nine Months ended

September 30

	1998	1997
Operating Activities		
Continuing		
Net earnings	\$33,781	\$27,808
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation & amortization	21,751	19,390
Equity in loss of joint ventures	2,418	1,965
Net change in current assets and liabilities	(6,963)	4,679
Net change in noncurrent assets and liabilities	2,751	432
Other	702	1,042
Cash Provided by Operating Activities	54,440	55,316
Investing Activities		
Capital expenditures	(20,116)	(33,460)
Capitalized purchased software costs	(1,308)	(1,094)
Investment in joint ventures	(8,066)	(10,281)
Acquisition of business	(126,456)	(60,918)
Cash Used by Investing Activities	(155,946)	(105,753)
Cash Used by Continuing Operations before Financing Activities	(101,506)	(50,437)
Discontinued		
Cash Provided/(Used) by Discontinued Operations before Financing Activities	(2,095)	503,754
Financing Activities		
Long-term debt incurred	30,590	--
Long-term debt retired	(5,590)	(143,768)
Purchase of common stock held in treasury	(33,244)	(125,168)
Proceeds from common stock options exercised	232	3,455
Tax benefit from exercise of stock options	165	571
Dividends paid	(8,257)	(9,786)
Cash Used by Financing Activities	(16,104)	(274,696)

Net increase/(decrease)		
in cash and cash		
equivalents	(119,705)	178,621
Cash and cash equivalents -		
beginning of period	145,896	6,405
Cash and Cash Equivalents -		
End of Period	\$26,191	\$185,026