



## A.O. Smith Announces First Quarter Earnings of \$.36 per Share

MILWAUKEE, April 12 /PRNewswire/ -- A.O. Smith Corporation (NYSE: AOS) (Amex: SMCA) today announced first quarter net earnings of \$8.5 million or \$.36 per share on sales of \$318 million.

This performance represented significant improvement from the fourth quarter of 2000 and exceeded analysts' first-quarter estimates.

Sales of \$318.2 million increased 17 percent from the 2000 fourth quarter, influenced by stabilizing heating and air conditioning inventories, firmness in water heater demand, and seasonal trends in a number of markets. The first-quarter profit of \$8.5 million exceeded fourth-quarter profit by \$6 million.

Compared with the record first quarter of 2000, sales decreased 7.6 percent. Profits were lower than the \$.60 per share reported during the comparable period last year.

"Earnings showed a notable turnaround compared with the fourth quarter of 2000," Robert J. O'Toole, chairman and chief executive officer, noted. "Our operating units are adjusting to lower demand levels, and, during the first quarter, we began to experience the benefits of the cost reduction activities initiated last year."

Sales for Electric Motor Technologies, the company's largest operating unit, were \$226.3 million. This was substantially improved from sales of \$185.1 million in the fourth quarter of 2000, due to seasonal buying patterns of customers and decreased inventory levels in the market channels. Compared with the first quarter of 2000, sales were down \$26.3 million, primarily due to the higher level of demand for heating and air conditioning products in early 2000.

Electric Motors' operating profit improved to \$14 million, substantially higher than the \$5.4 million earned in the 2000 fourth quarter, due to higher sales volume and the resulting improved absorption of fixed cost. First quarter operating profit was \$26.1 million in 2000. Year-over-year profits declined principally due to lower sales volume, with increased utility costs and Mexican labor inflation also having an impact.

First-quarter sales of \$92.0 million for the Water Systems Technologies Platform were essentially unchanged when compared with the same quarter in 2000. Lower sales of commercial water heaters were offset by higher sales in the China market.

Operating profit for the quarter ended March 31 was moderately higher due to improved performance in China.

Company discusses 2001 outlook

"We anticipate further improvement in sales and profit in the second quarter," O'Toole said. "This is traditionally the strongest season for HVAC sales, and inventories appear to be trending down from the higher levels last summer and fall. We expect second-quarter earnings to be in the range of \$.45 to \$.50 per share."

"For the full year, we continue to anticipate 2001 earnings will exceed the 2000 results of \$1.76 per share. We recognize that the economy is currently very volatile, making market and sales projections more difficult. However, we believe that our ongoing cost reduction efforts and capacity rationalization will continue to contribute to profitability as the year progresses."

A.O. Smith Corporation will broadcast a live conference call this morning to discuss first-quarter 2001 results. The call can be heard on the company's website, <http://www.aosmith.com> beginning at 10:00 a.m. (eastern time).

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 approximately 14,000 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," "estimates," "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 the results expressed in forward-looking statements 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. Among such factors are the stability in its electric motor and water products markets, the state of the domestic economy, and the successful implementation of 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	
	March 31	
	2001	2000
Continuing Operations		
Net Sales		
Electric Motor Technologies	\$226,253	\$252,343
Water Systems Technologies	91,982	92,223
	318,235	344,566
Costs and Expenses		
Cost of products sold	259,440	271,195
Selling, general and administrative	38,123	42,991
Interest expense	4,801	5,431
Amortization of intangibles	1,733	1,727
Other expense	599	843
Tax provision	5,010	8,224
Total costs and expenses	309,706	330,411
Earnings from Continuing Operations	8,529	14,155
Discontinued operations less related income tax of \$297	--	456
Net Earnings	\$8,529	\$14,611
Net Earnings Per Share of Common Stock (Diluted)		
Continuing Operations	\$0.36	\$0.60
Discontinued Operations	\$--	\$0.02
Net Earnings	\$0.36	\$0.62
Average Common Shares Outstanding (000's omitted)	23,828	23,698

A.O. SMITH CORPORATION  
Balance Sheet

	March 31	December 31
	2001	2000
ASSETS:		
Cash and cash equivalents	\$13,058	\$15,287
Receivables	202,718	169,117
Inventories	169,809	169,630
Deferred income taxes	6,488	7,215
Other current assets	22,431	22,199
Net current assets-discontinued operations	--	22,651
Total Current Assets	414,504	406,099
Net property, plant and equipment	282,305	282,835
Goodwill and other intangibles	243,088	244,821
Other assets	112,254	107,928
Net long-term assets -- discontinued operations	--	17,493

Total Assets	\$1,052,151	\$1,059,176
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Trade payables	\$97,682	\$91,780
Accrued payroll and benefits	23,615	27,388
Product warranty	12,130	11,574
Income taxes	2,301	1,695
Long-term debt due within one year	11,129	11,129
Other current liabilities	29,630	26,865
Total Current Liabilities	176,487	170,431
Long-term debt	295,706	316,372
Other liabilities	62,509	61,856
Deferred income taxes	64,742	62,122
Stockholders' equity	452,707	448,395
Total Liabilities and Stockholders' Equity	\$1,052,151	\$1,059,176

A.O. SMITH CORPORATION  
STATEMENT OF CASH FLOWS

	Three Months ended	
	March 31	
	2001	2000
Operating Activities		
Continuing		
Net earnings	\$8,529	\$14,155
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation & amortization	11,411	11,320
Net change in current assets and liabilities	(29,185)	(25,677)
Net change in noncurrent assets and liabilities	(4,258)	(3,890)
Other	307	414
Cash Used in Operating Activities	(13,196)	(3,678)
Investing Activities		
Capital expenditures	(9,520)	(11,660)
Capitalized purchased software costs	(88)	(360)
Cash Used in Investing Activities	(9,608)	(12,020)
Cash Flow before Financing	(22,804)	(15,698)
Financing Activities		
Debt incurred	--	14,178
Debt retired	(20,666)	--
Other stock transactions	101	38
Dividends paid	(3,061)	(2,807)
Cash Provided by (Used in) Financing Activities	(23,626)	11,409
Discontinued		
Cash Provided by (Used in) Discontinued Operations	44,201	(5,340)
Net decrease in cash and cash equivalents	(2,229)	(9,629)
Cash and cash equivalents -- beginning of period	15,287	14,761
Cash and Cash Equivalents -- End of Period	\$13,058	\$5,132

SOURCE A.O. Smith Corporation

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