



A.O. Smith First Quarter Earnings Per Share Increase 82% to \$.62 Per Share

MILWAUKEE, April 15 -- A.O. Smith Corporation (NYSE: AOS) today announced first quarter 1998 continuing earnings of \$10.2 million or \$.62 per share (diluted), a significant increase over first quarter 1997 continuing earnings of \$7.1 million or \$.34 per share (diluted).

First quarter sales of \$223 million were \$27 million or approximately fourteen percent higher than sales of \$196 million for the same period the prior year.

"Improved performance on the part of the Storage & Fluid Handling Technologies and Water Systems Technologies platforms contributed to the higher first quarter results," Robert J. O'Toole, chairman and chief executive officer, observed.

"The company also benefited from the addition of the UPPCO subfractional horsepower motor business and higher interest income."

First quarter sales of Electric Motor Technologies, A.O. Smith's largest platform, were nineteen percent higher than the first quarter of 1997, reflecting the impact of the UPPCO acquisition that A.O. Smith acquired on March 31, 1997. Excluding UPPCO, higher sales in both pump and international business units were offset by declines in the company's heating, ventilating, and air conditioning (HVAC) businesses. Because of pricing pressures, operating profits were essentially flat when compared with the first quarter of 1997.

Stronger sales of both residential and commercial water heaters enabled the Water Systems Technology platform to increase its sales five percent to nearly \$75 million in the first quarter. Unit volumes for both residential and commercial water heaters rose approximately eight percent during the fourth quarter. Operating profits were modestly higher.

The Storage & Fluid Handling Technologies platform benefited in the first quarter from improved sales of liquid storage tanks, continued strong sales of dry storage and Slurrystore® tanks, as well as increased sales of fiberglass pipe to the service station and petroleum production markets. First quarter sales of \$37 million were seventeen percent higher than sales of \$31 million in the first quarter last year. First quarter operating profits were significantly higher than the same period in 1997 due to the higher volumes, improved operating efficiency, and the impact of cost-reduction activities during the second half of last year.

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	
	March 31	
	1998	1997
Continuing		
Sales		
Electric Motor Technologies	\$111,839	\$93,927
Water Systems Technologies	74,554	70,972
Storage & Fluid Handling Technologies	36,562	31,349
Net Sales	222,955	196,248
Costs and Expenses		
Cost of Products Sold	177,186	153,450
Selling, General and Administrative	27,900	27,393
Interest Expense	1,624	2,244
Interest Income	(1,712)	(58)
Other Expense	722	990
Tax Provision	6,038	4,391
Total Costs and Expenses	211,758	188,410
Earnings Before Equity in Loss of Joint Ventures	11,197	7,838
Equity in Loss of Joint Ventures	(1,019)	(717)
Earnings from Continuing Operations	10,178	7,121
Discontinued		

Earnings from Operations (less related income tax of \$6,324)	0	12,790
Net Earnings	\$10,178	\$19,911
Basic Earnings Per Share of Common Stock		
Continuing Operations	\$.63	\$.35
Discontinued Operations	--	\$.63
Net Earnings	\$.63	\$.98
Average Common Shares Outstanding	16,061,964	20,363,777
Diluted Earnings Per Share of Common Stock		
Continuing Operations	\$.62	\$.34
Discontinued Operations	--	\$.62
Net Earnings	\$.62	\$.96
Average Common Shares Outstanding	16,475,673	20,711,242

A.O. SMITH CORPORATION

Balance Sheet

	March 31 1998	December 31 1997
ASSETS:		
Cash and cash equivalents	\$110,287	\$145,896
Receivables	144,163	126,232
Inventories	79,132	79,049
Deferred income taxes	10,937	11,849
Other current assets	4,511	2,702
Total Current Assets	349,030	365,728
Net property, plant and equipment	208,267	207,756
Investments in and advances to joint ventures	27,237	25,605
Goodwill	51,354	51,783
Other assets	67,559	65,644
Total Assets	\$703,447	\$716,516
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Trade payables	\$63,718	\$61,299
Accrued payroll and benefits	22,683	26,397
Product warranty	8,188	7,972
Income taxes	8,044	6,607
Long-term debt due within one year	5,598	5,590
Other current liabilities	21,850	20,017
Total Current Liabilities	130,081	127,882
Long-term debt	101,605	100,972
Other liabilities	56,285	59,515
Deferred income taxes	28,650	28,442
Stockholders' equity	386,826	399,705
Total Liabilities and Stockholders' Equity	\$703,447	\$716,516

A.O. SMITH CORPORATION
STATEMENT OF CASH FLOWS

	Three Months ended March 31	
	1998	1997
Operating Activities		
Continuing		
Net earnings	\$10,178	\$7,121
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation & amortization	6,919	6,126
Deferred income taxes	1,120	(1,235)
Equity in loss of joint ventures	1,019	717
Net change in current assets and liabilities	(15,631)	(22,927)
Net change in noncurrent assets and liabilities	(6,423)	4,341
Other	266	130
Cash Used by Operating Activities	(2,552)	(5,727)
Investing Activities		
Capital expenditures	(6,942)	(11,052)

Capitalized purchased software costs	(308)	(240)
Investment in joint ventures	(2,652)	(3,451)
Acquisition of business (net of cash acquired)	0	(60,443)
Cash Used by Investing Activities	(9,902)	(75,186)
Cash Used by Continuing Operations before Financing Activities	(12,454)	(80,913)
Discontinued Cash Used by Discontinued Operations before Financing Activities	(814)	(112,285)
Financing Activities		
Long-term debt incurred	641	241,940
Long-term debt retired	--	(4,675)
Purchase of common stock held in treasury	(20,231)	(46,828)
Proceeds from common stock options exercised	--	2,432
Tax benefit from exercise of stock options	--	287
Dividends paid	(2,751)	(3,560)
Cash Provided/(Used) by Financing Activities	(22,341)	189,596
Net decrease in cash and cash equivalents	(35,609)	(3,602)
Cash and cash equivalents - beginning of period	145,896	6,405
Cash and Cash Equivalents - End of Period	\$110,287	\$2,803