



A.O. Smith Second Quarter Earnings Increase 13 Percent To \$.59 Per Share

MILWAUKEE, Wis., July 16 -- Record-setting performance by the company's Electric Motor Technologies platform enabled A.O. Smith Corporation (NYSE: AOS(Amex: SMC) to earn \$.59 per share in the second quarter.

Net earnings for the Milwaukee-based manufacturer increased to \$13.9 million compared with 1998 second quarter net earnings of \$12.6 million or \$.52 per share. Sales for the three-month period ending June 30 were \$263 million, a 16 percent increase over sales of \$227 million for the same period in 1998.

"Good growth in nearly all of our electric motor markets was instrumental in the company's second quarter performance," Robert J. O'Toole, chairman and chief executive officer, observed. "In addition, Water Systems Technologies contributed improved sales and profits over last year."

"Another important accomplishment during the quarter was the definitive agreement to purchase MagneTek's world-wide motor operations, a strategic acquisition that will significantly strengthen our presence in the fractional horsepower motor market," O'Toole pointed out. "We intend to close this sale on August 2 and project a neutral effect on earnings during the second half of 1999. We expect earnings to benefit by between \$.30 and \$.35 per share next year."

For the first six months of 1999, A.O. Smith sales were \$520 million, compared with first-half 1998 sales of \$450 million. Net earnings for the same period in 1999 were \$25.3 million compared with \$22.8 million during the first six months of 1998. Earnings per share increased 15 percent to \$1.07 per share, compared with \$.93 per share earnings during the first half of 1998.

Second quarter sales for Electric Motor Technologies, A.O. Smith's largest operating unit, were a record \$157 million, a more than \$40 million increase over second quarter 1998 sales of \$114 million. Strong performance in the pump and the heating, ventilating, and air conditioning (HVAC) markets contributed to the sales increase.

Sales of hermetic motors more than doubled during the quarter, as the company benefited from strong demand from air conditioning compressor manufacturers as well as the GE hermetic motor operations acquired in July, 1998.

Operating profits improved significantly when compared with the second quarter of 1998 due to higher volumes and improved operating efficiencies.

Continued strength in the residential and commercial water heating markets and progress in the company's Chinese water heater operation contributed to Water Systems Technologies' second quarter sales of \$79 million, a six percent increase over the 1998 second quarter. The Chinese operations contributed approximately \$3 million to second quarter sales. Operating profits increased over the second quarter of 1998, primarily due to the higher sales volume.

Persistent weakness in the petroleum production, chemical processing, dry bulk storage and agricultural markets resulted in significantly lower second quarter sales and profits for the Storage & Fluid Handling Technologies platform.

Forward-Looking Statements

This press release contains 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 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 world-wide air conditioning, heating, and refrigeration market; the weather and its impact on the HVAC, pool and spa pump markets; and the timely and proper implementation of future cost reduction programs.

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; commercial and residential water heaters; municipal, industrial, and agricultural storage tanks; and fiberglass piping systems.

A.O. SMITH CORPORATION	STATEMENT OF CASH FLOWS	
	Six Months ended	
	June 30	
	1999	1998

Operating Activities		
Continuing		
Net earnings	\$25,317	\$22,807
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation & amortization	18,242	13,977
Equity in loss of joint ventures	--	1,693
Net change in current assets and liabilities	(10,298)	(26,407)
Net change in noncurrent assets and liabilities	(8,904)	(7,619)
Other	(302)	3
Cash Provided by Operating Activities	24,055	4,454
Investing Activities		
Capital expenditures	(19,375)	(12,367)
Capitalized purchased software costs	(824)	(547)
Investment in joint ventures	--	(5,748)
Acquisition of business	(531)	--
Cash Used by Investing Activities	(20,730)	(18,662)
Cash Used by Continuing Operations before Financing Activities		
	3,325	(14,208)
Discontinued		
Cash Used by Discontinued Operations before Financing Activities		
	(1,156)	(1,196)
Financing Activities		
Long-term debt incurred	1,609	819
Long-term debt retired	(1,600)	(1,625)
Purchase of common stock held in treasury	(2,691)	(24,860)
Proceeds from common stock options exercised	78	202
Tax benefit from exercise of stock options	50	69
Dividends paid	(5,578)	(5,425)
Cash Used by Financing Activities	(8,132)	(30,820)
Net decrease in cash and cash equivalents	(5,963)	(46,224)
Cash and cash equivalents - beginning of period	37,666	145,896
Cash and Cash Equivalents - End of Period	\$31,703	\$99,672

A.O. SMITH CORPORATION
Balance Sheet

	June 30 1999	December 31 1998
ASSETS:		
Cash and cash equivalents	\$ 31,703	\$ 37,666
Receivables	165,335	133,764
Inventories	102,392	99,984
Deferred income taxes	10,343	11,376
Other current assets	5,932	4,599
Total Current Assets	315,705	287,389
Net property, plant and equipment	254,482	248,770
Goodwill	145,551	146,901
Other assets	92,250	84,372
Total Assets	\$ 807,988	\$ 767,432
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Trade payables	\$ 83,223	\$ 57,429
Accrued payroll and benefits	28,255	31,385
Product warranty	7,749	7,892
Income taxes	6,063	6,786
Long-term debt due within one year	4,629	4,629
Other current liabilities	23,609	24,036
Total Current Liabilities	153,528	132,157
Long-term debt	131,212	131,203
Other liabilities	58,347	60,636

Deferred income taxes	47,286	42,343
Stockholders' equity	417,615	401,093
Total Liabilities and Stockholders' Equity	\$ 807,988	\$ 767,432

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	
Sales	1999	1998	1999	1998
Electric Motor Technologies	\$156,664	\$113,765	\$304,539	\$225,604
Water Systems Technologies	78,751	74,295	160,739	148,849
Storage & Fluid Handling Technologies	27,355	38,620	54,828	75,182
Net Sales	262,770	226,680	520,106	449,635
Costs and Expenses				
Cost of Products Sold	208,844	178,827	415,847	356,013
Selling, General and Administrative	28,456	26,381	56,966	54,281
Interest Expense	2,168	1,593	4,499	3,217
Interest Income	(214)	(1,309)	(554)	(3,021)
Other Expense	1,584	692	3,539	1,414
Tax Provision	8,017	7,193	14,492	13,231
Total Costs and Expenses	248,855	213,377	494,789	425,135
Earnings Before Equity in				
Loss of Joint Ventures	13,915	13,303	25,317	24,500
Equity in Loss of Joint Ventures	--	(674)	--	(1,693)
Net Earnings	\$13,915	\$12,629	\$25,317	\$22,807
Net Earnings Per Share of				
Common Stock (Diluted)	\$.59	\$.52	\$1.07	\$.93
Average Common Shares Outstanding (000's omitted)	23,727	24,285	23,734	24,498