AO Smith

Innovation has a name.

First Quarter 2012 Results

Forward Looking Statements

This presentation contains statements that we believe are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by the use of words such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “continue,” “guidance”, or words of similar meaning. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those anticipated as of the date of this presentation. Important factors that could cause actual results to differ materially from these expectations include, among other things, the following: difficulties in integrating the Lochinvar acquisition or achieving the disclosed accretion, cost synergies or global expansion opportunities related to the acquisition; weakening in the high efficiency boiler market or a slowdown in the transition from non-condensing to condensing boilers in the U.S.; the ability to execute our acquisition strategy; significant volatility in raw material prices; competitive pressures on the company’s businesses; inability to implement pricing actions; instability in the company’s water products markets; further weakening in housing construction; further weakening in commercial construction; timing of any recoveries in housing or commercial construction; a slowdown in the Chinese economy; and adverse general economic conditions and capital market deterioration.

Forward-looking statements included in this presentation are made only as of the date of this presentation, and the company is under no obligation to update these statements to reflect subsequent events or circumstances. All subsequent written and oral forward-looking statements attributed to the company, or persons acting on its behalf, are qualified entirely by these cautionary statements. This presentation contains certain non-GAAP financial measures as that term is defined by the SEC. Non-GAAP financial measures are generally identified by “Adjusted” (Adj.), “Non-GAAP” or “Before Restructuring”.

First Quarter Highlights

- Sales of $469 million
  - Twelve percent increase; $49 million from Lochinvar
  - China still growing, up 18% to $104 million
- Earnings of $.66 per share
  - Excludes $.36 per share gain from sale of RBC shares
  - Lochinvar contributed as expected
- Completed sale of 2.83 million shares of RBC stock for $188 million or $66.19 per share; well above $175 million deal price

AO Smith

First Quarter Results:
Continuing Operations

	2012	2011	change	% chg.
Sales	$ 468.6	$ 417.4	$ 51.2	12%
Earnings	47.5	24.2		
RBC Share Activity	(16.7)	1.0		
Adjusted Earnings	$ 30.8	$ 25.2	$ 5.6	22%
EPS	$ 1.02	$ 0.52		
RBC Share Activity	$ (0.36)	$ 0.02		
Adjusted EPS	$ 0.66	$ 0.54	$ 0.12	22%

(in millions, except per share)

AO Smith

First Quarter Sales:
Continuing Operations

	2012	2011	change	% chg.
North America	$ 353.3	$ 321.7	$ 31.6	10%
Rest of World	124.2	105.2	$ 19.0	18%
Intersegment	(8.9)	(9.5)	$ 0.6	
Total	468.6	417.4	$ 51.2	12%

(in millions)

AO Smith

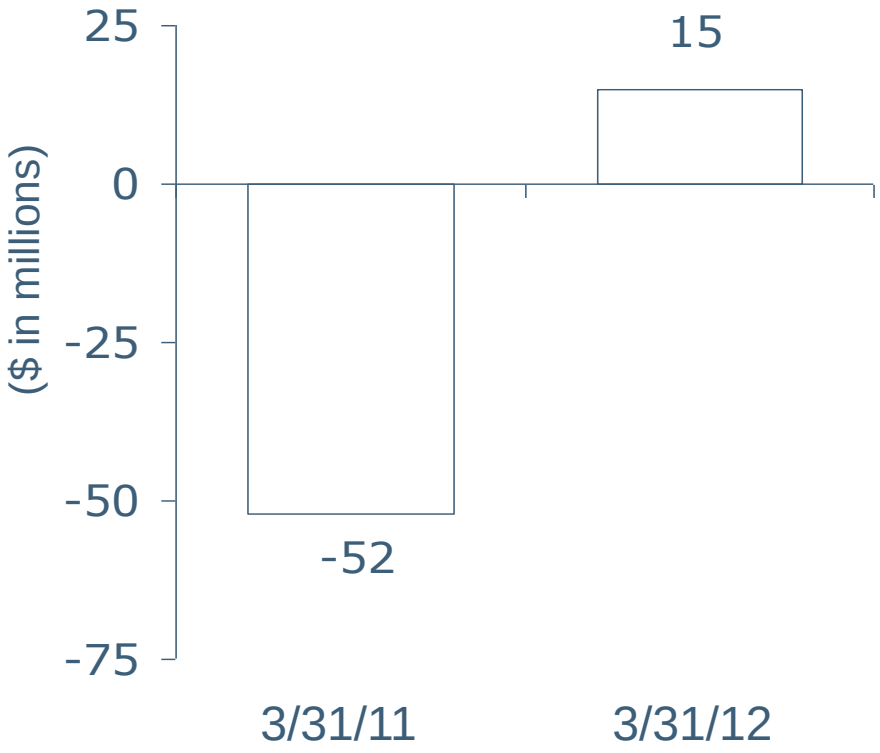
First Quarter Operating Earnings:
Continuing Operations

	2012	2011	change	% chg.
North America	$ 42.2	$ 38.1	$ 4.1	11%
Rest of World	$ 14.2	$ 10.8	$ 3.4	31%
Total Operating	$ 56.4	$ 48.9	$ 7.5	15%
Corporate/Other	16.5	(13.4)		
RBC Share activity	(27.2)	1.6		
Adjusted Corporate	(10.7)	(11.8)	1.1	9%
Adjusted EBIT	$ 45.7	$ 37.1	$ 8.6	23%
Operating Margin				
North America	11.9%	11.8%		
Rest of World	11.4%	10.3%		

(in millions, except margins)

AO Smith

Operating Cash Flow: Continuing Operations

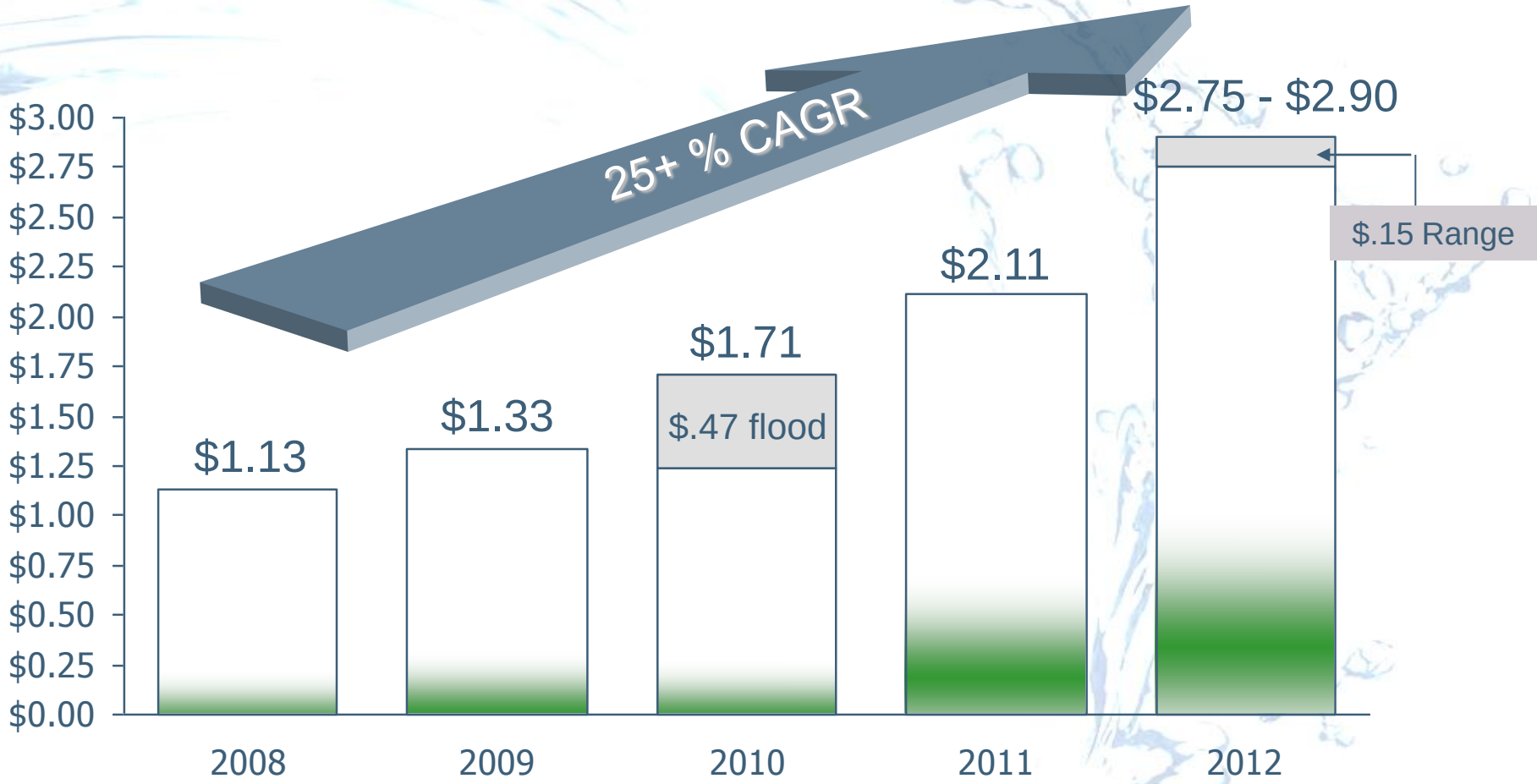


First Quarter Highlights

- Cash flow of $15 million; includes $10 million in taxes related to the RBC share gain
- Debt to capital ratio of 22%;
- Cash balance: $428 million
- Net Cash position after sale of RBC shares: over $150 million
- Full year 2012 forecast:
  - ~ Cash flow: $145 to 155 million
  - ~ CAPX: $80 to $90 million
  - ~ D&A: $55 million

AO Smith

2012 EPS Forecast



2008, 2009 and 2010 are Non-GAAP, EPS all periods is Continuing Operations Only

2011 excludes the impact from the second quarter one-time settlement and increase to the warranty reserve and the hedged RBC shares. 2012 excludes the impact from future acquisitions and the gain on the sale of RBC shares.

2012 Outlook

- China growth at two times China GDP
- Transition in North America to higher efficiency boilers
  - Lochinvar growing at over 10%
  - Seasonality of boiler products for hydronic heating; second half benefit
- Stable North American replacement market
  - New construction flat
- Analyst Day: September 26 in Nashville

AO Smith

A. O. Smith Growth Strategy

Investment Criteria

- Value creation opportunities
- ROIC in excess of cost of capital by second or third year
- Meet risk adjusted IRR hurdle rates
- Margin accretion with growth rates higher than US GDP
- Accretive to earnings in the first year

AOS Listed NYSE
THE NEW YORK STOCK EXCHANGE

AO Smith

Answers to your questions