



A.O. Smith Reports Record 1999 Sales and Earnings; Plans to Sell Storage & Fluid Handling Technologies Platform

MILWAUKEE, Jan. 21-- A.O. Smith Corporation (NYSE: AOS) today announced record 1999 earnings from continuing operations of \$50.3 million or \$2.11 per share, a 26 percent increase over last year's earnings of \$40.7 million or \$1.68 per share.

Record sales from continuing operations for 1999 were \$1.04 billion, more than 34 percent higher than 1998 sales of \$775 million.

At the same time, the company announced its intention to sell its Storage & Fluid Handling Technologies platform, thus exiting the fiberglass pipe and storage tank businesses.

"Consistent with the company's strategy to expand its presence in the electric motor and water heating markets and to be a consolidator in each of those industries, we have decided to divest the Storage & Fluid Handling platform," according to Chairman and Chief Executive Officer Robert J. O'Toole.

Record performance for continuing operations

Strong market conditions enabled A. O. Smith's Electric Motor Technologies and Water Systems Technologies platforms to set sales and operating profit records in 1999.

For Electric Motor Technologies, it was the fifth consecutive year of record-setting financial performance. The sales increase was due to growth in most of its major motor markets and the impact of the August 1999 acquisition of MagneTek Motors. Sales increased 50 percent over the prior year to \$723 million, while operating profits were 40 percent higher than 1998.

Record demand in the domestic air conditioning industry and a full year of sales from the compressor motor business acquired in 1998 resulted in a nearly 50 percent increase in sales of hermetic motors. The strong heating and cooling market also led to a 20 percent increase in sales of fan and blower motors. Sales of motors for pump applications, and garage door opener motors increased 10 percent over 1998.

The former MagneTek Motors operations, which manufacture fractional horsepower and integral horsepower electric motors, contributed approximately \$145 million in sales to Electric Motor Technologies' 1999 results.

Higher sales of commercial water heating equipment and a substantial increase in sales of water heaters in China were responsible for Water Systems Technologies' record 1999 sales of \$316 million. Operating profits also set a record in 1999, improving approximately 13 percent over the prior year.

The commercial business grew approximately five percent in 1999, as Water Systems benefited from a healthy commercial construction market and additional sales growth from new product introductions. The company's international operations also reported strong growth, with sales in China significantly higher than the prior year and more than 10 percent growth in Water Systems' other international operations.

Fourth quarter results

For the fourth quarter, earnings from continuing operations increased approximately 14 percent to \$11.6 million or \$.49 per share, compared with 1998 fourth quarter earnings of \$10.2 million or \$.43 per share. Fourth quarter sales from continuing operations of \$287 million were \$93 million higher than fourth quarter sales in 1998 and were influenced by growth in core motor and water heater operations as well as the incremental sales of the MagneTek Motor acquisition.

Storage & Fluid Handling divestiture

The Storage & Fluid Handling platform reported 1999 sales of \$118 million, a decline of 18 percent compared with 1998 sales of \$142.8 million. Sales were adversely affected by continuing weakness in the fiberglass, dry storage, and agricultural markets. The platform generated a loss from operations equivalent to \$.04 per share in 1999, compared with earnings of \$.16 per share in 1998.

The company has booked an after-tax charge in the fourth quarter of approximately \$7 million to cover the anticipated costs associated with the disposition of the Storage & Fluid Handling platform. The charge was equivalent to \$.29 per share. The combined loss from discontinued operations was equivalent to \$.33 per share for all of 1999.

Sales of \$32 million for the fourth quarter were slightly higher than 1998. The platform broke even in the quarter, compared with \$.02 per share earned in the fourth quarter of 1998.

The platform consists of two operating companies. Engineered Storage Products Company, with headquarters in DeKalb, Ill., manufactures storage tanks for industrial, municipal, and agricultural applications. The company's aluminum, epoxy-coated steel, and glass-fused-to-steel tanks are used to store a wide variety of liquid and dry materials, including potable water, waste water, plastics, minerals, and foodstuffs.

In addition to DeKalb, the company operates plants in Parsons, Kan., and Winchester, Tenn., and employs approximately 475 people.

The other operating unit, Smith Fiberglass Products Company, with headquarters in Little Rock, Ark., manufactures fiberglass pipe and fittings in sizes ranging from one inch up to 48 inches in diameter. The company serves the chemical processing, petroleum production, and service station markets.

Smith Fiberglass operates two plants in Little Rock as well as manufacturing facilities in Wichita, Kan., and Harbin, China. The division employs approximately 400 people.

Outlook for 2000

"We remain confident in the outlook for our two continuing operations as we enter the new year," O'Toole commented. "The inclusion of the MagneTek operations for a full year, along with a healthy domestic economy and relatively low customer inventories should result in strong motor demand in 2000.

"Similarly, the solid construction market and anticipated growth in China should translate into another good year for water heater sales," O'Toole continued. "Therefore, we would expect our earnings growth in 2000 to exceed our targeted growth rate of 15 percent."

Forward-Looking Statements

Certain statements in this press release 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," "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 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.

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

Continuing	Three Months ended		Year ended	
	December 31		December 31	
Sales	1999	1998	1999	1998
Electric Motor Technologies	\$206,731	\$119,043	\$722,879	\$479,956
Water Systems Technologies	79,866	74,298	316,402	294,832
Net Sales	286,597	193,341	1,039,281	774,788
Costs and Expenses				
Cost of Products Sold	229,803	152,956	832,369	616,516
Selling, General and Administrative	31,997	21,177	110,613	85,806
Interest Expense	4,970	1,679	12,821	5,914
Interest Income	(374)	(529)	(1,392)	(3,714)
Other Expense	2,747	1,611	7,778	3,345
Tax Provision	5,831	5,467	26,822	23,189
Total Costs and Expenses	274,974	182,361	989,011	731,056
Earnings Before Equity in				
Loss of Joint Ventures	11,623	10,980	50,270	43,732
Equity in Loss of Joint Ventures	--	(754)	--	(3,076)
Earnings from Continuing Operations	11,623	10,226	50,270	40,656
Discontinued Earnings (Loss) from Operations (less related income tax provision (credit) (1999-\$47 & (\$475); 1998-\$219 & \$2,020))	74	484	(890)	3,835
Loss on Disposition (less related income tax credit of (\$4,542))	(6,958)	--	(6,958)	--
Net Earnings	\$4,739	\$10,710	\$42,422	\$44,491
Net Earnings (Loss) Per Share of Common Stock (Diluted)				
Continuing Operations	\$0.49	\$0.43	\$2.11	\$1.68
Discontinued Operations	\$(0.29)	\$0.02	\$(0.33)	\$0.16
Net Earnings	\$0.20	\$0.45	\$1.78	\$1.84
Average Common Shares Outstanding (000's omitted)	23,834	23,791	23,787	24,184

A.O. SMITH CORPORATION
Balance Sheet

	December 31 1999	December 31 1998
ASSETS:		
Cash and cash equivalents	\$14,761	\$37,666
Receivables	183,442	113,098
Inventories	163,443	87,216
Deferred income taxes	11,323	10,352
Other current assets	5,253	4,328
Net current assets-discontinued operations	10,405	15,218
Total Current Assets	388,627	267,878
Net property, plant and equipment	283,493	204,456
Goodwill and other intangibles		
251,085	143,682	
Other assets	88,990	71,302
Net long-term assets - discontinued operations	51,791	49,252
Total Assets	\$1,063,986	\$736,570
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Trade payables	\$81,221	\$51,074
Accrued payroll and benefits	32,272	28,453
Product warranty	10,847	6,786
Income taxes	7,170	6,786
Long-term debt due within one year	9,629	4,629
Other current liabilities	27,301	14,918
Total Current Liabilities	168,440	112,646
Long-term debt	351,251	131,203
Other liabilities	64,536	54,815
Deferred income taxes	48,675	36,813
Stockholders' equity	431,084	401,093
Total Liabilities and Stockholders' Equity	\$1,063,986	\$736,570

A.O. SMITH CORPORATION
STATEMENT OF CASH FLOWS

	Year ended December 31	
	1999	1998
Operating Activities		
Continuing		
Net earnings	\$50,270	\$40,656
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation & amortization	37,315	26,466
Equity in loss of joint ventures	--	3,076
Net change in current assets and liabilities	(27,378)	(7,543)
Net change in noncurrent assets and liabilities	(13,278)	1,601
Other	856	1,198
Cash Provided by Operating Activities	47,785	65,454
Investing Activities		
Capital expenditures	(32,807)	(18,511)
Capitalized purchased software costs	(1,767)	(1,705)
Investment in joint ventures	--	(7,224)
Acquisition of business	(244,592)	(126,273)
Cash Used by Investing Activities	(279,166)	(153,713)
Cash Used by Continuing Operations before Financing Activities		
	(231,381)	(88,259)
Discontinued		
Cash provided by operating activities	226	9,204
Cash used by investing activities	(5,799)	(9,713)
Cash Used by Discontinued Operations before Financing Activities	(5,573)	(509)
Financing Activities		
Long-term debt incurred	229,677	30,028
Long-term debt retired	(4,629)	(5,590)
Purchase of common stock held in treasury	(2,773)	(33,288)
Other stock transactions	2,946	439
Dividends paid	(11,172)	(11,051)
Cash Provided / (Used) by Financing Activities	214,049	(19,462)
Net decrease in cash and cash equivalents	(22,905)	(108,230)
Cash and cash equivalents -- beginning of period	37,666	145,896
Cash and Cash Equivalents -- End of Period	\$14,761	\$37,666

SOURCE A.O. Smith Corporation

CONTACT: Media, Edward O'Connor, 414-359-4100, or Analysts, Investors,
Craig Watson, 414-359-4009, both of A.O. Smith Corporation/
/Company News On-Call: <http://www.prnewswire.com/comp/114114.html> or fax,
800-758-5804, ext. 114114/
(AOS)