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**A. O. Smith Acquires Heat Pump Water Heater Manufacturer
Applied Energy Recovery Systems Inc.**

Company expands presence in growing renewables field

Milwaukee, Wis. (April 8, 2009)—A. O. Smith Corporation today announced it has acquired Applied Energy Recovery Systems Inc. (AERS) of Norcross, Ga., a leading manufacturer of commercial and residential heat pump water heaters.

Terms of the transaction were not disclosed.

The AERS product line includes the E-Tech line of commercial and industrial water heaters, as well as commercial outdoor and indoor pool heating systems, and residential water heating and swimming pool products.

“The acquisition of AERS allows A. O. Smith to reinforce our leadership position in providing energy efficient water heating solutions and provides us a strong platform from which to address the growing interest from our customers in renewables,” Ajita G. Rajendra, president of A. O. Smith Water Products Company said.

“We plan to leverage the technology, engineering expertise and know-how from AERS to expand our capabilities and product lines across the globe,” Rajendra added.

Heat pump water heaters capture heat from the surrounding air (air-source) or from water sources (water-source) such as waste water generated by a building’s chiller or cooling system and use it to heat water for hot water uses. The energy savings generated from the captured heat significantly exceeds the energy cost of running the heat pump, making this technology a highly efficient means for water heating with savings of up to 80 percent.

A. O. Smith Corporation, with 2008 sales of \$2.3 billion, is a global leader applying innovative technology and energy-efficient solutions to products marketed

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worldwide. The company is one of the world's leading manufacturers of residential and commercial water heating equipment, offering a comprehensive product line featuring the best-known brands in North America and China. A. O. Smith is also one of the largest manufacturers of electric motors for residential and commercial applications in North America.

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