



July 1, 2016

Dear Valued Customer:

A. O. Smith utilizes continuous improvement and strives to do business in new and improved ways to better serve its customers. One of these improvements is a business initiative to install a single Enterprise Resource Planning (ERP) System in all of our North American operations. We chose SAP as our new ERP system, and we believe this will provide us with the innovative technology to better serve you.

Fact: SAP is used by 80% of Fortune 500 Companies and by 70% of Fortune 100 Companies.

Fact: There are 100 dedicated resources on this implementation project. We have already completed three successful implementations at A. O. Smith operations in the U.S.

Beginning in the first quarter of 2016, A. O. Smith began the implementation effort to bring SAP to our Ashland City, TN, El Paso, TX, Juarez, Mexico, and McBee, SC, production facilities. We are providing you with this information today to make you aware of this important transition and will continue to update you on our progress as we move forward with this implementation.

What this means for you...

As we embark on this journey, we want to highlight some of the benefits of this project and how they will be of value to you. These include:

- Transformed reporting – more consistent and accurate
- Greater EDI capabilities
- Future enhanced self-service access, including Order Status, Pricing, and Availability

If you would like further clarification, please contact your A. O. Smith Sales Representative.

We look forward to working with you as we transition to SAP, and appreciate your continued loyalty. We will be following up with you shortly with more details on the go-live schedules at our facilities.

Best Regards,

A handwritten signature in black ink, appearing to read 'K. Wheeler'.

Kevin J. Wheeler
President
North America, India & Europe