



Lennox International Comments on Outlook for Second Quarter and Full Year 2001

July 10, 2001

DALLAS, July 10 /PRNewswire/ -- Lennox International Inc. (NYSE: LII) commented today on its outlook for second quarter and full year 2001.

The company expects earnings per share for the second quarter will be \$0.30-\$0.35 before one-time restructuring charges. Lennox' core heating, air conditioning, and refrigeration operations have exhibited solid performance, said Bob Schjerven, chief executive officer. "While we cannot completely escape the impact of cooler-than-normal temperatures in the early part of the season and a domestic economic slowdown, our market share gains and expense control measures are partially offsetting their effects," Schjerven said. "At the same time, the performance of our retail business segment has not met expectations."

Impact of weather, economy

Cooler-than-normal early summer temperatures in important North American markets contributed to lower shipments of air conditioners industry-wide. Recent reports from the Air Conditioning and Refrigeration Institute (ARI) showed year-to-date factory shipments of unitary air conditioners and heat pumps in 2001 down 7% at the end of May. On a positive note, distributor inventories at the end of May were also down 10% versus last year.

Continued soft economic conditions across North America also affected sales. Economic uncertainty is causing a higher number of consumers to repair rather than replace existing air conditioning units.

Operational issues: retail

Officials said half of the retail segment's earnings shortfall in the second quarter can be attributed to operating issues and a third to unfavorable weather in May and June. The remainder is attributed to the economy and a shift in the business mix to the lower-margin residential new construction and commercial markets. There has been some significant short-term disruption created by management transition at some service centers and the implementation of other retail initiatives. However, officials are confident this will become less of an issue over time, as the company is making headway in implementing standardized practices and processes.

The previously-announced restructuring of 38 selected retail service centers is proceeding according to schedule and is nearly complete, with some merger activity continuing through the second half of 2001. The company continued to experience the negative impact of the centers involved in the restructuring in the second quarter. Restructuring costs and their impact are expected to remain within previous estimates.

"We are not satisfied with the financial performance of our retail operations," Schjerven said. "We clearly underestimated the time and complexity needed to deliver on our retail strategy and do not expect significant improvement in this segment until the second half of 2002. However, we are confident the strategy itself and the changes and initiatives we are putting in place will ultimately deliver shareholder value." While the company expects modest operating improvement for the remainder of the year, operating margins for the full year in the retail segment, excluding the one-time charge, are projected to be down from the level achieved in 2000.

Outlook for second half 2001

Given a conservative outlook on general weather patterns and prospects for North American economic recovery, officials expect total corporate revenue growth will be relatively flat for 2001 and full year earnings per share, before one-time charges, are expected to be in the \$0.60-\$0.70 range. The company continues to focus on free cash flow, with emphasis on working capital management and capital spending. This focus is expected to result in \$80-\$90 million in free cash flow for the full year, in line with previous guidance.

"We remain confident we have the right initiatives in place and are aggressively attacking the performance issues with our retail operations," Schjerven said. "We look forward to improvement in 2002."

Conference call

The company plans to report second quarter earnings after the market closes on Tuesday, July 24, 2001. Additional information will be provided in a conference call to be held on Wednesday, July 25 at 9:30 a.m. Central Time. All interested parties are invited to listen as Bob Schjerven, CEO and Rick Smith, CFO comment on the company's operating results.

To listen, please call the conference call line at 612-332-0802 ten minutes prior to the scheduled start time and use reservation number 594378. The number of connections for this call is limited to 200.

This conference call will be broadcast live on the Internet by PR Newswire and can be accessed at <http://www.videonewswire.com/LENNOX/072501/>. A link to the broadcast can also be found on the company's web site at <http://www.lennoxinternational.com>.

If you are unable to participate in this conference call, a replay will be available through August 01, 2001 on the Internet or by dialing 800-475-6701, access code 594378.

A Fortune 500 company operating in over 70 countries, Lennox International Inc. is a global leader in the heating, ventilation, air conditioning, and refrigeration markets. Lennox International stock is traded on the New York Stock Exchange under the symbol "LII". Additional information is available at: <http://www.lennoxinternational.com> or by contacting Bill Moltner, vice president, investor relations, at 972-497-6670.

This news release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are subject to numerous risks and uncertainties that could cause actual results to differ materially from such statements. For information concerning

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