



## Lennox International Moves Forward on Service Experts Turnaround Plan

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DALLAS, April 5 /PRNewswire-FirstCall/ -- Lennox International Inc. (NYSE: LII) announced today the specifics of a turnaround plan designed to improve the performance of its Service Experts business segment. The plan realigns Service Experts' dealer service centers to focus on service and replacement opportunities in the residential and light commercial markets. Service Experts is a leading provider of heating and cooling equipment sales and service in the U.S. and Canada.

(Logo: <http://www.newscom.com/cgi-bin/prnh/20020304/DAM053I.OGO> )

The company has identified 130 dealer service centers, whose primary business is residential and light commercial service and replacement, which will comprise the ongoing Service Experts business segment. LII intends to divest the remaining 47 centers, in addition to the previously announced closure of four centers.

"This is a decisive step forward in our previously stated intention to realign Service Experts with its original vision: profitable service and replacement opportunities in metropolitan residential and light commercial markets," said Bob Schjerven, chief executive officer, LII. "These markets have higher margins and lower risk, and are less cyclical. Furthermore, we see excellent potential in continuing to build value in the Service Experts brand in these markets."

The 130 service centers that will make up the ongoing Service Experts business segment had revenue of \$604 million in 2003 and, on a consolidated basis, were profitable at the center level.

The 47 centers that will no longer be part of Service Experts are being organized under a new entity and will be classified as a discontinued business. While Service Experts will provide essential transitional support to the entity, it will be managed separately.

"This arrangement allows Service Experts management to focus on their ongoing business, which includes the roll-out of best practices, implementation of common IT systems, aggressive strengthening of our regional accounting centers, and sizing centers to take advantage of economies of scale," Schjerven said. "It is our intention to find new ownership quickly for the 47 centers that will be divested to provide better alignment with their business structures and increase the likelihood of their future viability and success." The company expects the divestitures to be completed by the end of 2004.

The company expects \$25 million in pre-tax charges related to the divestiture of the 47 centers, consisting primarily of the loss on the sale of assets, employee costs, and other divestiture costs. The timing of these charges will coincide with the divestiture activity. The anticipated proceeds from the sale of the centers and related tax effects are expected to more than offset cash expenses.

In addition, LII expects to take a non-cash pre-tax goodwill impairment charge of at least \$180 million in the first quarter of 2004 based on its preliminary valuation analysis, which has not been finally reviewed with its outside auditors. This charge, which will be finalized prior to the company's first quarter 2004 earnings release, relates both to the centers that will be divested and the Service Experts dealer service centers that will be retained.

In total, these actions are expected to result in at least \$205 million in pre-tax charges in 2004, or \$180 million in after-tax charges, equating to at least \$3.02 per share. As indicated in LII's press release of March 11, 2004, the company's most recent guidance of \$1.38 to \$1.48 diluted earnings per share for full year 2004 does not include the impact of these charges.

Operating in over 100 countries, Lennox International Inc. is a global leader in the heating, 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, including the company's ability to divest dealer service centers, that could cause actual results to differ materially from such statements, including the amount of the expected charges discussed above. For information concerning these risks and uncertainties, see Lennox' publicly available filings with the Securities and Exchange Commission. Lennox disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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