



## Lennox International Projects Lower Than Anticipated Second Half Results Primarily Due to Unseasonable Weather

September 18, 2000

DALLAS, Sept. 18 /PRNewswire/ -- Lennox International Inc. (NYSE: LII) announced today it is revising its business outlook for the remainder of 2000. The company expects earnings will be down from previous expectations due to cooler than expected summer weather in the northeastern and midwestern United States and much of Canada, and a slower than anticipated rate of operational improvements in certain acquired businesses. Diluted earnings per share are expected to be in the range of \$0.20 to \$0.25 for the third quarter and as low as \$1.05 for the full year.

### Weather impact

Volume and margin erosion directly attributable to the weather is expected to reduce earnings per share in the third quarter by an estimated \$0.30 from the company's previous estimates.

"Through August of this year, the cooling degree days in the northeastern United States were 50% below last year. In the upper Midwest, they were down 27%. Over 50% of our residential sales and over 40% of our retail revenues are concentrated in areas that had a cold summer," said John W. Norris, Jr., chairman of the board and chief executive officer. "After careful evaluation of our August financials, we have incorporated aggressive cost control measures in our estimates to help offset the impact of the unseasonable weather."

Lennox businesses most significantly influenced by the weather -- North American residential products and retail operations -- account for over two-thirds of the company's total corporate revenues. "While our other businesses are largely tracking on plan, their performance could not overcome the impact of the weather," Norris said.

Norris explained one of the most visible results of the weather-related industry slowdown has been the dramatic growth of distributor inventories.

"Industry-wide distributor inventories of unitary air conditioners and heat pumps were over 32% higher in July than at the same time last year, according to figures recently released by the Air Conditioning and Refrigeration Institute (ARI)," Norris noted.

### Operational issues

Discussing the company's retail business unit, Bob Schjerven, chief operating officer, said that while Lennox is achieving the synergies projected with the Service Experts acquisition, the timeframe the company projected as necessary to realize operational improvements at the retail dealership level has been extended.

"We have not changed our long-term expectations for our retail business. However, due to the slower rate of improvement, we are reducing our EPS outlook for the third quarter by approximately \$0.09," said Schjerven. Lennox now projects retail EBIT margins to be approximately 5% for full-year 2000.

"To improve margins in our retail business, we already have initiatives in place to aggressively address dealer operation efficiencies and reduce service center level SG&A expenses," Schjerven said. "Realizing a return on these initiatives is taking longer than we anticipated."

Operational issues in Lennox' hearth products business have also affected expectations. Soft industry sales as a result of a decline in residential new construction have had a significant impact, while anticipated synergies from individual hearth operations acquired during the last 24 months have not been realized in our original timeframe. These factors are expected to reduce third quarter earnings per share by approximately \$0.05.

A new hearth products president and COO was recently appointed and management has been significantly restructured. This, along with combining all hearth products under the Lennox Hearth Products banner and consolidating sales and distribution functions, are the first steps in improving the performance of the company's hearth products business.

"We firmly believe we have identified the issues and are implementing appropriate actions to remedy them," said Schjerven. "However, we are taking a more conservative outlook on the time it will take to bring this business to a satisfactory profitability level."

Other issues, most notably one-time charges that Lennox is taking to close two small commercial air conditioning operations in Latin America, are expected to reduce EPS by an additional \$0.08 in the third quarter.

Lennox is focused on executing programs to realize the operational improvements that will bring profitability up to satisfactory levels. "We are disappointed by our revised outlook for 2000. We are dealing aggressively with the issues under our control and look forward to improvement in 2001," said CEO Norris.

### Conference Call

The company will host a conference call on Monday, September 18, 2000, at 9:30 AM EDT (8:30 AM CDT) to discuss the outlook for the third quarter and full year 2000. To participate, call the conference call line at 612-332-0523, reservation number 539269. A link to a live broadcast of the call on the internet can be found on the company's web site at [www.lennoxinternational.com](http://www.lennoxinternational.com), or the call can be accessed through Vcall's web site at [www.vcall.com](http://www.vcall.com).

Selling heating, ventilation, air conditioning, and refrigeration equipment in over 70 countries, Lennox International Inc. is a global leader in climate control solutions. Lennox operates in five key business segments: North American residential, North American retail, worldwide commercial refrigeration, worldwide commercial air conditioning, and worldwide heat transfer. Lennox International stock is traded on the New York Stock Exchange under the symbol "LII". Additional information is available at: [www.lennoxinternational.com](http://www.lennoxinternational.com) or by contacting Bill Moltner, Director, 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

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