



## Lennox International Reports Q4 and Full-Year 2002 Earnings in Line With Guidance

February 5, 2003

DALLAS, Feb. 5 /PRNewswire-FirstCall/ -- Lennox International Inc. (NYSE: LII) announced today its fourth quarter and full-year 2002 earnings, in line with previous guidance.

### Fourth quarter 2002 results

LII's net sales for the fourth quarter of 2002 decreased 3% to \$704 million. Excluding the effects of the heat transfer joint venture and the activities of other non-core operations, company-wide sales, in constant currencies, were up 2%. Operating income was \$13 million, contrasted with an operating loss of \$43 million last year, reflecting improvements in all of LII's business segments. Operating margins expanded to 1.8%.

Net income was \$5 million, or \$0.08 per diluted share, compared with a loss in the prior year of \$40 million, or \$0.72 per diluted share. Changes in foreign exchange rates benefited earnings per share in the fourth quarter by \$0.01. The prior year fourth quarter net loss included restructuring charges of \$28 million, net of tax, or \$0.50 per share.

### Full-year 2002 results

Sales for full-year 2002 were \$3 billion, down 3% from 2001, with changes in foreign exchange rates benefiting revenues by less than 1%. Sales in the company's core businesses, in constant currencies, were down less than 1%. Favorable weather supported LII's domestic residential businesses in 2002, while demand from commercial customers for heating, cooling, and refrigeration equipment and services remained soft. Sales outside the U.S. and Canada accounted for 13% of total LII revenues.

Operating income for the year increased to \$126 million from an operating loss of \$1 million in 2001. Higher volumes in LII's Heating & Cooling and Refrigeration businesses, along with lower cost structures across all LII operations, contributed to improved operating margins of 4.2% in 2002.

Including the \$249 million goodwill impairment charge the company recorded in the first quarter, LII reported a net loss of \$190 million, or \$3.23 per diluted share, in 2002, compared with a loss in the previous year of \$42 million, or \$0.75 per diluted share. This full-year loss per share included restructuring charges; gains, losses, and other items; and FAS 142 impairment of goodwill, totaling a diluted loss per share of \$4.19. Excluding these items, LII's diluted earnings per share of \$0.96 were in line with the company's previously stated guidance of \$0.90-\$1.00, as reconciled in the table below.

### Lennox International Inc. - Pro Forma Net Income Reconciliation (In thousands, except per share data)

	For the Twelve Months Ended Dec. 31, 2002	Diluted Earnings per Share
Net Loss, as Reported	\$ (190,423)	\$ (3.23)
Cumulative Effect of Accounting Change	249,224	4.23
Restructurings, Net of Income Tax	6,121	0.10
(Gains) Losses and Other Expenses, Net of Income Tax	(5,210)	(0.09)
Adjustment to Prior Year Taxes	(3,000)	(0.05)
Pro Forma Net Income	\$ 56,712	\$ 0.96

LII generated full-year free cash flow of \$191 million, allowing the company to reduce its total debt by \$138 million from the end of 2001. As historically defined by LII, free cash flow is cash from operations less capital expenditures, before dividends, asset securitizations, restructurings and gains, losses and other items. Reflecting its continued focus on the balance sheet, LII has lowered debt by over \$310 million in the past 24 months.

"Despite a challenging global economic environment, LII made dramatic progress improving financial performance in 2002," said Bob Schjerven, chief executive officer. "We performed in line with our recent guidance, while forging the structure of a strong, focused company poised to deliver enhanced shareholder value going forward."

### Fourth Quarter and Full-Year 2002 Results: Segment Performance

The following tables show LII's operating performance. Segment operating income is defined as income from operations as reported in the company's statement of operations, adjusted to exclude restructuring charges; other operating gains, losses and expenses; and amortization of goodwill.

### Lennox International Inc. - Segment Operating Income Reconciliation (In thousands)

(Gains) [

Three Months Ended December 31, 2002:	Income from Operations	Goodwill & Trademark Amortization	Restructurings	Losses and Other Expenses	Segment Operating Income
Residential	\$ 27,392	\$ ---	\$ 112	\$ ---	\$ 27,504
Commercial	6,086	---	---	---	6,086
Heating and Cooling	33,478	---	112	---	33,590
Service Experts	(2,055)	---	---	---	(2,055)
Refrigeration	8,726	---	(207)	---	8,519
Corporate and other	(27,255)	---	(693)	1,039	(26,909)
Eliminations	(86)	---	---	---	(86)
Income from Operations	\$ 12,808	\$ ---	\$ (788)	\$ 1,039	\$ 13,059

(Gains) [

Three Months Ended December 31, 2001:	Income from Operations	Goodwill & Trademark Amortization	Restructurings	Losses and Other Expenses	Segment Operating Income
Residential	\$ 2,392	\$ 742	\$ 7,183	\$ ---	\$ 10,317
Commercial	(293)	81	4,720	---	4,508
Heating and Cooling	2,099	823	11,903	---	14,825
Service Experts	(8,880)	2,959	---	---	(5,921)
Refrigeration	3,960	304	305	---	4,569
Corporate and other	(41,051)	425	18,502	---	(22,124)
Eliminations	531	---	---	---	531
Income from Operations	\$ (43,341)	\$ 4,511	\$ 30,710	\$ ---	\$ (8,120)

(Gains) [

Twelve Months Ended December 31, 2002:	Income from Operations	Goodwill & Trademark Amortization	Restructurings	Losses and Other Expenses	Segment Operating Income
Residential	\$ 111,466	\$ ---	\$ 1,582	\$ ---	\$ 113,048
Commercial	19,127	---	---	---	19,127
Heating and Cooling	130,593	---	1,582	---	132,175
Service Experts	24,114	---	---	---	24,114
Refrigeration	32,276	---	2,275	---	34,551
Corporate and other	(60,555)	---	3,972	(7,892)	(64,475)
Eliminations	(783)	---	---	---	(783)
Income from					

Twelve Months Ended December 31, 2001:	Income from Operations	Goodwill & Trademark Amortization	Restructurings	(Gains) [ Losses and Other Expenses	Segment Operating Income
Residential	\$ 74,480	\$ 3,178	\$ 7,183	\$ ---	\$ 84,841
Commercial Heating and Cooling	18,193	395	4,720	---	23,308
Service Experts	92,673	3,573	11,903	---	108,149
Refrigeration	(48,802)	12,231	34,631	---	(1,940)
Corporate and other	24,519	1,274	305	---	26,098
Eliminations	(69,003)	1,560	18,502	---	(48,941)
Income from Operations	(83)	---	---	---	(83)
	\$ (696)	\$18,638	\$65,341	\$ ---	\$ 83,283

To facilitate comparisons of operating performance in the fourth quarter, the segment data below are adjusted for restructuring, other non-recurring charges, and the new goodwill accounting standard.

Heating & Cooling revenues rose 6% in the fourth quarter of 2002 to \$398 million. Segment operating income more than doubled to \$33.6 million from \$14.8 million last year. Operating margins for the quarter rose to 8.4% from 3.9% in 2001.

In the Residential Heating & Cooling segment, revenues rose 8% during the quarter to \$284 million. Operating income increased to \$27.5 million from \$10.3 million last year, with operating margins expanding 580 basis points to 9.7%. Seasonally favorable weather and strong performances by Lennox Industries' Dave Lennox Signature(TM) Collection product line, along with exceptionally strong performances from LII's Ducane and Advanced Distributor Products (ADP) units, led the residential segment.

Revenues in the Commercial Heating & Cooling segment were flat at \$114 million, and were down 4% when adjusted for changes in foreign exchange rates. Operating income increased 35% to \$6.1 million, while operating margins expanded 140 basis points to 5.3%. Paring back of unprofitable operations in Asia and Australia during 2002 and an improved domestic product mix contributed to strong commercial business improvements.

Service Experts revenues declined 3% when compared to the previous year, primarily because there was one fewer week of operations included in this year's quarter. Excluding the effects of the additional week of operations in the previous year and the effect of centers closed in 2001, same-store sales increased 2%.

Service Experts posted an operating loss of \$2.1 million for the quarter, with results negatively impacted by approximately \$4.6 million in increased expenses due to a change in estimates in self-insured insurance costs. These results mark a substantial improvement over the segment operating loss of \$5.9 million reported a year ago.

Refrigeration segment revenue rose 8%, or 3% in constant currencies. Segment operating income was \$8.5 million, up 86% from last year. Operating margins increased to 9.4% from 5.4% in fourth quarter 2001. Every LII global refrigeration operation achieved improved performance for the quarter.

#### Outlook for 2003

After a record year for industry shipments of residential equipment and with the timing for economic recovery unclear, company revenues are expected to be relatively flat in 2003. However, earnings are anticipated to improve based on continued focus on cost reduction initiatives and the full-year effects of other actions taken in 2002. Earnings per share are anticipated to be in the range of \$1.10 to \$1.20, a 15-25% improvement over this year's result. Continued strength in free cash flow is expected, with 2003 free cash flow approximately equal to net income.

"LII is well-positioned for the future," Schjerven said. "Continued improvements in our core businesses are generating the cash needed to take advantage of important opportunities down the road, while a stronger balance sheet provides more flexibility for growth initiatives. We are encouraged by our progress in 2002, and look forward to continued improvement this year."

#### Conference call scheduled

LII has scheduled a conference call to discuss financial results for the fourth quarter and full-year 2002 on Thursday, February 6 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 612-326-1003 ten minutes prior to the scheduled start time and use reservation number 671379. The number of connections for this call is limited to 200.

This conference call will be broadcast live on the Internet by PRNewswire and can be accessed at <http://www.firstcallevnts.com/service/ajwz372512125gf12.html>. 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 from 1:00 p.m. February 06 through February 13, 2003 on the Internet or by dialing 800-475-6701, access code 671379.

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 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.

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS For the Three Months and Twelve Months Ended December 31, 2002 and 2001

(In thousands, except per share data)

	For the Three Months Ended December 31,		For the Twelve Months Ended December 31,	
	2002	2001 (A)	2002	2001 (A)
NET SALES	\$704,364	\$727,085	\$3,025,767	\$3,113,649
COST OF GOODS SOLD	483,422	534,225	2,074,027	2,199,261
Gross profit	220,942	192,860	951,740	914,388
OPERATING EXPENSES:				
Selling, general and administrative expense	207,883	205,491	826,158	849,743
Restructurings (B)	(788)	30,710	7,829	65,341
(Gains) Losses and other expenses	1,039	---	(7,892)	---
Income (loss) from operations	12,808	(43,341)	125,645	(696)
INTEREST EXPENSE, net	6,756	8,536	31,842	43,144
OTHER	(379)	146	(1,198)	431
MINORITY INTEREST	117	(10)	321	125
Income (loss) before income taxes and cumulative effect of accounting change	6,314	(52,013)	94,680	(44,396)
PROVISION FOR (BENEFIT FROM) INCOME TAXES	1,288	(11,695)	35,879	(1,998)
Income (loss) before cumulative effect of accounting change	5,026	\$ (40,318)	58,801	\$ (42,398)
CUMULATIVE EFFECT OF ACCOUNTING CHANGE	---	---	249,224	---
Net income (loss)	\$ 5,026	\$ (40,318)	\$ (190,423)	\$ (42,398)
INCOME (LOSS) PER SHARE BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE:				
Basic	\$ 0.09	\$ (0.72)	\$ 1.03	\$ (0.75)
Diluted	\$ 0.08	\$ (0.72)	\$ 1.00	\$ (0.75)
CUMULATIVE EFFECT OF ACCOUNTING CHANGE				

PER SHARE:

Basic	\$	---	\$	---	\$	(4.35)	\$	---
Diluted	\$	---	\$	---	\$	(4.23)	\$	---

NET INCOME (LOSS)

PER SHARE:

Basic	\$	0.09	\$	(0.72)	\$	(3.32)	\$	(0.75)
Diluted	\$	0.08	\$	(0.72)	\$	(3.23)	\$	(0.75)

(A) Prior year's sales, cost of sales and operating expenses are restated to conform with current year treatment of certain promotional payments in line with the adoption of EITF 01-9 in 2002.

(B) Twelve months ended December 31, 2001 restructurings totaled \$73,173, of which \$7,832 is included in Cost of Goods Sold.

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES

SEGMENT REVENUES AND OPERATING PROFIT For the Three Months and Twelve Months Ended December 31, 2002 and 2001

(In thousands)

	For the Three Months		For the Twelve Months	
	Ended Dec. 31,		Ended Dec. 31,	
	2002	2001	2002	2001
Net Sales				
Residential	\$283,975	\$262,499	\$1,249,106	\$1,195,110
Commercial	114,276	114,603	442,357	469,965
Heating & Cooling	398,251	377,102	1,691,463	1,665,075
Service Experts	235,726	243,164	943,779	1,002,564
Refrigeration	90,642	84,312	363,794	348,087
Corporate and other (A)	1,156	43,639	129,306	200,505
Eliminations	(21,411)	(21,132)	(102,575)	(102,582)
	\$704,364	\$727,085	\$3,025,767	\$3,113,649

Income (Loss) from  
Operations - before

	For the Three Months			For the Twelve Months		
	Ended Dec. 31,			Ended Dec. 31,		
Other Expenses	2002	2001	2001	2002	2001	2001
			Adj. (B)			Adj. (B)
Residential	\$ 27,504	\$ 9,575	\$ 10,317	\$113,048	\$ 81,663	\$ 84,841
Commercial	6,086	4,427	4,508	19,127	22,913	23,308
Heating & Cooling	33,590	14,002	14,825	132,175	104,576	108,149
Service Experts	(2,055)	(8,880)	(5,921)	24,114	(14,171)	(1,940)
Refrigeration	8,519	4,265	4,569	34,551	24,824	26,098
Corporate and other (A)	(26,909)	(22,549)	(22,124)	(64,475)	(50,501)	(48,941)
Eliminations	(86)	531	531	(783)	(83)	(83)
	\$13,059	\$ (12,631)	\$ (8,120)	\$125,582	\$64,645	\$83,283

- (A) In the third quarter of 2002, the Company formed a joint venture with Outokumpu ("Outokumpu") Oyj of Finland by selling to Outokumpu a 55 percent interest in the Company's heat transfer business segment for approximately \$55 million. The net sales and results of operations for the current periods and all prior periods of the Company's former heat transfer business segment are now included in Corporate and other.
- (B) To facilitate comparisons, the reported segment Income (Loss) from Operations amounts for the three and twelve months ended December 31, 2001 have been adjusted to reflect the discontinuation of goodwill and trademark amortization under SFAS 142.

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2002 and December 31, 2001

(In thousands, except share data)

ASSETS [

	December 31, 2002	December 31, 2001
CURRENT ASSETS:		
Cash and cash equivalents	\$ 76,369	\$ 34,393
Accounts and notes receivable, net	307,334	291,485
Inventories	219,682	281,170
Deferred income taxes	33,270	42,662
Other assets	38,400	63,655
Total current assets	675,055	713,365
PROPERTY, PLANT AND EQUIPMENT, net	231,042	291,531
GOODWILL, net	420,802	704,713
OTHER ASSETS	194,819	84,379
TOTAL ASSETS	\$1,521,718	\$1,793,988

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Short-term debt	\$ 9,255	\$ 23,701
Current maturities of long-term debt	13,871	28,895
Accounts payable	247,598	242,534
Accrued expenses	253,929	249,546
Income taxes payable	12,808	9,870
Total current liabilities	537,461	554,546
LONG-TERM DEBT	356,747	465,163
DEFERRED INCOME TAXES	---	673
POSTRETIREMENT BENEFITS, OTHER THAN PENSIONS	13,472	14,014
OTHER LIABILITIES	159,648	103,301
Total liabilities	1,067,328	1,137,697

MINORITY INTEREST	1,591	1,651
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$.01 par value, 25,000,000 shares authorized, no shares issued or outstanding	---	---
Common stock, \$.01 par value, 200,000,000 shares authorized, 63,039,254 shares and 60,690,198 shares issued for 2002 and 2001, respectively	630	607
Additional paid-in capital	404,723	372,877
Retained earnings	171,316	383,566
Accumulated other comprehensive loss	(79,636)	(68,278)
Deferred compensation	(13,518)	(3,710)
Treasury stock, at cost, 3,009,656 and 2,980,846 shares for 2002 and 2001, respectively	(30,716)	(30,422)
Total stockholders' equity	452,799	654,640
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,521,718	\$1,793,988

SOURCE Lennox International Inc.