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Maytag Reports 48 Percent Increase in Third Quarter Earnings

NEWTON, Iowa, Oct. 14 --Maytag Corporation's (NYSE: MYG) third quarter 2002 comparative earnings per share grew 48 percent to 71 cents per share on net income of \$55.6 million. Operating income for the quarter rose to \$100.4 million, excluding an \$8.3 million gain on a distribution center sale, while sales for the quarter rose 3 percent to \$1.168 billion, compared with the same quarter of 2001. Reported net income for the period, including the gain on the distribution center sale, was \$60.8 million, or 77 cents per share.

- (Photo: <http://www.newscom.com/cgi-bin/prnh/20000505/MYGLOGO>)

Results for 2001 have been restated to reflect the China joint venture and foodservice business as discontinued operations and a new accounting standard that required reclassification of certain promotional expenses as a reduction to sales rather than a selling expense.

In the third quarter of 2001, which included two months of the acquired Amana appliance business, Maytag reported operating income of \$79.7 million, on sales of \$1.133 billion. A year ago, third quarter comparative net income was \$37.5 million, or 48 cents per share, including goodwill amortization of 3 cents per share. Maytag reported a third quarter 2001 net loss of \$29.7 million, or a loss of 38 cents per share, that included special items. The special items included an 80-cent loss on discontinued operations, consisting of a non-cash charge of 77 cents per share related to the sale of Blodgett, and 3 cents per share related to losses on discontinued operations. Additionally there was a charge of 7 cents per share for the early retirement of debt.

Discussing the company's performance, Maytag's Chairman and CEO Ralph F. Hake said, "We continue to see dramatic improvements in year-over-year performance despite what is admittedly a challenging environment for home appliances. On a limited sales increase of 3 percent for the quarter, our net income was up 48 percent, excluding the one-time gain, and our operating margins improved from 7 percent a year ago to 8.6 percent. Through the first three quarters, our sales are up 15 percent and our comparative net income is up 79 percent. Operating margins have improved from 7.2 percent to 9.3 percent year to date. This reflects our rapid integration of Amana and aggressive cost reduction actions.

"We have reason to be optimistic about our pipeline of innovative new products. The tall-tub, three-rack dishwasher is now in full distribution and orders are exceeding our expectations. Production is under way on the refreshed line of Maytag brand Atlantis washers and dryers, and these products will start moving into the marketplace in early November. In addition, the totally redesigned Hoover WindTunnel V2 upright vacuum and the all-new SteamVac V2 deep cleaner are now widely available at retail."

However, he noted, "In the fourth quarter we will continue to see slower industry sales and lower production rates on some home appliances and, as expected, Dixie-Narco's business is traditionally slower in the fourth quarter. Maytag's competitiveness will benefit greatly from the company's recently announced decision to relocate refrigeration production in late 2003 and 2004, but the closing of Maytag's refrigeration plant in Galesburg, Ill., will result in fourth quarter restructuring and other charges."

In connection with the plant closing, Maytag expects to record pre-tax restructuring charges in the range of \$140 million to \$160 million, of which \$70 to \$80 million are expected to be recognized in this year's fourth quarter. The remainder will be recognized in 2003 and 2004. Approximately \$50 million of the total restructuring charges will be cash items, largely in 2004.

Considering the known factors, Hake said, "We're expecting fourth quarter income from continuing operations to be about 60 cents per share, excluding the restructuring and other charges. That would be significantly ahead of last year's 48 cents per share, excluding special items. For the full year 2002, our normalized earnings per share from continuing operations should be about \$2.92 per share, a 65 percent improvement from \$1.77 per share in 2001.

"With that significant improvement in profitability and performance, our cash flow is strong and we're on target to reduce debt by \$200 million this year, while substantially increasing discretionary cash contributions to our pension plans. At the same time, we're implementing our future product plans, which are progressing well, and will continue to be supported by research and development funding and capital spending."

In looking at 2003, Hake said, "Next year, we'll reap the benefit from this year's new products. Other exciting new products will come to market next year, and we'll continue our aggressive drive to reduce costs. We will also be re-tooling our cooking products plant in Florence, S.C. to produce a new laundry product and the current products manufactured in Florence will be redesigned for production at our main cooking products plant in Cleveland, Tennessee. For 2003, we're expecting top-line revenue growth and we anticipate income from continuing operations in the range of \$3.10 to \$3.20 per share, excluding the impact of relocating refrigeration production."

Third Quarter Segment Results

Maytag's home appliances segment, which includes major appliances and floor care products, had third quarter 2002 sales of \$1.101 billion, up 3 percent from \$1.073 billion in the third quarter of 2001. Operating income for the segment, excluding the gain on the distribution center sale, was \$104.5 million, compared with \$85.2 million a year earlier.

The corporation's commercial appliances segment, composed of Dixie-Narco vending equipment and Jade products, had third quarter sales of \$66.8 million, up 11 percent from \$59.9 million in the third quarter of 2001. The segment reported operating income of \$6 million, compared with \$2.9 million in last year's third quarter.

Nine-Month Performance

Maytag's sales in the first nine months of 2002 amounted to \$3.539 billion, up 15 percent from sales of \$3.086 billion in the first nine months of 2001. Operating income, excluding the gain on the distribution center sale, was \$329.5 million, up 49 percent from \$220.7 million in the year-earlier period.

Comparative net income in the first nine months of this year was \$182 million, or \$2.32 per share. Reported net income, which included a loss from discontinued operations and the gain on the distribution center sale, was \$185.5 million, or \$2.36 per share. An accounting standard change pertaining to goodwill added 9 cents a share to net income for this year's nine-month period.

In the first nine months of 2001, Maytag's income from continuing operations, excluding special items, was \$101.7 million, or \$1.30 per share. Including the 2001 special items, Maytag's net income in the first nine months of last year was \$68.4 million, or \$1.68 per share.

Maytag's home appliances segment had nine-month sales of \$3.337 billion, up 15 percent from sales of \$2.894 billion in the first nine months of 2001. Operating income for the segment, excluding the gain on the distribution center sale, was \$351.3 million, up 46 percent from \$240.5 million in last year's nine-month period.

The commercial appliances segment reported nine-month sales of \$202 million and an operating income of \$14.9 million. In the first nine months of 2001, commercial sales were \$192.5 million and operating income for the segment was \$10.1 million.

Quarterly Conference Call

Maytag will host a conference call Tuesday, Oct. 15, to discuss its business performance with members of the investment community. The call will be at 7:00 a.m. CDT, and those wishing to participate should telephone 800-777-9740 about 10 minutes prior to the start of the call. Additionally, the conference call will be broadcast live over the Internet. It can be accessed in the Corporate News Center on Maytag's Web site, www.maytagcorp.com, or by going to CCBN's investor center at www.companyboardroom.com. Replays of the call will be available on both Web sites. A summary of the key messages from the quarterly conference call can also be accessed in the Corporate News Center on Maytag's Web site.

Maytag Corporation is a leading producer of home and commercial appliances. Its products are sold to customers throughout North America and in international markets. The corporation's principal brands include Maytag, Hoover, Amana, Jenn-Air and Dixie-Narco.

Forward-Looking Statements: Certain statements in this news release, including any discussion of management expectations for future periods, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from the future results expressed or implied by those statements. For a description of such factors, refer to "Forward Looking Statements" in the Management's Discussion and Analysis section of Maytag's Annual Report on Form 10-K for the year ended December 31, 2001, and each quarter's 10-Q.

THIRD QUARTER SALES AND EARNINGS COMPARISON (UNAUDITED)

NET SALES (in thousands)

	2002	2001	% Change
Home appliances	\$1,101,269	\$1,072,674	2.7
Commercial appliances	66,763	59,880	11.5
Consolidated	\$1,168,032	\$1,132,554	3.1

OPERATING INCOME (LOSS) (in thousands)

	2002	2001	% Change
Home appliances	\$104,510	\$85,249	22.6
Gain on sale of distribution center	8,276	---	---
Commercial appliances	5,999	2,946	103.6
General corporate	(10,060)	(8,534)	17.9
Consolidated	\$108,725	\$79,661	36.5

NET INCOME (LOSS) (in thousands)

	2002	2001	% Change
Comparative	\$55,558	\$37,491	48.2
Discontinued operations	(231)	(61,991)	---
Gain on sale of distribution center (net of tax)	5,462	---	---
Extraordinary item -- loss on early retirement of debt	---	(5,171)	---
Reported	\$60,789	\$(29,671)	---

BASIC EARNINGS (LOSS) PER SHARE

	2002	2001	% Change
Comparative	\$0.71	\$0.49	44.9
Discontinued operations	---	(0.81)	---
Gain on sale of distribution center (net of tax)	0.07	---	---
Extraordinary item -- loss			

on early retirement of debt	---	(0.07)	---
Reported	\$0.78	\$(0.39)	---
Basic weighted-average shares outstanding (thousands)	78,014	76,544	1.9

DILUTED EARNINGS (LOSS) PER SHARE

	2002	2001	% Change
Comparative	\$0.71	\$0.48	47.9
Discontinued operations	---	(0.80)	---
Gain on sale of distribution center (net of tax)	0.07	---	---
Extraordinary item -- loss on early retirement of debt	---	(0.07)	---
Reported	\$0.77	\$(0.38)	---
Diluted weighted-average shares outstanding (thousands)	78,538	77,332	1.6

NINE MONTHS SALES AND EARNINGS COMPARISON (UNAUDITED)

NET SALES (in thousands)

	2002	2001	% Change
Home appliances	\$3,336,674	\$2,893,685	15.3
Commercial appliances	201,956	192,486	4.9
Consolidated	\$3,538,630	\$3,086,171	14.7

OPERATING INCOME (LOSS) (in thousands)

	2002	2001	% Change
Home appliances	\$351,304	\$240,466	46.1
Gain on sale of distribution center	8,276	---	---
Commercial appliances	14,901	10,063	48.1
General corporate	(36,735)	(29,790)	23.3
Consolidated	\$337,746	\$220,739	53.0

NET INCOME (LOSS) (in thousands)

	2002	2001	% Change
Comparative	\$181,968	\$101,748	78.8
Discontinued operations	(1,889)	(66,436)	---
Gain on sale of distribution center (net of tax)	5,462	---	---
Tax benefit	---	42,000	---
Extraordinary item -- loss on early retirement of debt	---	(5,171)	---
Cumulative effect of accounting change	---	(3,727)	---
Reported	\$185,541	\$68,414	171.2

BASIC EARNINGS (LOSS) PER SHARE

	2002	2001	% Change
Comparative	\$2.34	\$1.33	75.9
Discontinued operations	(0.02)	(0.87)	---
Gain on sale of distribution center (net of tax)	0.07	---	---
Tax benefit	---	0.55	---

Extraordinary item -- loss on early retirement of debt	---	(0.07)	---
Cumulative effect of accounting change	---	(0.05)	---
Reported	\$2.39	\$0.90	165.6
Basic weighted-average shares outstanding (thousands)	77,599	76,297	1.7

DILUTED EARNINGS (LOSS) PER SHARE

	2002	2001	% Change
Comparative	\$2.32	\$1.30	78.5
Discontinued operations	(0.02)	(0.85)	---
Gain on sale of distribution center (net of tax)	0.07	---	---
Tax benefit	---	0.53	---
Extraordinary item -- loss on early retirement of debt	---	(0.07)	---
Cumulative effect of accounting change	---	0.76	---
Reported	\$2.36	\$1.68	40.5
Diluted weighted-average shares outstanding (thousands)	78,543	78,507	---

MAYTAG CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(In thousands, except per share data)

	Third Quarter Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
Net sales	\$1,168,032	\$1,132,554	\$3,538,630	\$3,086,171
Cost of sales	923,607	913,086	2,766,971	2,454,365
Gross profit	244,425	219,468	771,659	631,806
Selling, general and administrative expenses	135,700	139,807	433,913	411,067
Operating income	108,725	79,661	337,746	220,739
Interest expense	(14,559)	(18,159)	(47,644)	(46,350)
Other -- net	(1,711)	(2,422)	(462)	(3,857)
Income from continuing operations before income taxes, minority interests, extraordinary item and cumulative effect of accounting change	92,455	59,080	289,640	170,532
Income taxes	31,435	19,716	98,478	14,194
Income from continuing operations before minority interests, extraordinary item and cumulative effect of accounting change	61,020	39,364	191,162	156,338
Minority interests	---	(1,873)	(3,732)	(12,590)
Income from continuing operations before extraordinary item and cumulative effect of accounting change	61,020	37,491	187,430	143,748
Discontinued operations:				
Loss from discontinued operations	(231)	(1,728)	(1,889)	(6,096)
Income taxes on discontinued operations	---	763	---	840

Loss on sale of Blodgett	---	59,500	---	59,500
Loss from discontinued operations	(231)	(61,991)	(1,889)	(66,436)
Income (loss) before extraordinary item and cumulative effect of accounting change	60,789	(24,500)	185,541	77,312
Extraordinary item -- loss on early retirement of debt	---	(5,171)	---	(5,171)
Cumulative effect of accounting change	---	---	---	(3,727)
Net income (loss)	\$60,789	\$(29,671)	\$185,541	\$68,414
Basic earnings (loss) per common share:				
Income from continuing operations before extraordinary item and cumulative effect of accounting change	\$0.78	\$0.49	\$2.42	\$1.88
Discontinued operations	---	(0.81)	(0.02)	(0.87)
Extraordinary item -- loss on early retirement of debt	---	(0.07)	---	(0.07)
Cumulative effect of accounting change	---	---	---	(0.05)
Net income (loss)	\$0.78	\$(0.39)	\$2.39	\$0.90
Basic weighted-average shares outstanding	78,014	76,544	77,599	76,297
Diluted earnings (loss) per common share:				
Income from continuing operations before extraordinary item and cumulative effect of accounting change	\$0.78	\$0.48	\$2.39	\$1.83
Discontinued operations	---	(0.80)	(0.02)	(0.85)
Extraordinary item -- loss on early retirement of debt	---	(0.07)	---	(0.07)
Cumulative effect of accounting change	---	---	---	0.76
Net income (loss)	\$0.77	\$(0.38)	\$2.36	\$1.68
Diluted weighted-average shares outstanding	78,538	77,332	78,543	78,507

MAYTAG CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	September 30 2002 (Unaudited)	December 31 2001
ASSETS		
Current assets		
Cash and cash equivalents	\$3,932	\$109,370
Accounts receivable -- net	681,509	618,101
Inventories	505,815	447,866
Deferred income taxes	63,250	63,557
Other current assets	21,623	40,750
Current assets of discontinued operations	78,698	89,900
Total current assets	1,354,827	1,369,544

Noncurrent assets	685,905	690,871
Noncurrent assets of discontinued operations	61,223	60,001
Total noncurrent assets	747,128	750,872
Property, plant and equipment	1,073,051	1,035,735
Total assets	\$3,175,006	\$3,156,151

LIABILITIES AND SHAREOWNERS' EQUITY

Current liabilities		
Accounts payable and accrued liabilities	\$672,268	\$679,958
Notes payable and current portion of long-term debt	468,808	281,833
Current liabilities of discontinued operations	104,228	112,702
Total current liabilities	1,245,304	1,074,493
Deferred income taxes	54,930	25,100
Long-term debt, less current portion	741,942	932,065
Postretirement benefit liability	507,816	497,182
Accrued pension cost	255,024	352,861
Other noncurrent liabilities	139,433	128,084
Minority interests	---	100,142
Total noncurrent liabilities and minority interest of discontinued operations	21,817	22,678
Shareowners' equity	208,740	23,546
Total liabilities and shareowners' equity	\$3,175,006	\$3,156,151

MAYTAG CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW (Unaudited)
(In thousands, except per share data)

	Nine Months Ended September 30	
	2002	2001
Operating activities		
Net income	\$185,541	\$68,414
Net loss from discontinued operations	1,889	66,436
Depreciation and amortization	121,684	116,049
Change in working capital	(120,374)	(135,152)
Pension and postretirement	(87,359)	(26,194)
Other -- net	75,273	154,123
Net cash provided by continuing operating activities	176,654	243,676
Investing activities		
Capital expenditures	(156,912)	(101,977)
Business acquisitions	---	(313,489)
Investing activities-continuing operations	(156,912)	(415,466)
Financing activities		
Increase (reduction) in financing obligations	(102,073)	284,550

Dividends (including minority interest)	(47,498)	(56,807)
Stock repurchase	---	(27,672)
Other	24,144	(24,289)
Financing activities-continuing operations	(125,427)	175,782
Effect of exchange rates on cash	247	(677)
Increase (decrease) in cash and cash equivalents	(105,438)	3,315
Cash and cash equivalents at beginning of period	109,370	6,073
Cash and cash equivalents at end of period	\$3,932	\$9,388
Cash flows from discontinued operations		
Net cash used by discontinued operating activities	\$(2,695)	\$911
Investing activities-discontinued operations	(1,215)	(2,732)
Financing activities-discontinued operations	1,241	(10,550)
Decrease in cash-discontinued operations	\$(2,669)	\$(12,371)

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Source: Maytag Corporation