



Lennox International Reports Strong Second Quarter Revenue and Profit Growth and Raises 2010 Guidance

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- Revenue up 11% with strong growth in all business segments in the quarter
- Adjusted EPS from continuing operations of \$0.97, up 45%
- GAAP EPS from continuing operations of \$0.86, up 37%
- Repurchased \$60 million of stock in the quarter
- Raising 2010 revenue growth guidance range by 1 point to 5-8%; at constant currency, raising revenue growth guidance range by 2 points to 4-7%
- Raising 2010 adjusted EPS from continuing operations guidance from \$1.90-\$2.30 to \$2.20-\$2.45

DALLAS, July 27, 2010 /PRNewswire via COMTEX/ -- Lennox International Inc. (NYSE: LII) today reported financial results for the second quarter of 2010.

Revenue for the second quarter was \$872 million, up 11% from the prior-year quarter. Foreign exchange had a positive impact of 1 point on revenue growth. Diluted earnings per share from continuing operations on an adjusted basis was \$0.97, up 45% from \$0.67 in the second quarter a year ago. Diluted earnings per share from continuing operations on a GAAP basis was \$0.86, up 37% from \$0.63 in the year-ago quarter.

"All business segments realized strong revenue and profit growth in the second quarter on solid operational execution and improved end market conditions from a year ago," said Todd Bluedorn, Chief Executive Officer. "The success of our new products and productivity initiatives across our businesses helped drive total segment profit margin up 220 basis points to 10.1%, a record second quarter margin for the company. Looking ahead, we are encouraged by the improved end market conditions we have seen. However, we remain mindful of global economic uncertainties and commodities have become a strong year-over-year headwind for us in the second half. Overall for the full year, we are raising our revenue growth guidance to 5-8% and raising our adjusted EPS from continuing operations growth guidance to 24-38% over last year."

FINANCIAL HIGHLIGHTS

Revenue: Revenue for the second quarter was \$872 million, up 11% from the prior-year quarter. Foreign exchange had a positive impact of 1 point. Volume and price/mix were both higher from the year-ago quarter.

Gross Profit: Gross profit for the second quarter was \$265 million, up 16% from \$227 million in the year-ago quarter. Gross margin was 30.4% compared to 29.0% in the year-ago quarter, up 140 basis points. Gross margin benefited primarily from productivity initiatives and lower component costs. The annual adjustment for warranty was favorable by \$6 million in the second quarter of 2010, which compares to a favorable adjustment of \$10 million in the second quarter a year ago.

Income from Continuing Operations: Adjusted income from continuing operations in the second quarter was \$54.7 million, or \$0.97 diluted earnings per share, compared to adjusted income from continuing operations of \$38.0 million, or \$0.67 diluted earnings per share, in the second quarter a year ago. Adjusted income from continuing operations for the second quarter of 2010 excludes a \$2.1 million after-tax charge for restructuring activities, a \$2.9 million after-tax special legal contingency charge, and \$1.0 million after-tax for the net change in unrealized losses on open future contracts and other items.

On a GAAP basis, income from continuing operations for the second quarter was \$48.7 million, or \$0.86 diluted earnings per share, compared to \$35.9 million income from continuing operations, or \$0.63 diluted earnings per share in the prior-year quarter.

In the second quarter, the company had a loss from discontinued operations of \$0.4 million after-tax related to previously announced plans to exit the business of certain Service Experts service centers.

Free Cash Flow and Total Debt: Net cash provided by operations in the second quarter was \$14 million, compared to \$66 million in the prior-year quarter. The company invested \$9 million in capital assets in the second quarter. Free cash flow was \$5 million, compared to \$55 million in the year-ago quarter. Total debt at the end of the second quarter was \$356 million following the company's completion of a 7-year \$200 million senior notes offering at 4.9%. The company repurchased \$60 million of stock in the second quarter and has repurchased approximately \$95 million through the first half of 2010. At the end of the second quarter, total cash and cash equivalents were \$62 million.

BUSINESS SEGMENT HIGHLIGHTS

Residential Heating & Cooling

Second quarter 2010 revenue in the Residential Heating & Cooling business segment was \$413 million, up 9% from \$379 million in the year-ago quarter. Foreign exchange had a positive 1 point impact on revenue growth. Segment profit was \$52 million, up 34% from \$39 million in the year-ago quarter. Segment profit margin was 12.7%, up 230 basis points from 10.4% in the second quarter a year ago. Results were impacted by higher volume, savings from productivity initiatives, and lower component costs, with offsets from lower price/mix, product launch expenses, and a lower favorable warranty adjustment

than in the prior-year quarter.

Commercial Heating & Cooling

Revenue in the Commercial Heating & Cooling business segment was \$176 million, up 8% from \$163 million in the year-ago quarter. Foreign exchange had a negative 1 point impact on revenue growth. Total segment profit was \$28 million, up 44% from \$19 million in the year-ago quarter. Segment profit margin was 15.8%, up 390 basis points from 11.9% in the second quarter a year ago. Results were impacted by higher volume, higher price/mix, savings from productivity initiatives, and lower component costs.

Service Experts

Revenue in the Service Experts business segment was \$168 million in the second quarter, up 14% from \$147 million in the year-ago quarter. Foreign exchange had a positive 2 point impact on revenue growth. Segment profit was \$13 million, up 45% from \$9 million in the second quarter a year ago. Segment profit margin was 7.6%, up 160 basis points from 6.0% in the year-ago quarter. Results were impacted primarily by higher volume and favorable price/mix.

Refrigeration

Revenue in the Refrigeration business segment was \$140 million in the second quarter, up 14% from \$122 million in the year-ago quarter. Foreign exchange had a positive 4 point impact on revenue growth. Segment profit was \$15 million, up 59% from \$10 million in the second quarter a year ago. Segment profit margin was 10.9%, up 300 basis points from 7.9% in the year-ago quarter. Results were impacted by higher volume, higher price/mix, and savings from productivity initiatives.

FULL-YEAR OUTLOOK

The company is raising its 2010 guidance ranges for revenue growth and EPS from continuing operations.

- Raising 2010 revenue guidance from up 4-7%, including 2 points of positive foreign exchange impact, to up 5-8%, including 1 point of positive foreign exchange impact. At constant currency, 2010 revenue growth guidance increases from up 2-5% to up 4-7%.
- Raising 2010 adjusted EPS from continuing operations guidance from \$1.90-\$2.30 to a range of \$2.20-\$2.45.
- Raising 2010 GAAP EPS from continuing operations guidance from \$1.77-\$2.17 to a range of \$1.98-\$2.23.
- Maintaining guidance for commodity costs headwind of \$20-\$25 million in the second half of 2010.
- Reiterating tax rate guidance of 35-36% for 2010.
- Lowering capital expenditure guidance from approximately \$75 million to approximately \$65 million for 2010.

CONFERENCE CALL INFORMATION

A conference call to discuss the company's second quarter results will be held this morning at 8:30 a.m. Central time. To listen, please call the conference call line at 612-234-9960 at least 10 minutes prior to the scheduled start time and use reservation number 164086. This conference call will also be webcast on Lennox International's web site at <http://www.lennoxinternational.com/>.

A replay will be available from 11:00 a.m. Central time on July 27 through August 2, 2010, by dialing 800-475-6701 (U.S.) or 320-365-3844 (international) and using access code 164086. This call will also be archived on the company's web site.

Through its subsidiaries, 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 Steve Harrison, Vice President, Investor Relations, at 972-497-6670.

The statements in this news release that are not historical statements, including statements regarding expected financial results for 2010, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are subject to numerous risks and uncertainties, many of which are beyond LII's control, which could cause actual results to differ materially from the results expressed or implied by the statements. Risks and uncertainties that could cause actual results to differ materially from such statements include, but are not limited to: the impact of higher raw material prices, LII's ability to implement price increases for its products and services, the impact of unfavorable weather, and a decline in new construction activity in the demand for products and services. For information concerning these and other risks and uncertainties, see LII's publicly available filings with the Securities and Exchange Commission. LII 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
(Unaudited, in millions, except per share data)

For the Three
Months []
Ended June 30,

| | ----- [| ----- [|
|---|---------|---------|
| | 2010 | 2009 |
| | ---- | ---- |
| NET SALES | \$872.1 | \$784.0 |
| COST OF GOODS SOLD | 607.4 | 556.5 |
| Gross profit | 264.7 | 227.5 |
| OPERATING [| | |
| EXPENSES: [| | |
| Selling, general and administrative expenses | 180.5 | 164.3 |
| Losses (gains) and other expenses, net | 5.8 | 0.7 |
| Restructuring charges | 3.2 | 4.7 |
| Income from equity method investments | (4.1) | (1.8) |
| Operational income from continuing operations | 79.3 | 59.6 |
| INTEREST EXPENSE, net | 3.1 | 2.0 |
| OTHER EXPENSE, net | 0.1 | 0.1 |
| Income from continuing operations before income taxes | 76.1 | 57.5 |
| PROVISION FOR INCOME TAXES | 27.4 | 21.6 |
| Income from continuing operations | \$48.7 | \$35.9 |
| DISCONTINUED [| | |
| OPERATIONS: [| | |
| Loss from discontinued operations | 0.4 | 6.8 |
| Income tax benefit | - | (2.6) |
| Loss from discontinued operations | 0.4 | 4.2 |
| | --- | --- |
| Net income | \$48.3 | \$31.7 |

| | | |
|---------------|--------|--------|
| | ===== | ===== |
| EARNINGS PER | | |
| SHARE -BASIC: | | |
| Income from | | |
| continuing[| | |
| operations | \$0.88 | \$0.65 |
| Loss from | | |
| discontinued[| | |
| operations | - | (0.08) |
| Net income | \$0.88 | \$0.57 |
| | ===== | ===== |

| | | |
|-----------------|--------|--------|
| EARNINGS PER | | |
| SHARE -DILUTED: | | |
| Income from | | |
| continuing[| | |
| operations | \$0.86 | \$0.63 |
| Loss from | | |
| discontinued[| | |
| operations | - | (0.07) |
| Net income | \$0.86 | \$0.56 |
| | ===== | ===== |

| | | |
|----------------|------|------|
| AVERAGE SHARES | | |
| OUTSTANDING: [| | |
| Basic | 55.1 | 55.4 |
| Diluted | 56.3 | 56.6 |

| | | |
|----------------|--------|--------|
| CASH DIVIDENDS | | |
| DECLARED PER | | |
| SHARE | \$0.15 | \$0.14 |

For the Six Months
Ended June 30,

| | |
|---------|------|
| ----- [| |
| 2010 | 2009 |
| ---- | ---- |

| | | |
|------------------|-----------|-----------|
| NET SALES | \$1,516.2 | \$1,364.5 |
| COST OF GOODS | | |
| SOLD | 1,077.1 | 999.3 |
| Gross profit | 439.1 | 365.2 |
| OPERATING [| | |
| EXPENSES: [| | |
| Selling, general | | |
| and [| | |
| administrative [| | |
| expenses | 349.6 | 319.3 |
| Losses (gains) | | |

| | | |
|---|--------|--------|
| and other expenses, net | 5.5 | (0.2) |
| Restructuring charges | 10.3 | 15.9 |
| Income from equity method investments | (6.1) | (3.2) |
| Operational income from continuing operations | 79.8 | 33.4 |
| INTEREST EXPENSE, net | 5.6 | 3.9 |
| OTHER EXPENSE, net | 0.1 | 0.1 |
| Income from continuing operations before income taxes | 74.1 | 29.4 |
| PROVISION FOR INCOME TAXES | 26.7 | 11.2 |
| Income from continuing operations | \$47.4 | \$18.2 |
| DISCONTINUED OPERATIONS: | | |
| Loss from discontinued operations | 0.8 | 7.4 |
| Income tax benefit | (0.1) | (2.8) |
| Loss from discontinued operations | 0.7 | 4.6 |
| | --- | --- |
| Net income | \$46.7 | \$13.6 |
| | ===== | ===== |

| | | |
|-----------------------------------|--------|--------|
| EARNINGS PER SHARE -BASIC: | | |
| Income from continuing operations | \$0.85 | \$0.33 |
| Loss from discontinued operations | (0.01) | (0.08) |
| Net income | \$0.84 | \$0.25 |
| | ===== | ===== |

EARNINGS PER SHARE -DILUTED:

| | | |
|-----------------------------------|--------|--------|
| Income from continuing operations | \$0.83 | \$0.33 |
| Loss from discontinued operations | (0.01) | (0.09) |
| Net income | \$0.82 | \$0.24 |
| | ===== | ===== |
| AVERAGE SHARES OUTSTANDING: | | |
| Basic | 55.6 | 55.3 |
| Diluted | 56.8 | 55.9 |
| CASH DIVIDENDS DECLARED PER SHARE | | |
| | \$0.30 | \$0.28 |

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES

SEGMENT NET SALES AND PROFIT
(Unaudited, in millions)

| | For the Three Months Ended June 30, | |
|-------------------------------|-------------------------------------|---------|
| | 2010 | 2009 |
| | ----- | ----- |
| Net Sales | | |
| Residential Heating & Cooling | \$413.4 | \$379.3 |
| Commercial Heating & Cooling | 175.8 | 162.7 |
| Service Experts | 167.6 | 147.2 |
| Refrigeration | 139.8 | 122.1 |
| Eliminations (A) | (24.5) | (27.3) |
| | \$872.1 | \$784.0 |
| | ===== | ===== |
| Segment Profit (Loss) (B) | | |
| Residential Heating & Cooling | \$52.5 | \$39.3 |
| Commercial Heating & Cooling | 27.8 | 19.3 |
| Service Experts | 12.8 | 8.8 |
| Refrigeration | 15.3 | 9.6 |

| | | |
|---|--------|--------|
| Corporate and other | (19.6) | (14.7) |
| Eliminations (A) | (0.3) | - |
| Subtotal that includes segment profit and eliminations | 88.5 | 62.3 |
| Reconciliation to income from continuing operations before income taxes: | | |
| Items in losses (gains) and other expenses, net that are excluded from segment profit (C) | 6.0 | (2.0) |
| Restructuring charges | 3.2 | 4.7 |
| Interest expense, net | 3.1 | 2.0 |
| Other expense, net | 0.1 | 0.1 |
| Income from continuing operations before income taxes | \$76.1 | \$57.5 |
| | ===== | ===== |

For the Six Months
Ended June 30,

| | ----- [| |
|--|-----------|-----------|
| | 2010 | 2009 |
| | ---- | ---- |
| Net Sales | | |
| Residential Heating & Cooling | \$697.6 | \$625.6 |
| Commercial Heating & Cooling | 295.4 | 294.2 |
| Service Experts | 294.7 | 251.6 |
| Refrigeration | 271.2 | 235.8 |
| Eliminations (A) | (42.7) | (42.7) |
| | \$1,516.2 | \$1,364.5 |
| | ===== | ===== |
| Segment Profit (Loss) (B) [| | |
| Residential Heating & Cooling | \$59.6 | \$34.5 |
| Commercial Heating & Cooling | 31.3 | 21.3 |
| Service Experts | 8.2 | 1.7 |
| Refrigeration | 30.2 | 16.1 |
| Corporate and other | (32.8) | (28.6) |
| Eliminations (A) | (0.2) | (0.3) |
| Subtotal that includes segment profit and | | |

| | | |
|---|--------|--------|
| eliminations | 96.3 | 44.7 |
| Reconciliation to income from continuing operations before income taxes: | | |
| Items in losses (gains) and other expenses, net that are excluded from segment profit (C) | 6.2 | (4.6) |
| Restructuring charges | 10.3 | 15.9 |
| Interest expense, net | 5.6 | 3.9 |
| Other expense, net | 0.1 | 0.1 |
| Income from continuing operations before income taxes | \$74.1 | \$29.4 |
| | ===== | ===== |

(A) Eliminations consist of intercompany sales between business segments, such as products sold to Service Experts by the Residential Heating & Cooling segment.

(B) The Company defines segment profit and loss as a segment's income or loss from continuing operations before income taxes included in the accompanying Consolidated Statements of Operations:

Excluding: [

- o Special product quality adjustment.
- o Items within Gains and/or losses and other expenses, net that are noted in (C) .
- o Restructuring charges.
- o Goodwill and equity method investment impairments.
- o Interest expense, net.
- o Other expense, net.

(C) Items in Gains and/or losses and other expenses, net that are excluded from segment profit are net change in unrealized gains and/or losses on open future contracts, discount fee on accounts sold, realized gains and/or losses on marketable securities, special legal contingency charge, and other items.

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In millions, except share and per share data)

| | |
|----------|------------|
| As of | As of |
| June 30, | December [|
| 2010 | 31, |
| | 2009 |

| | --- | --- |
|--|---------------|-----------|
| | (unaudited) [| |
| ASSETS [| | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$61.9 | \$124.3 |
| Restricted cash | 23.8 | - |
| Accounts and notes receivable, net of allowances of \$16.0 and \$15.6 in 2010 and 2009, respectively | 458.0 | 357.0 |
| Inventories, net | 338.4 | 250.2 |
| Deferred income taxes | 39.1 | 34.9 |
| Other assets | 48.3 | 67.5 |
| | ---- | ---- |
| Total current assets | 969.5 | 833.9 |
| PROPERTY, PLANT AND EQUIPMENT, net | | |
| | 318.2 | 329.6 |
| GOODWILL | 253.8 | 257.4 |
| DEFERRED INCOME TAXES | 66.4 | 74.6 |
| OTHER ASSETS, net | 59.3 | 48.4 |
| | ---- | ---- |
| TOTAL ASSETS | \$1,667.2 | \$1,543.9 |
| | ===== | ===== |

| | | |
|---|---------|-------|
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Short-term debt | \$6.1 | \$2.2 |
| Current maturities of long- term debt | 0.5 | 35.5 |
| Accounts payable | 314.7 | 238.2 |
| Accrued expenses | 315.4 | 317.9 |
| Income taxes payable | 7.1 | - |
| Total current liabilities | 643.8 | 593.8 |
| LONG-TERM DEBT | 349.6 | 193.8 |
| POSTRETIREMENT BENEFITS, OTHER THAN PENSIONS | 13.2 | 13.4 |
| PENSIONS | 69.0 | 66.7 |
| OTHER LIABILITIES | 69.0 | 71.8 |
| | ---- | ---- |
| Total liabilities | 1,144.6 | 939.5 |
| 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, 86,026,162 shares and 85,567,485 shares issued for 2010 and 2009, | | |

| | | |
|---|-----------|-----------|
| respectively | 0.9 | 0.9 |
| Additional paid-in capital | 850.9 | 839.1 |
| Retained earnings | 588.8 | 558.6 |
| Accumulated other comprehensive loss | (25.1) | (0.8) |
| Treasury stock, at cost, 31,589,468 shares and 29,292,512 shares for 2010 and 2009, respectively | (892.9) | (793.4) |
| Total stockholders' equity | 522.6 | 604.4 |
| | ----- | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$1,667.2 | \$1,543.9 |
| | ===== | ===== |

LENNOX INTERNATIONAL INC. AND
SUBSIDIARIES [

Reconciliation to U.S. GAAP (Generally
Accepted Accounting Principles) Measures
(Unaudited, in millions, except per share
and ratio data)

Reconciliation of Income From
Continuing Operations to
Adjusted Income From
Continuing Operations

| | For The Three Months Ended June 30, | | For The Six Months Ended June 30, | |
|---|---|--------|---|--------|
| | 2010 | 2009 | 2010 | 2009 |
| | ----- | ----- | ----- | ----- |
| Income from continuing operations, a GAAP measure | \$48.7 | \$35.9 | \$47.4 | \$18.2 |
| Restructuring charges, after tax | 2.1 | 3.4 | 6.7 | 10.9 |
| Special legal contingency charge, after-tax (a) | 2.9 | - | 2.9 | - |
| Net change in unrealized losses (gains) on open future contracts, after tax (a) | 0.8 | (1.3) | 0.8 | (3.1) |
| Other items, net, | | | | |

| | | | | |
|---|-----------------|-----------------|-----------------|-----------------|
| after tax (a) | 0.2 | - | 0.3 | - |
| Adjusted income from continuing operations, a non-GAAP measure | \$54.7 ===== | \$38.0 ===== | \$58.1 ===== | \$26.0 ===== |
| Income per share from continuing operations -diluted, a GAAP measure | \$0.86 | \$0.63 | \$0.83 | \$0.33 |
| Restructuring charges | 0.04 | 0.06 | 0.12 | 0.19 |
| Special legal contingency charge (a) | 0.05 | - | 0.05 | - |
| Net change in unrealized losses (gains) on open future contracts and other items, net (a) | 0.02 | (0.02) | 0.02 | (0.05) |
| Adjusted earnings per share from continuing operations - diluted, a non-GAAP measure | \$0.97 ===== | \$0.67 ===== | \$1.02 ===== | \$0.47 ===== |

(a) Recorded in Losses (gains) and other expenses, net in the Consolidated Statements of Operations

| | For The Three Months Ended June 30, | | For The Six Months Ended June 30, | |
|---|-------------------------------------|-------|-----------------------------------|-------|
| | 2010 | 2009 | 2010 | 2009 |
| Components of Losses (gains) and other expenses, net (pre-tax): | ----- | ----- | ----- | ----- |
| Realized (gains) losses on settled future contracts (a) | (0.4) | 1.3 | (0.8) | 3.3 |
| Special legal contingency charge (c) | 4.5 | - | 4.5 | - |
| Foreign currency exchange loss (a) | 0.1 | 1.5 | - | 1.3 |
| (Gain) loss on disposal of fixed assets (a) | - | (0.1) | 0.1 | (0.1) |
| Discount fee on accounts sold (b) | - | 0.1 | - | 0.3 |

| | | | | |
|--|-------|-------|-------|---------|
| Realized gain on marketable securities (b) | - | - | - | (0.1) |
| Net change in unrealized losses (gains) on open futures contracts (c) | 1.3 | (2.5) | 1.3 | (5.2) |
| Loss on sale of entity (c) | 0.1 | - | 0.1 | - |
| Other items, net (c) | 0.2 | 0.4 | 0.3 | 0.3 |
| | --- | --- | --- | --- |
| Losses (gains) and other expenses, net (pre-tax) | \$5.8 | \$0.7 | \$5.5 | \$(0.2) |
| | ==== | ==== | ==== | ===== |

(a) Included in segment profit and adjusted income from continuing operations

(b) Included in adjusted income from continuing operations but excluded from segment profit

(c) Excluded from segment profit and adjusted income from continuing operations

Reconciliation of Estimated Adjusted to GAAP Income per Share from Continuing Operations -Diluted

| | |
|--|---|
| | For the Year Ended December 31, 2010 [|
| | ESTIMATED [|
| | ----- [|
| Adjusted income per share from continuing operations -diluted | \$2.20 - \$2.45 |
| Restructuring charges | (0.15) |
| Special legal contingency charge | (0.05) |
| Net change in unrealized losses on open futures contracts and other items, net | (0.02) |
| | ----- [|
| GAAP income per share from continuing operations -diluted | \$1.98 - \$2.23 |
| | ===== [|

Free Cash Flow

| | For the Three Months Ended June 30, ----- [| |
|---|---|--------|
| | 2010 | 2009 |
| | ---- | ---- |
| Net cash provided by (used in) operating activities | \$14.3 | \$66.4 |
| Purchase of property, plant and equipment | (9.0) | (11.7) |
| | ---- | ----- |
| Free cash flow | \$5.3 | \$54.7 |
| | ===== | ===== |

Operational Working
Capital [

| | June 30, 2010 ----- [| June 30, 2010 [| Trailing 12 Mo. Avg. ----- |
|--|-----------------------------|--------------------|----------------------------------|
| Accounts and Notes Receivable, Net | \$458.0 | | |
| Asset Securitization | - | | |
| Allowance for Doubtful Accounts | 16.0 | | |
| | ----- [| | |
| Accounts and Notes Receivable, Gross | 474.0 | | \$404.6 |
| Inventories | 338.4 | | |
| Excess of Current Cost Over Last-in, First-out | 71.6 | | |
| | ----- [| | |
| Inventories as Adjusted | 410.0 | | 369.4 |
| Accounts Payable | (314.7) | | (273.5) |
| | ----- | | ----- |
| Operating Working Capital (a) | 569.3 | | 500.5 |
| | ===== | | ===== |

| | | |
|--|------------------|------------------|
| Net Sales, Trailing Twelve Months (b) | 2,999.2 ----- | 2,999.2 ----- |
|--|------------------|------------------|

| | | |
|---|----------------|----------------|
| Operational Working Capital Ratio (a / b) | 19.0% ===== | 16.7% ===== |
|---|----------------|----------------|

For the Six Months
Ended June 30,

----- [

| | |
|---------------|---------------|
| 2010 ----- | 2009 ----- |
|---------------|---------------|

| | | |
|---|-------------------|-----------------|
| Net cash provided by (used in) operating activities | \$(26.0) | \$82.7 |
| Purchase of property, plant and equipment | (19.7) | (21.6) |
| | ----- | ----- |
| Free cash flow | \$(45.7) ===== | \$61.1 ===== |

Operational Working
Capital [

June 30,
2009 [

| | |
|---------------------------|----------------------------------|
| June 30, 2009 ----- | Trailing 12 Mo. Avg. ----- |
|---------------------------|----------------------------------|

| | | |
|--|-----------------|---------|
| Accounts and Notes Receivable, Net | \$426.5 | |
| Asset Securitization | 30.0 | |
| Allowance for Doubtful Accounts | 20.4 ----- [| |
| Accounts and Notes Receivable, Gross | 476.9 | \$455.8 |
| Inventories | 267.6 | |
| Excess of Current Cost Over Last-in, First-out | 75.4 ----- [| |
| Inventories as Adjusted | 343.0 | 398.5 |

| | | |
|---|---------|---------|
| Accounts Payable | (267.3) | (282.6) |
| | ----- | ----- |
| Operating Working Capital (a) | 552.6 | 571.7 |
| | ===== | ===== |
| Net Sales, Trailing Twelve Months (b) | 3,062.7 | 3,062.7 |
| | ----- | ----- |
| Operational Working Capital Ratio (a / b) | 18.0% | 18.7% |
| | ===== | ===== |

Note: Management uses free cash flow and operational working capital, which are not defined by U.S. GAAP, to measure the Company's operating performance.

Free cash flow and operational working capital are also two of several measures used to determine incentive compensation for certain employees.

Debt to Earnings Before Interest, Taxes, Depreciation
and Amortization Expense ("EBITDA") Ratio

| | |
|--|------------|
| | Trailing [|
| | Twelve [|
| | Months to |
| | June 30, |
| | 2010 [|
| | --- [|
| Earnings before interest and taxes ("EBIT") (a) | \$216.1 |
| Depreciation and amortization expense ("DA") (b) | 53.4 |
| EBITDA (EBIT excluding DA) (a + b) | \$269.5 |
| | ===== [|
| Total debt at June 30, 2010 (c) | \$356.2 |
| | ===== [|
| Total debt to EBITDA ratio ((c / (a + b)) | 1.3 |
| | === [|

Reconciliation of EBIT to income from continuing
operations before income taxes:

| | |
|---|---------|
| EBIT per above (non-GAAP) | \$216.1 |
| Special product quality adjustment | 18.3 |
| Items in gains and other expenses, net that are excluded from segment profit | (0.1) |
| Impairment of assets | 6.4 |

| | |
|--|---------|
| Restructuring charges | 35.9 |
| Other expenses, net | 0.1 |
| Interest expense, net | 9.9 |
| | --- [|
| Income from continuing operations before income taxes (GAAP) | \$145.6 |
| | ===== [|

SOURCE: Lennox International Inc.