

**LENNOX INTERNATIONAL INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

(In millions, except per share data)

	<b>For the Years Ended December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Net sales	\$ 2,949.4	\$ 2,840.9	\$ 2,585.2
Cost of goods sold	2,227.1	2,171.0	1,884.0
Gross profit	722.3	669.9	701.2
Operating expenses:			
Selling, general and administrative expenses	507.0	476.9	492.0
Losses and other expenses, net	2.5	5.7	3.4
Restructuring charges	4.2	12.5	11.4
Income from equity method investments	(10.5)	(9.6)	(10.1)
Operational income from continuing operations	219.1	184.4	204.5
Interest expense, net	17.1	16.8	12.8
Other expense, net	0.3	0.3	1.0
Income from continuing operations before income taxes	201.7	167.3	190.7
Provision for income taxes	66.7	55.8	64.8
Income from continuing operations	135.0	111.5	125.9
Discontinued operations:			
Loss from discontinued operations	(64.9)	(36.7)	(15.1)
Benefit from income taxes	(19.9)	(13.5)	(5.4)
Loss from discontinued operations	(45.0)	(23.2)	(9.7)
Net income	\$ 90.0	\$ 88.3	\$ 116.2
Earnings per share – Basic:			
Income from continuing operations	\$ 2.66	\$ 2.12	\$ 2.31
Loss from discontinued operations	(0.89)	(0.44)	(0.18)
Net income	\$ 1.77	\$ 1.68	\$ 2.13
Earnings per share – Diluted:			
Income from continuing operations	\$ 2.63	\$ 2.09	\$ 2.26
Loss from discontinued operations	(0.88)	(0.44)	(0.18)
Net income	\$ 1.75	\$ 1.65	\$ 2.08
Average shares outstanding:			
Basic	50.7	52.5	54.6
Diluted	51.4	53.4	55.8
Cash dividends declared per share	\$ 0.76	\$ 0.72	\$ 0.60

**LENNOX INTERNATIONAL INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**  
**(In millions, except share and per share data)**

As of December 31,

2012                      2011

**ASSETS**

Current assets:			
Cash and cash equivalents	\$	51.8	\$ 45.0
Accounts and notes receivable, net of allowances of \$9.5 and \$11.3 in 2012 and 2011, respectively		373.4	387.0
Inventories, net		374.8	317.9
Deferred income taxes, net		27.5	33.8
Other assets		61.0	68.5
Assets of discontinued operations		98.6	160.5
Total current assets		<u>987.1</u>	<u>1,012.7</u>
Property, plant and equipment, net		298.2	300.7
Goodwill		223.8	223.2
Deferred income taxes		102.8	90.7
Other assets, net		80.0	78.4
Total assets	\$	<u><u>1,691.9</u></u>	\$ <u><u>1,705.7</u></u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Current Liabilities:			
Short-term debt	\$	34.9	\$ 4.7
Current maturities of long-term debt		0.7	0.8
Accounts payable		284.7	254.9
Accrued expenses		259.6	239.4
Income taxes payable		4.5	5.7
Liabilities of discontinued operations		55.2	71.6
Total current liabilities		<u>639.6</u>	<u>577.1</u>
Long-term debt		351.0	459.6
Post-retirement benefits, other than pensions		6.1	18.6
Pensions		134.4	124.7
Other liabilities		62.5	56.7
Total liabilities		<u>1,193.6</u>	<u>1,236.7</u>
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, 87,170,197 shares and 86,938,004 shares issued for 2012 and 2011, respectively		0.9	0.9
Additional paid-in capital		898.3	881.2
Retained earnings		744.4	692.9
Accumulated other comprehensive loss		(22.3)	(37.1)
Treasury stock, at cost, 36,937,632 shares and 36,093,966 shares for 2012 and 2011, respectively		(1,124.5)	(1,070.1)
Noncontrolling interests		1.5	1.2
Total stockholders' equity		<u>498.3</u>	<u>469.0</u>
Total liabilities and stockholders' equity	\$	<u><u>1,691.9</u></u>	\$ <u><u>1,705.7</u></u>

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2012, 2011 and 2010

(In millions)

	2012	2011	2010
Cash flows from operating activities:			
Net income	\$ 90.0	\$ 88.3	\$ 116.2
Net loss from discontinued operations	45.0	23.2	9.7
Adjustments to reconcile net income to net cash provided by operating activities:			
Income from equity method investments	(10.5)	(9.6)	(10.1)
Dividends from affiliates	9.3	11.0	12.3
Restructuring expenses, net of cash paid	0.1	(0.4)	(9.9)
Impairment of assets	—	0.2	—
Provision for bad debts	3.9	4.3	4.9
Unrealized (gain) loss on derivative contracts	(1.0)	2.9	(0.7)
Stock-based compensation expense	15.2	13.7	15.4
Depreciation and amortization	55.4	56.6	48.9
Deferred income taxes	(2.7)	—	(8.1)
Pension costs (less than) in excess of contributions	(15.1)	(0.1)	4.5
Other items, net	2.1	2.6	2.8
Changes in assets and liabilities, net of effects of acquisitions and divestitures:			
Accounts and notes receivable	13.3	(3.0)	(31.3)
Inventories	(55.8)	(29.6)	(35.4)
Other current assets	(1.5)	1.4	(3.0)
Accounts payable	37.1	(3.9)	27.0
Accrued expenses	32.9	(43.3)	21.8
Income taxes payable and receivable	18.2	(11.4)	18.8
Other	0.7	(0.6)	(12.0)
Net cash (used in) provided by discontinued operations	(15.2)	(26.1)	14.0
Net cash provided by operating activities	221.4	76.2	185.8
Cash flows from investing activities:			
Proceeds from the disposal of property, plant and equipment	0.1	0.2	0.1
Purchases of property, plant and equipment	(50.2)	(41.4)	(43.1)
Net proceeds from sale of businesses	10.1	0.6	3.6
Acquisition of businesses	—	(147.7)	(7.2)
Change in restricted cash	—	12.2	(12.2)
Net cash used in discontinued operations	(0.4)	(1.7)	(2.6)
Net cash used in investing activities	(40.4)	(177.8)	(61.4)
Cash flows from financing activities:			
Short-term borrowings (payments), net	0.2	3.8	(0.8)
Asset securitization borrowings	645.0	345.0	—
Asset securitization payments	(615.0)	(345.0)	—
Long-term debt payments	(1.1)	(0.9)	(35.9)
Issuance of senior unsecured notes	—	—	199.8
Borrowings from revolving credit facility	967.0	1,539.5	981.5
Payments on revolving credit facility	(1,075.0)	(1,396.5)	(1,058.0)
Proceeds from employee stock purchases	0.8	2.5	3.5
Additional investments in affiliates	—	—	(1.0)
Payments of deferred financing costs	—	(2.2)	(1.8)
Repurchases of common stock	(50.1)	(119.7)	(144.3)
Repurchases of common stock to satisfy employee withholding tax obligations	(7.8)	(3.3)	(9.4)
Excess tax benefits related to share-based payments	3.5	1.4	5.3
Cash dividends paid	(47.6)	(36.5)	(32.4)
Net cash used in financing activities	(180.1)	(11.9)	(93.5)
Increase (decrease) in cash and cash equivalents	0.9	(113.5)	30.9
Effect of exchange rates on cash and cash equivalents	5.9	(1.5)	4.8
Cash and cash equivalents, beginning of year	45.0	160.0	124.3
Cash and cash equivalents, end of year	<u>\$ 51.8</u>	<u>\$ 45.0</u>	<u>\$ 160.0</u>
Supplementary disclosures of cash flow information:			
Cash paid during the year for:			
Interest, net	<u>\$ 18.2</u>	<u>\$ 17.8</u>	<u>\$ 12.4</u>
Income taxes (net of refunds)	<u>\$ 30.1</u>	<u>\$ 49.5</u>	<u>\$ 45.5</u>