

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

	For the Three Months Ended				
	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012
Net sales	\$ 868.0	\$ 913.1	\$ 668.4	\$ 684.9	\$ 809.7
Cost of goods sold	630.6	659.1	506.4	516.5	604.8
Gross profit	237.4	254.0	162.0	168.4	204.9
Operating expenses:					
Selling, general and administrative expenses	136.9	151.3	135.6	127.2	125.9
Losses and other expenses, net	(0.3)	2.1	1.1	2.3	0.3
Restructuring charges	0.3	2.4	0.5	1.1	0.4
Income from equity method investments	(3.3)	(4.2)	(3.1)	(1.6)	(2.6)
Operational income from continuing operations	103.8	102.4	27.9	39.4	80.9
Interest expense, net	3.8	3.6	3.4	3.6	4.4
Other expense, net	—	(0.2)	0.1	0.2	—
Income from continuing operations before income taxes	100.0	99.0	24.4	35.6	76.5
Provision for income taxes	34.2	34.7	8.6	9.1	26.8
Income from continuing operations	65.8	64.3	15.8	26.5	49.7
Discontinued operations:					
Loss from discontinued operations	(2.3)	—	(13.4)	(7.7)	(24.6)
Benefit from income taxes	(0.8)	—	(5.6)	(3.1)	(4.3)
Loss from discontinued operations	(1.5)	—	(7.8)	(4.6)	(20.3)
Net income	\$ 64.3	\$ 64.3	\$ 8.0	\$ 21.9	\$ 29.4
Earnings per share – Basic:					
Income from continuing operations	\$ 1.32	\$ 1.28	\$ 0.32	\$ 0.53	\$ 0.98
Loss from discontinued operations	(0.03)	—	(0.16)	(0.09)	(0.40)
Net income	\$ 1.29	\$ 1.28	\$ 0.16	\$ 0.44	\$ 0.58
Earnings per share – Diluted:					
Income from continuing operations	\$ 1.30	\$ 1.26	\$ 0.31	\$ 0.52	\$ 0.97
Loss from discontinued operations	(0.03)	—	(0.15)	(0.09)	(0.40)
Net income	\$ 1.27	\$ 1.26	\$ 0.16	\$ 0.43	\$ 0.57
Average shares outstanding:					
Basic	49.7	50.2	50.3	50.3	50.6
Diluted	50.5	50.9	51.0	51.1	51.3
Cash dividends declared per share	\$ 0.24	\$ 0.24	\$ 0.20	0.20	\$ 0.20

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES

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

	As of September 30, 2013	As of June 30, 2013	As of March 31, 2013	As of December 31, 2012	As of September 30, 2012
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 37.8	\$ 45.3	\$ 34.9	\$ 51.8	\$ 48.8
Accounts and notes receivable, net of allowances of \$9.3, \$9.5, \$10.0, \$9.5 and \$9.5, respectively	489.2	542.3	407.0	373.4	450.3
Inventories, net	430.0	469.2	464.3	374.8	398.4
Deferred income taxes, net	29.5	31.7	29.7	27.5	32.8
Other assets	50.8	41.4	68.2	61.0	72.6
Assets of discontinued operations	—	—	—	98.6	108.7
Total current assets	1,037.3	1,129.9	1,004.1	987.1	1,111.6
Property, plant and equipment, net of accumulated depreciation of \$615.8, \$600.4, \$593.0, \$584.8 and \$580.3, respectively	314.8	308.7	295.1	298.2	289.4
Goodwill	218.8	217.6	223.4	223.8	223.7
Deferred income taxes	111.8	113.9	109.9	102.8	87.3
Other assets, net	73.0	79.5	81.6	80.0	81.5
Total assets	<u>\$ 1,755.7</u>	<u>\$1,849.6</u>	<u>\$1,714.1</u>	<u>\$ 1,691.9</u>	<u>\$1,793.5</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Current Liabilities:					
Short-term debt	\$ 167.9	\$ 125.9	\$ 26.0	\$ 34.9	\$ 31.1
Current maturities of long-term debt	0.8	0.4	0.6	0.7	0.3
Accounts payable	324.1	373.6	312.4	284.7	277.6
Accrued expenses	281.4	257.1	222.6	259.6	258.7
Income taxes payable	21.6	22.7	0.8	4.5	8.5
Liabilities of discontinued operations	—	—	—	55.2	62.2
Total current liabilities	795.8	779.7	562.4	639.6	638.4
Long-term debt	266.2	410.8	489.8	351.0	449.6
Post-retirement benefits, other than pensions	3.8	4.9	5.8	6.1	17.1
Pensions	138.1	137.5	135.7	134.4	116.2
Other liabilities	69.6	68.2	66.9	62.5	61.5
Total liabilities	1,273.5	1,401.1	1,260.6	1,193.6	1,282.8
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 issued	0.9	0.9	0.9	0.9	0.9
Additional paid-in capital	916.2	914.9	906.7	898.3	894.0
Retained earnings	847.1	794.7	742.4	744.4	732.6
Accumulated other comprehensive loss	(93.9)	(103.1)	(71.6)	(22.3)	(10.2)
Treasury stock, at cost, 37,593,995 shares, 37,250,915 shares, 36,785,644 shares, 36,937,632 shares and 36,885,101 shares, respectively	(1,189.4)	(1,160.2)	(1,126.4)	(1,124.5)	(1,107.9)
Noncontrolling interests	1.3	1.3	1.5	1.5	1.3
Total stockholders' equity	482.2	448.5	453.5	498.3	510.7
Total liabilities and stockholders' equity	<u>\$ 1,755.7</u>	<u>\$1,849.6</u>	<u>\$1,714.1</u>	<u>\$ 1,691.9</u>	<u>\$1,793.5</u>

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Periods Ended

(In millions)

	YTD September 30, 2013	YTD June 30, 2013	YTD March 31, 2013	YTD December 31, 2012	YTD September 30, 2012
Cash flows from operating activities:					
Net income	136.6	72.3	\$ 8.0	\$ 90.0	\$ 68.0
Net loss from discontinued operations	9.3	7.8	7.8	45.0	40.5
Adjustments to reconcile net income to net cash provided by operating activities:					
Income from equity method investments	(10.7)	(7.4)	(3.1)	(10.5)	(8.8)
Dividends from affiliates	9.1	1.7	—	9.3	6.9
Restructuring expenses, net of cash paid	(1.2)	(0.5)	(1.4)	0.1	—
Provision for bad debts	2.7	1.9	1.2	3.9	2.0
Unrealized losses (gains) on derivative contracts	0.7	2.3	0.5	(1.0)	(1.4)
Stock-based compensation expense	20.5	15.2	7.7	15.2	10.4
Depreciation and amortization	43.1	28.5	14.1	55.4	41.1
Deferred income taxes	0.1	(1.0)	(1.6)	(2.7)	0.5
Pension costs less than contributions	—	—	—	(15.1)	—
Other items, net	13.5	13.8	9.0	2.1	3.3
Changes in assets and liabilities, net of effects of divestitures:					
Accounts and notes receivable	(125.3)	(177.1)	(35.8)	13.3	(62.4)
Inventories	(76.4)	(118.3)	(100.9)	(55.8)	(81.3)
Other current assets	(13.7)	(3.6)	(3.5)	(1.5)	(5.0)
Accounts payable	29.4	80.0	18.8	37.1	20.8
Accrued expenses	18.3	(13.3)	(42.1)	32.9	32.1
Income taxes payable and receivable	12.9	12.9	(9.6)	18.2	13.7
Other	9.3	8.5	5.6	0.7	(3.6)
Net cash used in discontinued operations	(13.2)	(12.0)	(12.0)	(15.2)	(12.4)
Net cash provided by (used in) operating activities	65.0	(88.3)	(137.3)	221.4	64.4
Cash flows from investing activities:					
Proceeds from the disposal of property, plant and equipment	0.1	—	—	0.1	0.1
Purchases of property, plant and equipment	(41.0)	(23.4)	(12.1)	(50.2)	(28.0)
Net proceeds from sale of businesses	8.1	4.8	5.3	10.1	10.1
Net cash used in discontinued operations	(0.1)	(0.1)	(0.1)	(0.4)	(0.3)
Net cash used in investing activities	(32.9)	(18.7)	(6.9)	(40.4)	(18.1)
Cash flows from financing activities:					
Short-term borrowings, net	3.8	1.6	1.2	0.2	1.3
Asset securitization borrowings	330.0	270.0	130.0	645.0	480.0
Asset securitization payments	(200.0)	(180.0)	(140.0)	(615.0)	(455.0)
Long-term debt payments	(0.7)	(0.5)	(0.2)	(1.1)	(0.9)
Borrowings from revolving credit facility	998.0	700.5	435.5	967.0	696.0
Payments on revolving credit facility	(1,083.5)	(640.5)	(296.5)	(1,075.0)	(706.0)

Proceeds from employee stock purchases	1.3	1.0	0.5	0.8	0.3
Repurchases of common stock	(66.0)	(33.0)	—	(50.1)	(35.0)
Repurchases of common stock to satisfy employee withholding tax obligations	(7.7)	(5.8)	(4.2)	(7.8)	(3.4)
Excess tax benefits related to share-based payments	4.7	3.4	2.3	3.5	1.7
Cash dividends paid	(22.1)	(10.1)	—	(47.6)	(27.5)
Net cash provided by (used in) financing activities	(42.2)	106.6	128.6	(180.1)	(48.5)
Increase (decrease) in cash and cash equivalents	(10.1)	(0.4)	(15.6)	0.9	(2.2)
Effect of exchange rates on cash and cash equivalents	(3.9)	(6.1)	(1.3)	5.9	6.0
Cash and cash equivalents, beginning of period	51.8	51.8	51.8	45.0	45.0
Cash and cash equivalents, end of period	<u>37.8</u>	<u>45.3</u>	<u>\$ 163.5</u>	<u>\$ 51.8</u>	<u>\$ 48.8</u>
Supplementary disclosures of cash flow information:					
Cash paid during the period for:					
Interest, net	<u>9.4</u>	<u>7.7</u>	<u>\$ 1.2</u>	<u>\$ 18.2</u>	<u>\$ 11.8</u>
Income taxes (net of refunds)	<u>53.6</u>	<u>22.3</u>	<u>\$ 11.9</u>	<u>\$ 30.1</u>	<u>\$ 27.8</u>