CANADIAN IMPERIAL BANK OF COMMERCE /CAN/
Form 424B3
August 28, 2017

The information in this preliminary Pricing Supplement is not complete and may be changed. This preliminary Pricing Supplement and the accompanying Prospectus Supplement and Prospectus are not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

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Registration No. 333-216286

Subject to Completion, Dated August 28, 2017

Preliminary Pricing Supplement dated , 2017

(To Prospectus Supplement dated March 28, 2017

and Prospectus dated March 28, 2017)

Canadian Imperial Bank of Commerce

Senior Global Medium-Term Notes (Structured Notes)

$ Contingent Coupon Autocallable Notes Linked to the VanEck Vectors® Junior Gold Miners ETF due September 7, 2021

We, Canadian Imperial Bank of Commerce (the Bank, the Issuer or CIBC), are offering $ aggregate principal amount of Contingent Coupon Autocallable Notes Linked to the VanEck Vectors® Junior Gold Miners ETF due September 7, 2021 (CUSIP 13605WFK2 / ISIN US13605WFK27) (the Notes). The Notes are senior unsecured debt securities of CIBC that do not pay interest at a specified rate, do not repay a fixed amount of principal at maturity and are subject to potential automatic call upon the terms described in this pricing supplement. Whether the Notes pay a quarterly contingent coupon, whether the Notes are automatically called prior to maturity and, if they are not automatically called, whether you are repaid the principal amount of your Notes at maturity will depend in each case upon the Closing Price of the VanEck Vectors® Junior Gold Miners ETF (the Reference Asset) on the relevant Valuation Date.

The Notes provide quarterly Contingent Coupon Payments at a rate of [2.00% to 2.10%] ([8.00% to 8.40%] per annum) until the earlier of maturity or automatic call if, **and only if**, the Closing Price of the Reference Asset on the applicable quarterly Valuation Date is greater than or equal to the Coupon Barrier Price. However, if the Closing Price of the Reference Asset on a Valuation Date is less than the Coupon Barrier Price, you will not receive any Contingent Coupon Payment for the relevant quarter. If the Closing Price of the Reference Asset is less than the Coupon Barrier Price on every Valuation Date, you will not receive any Contingent Coupon Payments throughout the entire term of the Notes.

If the Notes have not been previously called, the amount that you will be paid on your Notes at maturity will be calculated as follows:

- If the Final Price of the Reference Asset on the Final Valuation Date is greater than or equal to the Principal Barrier Price: (i) the Principal Amount plus (ii) the Contingent Coupon Payment.

- If the Final Price of the Reference Asset on the Final Valuation Date is less than the Principal Barrier Price: (i) the Principal Amount plus (ii) the Principal Amount multiplied by the Percentage Change.

If the Closing Price of the Reference Asset on any quarterly Valuation Date other than the Final Valuation Date is greater than or equal to the Initial Price, we will automatically call the Notes and pay you on the applicable Call Payment Date your initial investment of $1,000 per Note plus the applicable Contingent Coupon Payment for that Valuation Date and no further amounts will be owed to you. If, as of the Maturity Date, the Notes have not been called, investors may have downside market exposure to the Reference Asset, subject to any return previously realized in the form of Contingent Coupon Payments.

You will not participate in any appreciation of the Reference Asset. The Notes do not constitute a direct investment in the Reference Asset. By acquiring Notes, you will not have a direct economic or other interest in, claim or entitlement to, or any legal or beneficial ownership of the Reference Asset, and will not have any rights as an owner of the Reference Asset including, without limitation, rights to receive dividends or other distributions.

The Notes will be issued in the denomination of $1,000 and integral multiples of $1,000 in excess thereof.

The Notes are a new issue of securities with no established trading market. We do not intend to list the Notes on any securities exchange or automated quotation system.

The Notes are unsecured obligations of CIBC and all payments on the Notes are subject to the credit risk of CIBC. The Notes will not constitute deposits insured by the Canada Deposit Insurance Corporation, the U.S.

Federal Deposit Insurance Corporation or any other government agency or instrumentality of Canada, the United States or any other jurisdiction.

Neither the Securities and Exchange Commission (the SEC) nor any state or provincial securities commission has approved or disapproved of these Notes or determined if this pricing supplement or the accompanying Prospectus Supplement and Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Investing in the Notes involves risks. See the Additional Risk Factors sections in this pricing supplement and the Risk Factors sections in the accompanying Prospectus Supplement and Prospectus.

CIBC World Markets Corp. or one of our other affiliates may use this pricing supplement in a market-making transaction in a Note after its initial sale. Unless we or our agent informs the purchaser otherwise in the confirmation of sale, this pricing supplement is being used in a market-making transaction.

	Initial Issue Price(1)	**Price to Public(1)**	**Agent s Commission(2)**	**Proceeds to Issuer(2)**
Per Note	$1,000	100%	3.125%	96.875%
Total	$	$	$	$

(1) Our estimated value of the Notes on the Trade Date, based on our internal pricing models, is expected to be between $952.60 and $966.80 per Note. The estimated value is expected to be less than the initial issue price of the Notes. See The Bank s Estimated Value of the Notes in this pricing supplement.

(2) CIBC World Markets Corp. will receive commissions from the Issuer of up to 3.125% of the principal amount of the Notes, or up to $31.25 per $1,000 principal amount. CIBC World Markets Corp. will use these commissions to pay variable selling concessions or fees (including custodial or clearing fees) to other dealers. The actual commission received by CIBC World Markets Corp. will be equal to the selling concession paid to such dealers.

We will deliver the Notes in book-entry form through the facilities of The Depository Trust Company (DTC) on or about , 2017 against payment in immediately available funds.

CIBC World Markets

ABOUT THIS PRICING SUPPLEMENT

You should read this pricing supplement together with the Prospectus dated March 28, 2017 (the Prospectus) and the Prospectus Supplement dated March 28, 2017 (the Prospectus Supplement), relating to our Senior Global Medium-Term Notes (Structured Notes), of which these Notes are a part, for additional information about the Notes. Information in this pricing supplement supersedes information in the Prospectus Supplement and Prospectus to the extent it is different from that information. Certain defined terms used but not defined herein have the meanings set forth in the Prospectus Supplement or the Prospectus.

You should rely only on the information contained in or incorporated by reference in this pricing supplement, the accompanying Prospectus Supplement and the accompanying Prospectus. This pricing supplement may be used only for the purpose for which it has been prepared. No one is authorized to give information other than that contained in this pricing supplement, the accompanying Prospectus Supplement and the accompanying Prospectus, and in the documents referred to in this pricing supplement, the Prospectus Supplement and the Prospectus and which are made available to the public. We have not, and CIBC World Markets Corp. (CIBCWM) has not, authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it.

We are not, and CIBCWM is not, making an offer to sell the Notes in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in or incorporated by reference in this pricing supplement, the accompanying Prospectus Supplement or the accompanying Prospectus is accurate as of any date other than the date of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date. Neither this pricing supplement, nor the accompanying Prospectus Supplement, nor the accompanying Prospectus constitutes an offer, or an invitation on our behalf or on behalf of CIBCWM, to subscribe for and purchase any of the Notes and may not be used for or in connection with an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

References to CIBC, the Issuer, the Bank, we, us and our in this pricing supplement are references to Canadian Imperial Bank of Comme
not to any of our subsidiaries, unless we state otherwise or the context otherwise requires.

You may access the Prospectus Supplement and Prospectus on the SEC website www.sec.gov as follows (or if such address has changed, by reviewing our filing for the relevant date on the SEC website):

- Prospectus Supplement dated March 28, 2017 and Prospectus dated March 28, 2017 filed with the SEC on March 28, 2017:
https://www.sec.gov/Archives/edgar/data/1045520/000110465917019619/a17-8647_1424b3.htm

SUMMARY

The information in this Summary section is qualified by the more detailed information set forth in this pricing supplement, the Prospectus Supplement dated March 28, 2017 and the Prospectus dated March 28, 2017, each filed with the SEC. See About This Pricing Supplement in this pricing supplement.

Issuer:	Canadian Imperial Bank of Commerce (the Issuer or the Bank)
Type of Note:	Contingent Coupon Autocallable Notes Linked to the VanEck Vectors® Junior Gold Miners ETF due September 7, 2021
Reference Asset:	VanEck Vectors® Junior Gold Miners ETF (ticker GDXJ)
CUSIP/ISIN:	CUSIP: 13605WFK2 / ISIN: US13605WFK27
Minimum Investment:	$1,000 (one Note)
Denominations:	$1,000 and integral multiples of $1,000 in excess thereof.
Principal Amount:	$1,000 per Note
Aggregate Principal Amount of Notes:	
Currency:	U.S. Dollars
Trade Date:	Expected to be August 30, 2017
Original Issue Date:	Expected to be September 6, 2017 (to be determined on the Trade Date and expected to be the fourth scheduled Business Day after the Trade Date)
Initial Price:	, the Closing Price on the Trade Date.
Contingent Coupon Payment:	On each Contingent Coupon Payment Date, you will receive payment at a per annum rate equal to the Contingent Coupon Rate (a Contingent Coupon Payment) if, **and only if**, the Closing Price of the Reference Asset on the related Valuation Date is greater than or equal to the Coupon Barrier Price. **If the Closing Price of the Reference Asset on any Valuation Date is less than the Coupon Barrier Price, you will not receive any Contingent Coupon Payment on the related Contingent Coupon Payment Date. If the Closing Price of the Reference Asset is less than the Coupon Barrier Price on all quarterly Valuation Dates, you will not receive any Contingent Coupon Payments over the term of the Notes.** Each **quarterly** Contingent Coupon Payment, if any, will be calculated per Note as follows: $1,000 × Contingent Coupon Rate × (90/360). Any Contingent Coupon Payments will be rounded to the nearest cent, with one-half cent rounded upward.
Coupon Barrier Price:	, 65.00% of the Initial Price.
Contingent Coupon Payment Dates:	Each March 6, June 6, September 6 and December 6, commencing on December 6, 2017 and ending on the Maturity Date (the Maturity Date being the Contingent Coupon Payment Date with respect to the Final Valuation Date) or, if such day is not a

Business Day, the first following Business Day, unless the first following Business Day is in the next calendar month, in which case the Contingent Coupon Payment will be made on the first preceding Business Day.

The Contingent Coupon Payment Date will be postponed by the same number of Trading Days as the applicable Valuation Date if a Market Disruption Event occurs or is continuing as described below under Certain Terms of the Notes Market Disruption Events. No interest will accrue as a result of a delayed payment.

Contingent Coupon Rate: [8.00% to 8.40%] per annum ([2.00% to 2.10%] payable quarterly in arrears).

Valuation Dates: A Valuation Date means the date three scheduled Trading Days prior to the related Contingent Coupon Payment Date. The Valuation Date immediately preceding the Maturity Date, which we refer to as the Final Valuation Date, shall be the third scheduled Trading Day prior to the Maturity Date.

The Valuation Dates may be delayed by the occurrence of a Market Disruption Event (as defined below). See Certain Terms of the Notes Market Disruption Events in this pricing supplement.

Trading Day: A Trading Day means a day on which the principal trading market for the Reference Asset is open for trading.

Call Feature: If the Closing Price of the Reference Asset on any Valuation Date other than the Final Valuation Date is greater than or equal to the Initial Price, we will automatically call the Notes and pay you on the applicable Call Payment Date your initial investment of $1,000.00 per Note plus the applicable Contingent Coupon Payment for that Valuation Date and no further amounts will be owed to you.

If the Notes are automatically called, they will cease to be outstanding on the related Call Payment Date and you will have no further rights under the Notes after such Call Payment Date. You will not receive any notice from us if the Notes are automatically called.

Call Payment Date: A Call Payment Date means the Contingent Coupon Payment Date following the relevant Valuation Date.

The Call Payment Date will be postponed by the same number of Trading Days as the applicable Valuation Date if a Market Disruption Event occurs or is continuing as described below under Certain Terms of the Notes Market Disruption Events. No interest will accrue as a result of a delayed payment.

Maturity Date: Expected to be September 7, 2021. The Maturity Date is subject to the Call Feature and may be postponed upon the occurrence of a Market Disruption Event as described below under Certain Terms of the Notes Market Disruption Events. No interest will accrue as a result of a delayed payment.

Payment at Maturity: If the Notes have not been previously called, the Payment at Maturity will be calculated as follows:

- If the Final Price of the Reference Asset on the Final Valuation Date is greater than or equal to the Principal Barrier Price, then the Payment at Maturity will equal:

Principal Amount + Contingent Coupon Payment for the Maturity Date

- If the Final Price of the Reference Asset on the Final Valuation Date is less than the Principal Barrier Price, then the Payment at Maturity will equal:

Principal Amount + (Principal Amount × Percentage Change)

If the Final Price is less than the Principal Barrier Price, you will suffer a loss of a portion of the Principal Amount in an amount equal to the Percentage Change. Accordingly, you could lose up to 100% of your initial investment, subject to any return realized in the form of Contingent Coupon Payments, if any.

Final Price: The Final Price of the Reference Asset will be the Closing Price of the Reference Asset on the Final Valuation Date.

Closing Price: For any date of determination, the Closing Price of the Reference Asset will be the product of (i) the closing price of one share of the Reference Asset published on the applicable Bloomberg page or any successor page on Bloomberg or any successor service, as applicable, and (ii) the Adjustment Factor applicable to the Reference Asset on such date. In certain special circumstances, the Closing Price will be determined by the Calculation Agent, in its discretion, and such determinations will, under certain circumstances, be confirmed by an independent calculation expert. See Certain Terms of the Notes Market Disruption Events, Certain Terms of the Notes Anti-dilution Adjustments Relating to the Reference Asset; Alternate Calculation, and Appointment of Independent Calculation Experts in this pricing supplement.

The applicable Bloomberg page for the Reference Asset as of the date of this pricing supplement is GDXJ <EQUITY>.

Adjustment Factor: The Adjustment Factor means, with respect to one share of the Reference Asset (or one unit of any other security for which a Closing Price must be determined), 1.0, subject to adjustment if and when certain events affect the shares of the Reference Asset. See Certain Terms of the Notes Anti-dilution Adjustments Relating to the Reference Asset; Alternate Calculation below.

Percentage Change: The Percentage Change, expressed as a percentage, with respect to the Payment at Maturity, is calculated as follows for the Reference Asset:

$$\frac{\text{Final Price} \quad \text{Initial Price}}{\text{Initial Price}}$$

For the avoidance of doubt, the Percentage Change may be a negative value.

Principal Barrier Price: , 65.00% of the Initial Price.

Principal at Risk: You may lose all or a substantial portion of your initial investment at maturity if the Final Price of the Reference Asset on the Final Valuation Date is below the Principal Barrier Price.

Calculation Agent: Canadian Imperial Bank of Commerce. We may appoint a different Calculation Agent without your consent and without notifying you.

All determinations made by the Calculation Agent will be at its sole discretion, and, in the absence of manifest error, will be conclusive for all purposes and binding on us and

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	you. All percentages and other amounts resulting from any calculation with respect to the Notes will be rounded at the Calculation Agent s discretion. The Calculation Agent will have no liability for its determinations.
Status:	The Notes will constitute direct, unsubordinated and unsecured obligations of the Bank ranking *pari passu* with all other direct, unsecured and unsubordinated indebtedness of the Bank from time to time outstanding (except as otherwise prescribed by law). The Notes will not constitute deposits insured by the Canada Deposit Insurance Corporation, the U.S. Federal Deposit Insurance Corporation or any other government agency or instrumentality of Canada, the United States or any other jurisdiction.
Fees and Expenses:	The price at which you purchase the Notes includes costs that the Bank or its affiliates expect to incur and profits that the Bank or its affiliates expect to realize in connection with hedging activities related to the Notes, as set forth above. These costs and profits will likely reduce the secondary market price, if any secondary market develops, for the Notes. As a result, you may experience an immediate and substantial decline in the market value of your Notes on the Trade Date. See Additional Risk Factors The Inclusion Of Dealer Spread And Projected Profit From Hedging In The Original Issue Price Is Likely To Adversely Affect Secondary Market Prices in this pricing supplement.
Business Day:	A Monday, Tuesday, Wednesday, Thursday or Friday that is neither a legal holiday nor a day on which banking institutions are authorized or obligated by law, regulation or order to close in New York or Toronto.
Listing:	The Notes will not be listed on any securities exchange or quotation system.
Use of Proceeds:	General corporate purposes.
Certain U.S. Benefit Plan Investor Considerations:	For a discussion of benefit plan investor considerations, please see Certain U.S. Benefit Plan Investor Considerations in the accompanying Prospectus.
Clearance and Settlement:	We will issue the Notes in the form of a fully registered global note registered in the name of the nominee of DTC. Beneficial interests in the Notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Except in the limited circumstances described in the accompanying Prospectus Supplement, owners of beneficial interests in the Notes will not be entitled to have Notes registered in their names, will not receive or be entitled to receive Notes in definitive form and will not be considered holders of Notes under the indenture.
Terms Incorporated:	All of the terms appearing under the caption Description of the Notes We May Offer beginning on page S-7 of the accompanying Prospectus Supplement, as modified by this pricing supplement.

INVESTING IN THE NOTES INVOLVES SIGNIFICANT RISKS. YOU MAY LOSE UP TO 100% OF YOUR PRINCIPAL AMOUNT. ANY PAYMENT ON THE NOTES, INCLUDING ANY REPAYMENT OF PRINCIPAL, IS SUBJECT TO THE CREDITWORTHINESS OF THE BANK. IF THE BANK WERE TO DEFAULT ON ITS PAYMENT OBLIGATIONS YOU MAY NOT RECEIVE ANY AMOUNTS OWED TO YOU UNDER THE NOTES AND YOU COULD LOSE YOUR ENTIRE INVESTMENT.

INVESTOR SUITABILITY

The Notes may be suitable for you if:

- You seek an investment with quarterly Contingent Coupon Payments at a rate of [2.00% to 2.10%] ([8.00% to 8.40%] per annum) until the earlier of maturity or automatic call, if, **and only if**, the Closing Price of the Reference Asset on the applicable Valuation Date is greater than or equal to the Coupon Barrier Price.

- You understand that if the Closing Price of the Reference Asset on the Final Valuation Date has declined below the Principal Barrier Price, you will be fully exposed to the decline from the Initial Price and will lose more than 35.00%, and possibly up to 100%, of the Principal Amount at maturity.

- You are willing to accept the risk that you may not receive any Contingent Coupon Payment on one or more, or any, quarterly Contingent Coupon Payment Dates over the term of the Notes and may lose up to 100% of the Principal Amount of the Notes at maturity.

- You understand that the Notes may be automatically called prior to maturity and that the term of the Notes may be as short as approximately three months.

- You understand and are willing to accept the full downside risks of the Reference Asset.

- You are willing to forgo participation in any appreciation of the Reference Asset.

- You are willing to assume the credit risk of the Bank for all payments under the Notes, and understand that if the Bank defaults on its obligations you may not receive any amounts due to you including any repayment of principal.

The Notes may not be suitable for you if:

- You seek a liquid investment or are unable or unwilling to hold the Notes to maturity.

- You are unwilling to accept the risk that the Closing Price of the Reference Asset on the Final Valuation Day may decline by more than 35.00%, and possibly up to 100%, from the Initial Price.

- You seek exposure to the upside performance of the Reference Asset.

- You require full payment of the Principal Amount of the Notes at maturity.

- You are unwilling to purchase Notes with an estimated value as of the Trade Date that is lower than the Principal Amount.

- You seek certainty of current income over the term of the Notes.
- You seek a security with a fixed term.
- You do not fully understand the risks inherent in an investment in the Notes, including the risk of losing up to 100% of your initial investment.
- You are not willing to assume the credit risk of the Bank for all payments under the Notes.

The investor suitability considerations identified above are not exhaustive. Whether or not the Notes are a suitable investment for you will depend on your individual circumstances and you should reach an investment decision only after you and your investment, legal, tax, accounting and other advisors have carefully considered the suitability of an investment in the Notes in light of your particular circumstances. You should also review Additional Risk Factors below for risks related to an investment in the Notes.

CERTAIN TERMS OF THE NOTES

Payments of Principal and Interest

In the event that the stated Maturity Date is not a Business Day, then relevant repayment of principal will be made on the first following Business Day, unless the first following Business Day is in the next calendar month, in which case the relevant repayment of principal will be made on the first preceding Business Day (Modified Following Business Day Convention).

We describe payments as being based on a day count fraction of 30/360, unadjusted, Modified Following Business Day Convention. This means that the number of days in each Contingent Coupon Payment period will be based on a 360-day year of twelve 30-day months (30/360) and that the number of days in each Contingent Coupon Payment period will not be adjusted if a Contingent Coupon Payment Date falls on a day that is not a Business Day (unadjusted). We will pay any interest payable on any Contingent Coupon Payment Date other than the Maturity Date to the persons in whose names the Notes are registered at the close of business one Business Day prior to such Contingent Coupon Payment Date.

If any Contingent Coupon Payment Date or Call Payment Date falls on a day that is not a Business Day (including any Contingent Coupon Payment Date that is also the Maturity Date), the relevant Contingent Coupon Payment Date or Call Payment Date will be the first following Business Day, unless the first following Business Day is in the next calendar month, in which case the Contingent Coupon Payment Date or Call Payment Date will be the first preceding Business Day under the Modified Following Business Day Convention.

Market Disruption Events

If a Market Disruption Event occurs or is continuing on any scheduled Valuation Date, then such Valuation Date will be postponed to the first succeeding day that is a Trading Day and on which a Market Disruption Event has not occurred and is not continuing. If a Market Disruption Event occurs or is continuing on each Trading Day to and including the seventh Trading Day following the Valuation Date, the Closing Price of the Reference Asset will be determined (or, if not determinable, estimated by the Calculation Agent in a manner which is considered commercially reasonable under the circumstances) by the Calculation Agent on that seventh Trading Day, regardless of the occurrence or continuation of a Market Disruption Event on that day. In such an event, the Calculation Agent will make a good faith estimate in its sole discretion of the Closing Price of the Reference Asset that would have prevailed in the absence of the Market Disruption Event. No interest will accrue as a result of delayed payment. In the event the Final Valuation Date is postponed as a result of a Market Disruption Event, the Maturity Date shall be five Business Days after the Final Valuation Date, as so postponed.

A Market Disruption Event means any event, circumstance or cause which the Bank determines, and the Calculation Agent confirms, has or will have a material adverse effect on the ability of the Bank to perform its obligations under the Notes or to hedge its position in respect of its obligations to make payment of amounts owing thereunder and more specifically includes the following events to the extent that they have such effect with respect to the Reference Asset:

(A) the occurrence or existence of a material suspension of or limitation imposed on trading by the relevant stock exchange or otherwise relating to the shares (or other applicable securities) of the Reference Asset or any Successor Fund (as defined below) on the relevant stock exchange at any time during the one-hour period that ends at the close of trading on such day, whether by reason of movements in price exceeding limits permitted by such relevant stock exchange or otherwise;

(B) the occurrence or existence of a material suspension of or limitation imposed on trading by any related futures or options exchange or otherwise in futures or options contracts relating to the shares (or other applicable securities) of the Reference Asset or any Successor Fund on any related futures or options exchange at any time during the one-hour period that ends at the close of trading on that day, whether by reason of movements in price exceeding limits permitted by the related futures or options exchange or otherwise;

(C) the occurrence or existence of any event, other than an early closure, that materially disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for, shares (or other applicable securities) of the Reference Asset or any Successor Fund on the relevant stock exchange at any time during the one-hour period that ends at the close of trading on that day;

(D) the occurrence or existence of any event, other than an early closure, that materially disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for, futures or options contracts relating to shares (or other applicable securities) of the Reference Asset or any Successor Fund on any related futures or options exchange at any time during the one-hour period that ends at the close of trading on that day;

(E) the closure of the relevant stock exchange or any related futures or options exchange with respect to the Reference Asset or any Successor Fund prior to its scheduled closing time unless the earlier closing time is announced by the relevant stock exchange or related futures or options exchange, as applicable, at least one hour prior to the earlier of (1) the actual closing time for the regular trading session on such relevant stock exchange or related futures or options exchange, as applicable, and (2) the submission deadline for orders to be entered into the relevant stock exchange or related futures or options exchange, as applicable, system for execution at the close of trading on that day;

(F) the relevant stock exchange or any related futures or options exchange with respect to the Reference Asset or any Successor Fund fails to open for trading during its regular trading session; or

(G) any other event, if the Calculation Agent determines that the event interferes with our ability or the ability of any of our affiliates to unwind all or a portion of a hedge with respect to the Notes that we or our affiliates have effected or may effect as described below under Use of Proceeds and Hedging.

For purposes of determining whether a Market Disruption Event has occurred:

(1) close of trading means the scheduled closing time of the relevant stock exchange with respect to the Reference Asset or any Successor Fund;

(2) the scheduled closing time of the relevant stock exchange or any related futures or options exchange on any Trading Day for the Reference Asset or any Successor Fund means the scheduled weekday closing time of such relevant stock exchange or related futures or options exchange on such Trading Day, without regard to after hours or any other trading outside the regular trading session hours;

(3) the relevant stock exchange for the Reference Asset means the primary exchange or quotation system on which shares (or other applicable securities) of the Reference Asset are traded, as determined by the Calculation Agent; and

(4) the related futures or options exchange for the Reference Asset means each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to the Reference Asset.

Anti-dilution Adjustments Relating to the Reference Asset; Alternate Calculation

Anti-dilution Adjustments

The Calculation Agent will adjust the Adjustment Factor as specified below if any of the events specified below occurs with respect to the Reference Asset and the effective date or ex-dividend date, as applicable, for such event is after the Trade Date and on or prior to a Valuation Date.

The adjustments specified below do not cover all events that could affect the Reference Asset, and there may be other events that could affect the Reference Asset for which the Calculation Agent will not make any such adjustments, including, without limitation, an ordinary cash dividend. Nevertheless, the Calculation Agent may, in its sole discretion, make additional adjustments to any terms of the Notes upon the occurrence of other events that

affect or could potentially affect the market price of, or shareholder rights in, the Reference Asset, with a view to offsetting, to the extent practical, any such change, and preserving the relative investment risks of the Notes. In addition, the Calculation Agent may, in its sole discretion, make adjustments or a series of adjustments that differ from those described herein if the Calculation Agent determines that such adjustments do not properly reflect the economic consequences of the events specified in this pricing supplement or would not preserve the relative investment risks of the Notes. All determinations made by the Calculation Agent in making any adjustments to the terms of the Notes, including adjustments that are in addition to, or that differ from, those described in this pricing supplement, will be made in good faith and a commercially reasonable manner, with the aim of ensuring an equitable result. In determining whether to make any adjustment to the terms of the Notes, the Calculation Agent may consider any adjustment made by the Options Clearing Corporation or any other equity derivatives clearing organization on options contracts on the Reference Asset.

For any event described below, the Calculation Agent will not be required to adjust the Adjustment Factor unless the adjustment would result in a change to the Adjustment Factor then in effect of at least 0.10%. The Adjustment Factor resulting from any adjustment will be rounded up or down, as appropriate, to the nearest one-hundred thousandth.

(A) *Stock Splits and Reverse Stock Splits*

If a stock split or reverse stock split has occurred, then once such split has become effective, the Adjustment Factor will be adjusted to equal the *product* of the prior Adjustment Factor and the number of securities which a holder of one share (or other applicable security) of the Reference Asset before the effective date of such stock split or reverse stock split would have owned or been entitled to receive immediately following the applicable effective date.

(B) *Stock Dividends*

If a dividend or distribution of shares (or other applicable securities) to which the Notes are linked has been made ratably to all holders of record of such shares (or other applicable security), then the Adjustment Factor will be adjusted on the ex-dividend date to equal the prior Adjustment Factor plus the *product* of the prior Adjustment Factor and the number of shares (or other applicable security) of the Reference Asset which a holder of one share (or other applicable security) of the Reference Asset before the ex-dividend date would have owned or been entitled to receive immediately following that date; provided, however, that no adjustment will be made for a distribution for which the number of securities of the Reference Asset paid or distributed is based on a fixed cash equivalent value.

(C) *Extraordinary Dividends*

If an extraordinary dividend (as defined below) has occurred, then the Adjustment Factor will be adjusted on the ex-dividend date to equal the *product* of the pri>

Long-term debt – current portion
121 234
Accounts payable
151,163 142,209
Accrued compensation and employee benefits
68,816 66,268

Income taxes	9,731	7,527
Accrued expenses and other current liabilities	60,760	52,151
Total current liabilities	296,993	271,400
Noncurrent liabilities:		
Long-term debt	160,563	135,952
Deferred income taxes	12,221	10,830
Pensions	61,736	74,270
Postretirement benefits	7,610	8,007
Other noncurrent liabilities	18,803	15,707
Total noncurrent liabilities	260,933	244,766
Total liabilities	557,926	516,166
Commitments and contingencies (See Note 20)		
Shareholders' equity:		
Preferred stock, $0.025 par value, authorized 16,000 shares, issued - none	-	-
Common stock, $0.625 par value, authorized 80,000 shares, issued 46,983 and 46,815 shares	29,364	29,260
Additional paid-in capital	163,552	159,854
Retained earnings	189,054	198,421
Accumulated other comprehensive loss	(43,348)	(49,183)
Treasury stock at cost: 554 shares	(13,922)	(13,922)
Deferred compensation trust	-	(344)
Total shareholders' equity	324,700	324,086
Total liabilities and shareholders' equity	$882,626	$840,252

The notes to unaudited condensed consolidated financial statements are an integral part of these statements.

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MODINE MANUFACTURING COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended September 30, 2010 and 2009
(In thousands)
(Unaudited)

	Six months ended September 30	
	2010	2009
Cash flows from operating activities:		
Net loss	$ (9,366)	$ (20,960)
Adjustments to reconcile net loss with net cash provided by operating activities:		
Depreciation and amortization	28,325	33,076
Impairment of long-lived assets	1,226	12,489
Other – net	4,862	(631)
Net changes in operating assets and liabilities, excluding dispositions	(40,911)	(5,105)
Net cash (used for) provided by operating activities	(15,864)	18,869
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(20,199)	(33,947)
Proceeds from dispositions of assets	4,647	4,941
Settlement of derivative contracts	(183)	(5,438)
Other – net	3,746	3,418
Net cash used for investing activities	(11,989)	(31,026)
Cash flows from financing activities:		
Short-term debt – net	3,273	(4,578)
Borrowings of long-term debt	218,963	49,691
Repayments of long-term debt	(194,277)	(116,422)
Book overdrafts	(407)	(2,048)
Issuance of common stock	-	93,589
Other – net	15	(488)
Net cash provided by financing activities	27,567	19,744
Effect of exchange rate changes on cash	72	3,722
Change in cash balances held for sale	-	(196)
Net (decrease) increase in cash and cash equivalents	(214)	11,113
Cash and cash equivalents at beginning of period	43,657	43,536
Cash and cash equivalents at end of period	$ 43,443	$ 54,649

The notes to unaudited condensed consolidated financial statements are an integral part of these statements.

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MODINE MANUFACTURING COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)
(unaudited)

Note 1: General

The accompanying condensed consolidated financial statements were prepared in conformity with generally accepted accounting principles (GAAP) in the United States and such principles were applied on a basis consistent with the preparation of the consolidated financial statements of Modine Manufacturing Company (Modine or the Company) Annual Report included in the Form 10-K for the year ended March 31, 2010 filed with the Securities and Exchange Commission. The financial statements include all normal recurring adjustments that are, in the opinion of management, necessary for a fair statement of results for the interim periods. Results for the first six months of fiscal 2011 are not necessarily indicative of the results to be expected for the full fiscal year.

The March 31, 2010 consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. In addition, certain notes and other information have been condensed or omitted from these interim financial statements. Therefore, such statements should be read in conjunction with the consolidated financial statements and related notes contained in Modine’s Annual Report on Form 10-K for the year ended March 31, 2010.

Note 2: Significant Accounting Policies and Change in Accounting Principles

Restricted cash: At September 30, 2010 and March 31, 2010, the Company had long-term restricted cash of $2,215 and $1,926, respectively, included in other noncurrent assets to secure long-term employee compensation arrangements for certain employees in Europe. At March 31, 2010, the Company had long-term restricted cash of $4,000 included in other noncurrent assets primarily as collateral for unrealized losses on commodity derivatives with JPMorgan Chase Bank, N.A. as the counterparty. There was no collateral required on commodity derivatives at September 30, 2010.

Assets held for sale: The Company considers assets or businesses to be held for sale when management approves and commits to a formal plan to actively market the asset or business for sale at a price reasonable in relation to its fair value, the asset or business is available for immediate sale in its present condition, the sale of the asset or business is probable and expected to be completed within one year and it is unlikely that significant changes will be made to the plan. Upon designation as held for sale, the carrying value of the assets or assets of the business are recorded at the lower of their carrying value or their estimated fair value, less costs to sell. The Company ceases to record depreciation expense at the time of designation as held for sale. Assets held for sale totaling $8,729 and $9,870 at September 30, 2010 and March 31, 2010, respectively, represent certain facilities that the Company has closed or intends to close and is currently marketing for sale. During the six months ended September 30, 2010, the Company sold two facilities previously classified as held for sale for net proceeds of $1,539. The Company recognized a gain on these sales of $1,026, which has been reflected as a component of selling, general and administrative expenses.

Out of period adjustments: During the three months ended September 30, 2010, the Company identified a $3,292 postretirement curtailment gain related to the closure of the Harrodsburg, Kentucky manufacturing facility, of which $2,944 related to prior periods and $348 related to the current quarter. The Company recorded $1,217 in the Original Equipment – North America segment during the three months ended September 30, 2010 for the portion of the postretirement curtailment gain that should have been recorded in the fourth quarter of fiscal 2010. This adjustment was not considered material to the fiscal 2010 financial statements or the current quarter, and resulted in decreased costs of sales of $1,217, increased pre-tax and post-tax results of $1,217 and decreased diluted loss per share from

continuing operations of $0.03. In addition, the Company identified that $1,727 of the postretirement curtailment gain should have been recorded during the first quarter of fiscal 2011 and identified a $972 gain from a commercial settlement in the Original Equipment – Europe segment that should have been recorded during the first quarter of fiscal 2011 as well. These first quarter adjustments totaling $2,699 were not considered material to the previously issued first quarter fiscal 2011 financial statements. Accordingly, the Company revised its year-to-date results in this quarterly filing and will revise the first quarter fiscal 2011 results prospectively in future filings. The revised first quarter fiscal 2011 results reflect decreased cost of sales of $2,699 million, increased provision for income taxes of $414, increased income from continuing operations of $2,285 and increased diluted earnings per share from continuing operations of $0.05.

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Accounting standards changes and new accounting pronouncements: In June 2009, the Financial Accounting Standards Board (FASB) issued guidance on accounting for transfers of financial assets, which requires entities to provide more information regarding sales of securitized financial assets and similar transactions, particularly if the entity has continuing exposure to the risks related to transferred financial assets. The guidance eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets and requires additional disclosures. This guidance is effective for the Company on a prospective basis on or after April 1, 2010 and had no impact on the consolidated financial statements.

In October 2009, the FASB issued updated guidance on revenue arrangements with multiple deliverables, which addresses the unit of accounting for multiple-deliverable arrangements and revises the method by which consideration is allocated among the units of accounting. The overall consideration is allocated to each deliverable by establishing a selling price for individual deliverables based on a hierarchy of evidence, including vendor-specific objective evidence, other third party evidence of the selling price, or the reporting entity's best estimate of the selling price of individual deliverables in the arrangement. This guidance is effective for the Company on a prospective basis on or after April 1, 2011.

Note 3: Employee Benefit Plans

During the three months ended September 30, 2010 and 2009, the Company recorded compensation expense of $739 and $1,533, respectively, related to its defined contribution employee benefit plans. During the six months ended September 30, 2010 and 2009, the Company recorded compensation expense of $2,008 and $2,673, respectively, related to its defined contribution employee benefit plans.

During the three and six months ended September 30, 2010, the Company elected to contribute $1,649 and $12,099, respectively, to its U.S. pension plans.

During the three and six months ended September 30, 2009, the Company recorded settlement charges of $281 related to payments made from the Modine Manufacturing Company Supplemental Executive Retirement Plan.

During the three and six months ended September 30, 2010, the Company recorded a postretirement curtailment gain of $1,565 and $3,292 related to the closure of the Harrodsburg, Kentucky manufacturing facility. See Note 2 for further discussion on out of period adjustments.

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Costs for Modine's pension and postretirement benefit plans for the three and six months ended September 30, 2010 and 2009 include the following components:

	Three months ended September 30				Six months ended September 30			
	Pension		Postretirement		Pension		Postretirement	
	2010	2009	2010	2009	2010	2009	2010	2009
Service cost	$341	$555	$(3)	$33	$950	$1,111	$22	$65
Interest cost	3,449	3,610	55	165	6,883	7,212	168	330
Expected return on plan assets	(3,944)	(3,766)	-	-	(7,612)	(7,532)	-	-
Amortization of:								
Unrecognized net loss (gain)	1,811	600	(78)	(594)	3,834	1,150	(56)	(1,188)
Unrecognized prior service cost (credit)	89	90	(298)	36	178	181	(890)	72
Adjustment for settlement	15	281	-	-	15	281	-	-
Curtailment gain	-	-	(1,565)	-	-	-	(3,292)	-
Net periodic benefit cost (income)	$1,761	$1,370	$(1,889)	$(360)	$4,248	$2,403	$(4,048)	$(721)

Note 4: Stock-Based Compensation

Stock-based compensation consists of stock options, restricted stock granted for retention and performance and discretionary unrestricted stock. Compensation cost is calculated based on the fair value of the instrument at the time of grant, and is recognized as expense over the vesting period of the stock-based instrument. Modine recognized stock-based compensation cost of $944 and $1,041 for the three months ended September 30, 2010 and 2009, respectively. Modine recognized stock-based compensation cost of $2,516 and $2,149 for the six months ended September 30, 2010 and 2009, respectively. The performance component of awards granted under the long-term incentive plan during the first quarter of fiscal 2011 is based on a target compound annual growth rate in adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) over a three year period and a target return on average capital employed (ROACE) at the end of the three year period. The Company currently considers the attainment of these performance targets to be probable. Adjusted EBITDA is defined as earnings (loss) from continuing operations before interest expense and provision for income taxes, adjusted to exclude unusual, non-recurring or extraordinary non-cash charges and cash restructuring and repositioning charges and further adjusted to add back depreciation and amortization expense. ROACE is defined as net earnings adding back after tax interest expense and adjusted to exclude unusual, non-recurring or extraordinary non-cash charges and cash restructuring and repositioning charges; divided by the average total debt plus shareholders' equity. No performance shares were granted during fiscal 2010.

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The following tables present, by type, the fair market value of stock-based compensation awards granted during the three and six months ended September 30, 2010 and 2009:

	Three months ended September 30,			
	2010		2009	
Type of award	Shares	Fair Value Per Award	Shares	Fair Value Per Award
Unrestricted common stock	40.8	$8.91	54.4	$6.69

	Six months ended September 30,			
	2010		2009	
Type of award	Shares	Fair Value Per Award	Shares	Fair Value Per Award
Common stock options	303.4	$5.96	666.1	$3.34
Unrestricted common stock	60.3	$8.43	54.4	$6.69
Restricted common stock - retention	97.2	$9.26	153.8	$5.01
Restricted common stock - performance based upon cumulative growth of adjusted EBITDA	175.0	$9.26	-	$-
Restricted common stock - performance based upon ROACE	116.6	$9.26	-	$-

The accompanying table sets forth the assumptions used in determining the fair value for the options:

	Six months ended September 30,			
	2010		2009	
Expected life of awards in years	6.3		6.1	
Risk-free interest rate	2.36	%	3.19	%
Expected volatility of the Company's stock	77.99	%	72.95	%
Expected dividend yield on the Company's stock	0.00	%	0.00	%
Expected forfeiture rate	2.50	%	2.50	%

The Company was prohibited from making dividend payments under its debt agreements at the time of the awards resulting in an expected dividend yield of 0.00 percent on the Company's stock.

As of September 30, 2010, the total remaining unrecognized compensation cost related to the non-vested stock-based compensation awards that will be amortized over the weighted average remaining service periods is as follows:

Type of award	Unrecognized Compenstion Costs	Weighted Average Remaining Service Period in Years

Common stock options	$ 1,532	2.2
Restricted common stock - retention	1,486	3.0
Restricted common stock - performance	2,388	2.3
Total	$ 5,406	2.5

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Note 5: Other Income – Net

Other income – net was comprised of the following:

	Three months ended September 30		Six months ended September 30	
	2010	2009	2010	2009
Equity earnings (loss) of non-consolidated affiliates	$26	$(187)	$225	$222
Interest income	151	123	321	317
Foreign currency transactions	5,411	1,068	1,394	4,628
Other non-operating income (expense) - net	22	(28)	72	1,514
Total other income - net	$5,610	$976	$2,012	$6,681

Foreign currency transactions for the three and six months ended September 30, 2010 and 2009 were primarily comprised of foreign currency transaction gains on inter-company loans denominated in a foreign currency.

During the six months ended September 30, 2009, the Company sold its 50 percent ownership of Anhui Jianghaui Mando Climate Control Co. Ltd. for $4,860, resulting in a gain of $1,465 included in other non-operating income – net.

Note 6: Income Taxes

For the three months ended September 30, 2010 and 2009, the Company's effective income tax rate attributable to loss from continuing operations before income taxes was 74.2 percent and 21.7 percent, respectively. During the second quarter of fiscal 2011, the Company continued to record an increase in the valuation allowance of $8,352 predominantly against net U.S. deferred tax assets as it is more likely than not that these assets will not be realized based on historical performance. During the second quarter of fiscal 2010, the Company recorded a $2,012 valuation allowance primarily related to its net U.S. deferred tax assets.

For the six months ended September 30, 2010 and 2009, the Company's effective income tax rate attributable to earnings (loss) from continuing operations before income taxes was 368.4 percent and 21.8 percent, respectively. During the six months ended September 30, 2010, the Company continued to record an increase in the valuation allowance of $10,681 predominantly against net U.S. deferred tax assets as it is more likely than not that these assets will not be realized based on historical performance. During the six months ended September 30, 2009, the Company recorded a $2,401 valuation allowance primarily related to its net U.S. deferred tax assets.

Certain of the Company's foreign operations generated earnings from continuing operations before income taxes during the three and six months ended September 30, 2010, which resulted in a foreign income tax provision within these tax jurisdictions. The foreign income tax provision results in an overall income tax expense from continuing operations despite pre-tax domestic losses from continuing operations. The changing mix of foreign earnings and domestic losses, combined with year-over-year changes in the valuation allowance, are the most significant factors impacting changes in the effective tax rate for the three and six months ended September 30, 2010 and 2009.

The Company allocates income tax expense between continuing operations, discontinued operations and other comprehensive income by tax jurisdiction. In the periods in which there is a loss from continuing operations before

income taxes and pre-tax income in another category (e.g., discontinued operations or other comprehensive income), income tax expense is first allocated to the other sources of income, with a related tax benefit recorded in continuing operations. For the three and six months ended September 30, 2010, Modine had an overall loss from its financial statement components other than continuing operations and no allocation of income tax was recorded.

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The following is a reconciliation of the effective tax rate for the three and six months ended September 30, 2010:

	Three months ended September 30, 2010			
	Domestic	Foreign	Total	%
(Loss) earnings from continuing operations before income taxes	$(16,321)	$9,571	$(6,750)	
(Benefit from) provision for income taxes at federal statutory rate	$(5,713)	$3,350	$(2,363)	(35.0%)
State taxes, net of federal benefit	(588)	-	(588)	(8.7)
Taxes on non-U.S. earnings and losses and foreign rate differentials	-	(555)	(555)	(8.2)
Valuation allowance	6,284	2,068	8,352	123.7
Other, net	130	36	166	2.4
Provision for income taxes	$113	$4,899	$5,012	74.2%

	Six months ended September 30, 2010			
	Domestic	Foreign	Total	%
(Loss) earnings from continuing operations before income taxes	$(21,652)	$24,021	$2,369	
(Benefit from) provision for income taxes at federal statutory rate	$(7,578)	$8,407	$829	35.0%
State taxes, net of federal benefit	(1,035)	-	(1,035)	(43.7)
Taxes on non-U.S. earnings and losses and foreign rate differentials	-	(2,299)	(2,299)	(97.0)
Valuation allowance	8,053	2,628	10,681	450.8
Other, net	492	59	551	23.3
(Benefit from) provision for income taxes	$(68)	$8,795	$8,727	368.4%

Accounting policies for interim reporting require the Company to adjust its effective tax rate each quarter to be consistent with the estimated annual effective tax rate. Under this effective tax rate methodology, the Company applies an estimated annual income tax rate to its year-to-date ordinary earnings to derive its income tax provision each quarter. The tax impact of certain significant, unusual or infrequently occurring items must be recorded in the interim period in which they occur. The impact of the Company's operations in the U.S., Germany, Austria and certain other foreign locations are recorded discretely based upon year-to-date results as these operations anticipate net operating losses for the year for which no tax benefit can be recognized. The income taxes for the Company's other foreign operations continue to be estimated under the overall effective tax rate methodology.

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Unrecognized tax benefits increased $910 and $558 during the three and six months ended September 30, 2010, respectively, primarily due to current period activity and foreign currency fluctuation. The Company does not expect any significant increase or decrease in the total amount of unrecognized tax benefits within the next twelve months other than that which will result from the expiration of the applicable statutes of limitation.

The Company files income tax returns in multiple jurisdictions and is subject to examination by taxing authorities throughout the world. During the three months ended September 30, 2010, the Company concluded the income tax examination in one of its foreign jurisdictions that began last quarter which resulted in an insignificant increase to its tax liability. The Company is not currently engaged in any other income tax examinations by any federal taxing authority.

As further discussed in Note 12, the South Korean business and retained aftermarket environmental liability in the Netherlands are presented as discontinued operations in the comparative consolidated financial statements. The loss from discontinued operations has been presented net of income tax expense of $0 and $42 for the three months ended September 30, 2010 and 2009, respectively, and $0 and $93 for the six months ended September 30, 2010 and 2009, respectively.

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MODINE MANUFACTURING COMPANY
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Note 7: Earnings Per Share

The computational components of basic and diluted earnings per share are summarized as follows:

	Three months ended September 30		Six months ended September 30	
	2010	2009	2010	2009
Basic and Diluted:				
Loss from continuing operations	$(11,762)	$(4,886)	$(6,358)	$(10,528)
Less: Undistributed earnings attributable to unvested shares	-	-	-	-
Net loss from continuing operations available to common shareholders	(11,762)	(4,886)	(6,358)	(10,528)
Discontinued operations:				
Loss, net of taxes	(2,900)	(1,571)	(2,932)	(10,432)
Loss on sale of discontinued operations, net of taxes	(70)	-	(76)	-
Net loss available to common shareholders	$(14,732)	$(6,457)	$(9,366)	$(20,960)
Basic Earnings Per Share:				
Weighted average shares outstanding - basic	46,067	33,194	46,053	32,629
Loss from continuing operations per common share	$(0.26)	$(0.15)	$(0.14)	$(0.32)
Discontinued operations:				
Loss, net of taxes	(0.06)	(0.04)	(0.06)	(0.32)
Loss on sale of discontinued operations, net of taxes	-	-	-	-
Net loss per common share - basic	$(0.32)	$(0.19)	$(0.20)	$(0.64)
Diluted Earnings Per Share:				
Weighted average shares outstanding - diluted	46,067	33,194	46,053	32,629
Loss from continuing operations per common share	$(0.26)	$(0.15)	$(0.14)	$(0.32)
Discontinued operations:				
Loss, net of taxes	(0.06)	(0.04)	(0.06)	(0.32)
Loss on sale of discontinued operations, net of taxes	-	-	-	-
Net loss per common share - diluted	$(0.32)	$(0.19)	$(0.20)	$(0.64)

For the three and six months ended September 30, 2010, the calculation of diluted earnings per share excludes 1,954 stock options and 29 restricted stock awards as these shares were anti-dilutive. For the three and six months ended September 30, 2009, the calculation of diluted earnings per share excludes 3,013 stock options as these shares were anti-dilutive.

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Note 8: Comprehensive Income (Loss)

Comprehensive income (loss), which represents net loss adjusted by the change in accumulated other comprehensive income (loss) was as follows:

	Three months ended September 30		Six months ended September 30	
	2010	2009	2010	2009
Net loss	$(14,732)	$(6,457)	$(9,366)	$(20,960)
Foreign currency translation	26,580	14,343	3,699	41,118
Cash flow hedges	2,558	1,912	2,091	4,459
Change in benefit plan adjustment	(371)	(398)	45	(242)
Total comprehensive income (loss)	$14,035	$9,400	$(3,531)	$24,375

Note 9: Inventories

The amounts of raw materials, work in process and finished goods cannot be determined exactly except by physical inventories. Based on partial interim physical inventories and percentage relationships at the time of complete physical inventories, management believes the amounts shown below are reasonable estimates of raw materials, work in process and finished goods.

	September 30, 2010	March 31, 2010
Raw materials and work in process	$ 88,138	$ 71,329
Finished goods	27,366	28,230
Total inventories	$ 115,504	$ 99,559

Note 10: Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	September 30, 2010	March 31, 2010
Gross property, plant and equipment	$ 1,064,516	$ 1,056,096
Less accumulated depreciation	(652,863)	(637,480)
Net property, plant and equipment	$ 411,653	$ 418,616

A long-lived asset impairment charge of $1,226 was recorded during the three and six months ended September 30, 2010 related to assets in the Original Equipment – Europe segment and the Original Equipment – Asia segment related to a program cancellation.

A long-lived asset impairment charge of $3,849 was recorded during the three months ended September 30, 2009 related to assets in the Original Equipment – North America segment for the Harrodsburg, Kentucky manufacturing facility based on the Company’s intention to close this facility and a program that was not able to support its asset base.

A long-lived asset impairment charge of $4,843 was recorded during the six months ended September 30, 2009. The impairment charge included $4,615 related to assets in the Original Equipment – North America segment for the Harrodsburg, Kentucky manufacturing facility based on the Company's intention to close this facility and a program that was not able to support its asset base.

Assets held for sale of $8,729 and $9,870 at September 30, 2010 and March 31, 2010, respectively, consist of certain facilities that the Company has closed within the Original Equipment – North America and Original Equipment – Europe segments. During the six months ended September 30, 2010, the Company sold two held for sale facilities in the Original Equipment – North America segment for net proceeds of $1,539, and recognized a gain on these sales of $1,026. Subsequent to the end of the second quarter of fiscal 2011, the Company reached an agreement for the sale of its Tübingen, Germany facility for cash proceeds of approximately 5,600 euro ($7,900 U.S. equivalent) and a gain of approximately 1,800 euro ($2,500 U.S. equivalent). The Company is currently marketing the remaining facilities for sale.

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Note 11: Restructuring, Plant Closures and Other Related Costs

During fiscal 2008, the Company announced the closure of three U.S. manufacturing plants in Camdenton, Missouri; Pemberville, Ohio; and Logansport, Indiana, along with the Tübingen, Germany facility. During the third quarter of fiscal 2010, the Company announced the closure of its Harrodsburg, Kentucky manufacturing facility. These measures are aimed at realigning the Company's manufacturing operations, improving profitability and strengthening global competitiveness. The Tübingen, Germany and the Pemberville, Ohio facility closures were completed during fiscal 2010. The Harrodsburg, Kentucky and Logansport, Indiana facility closures were completed in the first quarter and second quarter of fiscal 2011, respectively. The Camdenton, Missouri closure is anticipated to be completed in fiscal 2012.

Since the commencement of these plant closures and previous workforce reductions, the Company has incurred $33,689 of termination charges and $19,018 of other closure costs, in the aggregate. Further additional costs of approximately $6,500 are anticipated to be incurred through fiscal 2012, consisting of equipment moving costs and miscellaneous facility closing costs. Total additional cash expenditures of approximately $8,500 are anticipated to be incurred related to these closures.

Changes in the accrued restructuring liability for the three and six months ended September 30, 2010 and 2009 were comprised of the following, related to the above-described restructuring activities:

	Three months ended September 30	
	2010	2009
Termination Benefits:		
Balance, July 1	$ 3,373	$ 14,709
Additions	13	32
Adjustments	(53)	(3,191)
Effect of exchange rate changes	64	352
Payments	(881)	(2,990)
Balance, September 30	$ 2,516	$ 8,912

	Six months ended September 30	
	2010	2009
Termination Benefits:		
Balance, April 1	$ 4,740	$ 21,412
Additions	94	1,332
Adjustments	(53)	(3,295)
Effect of exchange rate changes	(2)	907
Payments	(2,263)	(11,444)
Balance, September 30	$ 2,516	$ 8,912

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The following is the summary of restructuring and other repositioning costs recorded relative to the above-described programs during the three and six months ended September 30, 2010 and 2009:

	Three months ended September 30		Six months ended September 30	
	2010	2009	2010	2009
Restructuring (income) expense:				
Employee severance and related benefits	$(40)	$(3,159)	$41	$(1,963)
Other repositioning costs:				
Consulting fees	-	261	-	1,223
Postretirement curtailment gain	(1,565)	-	(3,292)	-
Miscellaneous other closure costs	1,359	1,331	2,992	2,256
Total other repositioning costs	(206)	1,592	(300)	3,479
Total restructuring and other repositioning (income) expense	$(246)	$(1,567)	$(259)	$1,516

The total restructuring and other repositioning income of $246 and $259 were recorded in the consolidated statements of operations for the three and six months ended September 30, 2010, respectively, as follows: $206 and $300 were recorded as a component of cost of sales and $40 was recorded as restructuring income and $41 was recorded as restructuring expense. The total restructuring and other repositioning income of $1,567 and expense of $1,513 was recorded in the consolidated statements of operations for the three and six months ended September 30, 2009, respectively, as follows: $1,331 and $2,256 were recorded as a component of cost of sales; $261 and $1,223 were recorded as a component of selling, general and administrative expenses; and $3,159 and $1,963 were recorded as restructuring income. The Company accrues severance in accordance with its written plan, procedures and relevant statutory requirements. Restructuring income relates to reversals of severance liabilities due to employee terminations prior to completion of required retention periods and favorable negotiations of severance packages. During the second quarter of fiscal 2010, final severance negotiations were reached including an early retirement option in lieu of severance.

Note 12: Discontinued Operations

During fiscal 2009, the Company announced the intended divestiture of the South Korean-based heating, ventilating and air conditioning (HVAC) business and accordingly, it was determined that the South Korean business should be presented as held for sale and as a discontinued operation in the consolidated financial statements. The operating results have been separately presented as a discontinued operation in the consolidated statement of operations for all periods presented. On December 23, 2009, the Company sold 100 percent of the shares of the South Korean-based HVAC business. The Company recorded a cumulative loss on sale, net of taxes, of $611 during the third and fourth quarters of fiscal 2010. During the three and six months ended September 30, 2010, the Company recognized an additional loss of sale, net of taxes, of $70 and $76, respectively.

During the three and six months ended September 30, 2010, the Company recorded environmental cleanup and remediation expenses of $2,900 and $2,932, respectively, as a component of loss from discontinued operations related to a facility in the Netherlands that was sold as part of the spin off of the Company’s Aftermarket business on July 22, 2005. During the six months ended September 30, 2009, the Company recorded environmental cleanup and

remediation expenses of $671 as a component of loss from discontinued operations related to the Netherlands facility.

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The following results of the South Korean business and the environmental cleanup and remediation in the Netherlands have been presented as loss from discontinued operations in the consolidated statement of operations:

	Three months ended September 30, 2009	Six months ended September 30, 2009
Net sales	$ 44,690	$ 82,252
Cost of sales and other expenses	46,219	92,591
Loss before income taxes	(1,529)	(10,339)
Provision for income taxes	42	93
Loss from discontinued operations	$ (1,571)	$ (10,432)

During the six months ended September 30, 2009, the Company recorded a loss of $7,646 on the South Korean asset group to reduce its carrying value to the estimated fair value less costs to sell.

Note 13: Goodwill and Intangible Assets

Changes in the carrying amount of goodwill during the first six months of fiscal 2011, by segment and in the aggregate, are summarized in the following table:

	OE - Asia	South America	Commercial Products	Total
Balance, March 31, 2010	$ 520	$ 13,869	$ 15,163	$ 29,552
Fluctuations in foreign currency	-	715	482	1,197
Balance, September 30, 2010	$ 520	$ 14,584	$ 15,645	$ 30,749

Intangible assets are comprised of the following:

	September 30, 2010			March 31, 2010		
	Gross Carrying Value	Accumulated Amortization	Net Intangible Assets	Gross Carrying Value	Accumulated Amortization	Net Intangible Assets
Amortized intangible assets:						
Patents and product technology	$3,952	$ (3,952)	$-	$3,952	$ (3,952)	$-
Trademarks	8,943	(3,229)	5,714	8,726	(2,860)	5,866
Other intangibles	430	(391)	39	416	(337)	79
Total amortized intangible assets	13,325	(7,572)	5,753	13,094	(7,149)	5,945
Unamortized intangible assets:						
Tradename	999	-	999	943	-	943

Total intangible assets	$14,324	$ (7,572)	$6,752	$14,037	$ (7,149)	$6,888

Amortization expense was $166 and $162 for the three months ended September 30, 2010 and 2009, respectively, and $327 and $333 for the six months ended September 30, 2010 and 2009, respectively. Total estimated annual amortization expense expected for the remainder of fiscal year 2011 through 2016 and beyond is as follows:

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Fiscal Year		Estimated Amortization Expense
Remainder of 2011	$	336
2012		596
2013		596
2014		596
2015		596
2016 & Beyond		3,033

Note 14: Indebtedness

At March 31, 2010, the Company had $60,726 outstanding on 10.0 percent Senior Notes, maturing on September 29, 2015 ("2015 Notes"), $40,484 outstanding on 10.75 percent Senior Notes maturing on December 7, 2017 ("2017 Notes A") and $20,242 outstanding on 10.75 percent Senior Notes maturing on December 7, 2017 ("2017 Notes B"). The Company also had $7,500 outstanding under its $142,110 domestic revolving credit facility, which was due to expire in July 2011.

On August 12, 2010, the Company entered into a four-year, $145,000 Amended and Restated Credit Agreement with six financial institutions led by JPMorgan Chase Bank, N.A. The credit agreement amended and restated the Company's then existing three-year, $142,110 revolving credit facility. The Company has the right to request an increase in the aggregate commitment by up to a maximum additional amount of $50,000 subject to the agreement of JPMorgan Chase Bank, N.A. and the other lenders providing the increase in aggregate commitment. Interest is based on a variable interest rate of London Interbank Offered Rate (LIBOR) plus 250 to 375 basis points depending upon the Company's Consolidated Total Debt to Consolidated Adjusted Earnings before Interest, Taxes, Depreciation and Amortization ratio (leverage ratio) for the four preceding fiscal quarters. As of September 30, 2010, the Company's variable interest rate was LIBOR plus 350 basis points or 3.76 percent. The Company incurred $1,424 of fees to its creditors in conjunction with the Amended and Restated Credit Agreement, which will be amortized as a component of interest expense over the four-year term of the facility. At September 30, 2010, $28,500 was outstanding under the revolving credit facility.

On August 12, 2010, the Company also entered into $125,000, 6.83 percent Series A Senior Note with Prudential Investment Management, Inc., The Prudential Insurance Company of America and Prudential Retirement Insurance and Annuity Company (collectively the "Note Holders") maturing on August 12, 2020 ("2020 Notes"). The Company will be required to make principal payments of $4,000 quarterly beginning November 12, 2016. The Company may also authorize the issuance of additional senior notes in an aggregate principal amount of $25,000 under the Note Purchase Agreement among the Company and the Note Holders pursuant to a currently uncommitted facility. The Company provided under its revolving credit facility and 2020 Notes a blanket lien on all domestic assets, certain of the Company's domestic subsidiaries are guaranteeing the Company's outstanding borrowings, and 65 percent of the Company's and debt guarantors' stock in foreign subsidiaries is pledged.

The proceeds from the 2020 Notes were used to repay the outstanding 2015 Notes, 2017 Notes A and 2017 Notes B. During the three months ended September 30, 2010, the Company recognized a loss of $17,866 on early

extinguishment of debt as a component of interest expense which includes the prepayment penalty of $16,570 and $1,296 of unamortized debt issuance costs.

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Provisions in the Company's amended revolving credit facility and 2020 Notes include customary restrictive covenants. The Company is subject to an adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) to interest expense (interest expense coverage ratio) covenant and a leverage ratio covenant. Adjusted EBITDA is defined as earnings from continuing operations before interest expense and provision for income taxes, adjusted to exclude unusual, non-recurring or extraordinary non-cash charges and up to $40,000 of cash restructuring and repositioning charges, not to exceed $20,000 in any fiscal year, and further adjusted to add back depreciation and amortization. The Company is required to maintain the interest expense coverage ratio and leverage ratio covenants based on the following ratios:

	Interest Expense Coverage Ratio Covenant (Not Permitted to Be Less Than):	Leverage Ratio Covenant (Not Permitted to Be Greater Than):
Fiscal quarter ending on or after June 30, 2010 but on or before August 12, 2014	3.00 to 1.0	3.25 to 1.0
All fiscal quarters ending thereafter	3.00 to 1.0	3.00 to 1.0

The Company was in compliance with its covenants as of September 30, 2010.

At September 30, 2010, the Company had $112,612 available for future borrowings under the domestic revolving credit facility. In addition to this revolving credit facility, unused lines of credit also exist in Europe, Brazil and China, totaling $36,125. In the aggregate, the Company had total available lines of credit of $148,737 at September 30, 2010. The availability of these funds is subject to the Company's ability to remain in compliance with the financial ratios and limitations in the respective debt agreements.

The fair value of the long-term debt is estimated by discounting the future cash flows at rates offered to the Company for similar debt instruments of comparable maturities. At September 30, 2010 and March 31, 2010, the carrying value of Modine's long-term debt approximated fair value, with the exception of the senior notes, which had a fair value of approximately $120,914 and $131,960 at September 30, 2010 and March 31, 2010, respectively.

At September 30, 2010 and March 31, 2010, the Company had short-term debt of $6,402 and $3,011, respectively, primarily consisting of short-term borrowings at foreign locations.

Note 15: Financial Instruments

Concentrations of Credit Risk: The Company invests excess cash in investment quality short-term liquid debt instruments. Such investments are made only in instruments issued by high quality institutions. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of accounts receivable. The Company sells a broad range of products that provide thermal solutions to a diverse group of customers operating throughout the world. At September 30, 2010 and March 31, 2010, approximately 43 percent and 47 percent, respectively, of the Company's trade accounts receivables were from the Company's top ten individual customers. These customers operate primarily in the automotive, truck and heavy equipment markets and are all influenced by many of the same market and general economic factors. To reduce credit risk, the Company performs periodic customer credit evaluations and actively monitors their financial condition and developing business

news. The Company does not generally require collateral or advanced payments from its customers, but does so in those cases where a substantial credit risk is identified. Credit losses to customers operating in the markets served by the Company have not been material. Total bad debt write-offs have been well below one percent of outstanding trade receivable balances for the presented periods. See Note 20 for further discussion on market, credit and counterparty risks.

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Inter-Company Loans Denominated in Foreign Currencies: The Company has certain foreign-denominated long-term inter-company loans that are sensitive to foreign exchange rates. The Company has inter-company loans outstanding at September 30, 2010 as follows:

- $13,964 loan to its wholly owned subsidiary, Modine Thermal Systems Private Limited (Modine India), that matures on April 30, 2013;
- $12,000 between two loans to its wholly owned subsidiary, Modine Thermal Systems (Changzhou) Co. Ltd. (Changzhou, China), with various maturity dates through June 2012;
- $2,045 loan to its wholly owned subsidiary, Modine U.K. Dollar Limited, that matures on November 30, 2011; and
- $34,878 loan to its wholly owned subsidiary, Modine Holding GmbH, that matures on January 31, 2020.

These inter-company loans are sensitive to movement in foreign exchange rates, and the Company does not have any derivative instruments to hedge this exposure at September 30, 2010.

Note 16: Derivatives/Hedges

Modine uses derivative financial instruments from time to time as a tool to manage certain financial risks. Their use has been restricted primarily to hedging assets and obligations already held by Modine, and they have been used to protect cash flows rather than generate income or engage in speculative activity. Leveraged derivatives are prohibited by Company policy.

Accounting for derivatives and hedging activities requires derivative financial instruments to be measured at fair value and recognized as assets or liabilities in the consolidated balance sheets. Accounting for the gain or loss resulting from the change in the fair value of the derivative financial instruments depends on whether it has been designed, and is effective, as a hedge and, if so, on the nature of the hedging activity.

Commodity derivatives: The Company enters into futures contracts related to certain of the Company’s forecasted purchases of aluminum. The Company’s strategy in entering into these contracts is to reduce its exposure to changing purchase prices for future purchases of this commodity. These contracts have been designated as cash flow hedges by the Company. Accordingly, unrealized gains and losses on these contracts are deferred as a component of other comprehensive income (loss), and recognized as a component of earnings at the same time that the underlying purchases of aluminum impact earnings.

Interest rate derivatives: On August 5, 2005, the Company entered into a one-month forward ten-year treasury interest rate lock in anticipation of a private placement borrowing which occurred on September 29, 2005. The contract was settled on September 1, 2005 with a loss of $1,794. On October 25, 2006, the Company entered into two forward starting swaps in anticipation of the $75,000 private placement debt offering that occurred on December 7, 2006. On November 14, 2006, the fixed interest rate of the private placement borrowing was locked and, accordingly, the Company terminated and settled the forward starting swaps at a loss of $1,812. These interest rate derivatives were treated as cash flow hedges of forecasted transactions. Accordingly, the losses were reflected as a component of accumulated other comprehensive (loss) income, and were being amortized to interest expense over the respective lives of the borrowings. In conjunction with the repayment of the 2015 and 2017 Notes on August 12, 2010, the remaining unamortized balance for these interest rate derivatives of $1,606 was reflected as a component of interest expense. The Company amortized $462 of the interest rate derivatives in proportion with the partial prepayment of

the senior notes on September 30, 2009.

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The fair value of the derivative financial instruments recorded in the consolidated balance sheets as of September 30, 2010 and March 31, 2010 are as follows:

	Balance Sheet Location	September 30, 2010	March 31, 2010
Derivative instruments designated as cash flow hedges:			
Commodity derivatives	Deferred income taxes and other current assets	$ 284	$ -
Commodity derivatives	Accrued expenses and other current liabilities	1,188	1,243

The amounts recorded in accumulated other comprehensive income (loss) (AOCI) and in the consolidated statement of operations for the three and six months ended September 30, 2010 are as follows:

			Three months ended September 30, 2010	Six months ended September 30, 2010
	Amount of Loss Recognized in AOCI	Location of Loss Reclassified from AOCI into Continuing Operations	Amount of Loss Reclassified from AOCI into Continuing Operations	Amount of Loss Reclassified from AOCI into Continuing Operations
Designated derivative instruments:				
Commodity derivatives	$ 1,681	Cost of sales	$ 100	$ 183
Interest rate derivative	-	Interest expense	1,642	1,751
Total	$ 1,681		$ 1,742	$ 1,934

The amounts recorded in AOCI and in the consolidated statement of operations for the three and six months ended September 30, 2009 are as follows:

			Three months ended September 30, 2009	Six months ended September 30, 2009
	Amount of Loss Recognized in AOCI	Location of Loss Reclassified from AOCI into Continuing Operations	Amount of Loss Reclassified from AOCI into Continuing Operations	Amount of Loss Reclassified from AOCI into Continuing Operations
Designated derivative instruments:				
Commodity derivatives	$ 6,011	Cost of sales	$ 1,689	$ 4,755
Interest rate derivative	1,041		550	635

		Interest expense		
Total	$ 7,052		$ 2,239	$ 5,390

Note 17: Fair Value Measurements

Fair value measurements are classified under the following hierarchy:

- Level 1 – Quoted prices for identical instruments in active markets.
- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs or significant value-drivers are observable in active markets.

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- Level 3 – Model-derived valuations in which one or more significant inputs or significant value-drivers are unobservable.

When available, the Company used quoted market prices to determine fair value and classified such measurements within Level 1. In some cases, where market prices are not available, the Company makes use of observable market-based inputs to calculate fair value, in which case the measurements are classified within Level 2. If quoted or observable market prices are not available, fair value is based upon internally developed models that use, where possible, current market-based parameters such as interest rates, yield curves, currency rates, etc. These measurements are classified within Level 3.

Fair value measurements are classified according to the lowest level input or value-driver that is significant to the valuation. A measurement may therefore be classified within Level 3 even though there may be significant inputs that are readily observable.

Trading securities
The Company's trading securities are a mix of various investments maintained in a deferred compensation trust to fund future obligations under Modine's non-qualified deferred compensation plan. The securities' fair values are the market values from active markets (such as the New York Stock Exchange (NYSE)) and are classified within Level 1 of the valuation hierarchy. The fair values of money market investments have been determined to approximate their net asset values, with no discounts for credit quality or liquidity restrictions and are classified within Level 2 of the valuation hierarchy.

Derivative financial instruments
As part of the Company's risk management strategy, Modine enters into derivative transactions to mitigate certain identified exposures. The derivative instruments include commodity derivatives. These are not exchange traded and are customized over-the-counter derivative transactions. These derivative exposures are with counterparties that have long-term credit ratings of BBB – or better.

The Company measures fair value assuming that the unit of account is an individual derivative transaction and that derivatives are sold or transferred on a stand-alone basis. Therefore, derivative assets and liabilities are presented on a gross basis without consideration of master netting arrangements. The Company estimates the fair value of these derivative instruments based on dealer quotes as the dealer is willing to settle at the quoted prices. These derivative instruments are classified within Level 2 of the valuation hierarchy.

Deferred compensation obligation
The fair value of the deferred compensation obligation is recorded at the fair value of the investments held by the deferred compensation trust. As noted above, the fair values are the market values directly from active markets (such as the NYSE) and are classified within Level 1 of the valuation hierarchy. The fair values of money market investments have been determined to approximate their net asset values, with no discounts for credit quality or liquidity restrictions and are classified within Level 2 of the valuation hierarchy.

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At September 30, 2010, the assets and liabilities that are measured at fair value on a recurring basis are classified as follows:

	Level 1	Level 2	Level 3	Total Assets / Liabilities at Fair Value
Assets:				
Trading securities (short term investments)	$2,587	$13	$-	$2,600
Derivative financial instruments	-	284	-	284
Total assets	$2,587	$297	$-	$2,884
Liabilities:				
Derivative financial instruments	$-	$1,188	$-	$1,188
Deferred compensation obligation	2,588	13	-	2,601
Total liabilitites	$2,588	$1,201	$-	$3,789

Note 18: Product Warranties and Other Commitments

Product warranties: Modine provides product warranties for its assorted product lines with warranty periods generally ranging from one to ten years, with the majority falling within a two to four year time period. The Company accrues for estimated future warranty costs in the period in which the sale is recorded, and warranty expense estimates are forecasted based on the best information available using analytical and statistical analysis of both historical and current claim data. These expenses are adjusted when it becomes probable that expected claims will differ from initial estimates recorded at the time of the sale.

Changes in the warranty liability were as follows:

	Three months ended September 30	
	2010	2009
Balance, July 1	$ 12,616	$ 9,134
Accruals for warranties issued in current period	1,195	1,877
Accruals related to pre-existing warranties	198	1,628
Settlements made	(626)	(1,943)
Effect of exchange rate changes	424	333
Balance, September 30	$ 13,807	$ 11,029

	Six months ended September 30	
	2010	2009

Balance, April 1	$ 13,126	$ 9,107
Accruals for warranties issued in current period	2,537	3,149
Accruals related to pre-existing warranties	55	1,414
Settlements made	(1,934)	(3,613)
Effect of exchange rate changes	23	972
Balance, September 30	$ 13,807	$ 11,029

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Commitments: At September 30, 2010, the Company had capital expenditure commitments of $22,598. Significant commitments include tooling and equipment expenditures for new and renewal platforms with new and current customers in Europe and North America.

Note 19: Segment Information

During the second quarter of fiscal 2010, the Company implemented certain management reporting changes resulting in the realignment of the Fuel Cell segment into the Original Equipment – North America segment.

The following is a summary of net sales, (loss) earnings from continuing operations and total assets by segment:

	Three months ended September 30		Six months ended September 30	
	2010	2009	2010	2009
Sales :				
Original Equipment - Asia	$12,732	$7,183	$24,764	$13,477
Original Equipment - Europe	124,870	112,340	257,044	217,608
Original Equipment - North America	125,417	100,745	255,374	192,263
South America	41,241	27,976	78,084	50,617
Commercial Products	46,589	45,221	86,393	79,585
Segment sales	350,849	293,465	701,659	553,550
Corporate and administrative	369	692	778	1,538
Eliminations	(5,316)	(11,859)	(11,366)	(19,158)
Sales from continuing operations	$345,902	$282,298	$691,071	$535,930
Operating earnings (loss):				
Original Equipment - Asia	$(1,240)	$(1,351)	$(1,647)	$(2,955)
Original Equipment - Europe	2,933	7,151	13,822	9,357
Original Equipment - North America	7,413	1,347	16,081	4,093
South America	4,979	2,315	8,790	3,508
Commercial Products	6,774	5,779	10,336	8,204
Segment earnings	20,859	15,241	47,382	22,207
Corporate and administrative	(9,708)	(10,611)	(19,418)	(22,541)
Eliminations	18	22	30	114
Other items not allocated to segments	(17,919)	(8,667)	(25,625)	(8,421)
(Loss) earnings from continuing operations before income taxes	$(6,750)	$(4,015)	$2,369	$(8,641)

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	September 30, 2010	March 31, 2010
Assets:		
Original Equipment - Asia	$ 79,989	$ 62,952
Original Equipment - Europe	367,931	362,202
Original Equipment - North America	214,971	216,933
South America	94,891	88,240
Commercial Products	87,165	78,545
Corporate and administrative	43,278	31,539
Assets held for sale	8,729	9,870
Eliminations	(14,328)	(10,029)
Total assets	$ 882,626	$ 840,252

Note 20: Contingencies and Litigation

Market risk: The Company sells a broad range of products that provide thermal solutions to a diverse group of customers operating primarily in the automotive, truck, heavy equipment and commercial heating and air conditioning markets. The adverse events in the global financial and commercial markets created a significant downturn in the Company's vehicular markets and, to a lesser extent, in its commercial heating and air conditioning markets. The current economic uncertainty makes it difficult to predict future conditions in these markets. A sustained economic downturn in any of these markets could have a material adverse effect on the Company's future results of operations or liquidity. The Company is responding to these market conditions through its continued implementation of its four-point plan as follows:

- Manufacturing realignment – aligning the manufacturing footprint to maximize asset utilization and improve the Company's cost competitive position;
- Portfolio rationalization – identifying products or businesses that should be divested or exited as they do not meet required financial metrics;
- Selling, general and administrative (SG&A) expense reduction – reducing SG&A expenses and SG&A expenses as a percentage of sales through diligent cost containment actions; and
- Capital allocation discipline – allocating capital spending to operating segments and business programs that will provide the highest return on investment.

Credit risk: The adverse events in the global financial markets over the past two years increased credit risks on investments to which Modine is exposed or where Modine has an interest. The Company manages credit risks through its focus on the following:

- Cash and investments – cash deposits and short-term investments are reviewed to ensure banks have credit ratings acceptable to the Company and that all short-term investments are maintained in secured or guaranteed instruments;
- Pension assets – ensuring that investments within these plans provide appropriate diversification, monitoring to ensure that portfolio managers and investment consultants are adhering to the Company's investment policies and directives, and to ensure limited exposure to high risk securities and other similar assets; and
- Insurance – ensuring that insurance providers have acceptable financial ratings.

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Counterparty risks: The adverse events in the global financial and economic markets over the past two years also increased counterparty risks. The Company manages counterparty risks through its focus on the following:

- Customers – performing thorough review of customer credit reports and accounts receivable aging reports by internal credit resources;
- Suppliers – implementing a supplier risk management program and utilizing industry sources to identify and mitigate high risk situations; and
- Derivatives – ensuring that counterparties to derivative instruments have acceptable credit ratings.

Environmental: At present, the United States Environmental Protection Agency ("USEPA") has designated the Company as a potentially responsible party ("PRP") for remediation of five sites with which the Company had involvement. These sites include: Auburn Incinerator, Inc./Lake Calumet Cluster (Illinois), LWD, Inc. (Kentucky), Circle Environmental of Dawson (two sites: Dawson, GA and Terrell County, GA), and a scrap metal site known as Chemetco (Illinois). These sites are not Company-owned and allegedly contain materials attributable to Modine from past operations. The percentage of material allegedly attributable to Modine is relatively low. Remediation of these sites is in various stages of administrative or judicial proceedings and includes recovery of past governmental costs and the costs of future investigations and remedial actions. Costs anticipated for the remedial settlement of these sites cannot be reasonably determined at this time; however those costs are not believed to be material and have not been accrued based upon Modine's relatively small portion of contributed materials. In addition, Modine is voluntarily participating in the care for an inactive landfill owned by the City of Trenton (Missouri).

The Company has also recorded other environmental investigation, cleanup and remediation expense accruals for certain facilities located in the United States, Brazil, and the Netherlands. These expenditures generally relate to facilities where past operations followed practices and procedures that were considered acceptable under then existing regulations, or where the Company is a successor to the obligations of prior owners and current laws and regulations require investigative and/or remedial work to ensure sufficient environmental compliance.

Other litigation: In the normal course of business, the Company and its subsidiaries are named as defendants in various other lawsuits and enforcement proceedings by private parties, the Occupational Safety and Health Administration, USEPA, other governmental agencies and others in which claims, such as personal injury, property damage, intellectual property or antitrust and trade regulation issues, are asserted against Modine.

If a loss arising from environmental and other litigation matters is probable and can reasonably be estimated, the Company records the amount of the estimated loss, or the minimum estimated liability when the loss is estimated using a range, and no point within the range is more likely than another. The undiscounted reserves for these matters totaled $5,755 and $3,048 at September 30, 2010 and March 31, 2010, respectively. Additional reserves of $2,900 and $2,932 were recorded during the three and six months ended September 30, 2010, respectively, which were recorded as a component of loss from discontinued operations. Additional reserves of $720 were recorded during the three and six months ended September 30, 2009, of which $671 was recorded as a component of loss from discontinued operations. Many of these matters are covered by various insurance policies; however, the Company does not record any insurance recoveries until these are realized or realizable. As additional information becomes available, any potential liability related to these matters is assessed and the estimates are revised, if necessary. Based on currently available information, Modine believes that the ultimate outcome of these matters, individually and in the aggregate, will not have a material adverse effect on the cash flows, financial position or overall trends in results of

operations. However, these matters are subject to inherent uncertainties, and unfavorable outcomes could occur, including the assessment of significant monetary damages.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

When we use the terms “Modine,” “we,” “us,” the “Company,” or “our” in this report, unless the context otherwise requires, w are referring to Modine Manufacturing Company. Our fiscal year ends on March 31 and, accordingly, all references to quarters refer to our fiscal quarters. The quarter ended September 30, 2010 refers to the second quarter of fiscal 2011.

Second Quarter Highlights: Net sales in the second quarter of fiscal 2011 improved significantly from the second quarter of fiscal 2010, driven by an overall increase in sales volumes, primarily within the commercial vehicle and off-highway markets in North America and South America, as well as within the European automotive and commercial vehicle markets, as these markets are showing signs of recovery from the global recession. Gross margin improved with these increased sales volumes, reflecting the operating leverage generated through our reduced fixed cost structure. Selling, general and administrative (SG&A) expenses increased from the second quarter of fiscal 2010 to the second quarter of fiscal 2011 due to higher employee compensation, increased pension costs and higher engineering and development costs. Income from operations improved substantially during the second quarter of fiscal 2011, as the incremental benefit from the sales growth and gross margin improvement during the quarter more than offset the increase in SG&A expenses. Interest expense increased from the second quarter of fiscal 2010 to the second quarter of fiscal 2011 due to approximately $20 million of costs related to the long-term debt refinancing completed on August 12, 2010. We amended our domestic revolving credit facility, entered into new senior notes and repaid our original senior notes. Interest expense includes a prepayment penalty to the holders of the original senior notes and the write-off of unamortized debt issuance costs. Other income includes foreign currency exchange gains on inter-company loans denominated in foreign currencies. During the second quarter of fiscal 2011, we reported a loss from continuing operations of approximately 12 million. This loss increased from the second quarter of fiscal 2010 due largely to the increased interest expense with the debt refinancing which more than exceeded the improvement in the income from operations during the quarter.

Year-To-Date Highlights: Net sales in the first six months of fiscal 2011 increased substantially from the first six months of fiscal 2010 due to an overall sales volume increase, particularly within the commercial vehicle and off-highway markets. Gross margin improved as a result of better fixed cost absorption on the higher sales volumes. SG&A expenses increased year-over-year, primarily resulting from reinvestment in the business, including higher compensation expense, higher pension costs and higher engineering and development costs. However, SG&A expenses as a percentage of sales decreased as our rate of growth in sales exceeded the rate of growth in SG&A costs. Income from operations improved from a loss from operations in the prior year as a result of the sales growth and gross margin improvement partially offset by the increase in SG&A expenses. Interest expense includes costs related to the long-term debt refinancing. Our results for the first six months of fiscal 2011were income from continuing operations before taxes versus a loss from continuing operations before taxes for the first six months of fiscal 2010.

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CONSOLIDATED RESULTS OF OPERATIONS – CONTINUING OPERATIONS

The following table presents consolidated results from continuing operations on a comparative basis for the three and six months ended September 30, 2010 and 2009:

	Three months ended September 30												Six months ended September 30											
	2010						2009						2010						2009					
(dollars in millions)	$'s		% of sales				$'s		% of sales				$'s		% of sales				$'s		% of sales			
Net sales	345.9		100.0	%			282.3		100.0	%			691.1		100.0	%			535.9		100.0	%		
Cost of sales	288.3		83.3	%			239.9		85.0	%			574.8		83.2	%			457.7		85.4	%		
Gross profit	57.6		16.7	%			42.4		15.0	%			116.3		16.8	%			78.2		14.6	%		
Selling, general and administrative expenses	45.3		13.1	%			37.0		13.1	%			87.0		12.6	%			75.6		14.1	%		
Restructuring income	-		0.0	%			(3.2	)	-1.1	%			-		0.0	%			(2.0	)	-0.4	%		
Impairment of long-lived assets	1.2		0.4	%			3.8		1.3	%			1.2		0.2	%			4.8		0.9	%		
Income (loss) from operations	11.2		3.2	%			4.7		1.7	%			28.0		4.1	%			(0.2	)	0.0	%		
Interest expense	23.5		6.8	%			9.6		3.4	%			27.6		4.0	%			15.1		2.8	%		
Other income – net	(5.6	)	-1.6	%			(1.0	)	-0.4	%			(2.0	)	-0.3	%			(6.7	)	-1.3	%		
(Loss) earnings from continuing operations before income taxes	(6.8	)	-2.0	%			(4.0	)	-1.4	%			2.4		0.3	%			(8.6	)	-1.6	%		
Provision for income taxes	5.0		1.4	%			0.9		0.3	%			8.7		1.3	%			1.9		0.4	%		
Loss from continuing operations	(11.8	)	-3.4	%			(4.9	)	-1.7	%			(6.4	)	-0.9	%			(10.5	)	-2.0	%		

Comparison of Three Months Ended September 30, 2010 and 2009

Second quarter net sales of $345.9 million were 23 percent higher than the $282.3 million reported in the second quarter of fiscal 2010 driven by increases in overall sales volumes as certain end markets are beginning to recover from the recent global recession, partially offset by a $11.4 million unfavorable impact of foreign currency exchange rate changes. Commercial vehicle and off-highway sales improved approximately 25 percent and 68 percent, respectively, compared to the second quarter of fiscal 2010.

During the second quarter of fiscal 2011, gross profit increased $15.2 million and gross margin improved 170 basis points from 15.0 percent in the second quarter of fiscal 2010 to 16.7 percent in the second quarter of fiscal 2011. During the recent global recession, we took steps to reduce our fixed manufacturing costs. We are maintaining this reduced fixed cost structure as our sales volumes improve, resulting in higher operating leverage and improvement in our gross margin during the quarter.

SG&A expenses increased $8.3 million from the second quarter of fiscal 2010 to the second quarter of fiscal 2011, yet remained the same as a percentage of sales. The increase in SG&A expenses is primarily related to reinvestment in the business, including higher compensation expense, higher pension costs and higher engineering and development costs.

Restructuring (income) expense is primarily comprised of severance costs incurred as a result of plant closures and other workforce reduction initiatives. During the second quarter of fiscal 2010, we recorded restructuring income related to the reversal of severance liabilities as the result of favorable benefits negotiations within our Original Equipment – Europe segment.

During the second quarter of fiscal 2011, we recorded long-lived asset impairment charges of $1.2 million in our Original Equipment – Europe and Original Equipment – Asia segments related to a program cancellation. During the second quarter of fiscal 2010, we recorded impairment charges of $3.8 million against long-lived assets in our North American business for certain program assets that were not able to support their asset bases and for assets at the Harrodsburg, Kentucky manufacturing facility based on our intentions to close that facility.

Income from operations improved $6.5 million from $4.7 million in the second quarter of fiscal 2010 to $11.2 million in the second quarter of fiscal 2011 as a result of the higher sales and gross margin improvement which more than offset the increase in SG&A costs.

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Interest expense increased $13.9 million over the comparable quarter, driven by $20.0 million of costs related to the debt refinancing. This includes a $16.6 million prepayment penalty to the holders of the then outstanding senior notes, $1.7 million write-off of unamortized debt issuance costs and $1.6 million write-off of interest rate derivatives related to those senior notes. Interest expense for the second quarter of fiscal 2010 included a $3.4 million prepayment penalty to the holders of the then outstanding senior notes in connection with the mandatory prepayment of debt with a portion of the cash proceeds from the common stock offering on September 30, 2009. Also included in interest expense in the second quarter of fiscal 2010 was $0.8 million related to the amortization of capitalized debt issuance costs and interest rate derivatives in proportion with the mandatory prepayment of the senior notes.

Other income increased $4.6 million to $5.6 million recorded in the second quarter of fiscal 2011. The increase in other income was primarily related to foreign currency transaction gains recorded in the second quarter of fiscal 2011 on inter-company loans denominated in foreign currencies due to a strengthening of those foreign currencies to the U.S. dollar.

During the second quarter of fiscal 2011, we recorded a $5.0 million provision for income taxes, which represents an effective tax rate of 74.2 percent. This compares to a $0.9 million provision for income taxes recorded during the second quarter of fiscal 2010, which represents an effective tax rate of 21.7 percent. We record a provision for income taxes primarily in foreign jurisdictions where we are generating pre-tax profits, such as Brazil, United Kingdom, the Netherlands and Hungary. The provision for income taxes increased from the prior year as we generated more pre-tax profits in these foreign tax jurisdictions. During the second quarter of fiscal 2011, we recorded a valuation allowance of $8.4 million predominantly against the net deferred tax assets in the U.S. as we continue to assess that it is more likely than not that these assets will not be realized in the future. During the second quarter of fiscal 2010, we recorded a valuation allowance of $2.0 million.

During the second quarter of fiscal 2011, we recorded a loss from continuing operations of $11.8 million, as compared to a loss from continuing operations of $4.9 million in the second quarter of the prior year. In addition, diluted loss per share from continuing operations increased $0.11 to a $0.26 loss per share from a $0.15 loss per share in the prior year. These increases were primarily related to the costs associated with the long-term debt refinancing partially offset by the improvement in income from operations.

Comparison of Six Months Ended September 30, 2010 and 2009

Fiscal 2011 year-to-date net sales of $691.1 million improved $155.2 million from the $535.9 million reported in the same period last year driven by increases in overall sales volumes. Commercial vehicle and off-highway sales increased approximately 26 percent and 68 percent, respectively, compared to the first six months of fiscal 2010. This was partially offset by an unfavorable impact of foreign currency exchange rate changes of $16.3 million.

Fiscal 2011 year-to-date gross margin increased to 16.8 percent from 14.6 percent reported in the same period of fiscal 2010. The gross margin improvement is the result of better fixed cost absorption on the higher sales volumes.

Fiscal 2011 year-to-date SG&A expenses increased $11.4 million from the same period last year, primarily due to of our reinvestment in the business, including higher compensation expense, higher pension costs and higher engineering and development costs. However, SG&A expenses decreased 150 basis points as a percentage of sales.

Restructuring income of $2.0 million was recorded during the first six months of fiscal 2010 related to the reversal of severance liabilities within our European business as the result of favorable benefits negotiations.

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During the first six months of fiscal 2011, we recorded impairment charges of $1.2 million within the Original Equipment – Europe and Original Equipment – Asia segments due to a program cancellation. During the first six months of fiscal 2010, we recorded impairment charges of $4.8 million related primarily to long-lived assets in our North American business for certain program assets that were not able to support their asset bases and for the Harrodsburg, Kentucky manufacturing facility based on our intentions to close this facility.

Fiscal 2011 year-to-date operating income of $28.0 million improved $28.2 million from the same period last year. This significant improvement is largely due to the higher sales and gross margin which more than offset higher SG&A costs.

Fiscal 2011 year-to-date interest expense increased $12.5 million over the same period last year, largely due to the $20.0 million of costs related to the debt refinancing. Fiscal 2010 year-to-date interest expense included $4.2 million of costs related to with the mandatory prepayment of debt with a portion of the cash proceeds from the common stock offering on September 30, 2009.

Fiscal 2011 year-to-date other income decreased $4.7 million over the same period last year. The decrease was due to a reduction in foreign currency exchange gains on inter-company loans denominated in a foreign currency. Fiscal 2010 year-to-date other income also included a gain of $1.5 million related to the sale of our 50 percent ownership of Anhui Jianghaui Mando Climate Control Co. Ltd.

During the first six months of fiscal 2011, we recorded a $8.7 million provision for income taxes, which represents an effective tax rate of 368.4 percent. This compares to a $1.9 million provision for income taxes recorded during the first six months of fiscal 2010, which represented an effective tax rate of 21.8 percent. The increase in the provision for income taxes is primarily related to growth in pre-tax earnings in our foreign jurisdictions. During the first six months of fiscal 2011, we recorded a valuation allowance of $10.7 million predominantly against the net deferred tax assets in the U.S. as we continue to assess that it is more likely than not that these assets will be realized in the future. During the first six months of fiscal 2010, we recorded a valuation allowance of $2.4 million predominantly against the net deferred tax assets in the U.S.

Loss from continuing operations improved $4.1 million from the first six months of fiscal 2010 to the first six months of fiscal 2011. In addition, diluted loss per share from continuing operations improved from a $0.32 loss per share in the prior year to a $0.14 loss per share in the current year. The improvement in income from operations more than offset the increase in interest expense and provision for income taxes during the first six months of fiscal 2011 resulting in the improved loss from continuing operations and earnings per share.

DISCONTINUED OPERATIONS

During the second quarter of fiscal 2011, we recorded $2.9 million of environmental cleanup and remediation expenses as a component of loss from discontinued operations related to a facility in the Netherlands that was sold as part of the spin off of our Aftermarket business on July 22, 2005.

OUT OF PERIOD ADJUSTMENTS

During the second quarter of fiscal 2011, we identified a $3.3 million postretirement curtailment gain related to the closure of the Harrodsburg, Kentucky manufacturing facility, of which $2.9 million related to prior periods and $0.4 million related to the current quarter. We recorded $1.2 million in the Original Equipment – North America segment during the second quarter for the portion of the postretirement curtailment gain that should have been recorded in the fourth quarter of fiscal 2010. This adjustment was not considered material to the fiscal 2010 financial statements or the current quarter, and resulted in decreased cost of sales of $1.2 million, increased pre-tax and post-tax results of

$1.2 million and decreased diluted loss per share from continuing operations of $0.03. In addition, we identified that $1.7 million of the postretirement curtailment gain should have been recorded in the first quarter of fiscal 2011 and identified a $1.0 million gain from a commercial settlement in the Original Equipment – Europe segment that should have been recorded in the first quarter of fiscal 2011 as well. These first quarter adjustments totaling $2.7 million were not considered material to the previously issued first quarter fiscal 2011 financial statements. Accordingly, we revised our year-to-date results in this quarterly filing and will revise the first quarter fiscal 2011 results prospectively in future filings. The revised first quarter fiscal 2011 results reflect decreased cost of sales of $2.7 million, increased provision for income taxes of $0.4 million, increased income from continuing operations of $2.3 million and increased diluted earnings per share from continuing operations of $0.05.

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SEGMENT RESULTS OF OPERATIONS

The following is a discussion of our segment results of operations for the three and six months ended September 30, 2010 and 2009:

Original Equipment – Asia

	Three months ended September 30				Six months ended September 30			
	2010		2009		2010		2009	
(dollars in millions)	$'s	% of sales	$'s	% of sales	$'s	% of sales	$'s	% of sales
Net sales	12.7	100.0 %	7.2	100.0 %	24.8	100.0 %	13.5	100.0 %
Cost of sales	12.0	94.5 %	7.3	101.4 %	22.9	92.3 %	13.9	103.0 %
Gross profit	0.7	5.5 %	(0.1)	-1.4 %	1.9	7.7 %	(0.4)	-3.0 %
Selling, general and administrative expenses	1.6	12.6 %	1.3	18.1 %	3.2	12.9 %	2.6	19.3 %
Impairment on long-lived assets	0.3	2.4 %	-	0.0 %	0.3	1.2 %	-	0.0 %
Loss from continuing operations	(1.2)	-9.4 %	(1.4)	-19.4 %	(1.6)	-6.5 %	(3.0)	-22.2 %

Comparison of Three Months Ended September 30, 2010 and 2009

The Original Equipment – Asia segment continues to operate in a growth phase. Net sales increased $5.5 million from the second quarter of fiscal 2010 to the second quarter of fiscal 2011 primarily due to increased program launch activity within the Chinese off-highway markets. Gross margin improved to 5.5 percent during the second quarter of fiscal 2011 from a gross margin of negative 1.4 percent one year ago. A long-lived asset impairment charge of $0.3 million was recorded during the second quarter of fiscal 2011 related to a program cancellation. The loss from continuing operations improved over the periods presented due to the increased sales volumes.

Comparison of Six Months Ended September 30, 2010 and 2009

Original Equipment – Asia fiscal 2011 year-to-date net sales increased $11.3 million from the same period last year as a result of continued launch activities and ramp-up of business within this segment. Gross margin improved to 7.7 percent for the first six months of fiscal 2011 from a gross margin of negative 3.0 percent during the first six months of fiscal 2010. A long-lived asset impairment charge of $0.3 million was recorded during the second quarter of fiscal 2011 related to a program cancellation. The loss from continuing operations decreased $1.4 million over the periods presented due to the increased sales volumes.

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Original Equipment – Europe

	Three months ended September 30				Six months ended September 30			
	2010		2009		2010		2009	
(dollars in millions)	$'s	% of sales	$'s	% of sales	$'s	% of sales	$'s	% of sales
Net sales	124.9	100.0 %	112.3	100.0 %	257.0	100.0 %	217.6	100.0 %
Cost of sales	109.3	87.5 %	98.3	87.5 %	220.0	85.6 %	190.1	87.4 %
Gross profit	15.6	12.5 %	14.0	12.5 %	37.0	14.4 %	27.5	12.6 %
Selling, general and administrative expenses	11.8	9.4 %	10.1	9.0 %	22.2	8.6 %	21.0	9.7 %
Restructuring (income) expense	-	0.0 %	(3.3)	-2.9 %	0.1	0.0 %	(3.1)	-1.4 %
Impairment of long-lived assets	0.9	0.7 %	-	0.0 %	0.9	0.4 %	0.2	0.1 %
Income from continuing operations	2.9	2.3 %	7.2	6.4 %	13.8	5.4 %	9.4	4.3 %

Comparison of Three Months Ended September 30, 2010 and 2009

Original Equipment – Europe net sales increased $12.6 million from the second quarter of fiscal 2010 to the second quarter of fiscal 2011, driven by a $25.9 million increase in sales to vehicular customers partially offset by a $13.3 million unfavorable impact of foreign currency exchange rate changes. Gross margin remained the same at 12.5 percent during the second quarter of fiscal 2010 and fiscal 2011, despite increased sales volumes, due to higher supply chain costs and inefficiencies associated with program launches and product transfers at certain manufacturing facilities within this segment. During the second quarter of fiscal 2011, we entered into a contract assembly agreement with a company for our Wackersdorf, Germany facility in which this company will take over responsibility of our employees and the assembly of automotive modules. SG&A expenses increased $1.7 million from the second quarter of fiscal 2010 to the second quarter of fiscal 2011 primarily due to higher compensation expenses. A long-lived asset impairment charge of $0.9 million was recorded during the second quarter of fiscal 2011 related to a program cancellation. Restructuring income of $3.3 million was recorded during the second quarter of fiscal 2010 related to the reversal of severance liabilities as the result of favorable benefits negotiations. Income from continuing operations decreased $4.3 million over the periods presented, primarily due to the asset impairment charge and the absence of restructuring income similar to that recorded in the prior year.

Comparison of Six Months Ended September 30, 2010 and 2009

Original Equipment – Europe fiscal 2011 year-to-date net sales increased $39.4 million from the same period last year, based primarily on an increase in sales to the premium automotive and commercial vehicle markets partially offset by a $23.1 million unfavorable impact of foreign currency exchange rate changes. Gross margin improved from 12.6 percent during the first six months of fiscal 2010 to 14.4 percent during the first six months of fiscal 2011 due to improved operating leverage on higher sales volumes, which was partially offset by higher supply chain costs and inefficiencies associated with program launches and product transfers at certain manufacturing facilities. Gross margin also includes a $1.0 million gain from a commercial settlement. See Out of Period Adjustments for further discussion. The year-to-date results have been revised to reflect this gain. SG&A expenses increased $1.2 million primarily due to higher compensation expense, yet decreased as a percentage of sales. A long-lived asset impairment

charge of $0.9 million was recorded during the first six months of fiscal 2011 related to a program cancellation. Restructuring income of $3.1 million was recorded during the first six months of fiscal 2010 related to the reversal of severance liabilities as the result of favorable benefits negotiations. Income from continuing operations increased $4.4 million from the first six months of fiscal 2010 to the first six months of fiscal 2011 based on the increased sales volumes and improved gross margin.

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Original Equipment - North America

	Three months ended September 30						Six months ended September 30					
	2010			2009			2010			2009		
(dollars in millions)	$'s	% of sales		$'s	% of sales		$'s	% of sales		$'s	% of sales	
Net sales	125.4	100.0	%	100.7	100.0	%	255.4	100.0	%	192.3	100.0	%
Cost of sales	107.3	85.6	%	89.3	88.7	%	219.3	85.9	%	168.7	87.7	%
Gross profit	18.1	14.4	%	11.4	11.3	%	36.1	14.1	%	23.6	12.3	%
Selling, general and administrative expenses	10.7	8.5	%	6.3	6.3	%	20.0	7.8	%	14.8	7.7	%
Restructuring expense	-	0.0	%	-	0.0	%	-	0.0	%	0.1	0.1	%
Impairment of long-lived assets	-	0.0	%	3.8	3.8	%	-	0.0	%	4.6	2.4	%
Income from continuing operations	7.4	5.9	%	1.3	1.3	%	16.1	6.3	%	4.1	2.1	%

Comparison of Three Months Ended September 30, 2010 and 2009

Original Equipment – North America net sales increased $24.7 million from the second quarter of fiscal 2010 to the second quarter of fiscal 2011, primarily driven by the continued recovery within the off-highway and Class 8 commercial vehicle markets. Gross margin improved 310 basis points from 11.3 percent during the second quarter of fiscal 2010 to 14.4 percent during the second quarter of fiscal 2011. This improvement is primarily related to better fixed cost absorption due to the higher sales and a $1.6 million postretirement curtailment gain related to the closure of the Harrodsburg, Kentucky manufacturing facility of which $1.2 million related to the fourth quarter of fiscal 2010. See Out of Period Adjustments for further discussion. SG&A expenses increased $4.4 million year-over-year, primarily due to higher employee compensation, increased pension costs and higher engineering and development costs due to year over year changes in timing of certain development programs. The long-lived asset impairment charges recorded during the second quarter of fiscal 2010 were related to the Harrodsburg, Kentucky manufacturing facility as this facility was intended for closure and its net book value exceeded its fair value, and a program that was unable to support its asset base. The income from continuing operations improved $6.1 million to $7.4 million during the second quarter of fiscal 2011 based on the sales increase, gross margin improvement and absence of impairment charges.

Comparison of Six Months Ended September 30, 2010 and 2009

Original Equipment – North America fiscal 2011 year-to-date net sales increased $63.1 million, or 33 percent, from the same period last year primarily driven by the continued recovery within the off-highway and Class 8 commercial vehicle markets. Gross margin improved from 12.3 percent during the first six months of fiscal 2010 to 14.1 percent during the first six months of fiscal 2011 due to improved operating leverage on higher sales volumes and a $3.3 million postretirement curtailment gain related to the closure of the Harrodsburg, Kentucky manufacturing facility. See Out of Period Adjustments for further discussion. SG&A expenses increased $5.2 million year-over-year due to higher employee compensation, increased pension costs and higher engineering and development costs. SG&A expense is comparable year-over-year as a percentage of sales. Asset impairment charges of $4.6 million were recorded during the first six months of fiscal 2010 related to a program that was not able to support its asset base and the Harrodsburg, Kentucky manufacturing facility, which had a net book value that exceeded its fair value. During the first six months of fiscal 2011, this segment reported income from continuing operations of $16.1 million, which has improved $12.0 million from the income from continuing operations of $4.1 million incurred in the first six

months of fiscal 2010, based primarily on the improved gross margin and absence of long-lived asset impairment charges.

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South America

	Three months ended September 30						Six months ended September 30					
	2010			2009			2010			2009		
(dollars in millions)	$'s	% of sales		$'s	% of sales		$'s	% of sales		$'s	% of sales	
Net sales	41.2	100.0	%	28.0	100.0	%	78.1	100.0	%	50.6	100.0	%
Cost of sales	32.2	78.2	%	22.3	79.6	%	61.6	78.9	%	40.1	79.2	%
Gross profit	9.0	21.8	%	5.7	20.4	%	16.5	21.1	%	10.5	20.8	%
Selling, general and administrative expenses	4.0	9.7	%	3.2	11.4	%	7.7	9.9	%	6.2	12.3	%
Restructuring expense	-	0.0	%	0.2	0.7	%	-	0.0	%	0.8	1.6	%
Income from continuing operations	5.0	12.1	%	2.3	8.2	%	8.8	11.3	%	3.5	6.9	%

Comparison of Three Months Ended September 30, 2010 and 2009

South America net sales increased $13.2 million from the second quarter of fiscal 2010 to the second quarter of fiscal 2011, due to increased sales volumes within their commercial vehicle and off-highway markets and a $2.6 million favorable impact of foreign currency exchange rate changes. Gross margin increased 140 basis points to 21.8 percent during the second quarter of fiscal 2011 from 20.4 percent during the second quarter of fiscal 2010 due to improved operating leverage on higher sales volumes. SG&A expense increased $0.8 million yet decreased 170 basis points as a percentage of sales as the increase in sales volumes was greater than the increase in SG&A costs. Income from continuing operations increased $2.7 million over the periods presented based on the increased sales volumes and improved gross margin.

Comparison of Six Months Ended September 30, 2010 and 2009

South America fiscal 2011 year-to-date net sales increased $27.5 million, or 54 percent, from the same period last year, due to increased sales volumes within the segment’s commercial vehicle and off-highway markets, along with a favorable impact of foreign currency exchange rate changes of $7.5 million. Gross margin increased from 20.8 percent during the first six months of fiscal 2010 to 21.1 percent during the first six months of fiscal 2011 due to improved operating leverage on higher sales volumes partially offset by year-over-year increased materials pricing. SG&A expenses increased $1.5 million as a result of reinvestment in the business yet decreased 240 basis points as a percentage of sales. Restructuring expense of $0.8 million was recorded during the first six months of fiscal 2010 related to a workforce reduction within the Brazilian operations. Income from continuing operations increased $5.3 million from the first six months of fiscal 2010 to the first six months of fiscal 2011 based on the significant increase in sales volumes and improved gross margin.

Commercial Products

	Three months ended September 30						Six months ended September 30					
	2010			2009			2010			2009		
(dollars in millions)	$'s	% of sales		$'s	% of sales		$'s	% of sales		$'s	% of sales	
Net sales	46.6	100.0	%	45.2	100.0	%	86.4	100.0	%	79.6	100.0	%
Cost of sales	32.8	70.4	%	32.8	72.6	%	62.3	72.1	%	59.0	74.1	%
Gross profit	13.8	29.6	%	12.4	27.4	%	24.1	27.9	%	20.6	25.9	%

Selling, general and administrative expenses	7.0	15.0	%	6.6	14.6	%	13.8	16.0	%	12.1	15.2	%
Restructuring expense	-	0.0	%	-	0.0	%	-	0.0	%	0.3	0.4	%
Income from continuing operations	6.8	14.6	%	5.8	12.8	%	10.3	11.9	%	8.2	10.3	%

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Comparison of Three Months Ended September 30, 2010 and 2009

Commercial Products net sales increased $1.4 million from the second quarter of fiscal 2010 to the second quarter of fiscal 2011 due to new product launches. Gross margin improved from 27.4 percent during the second quarter of fiscal 2010 to 29.6 percent during the second quarter of fiscal 2011, primarily due to the increased sales volumes and performance improvements. SG&A expenses increased slightly from the second quarter of fiscal 2010 to the second quarter of fiscal 2011 due to an investment in additional resources within the segment. Income from continuing operations improved $1.0 million over the periods presented due to the improved gross margin.

Comparison of Six Months Ended September 30, 2010 and 2009

Commercial Products fiscal 2011 year-to-date net sales increased $6.8 million from the same period last year, due to higher market penetration with new product introductions partially offset by a $1.1 million unfavorable impact of foreign currency exchange rate changes. Gross margin improved from 25.9 percent during the first six months of fiscal 2010 to 27.9 percent during the first six months of fiscal 2011, primarily due to the increased sales volumes and performance improvements. SG&A expenses increased $1.7 million from the first six months of fiscal 2010 to the first six months of fiscal 2011 due to an investment in additional resources within the segment and higher commission costs due to increased sales. Income from continuing operations increased $2.1 million to $10.3 million in the first six months of fiscal 2011 due to a better fixed cost absorption related to increased sales volumes.

Liquidity and Capital Resources

Our primary sources of liquidity are cash flow from operating activities and borrowings under lines of credit provided by banks in the United States and abroad. On August 12, 2010, we entered into a four-year, $145.0 million Amended and Restated Credit Agreement with six financial institutions led by JPMorgan Chase Bank, N.A. The credit agreement amended and restated the Company’s then existing three-year, $142.1 million revolving credit facility, which had been due to expire in July 2011. We have the right to request an increase in the aggregate commitment by up to a maximum additional amount of $50.0 million subject only to the agreement of JPMorgan Chase Bank, N.A. and the other lenders providing the increase in aggregate commitment.

In addition, we entered into $125.0 million, 6.83 percent Secured Series A Senior Notes with Prudential Investment Management, Inc., The Prudential Insurance Company of America and Prudential Retirement Insurance and Annuity Company (collectively the “Note Holders”) maturing on August 12, 2020 (“2020 Notes”). We may also authorize the issuance of additional senior notes in an aggregate principal amount of $25.0 million under the Note Purchase Agreement among the Company and the Note Holders pursuant to a currently uncommitted facility.

The proceeds from the 2020 Notes were used to repay our existing senior notes. We recognized a loss of $17.9 million on early extinguishment of the debt as a component of interest expense, which includes a required prepayment penalty of $16.6 million paid to the holders of the outstanding senior notes.

Cash used for operating activities for the six months ended September 30, 2010 was $15.9 million as compared to cash provided by operating activities of $18.9 million for the six months ended September 30, 2009. This decline in cash flow from operations is primarily due to a $12.1 million contribution to our U.S. pension plans and the $16.6 million prepayment penalty related to the pay-off of our existing senior notes in the first half of fiscal 2011.

At September 30, 2010, we had capital expenditure commitments of $22.6 million. Significant commitments include tooling and equipment expenditures for new and renewal platforms with new and current customers in Europe and North America.

Outstanding indebtedness increased $27.9 million to $167.1 million at September 30, 2010 from the March 31, 2010 balance of $139.2 million, as a result of the refinancing of our debt, our investment in working capital and the contribution to our domestic pension plan. Our cash balance of $43.4 million at September 30, 2010 is consistent with the $43.7 million balance at March 31, 2010.

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At September 30, 2010, we had $112.6 million available for future borrowings under the domestic revolving credit facility. In addition to this revolving credit facility, unused lines of credit also exist in Europe, Brazil and China, totaling $36.1 million. In the aggregate, total available lines of credit of $148.7 million existed at September 30, 2010. The availability of these funds is subject to our ability to remain in compliance with the financial ratios and limitations in the respective debt agreements.

Debt Covenants

Our debt agreements require us to maintain compliance with various covenants. The Company is subject to an adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) to interest expense (interest expense coverage ratio) covenant and a debt to adjusted EBITDA (leverage ratio) covenant. Adjusted EBITDA is defined as earnings from continuing operations before interest expense and provision for income taxes, adjusted to exclude unusual, non-recurring or extraordinary non-cash charges and up to $40.0 million of cash restructuring and repositioning charges, not to exceed $20.0 million in any fiscal year, and further adjusted to add back depreciation and amortization. Adjusted EBITDA does not represent, and should not be considered, an alternative to earnings from continuing operations as determined by generally accepted accounting principles (GAAP), and our calculation may not be comparable to similarly titled measures reported by other companies.

The Company is required to maintain the interest expense coverage ratio and leverage ratio covenants based on the following ratios:

	Interest Expense Coverage Ratio Covenant (Not Permitted to Be Less Than):	Leverage Ratio Covenant (Not Permitted to Be Greater Than):
Fiscal quarter ending on or after June 30, 2010 but on or before August 12, 2014	3.00 to 1.0	3.25 to 1.0
All fiscal quarters ending thereafter	3.00 to 1.0	3.00 to 1.0

Our adjusted EBITDA for the four consecutive quarters ended September 30, 2010 was $106.1 million. The following table presents a calculation of adjusted EBITDA:

(dollars in thousands)

	Quarter Ended December 31, 2009	Quarter Ended March 31, 2010	Quarter Ended June 30, 2010	Quarter Ended September 30, 2010	Total
Earnings (loss) from continuing operations	$ 2,125	$ (11,895)	$ 5,404	$ (11,762)	$(16,128)
Consolidated interest expense	3,793	3,993	4,108	23,529	35,423
Provision for income taxes	238	7,707	3,715	5,012	16,672
Depreciation and amortization expense (a)	16,045	15,329	14,578	13,747	59,699
Non-cash charges (b)	583	4,662	3,460	(5,279)	3,426
Restructuring and repositioning charges (c)	2,463	1,557	1,714	1,319	7,053
Adjusted EBITDA	$ 25,247	$ 21,353	$ 32,979	$ 26,566	$106,145

(a)

Depreciation and amortization expense represents total depreciation and amortization from continuing operations less accelerated depreciation, which has been included in non-cash charges described in footnote (b) below.

(b) Non-cash charges are comprised of long-lived asset impairments, non-cash restructuring and repositioning charges, exchange gains or losses on inter-company loans and non-cash charges that are unusual, non-recurring or extraordinary, as follows:

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(dollars in thousands)

	Quarter Ended December 31, 2009	Quarter Ended March 31, 2010	Quarter Ended June 30, 2010	Quarter Ended September 30, 2010	Total
Long-lived asset impairments	$ 273	$ 1,432	$ -	$ 1,226	$ 2,931
Non-cash restructuring and repositioning charges	718	1,006	(1,727)	(1,565)	(1,568)
Exchange (gains) losses on intercompany loans	(412)	1,939	5,187	(4,940)	1,774
Provision for uncollectible notes receivable	4	(214)	-	-	(210)
Supplemental executive retirement plan settlement	-	499	-	-	499
Non-cash charges	$ 583	$ 4,662	$ 3,460	$ (5,279)	$ 3,426

(c) Restructuring and repositioning charges represent cash restructuring and repositioning costs incurred in conjunction with the restructuring activities described in Note 11 of the Notes to Condensed Consolidated Financial Statements.

Adjusted EBITDA for the quarter ended June 30, 2010 was revised to reflect a $1.0 million gain from a commercial settlement that should have been recorded in the first quarter of fiscal 2011. The postretirement curtailment gain of $1.7 million that should have been recorded in the first quarter of fiscal 2011 had no impact on ending Adjusted EBITDA for the quarter ended June 30, 2010. See Out of Period Adjustments for further discussion.

Our interest expense coverage ratio for the four fiscal quarters ended September 30, 2010 was 5.59, which exceeded the minimum requirement of 3.00. The following table presents a calculation of our interest expense coverage ratio:

	Four Quarters Ended September 30, 2010
Consolidated interest expense	$ 35,423
Less: Prepayment penalty classified as interest	(16,570)
Plus: Other items (a)	122
Total consolidated interest expense	$ 18,975
Adjusted EBITDA	$ 106,145
Interest expense coverage ratio	5.59

(a) Other items include line of credit fees and costs associated with the sale of receivables.

Our leverage ratio for the four fiscal quarters ended September 30, 2010 was 1.67, which was below the maximum ratio of 3.25. The following table presents a calculation of our leverage ratio:

	Four Quarters Ended September 30, 2010
Debt per balance sheet	$ 167,086
Plus: Indebtedness attributed to sales of accounts receivable	3,919
Net commodity derivative liability	904

Standby letters of credit		5,035
Total consolidated debt	$	176,944
Adjusted EBITDA	$	106,145
Leverage ratio		1.67

We expect to remain in compliance with the interest expense coverage ratio and leverage ratio covenants through the remainder of fiscal 2011 and beyond.

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Off-Balance Sheet Arrangements

None.

New Accounting Pronouncements

Accounting standards changes and new accounting pronouncements: In June 2009, the Financial Accounting Standards Board (FASB) issued guidance on accounting for transfers of financial assets, which requires entities to provide more information regarding sales of securitized financial assets and similar transactions, particularly if the entity has continuing exposure to the risks related to transferred financial assets. The guidance eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets and requires additional disclosures. This guidance is effective for us on a prospective basis on or after April 1, 2010 and had no impact on the consolidated financial statements.

In October 2009, the FASB issued updated guidance on revenue arrangements with multiple deliverables, which addresses the unit of accounting for multiple-deliverable arrangements and revises the method by which consideration is allocated among the units of accounting. The overall consideration is allocated to each deliverable by establishing a selling price for individual deliverables based on a hierarchy of evidence, including vendor-specific objective evidence, other third party evidence of the selling price, or the reporting entity's best estimate of the selling price of individual deliverables in the arrangement. This guidance is effective for us on a prospective basis on or after April 1, 2011.

Contractual Obligations

There have been no material changes to our contractual obligations outside the ordinary course of business from those disclosed in our Annual Report on From 10-K for the fiscal year ended March 31, 2010, with the exception of those relating to the refinancing of our revolving credit facility and the simultaneous repayment and replacement of our senior notes. The following is an updated summary of contractual obligations for the long-term debt and interest associated with long-term debt:

(in thousands)	September 30, 2010				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	More than 5 years
Long-term debt	$ 160,684	$ 121	$ 578	$ 29,108	$ 130,877
Interest associated with long-term debt	80,664	4,805	19,219	17,880	38,760
Total long-term debt and interest	$ 241,348	$ 4,926	$ 19,797	$ 46,988	$ 169,637

Interest for the revolving credit facility was calculated using a weighted average interest rate of 3.76 percent. Interest for the 2020 Notes was calculated using the contractual interest rate of 6.83 percent.

We are currently unable to determine the impact on our contractual obligations from the ultimate timing of settlement of the gross liability for uncertain tax positions, which was $5.0 million as of September 30, 2010.

Outlook

We expect the Company's results for fiscal 2011 to be better than those in fiscal 2010 as a result of improving trends in the markets the Company serves, the recent strengthening in sales volumes and improved operating leverage. Compared with the prior fiscal year, we anticipate improved sales across all of our segments, particularly in the commercial vehicle and off-highway markets in North America and the premium automotive and commercial vehicle markets in Europe. We believe that this increase in revenue will be partially offset by the wind-down of certain automotive, passenger thermal management and commercial vehicle business within the Original Equipment – North America segment. We expect gross margin to be positively impacted by the sales volume improvements, given our improved operating leverage. We anticipate SG&A expenses to increase as a result of reinvestment in the business to capitalize on long-term growth drivers, higher pension expense, increased employee total compensation and higher engineering and development expense as sales volumes increase. However, we expect SG&A costs as a percentage of sales to decrease over time as sales volumes grow at a faster pace than the growth in SG&A costs.

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Forward-Looking Statements

This report contains statements, including information about future financial performance, accompanied by phrases such as "believes," "estimates," "expects," "plans," "anticipates," "intends," and other similar "forward-looking" statements, as defined in the Private Securities Litigation Reform Act of 1995. Modine's actual results, performance or achievements may differ materially from those expressed or implied in these statements, because of certain risks and uncertainties, including, but not limited to, those described under "Risk Factors" in Item 1A. in Part I. of the Company's Annual Report on Form 10-K for the year ended March 31, 2010. Other risks and uncertainties include, but are not limited to, the following:

Market Risks:

- Economic, social and political conditions, changes and challenges in the markets where Modine operates and competes (including currency exchange rate fluctuations (particularly the value of the euro relative to the U.S. dollar), tariffs, inflation, changes in interest rates, recession, and restrictions associated with importing and exporting and foreign ownership);

- The impact the current global economic uncertainty is having on Modine, its customers and its suppliers and any worsening of such economic conditions leading to declining sales volumes;

- The nature of the vehicular industry, including the failure of build rates to return to pre-recessionary levels and the dependence of these markets on the health of the economy;

- The impact on Modine of increases in commodity prices, particularly Modine's exposure to the changing prices of aluminum and copper;

- Modine's ability or inability to pass increasing commodity prices on to customers as well as the inherent lag in timing of such pass-through pricing; and

- The impact of environmental laws and regulations on Modine's business and the business of Modine's customers, including Modine's ability to take advantage of opportunities to supply alternative new technologies to meet environmental emissions standards.

Operational Risks:

- Modine's ability to successfully execute its four-point plan, including its ability to successfully implement restructuring plans and drive cost reductions and increased gross margins as a result;

- The impact of operational inefficiencies as a result of program launches and product transfers;

- Modine's ability to maintain current programs and compete effectively for new business, including its ability to offset or otherwise address increasing pricing pressures from its competitors and price reduction pressures from its customers;

- Modine's ability to obtain profitable business at its facilities in the low cost countries of China, Hungary, Mexico and India and to meet quality standards with products produced at these facilities;

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- Unanticipated problems with suppliers meeting Modine's time, quality and price demands;
- Unanticipated delays or modifications initiated by major customers with respect to product applications or requirements;
- Unanticipated product or manufacturing difficulties, including unanticipated launch challenges and warranty claims;
- Work stoppages or interference at Modine's facilities or those of its major customers; and
- Costs and other effects of unanticipated litigation or claims, and the increasing pressures associated with rising healthcare and insurance costs.

Financial Risks:

- Modine's ability to fund its liquidity requirements and meet its long-term commitments in the event of disruption in the credit markets;
- Modine's ability to remain in compliance with its debt agreements and financial covenants going forward; and
- Modine's ability to realize future tax benefits.

In addition to the risks set forth above, Modine is subject to other risks and uncertainties identified by the Company in public filings with the U.S. Securities and Exchange Commission. Modine does not assume any obligation to update any forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

In the normal course of business, Modine is subject to market exposure from changes in foreign exchange rates, interest rates, credit risk, economic risk and commodity price risk.

Foreign Currency Risk

Modine is subject to the risk of changes in foreign currency exchange rates due to its operations in foreign countries. Modine has manufacturing facilities in Brazil, China, Mexico, South Africa, India and throughout Europe. It also has an equity investment in a Japanese company. Modine sells and distributes its products throughout the world. As a result, the Company's financial results could be significantly affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which the Company manufactures, distributes and sells its products. The Company attempts to mitigate foreign currency risks on transactions with customers and suppliers in foreign countries by entering into contracts that are denominated in the functional currency of the Modine entity engaging in the contract. The Company's operating results are principally exposed to changes in exchange rates between the dollar and the European currencies, primarily the euro, and changes between the dollar and the Brazilian real. Changes in foreign currency exchange rates for the Company's foreign subsidiaries reporting in local currencies are generally reported as a component of shareholders' equity. For the three and six months ended September 30, 2010, the Company experienced a general weakening of the U.S. dollar to these foreign currencies, which resulted in a favorable currency translation adjustment of $26.6 million and $3.7 million, respectively. For the three and six months ended September 30, 2009, the Company experienced a general weakening of the U.S. dollar to these foreign currencies, which resulted in a favorable currency translation adjustment of $14.3 million and $41.1 million, respectively. At September 30, 2010 and March 31, 2010, the Company's foreign subsidiaries had net current assets (defined as current assets less current liabilities) subject to foreign currency translation risk of $100.6 million and

$88.5 million, respectively. The potential decrease in the net current assets from a hypothetical 10 percent adverse change in quoted foreign currency exchange rates would be approximately $10.1 million and $8.9 million, respectively. This sensitivity analysis presented assumes a parallel shift in foreign currency exchange rates. Exchange rates rarely move in the same direction relative to the dollar. This assumption may overstate the impact of changing exchange rates on individual assets and liabilities denominated in a foreign currency.

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The Company has, from time to time, certain foreign-denominated, long-term debt obligations and long-term inter-company loans that are sensitive to foreign currency exchange rates. As of September 30, 2010 there were no third party foreign-denominated, long-term debt obligations. The Company had inter-company loans outstanding at September 30, 2010 as follows:

- $14.0 million loan to its wholly owned subsidiary, Modine Thermal Systems Private Limited (Modine India), that matures on April 30, 2013;
- $12.0 million between two loans to its wholly owned subsidiary, Modine Thermal Systems (Changzhou) Co. Ltd. (Changzhou, China), with various maturity dates through June 2012;
- $2.0 million loan to its wholly owned subsidiary, Modine U.K. Dollar Limited, that matures on November 30, 2011; and
- $34.9 million loan to its wholly owned subsidiary, Modine Holding GmbH, that matures on January 31, 2020.

These inter-company loans are sensitive to movement in foreign exchange rates, and the Company does not have any derivative instruments that hedge this exposure.

Interest Rate Risk

Modine's interest rate risk policies are designed to reduce the potential volatility of earnings that could arise from changes in interest rates. The Company generally utilizes a mixture of debt maturities together with both fixed-rate and floating-rate debt to manage its exposure to interest rate variations related to its borrowings. The domestic revolving credit facility is based on a variable interest rate of London Interbank Offered Rate (LIBOR) plus 250 to 375 basis points depending upon the Company’s Consolidated Total Debt to Consolidated Adjusted Earnings before Interest, Taxes, Depreciation and Amortization ratio (leverage ratio) for the four preceding fiscal quarters. As of September 30, 2010, the Company’s variable interest rate was LIBOR plus 350 basis points or 3.76 percent. The Company is subject to future fluctuations in LIBOR and changes in their leverage ratio, which would affect the variable interest rate on the revolving credit facility and create variability in interest expense. A 100 basis point increase in LIBOR would increase interest expense by $0.3 million for the fiscal year based on the September 30, 2010 revolving credit facility balance. The Company has, from time to time, entered into interest rate derivatives to manage variability in interest rates. These interest rate derivatives were treated as cash flow hedges of forecasted transactions. Accordingly, the losses were reflected as a component of accumulated other comprehensive income (loss), and were being amortized to interest expense over the respective lives of the borrowings. During the three and six months ended September 30, 2010, $1.6 million and $1.8 million of expense was recorded in the consolidated statements of operations related to the amortization of interest rate derivative losses, which includes the remaining unamortized balance of these interest rate derivatives of $1.6 million in conjunction with the repayment of the 2015 and 2017 notes on August 12, 2010. During the three and six months ended September 30, 2009, $0.6 million of expense was recorded in the consolidated statements of operations related to the amortization of interest rate derivative losses, which includes $0.5 million of amortization in proportion with the mandatory prepayment of the senior notes on September 30, 2009. There were no remaining net unrealized losses deferred in accumulated other comprehensive income (loss) at September 30, 2010.

The following table presents the future principal cash flows and weighted average interest rates by expected maturity dates for our long-term debt. The fair value of the long-term debt is estimated by discounting the future cash flows at rates offered to the Company for similar debt instruments of comparable maturities. The book value of the debt approximates fair value, with the exception of the $125.0 million fixed rate notes, which have a fair value of approximately $120.9 million at September 30, 2010.

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As of September 30, 2010, long-term debt matures as follows:

	Expected Maturity Date						
Long-term debt in ($000's)	F2011	F2012	F2013	F2014	F2015	Thereafter	Total
Fixed rate (U.S. dollars)	-	-	-	-	-	$125,000	$125,000
Average interest rate	-	-	-	-	-	6.83%	6.83%
Variable rate (U.S. dollars)	-	-	-	-	$28,500	-	$28,500
Average interest rate	-	-	-	-	4.31%	-	4.31%

Credit Risk

Credit risk is the possibility of loss from a customer's failure to make payment according to contract terms. The Company's principal credit risk consists of outstanding trade receivables. Prior to granting credit, each customer is evaluated, taking into consideration the borrower's financial condition, payment experience and credit information. After credit is granted the Company actively monitors the customer's financial condition and developing business news. Approximately 43 percent of the trade receivables balance at September 30, 2010 was concentrated in the Company's top ten customers. Modine's history of incurring credit losses from customers has not been material, and the Company does not expect that trend to change. However, the current economic uncertainty, especially within the global automotive and commercial vehicle markets, makes it difficult to predict future financial conditions of significant customers within these markets. Deterioration in the financial condition of a significant customer could have a material adverse effect on the Company's results of operations and liquidity.

The adverse events in the global financial markets over the past two years also increased credit risks on investments to which Modine is exposed or where Modine has an interest. The Company manages these credit risks through its focus on the following:

- Cash and investments – Cash deposits and short-term investments are reviewed to ensure banks have credit ratings acceptable to the Company and that all short-term investments are maintained in secured or guaranteed instruments. The Company's holdings in cash and investments were considered stable and secure at September 30, 2010;
- Pension assets – The Company has retained outside advisors to assist in the management of the assets in the Company's defined benefit plans. In making investment decisions, the Company has been guided by an established risk management protocol under which the focus is on protection of the plan assets against downside risk. The Company monitors investments in its pension plans to ensure that these plans provide good diversification, ensure that portfolio managers and investment consultants are adhering to the Company's investment policies and directives, and ensure limited exposure to high risk securities and other similar assets. The Company believes it has good investment policies and controls and proactive, responsible investment advisors. Despite our efforts to protect against downside risk, the assets within these plans do fluctuate with changing market valuations and volatility; and
- Insurance – The Company monitors its insurance providers to ensure that they have acceptable financial ratings. The Company has not identified any concerns in this regard through its review.

Economic Risk

Economic risk is the possibility of loss resulting from economic instability in certain areas of the world or significant downturns in markets that the Company supplies. The Company sells a broad range of products that provide thermal solutions to a diverse group of customers operating primarily in the truck, heavy equipment, automotive and commercial heating and air conditioning markets. The adverse events in the global financial markets over the last two years created a significant downturn in the Company's vehicular markets and to a lesser extent in its commercial heating and air conditioning markets. The current economic uncertainty makes it difficult to predict future conditions within these markets. A sustained economic downturn in any of these markets could have a material adverse effect on the future results of operations or the Company's liquidity and potentially result in the impairment of related assets. The Company is responding to these market conditions through its continued implementation of its four-point plan, which includes manufacturing realignment, portfolio rationalization, SG&A expense reduction and capital allocation discipline.

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The Company continues to monitor economic conditions in the U.S. and elsewhere. As Modine expands its global presence, it also encounters risks imposed by potential trade restrictions, including tariffs, embargoes and the like. The Company continues to pursue non-speculative opportunities to mitigate these economic risks, and capitalize, when possible, on changing market conditions.

The Company pursues new market opportunities after careful consideration of the potential associated risks and benefits. Successes in new markets are dependent upon the Company's ability to commercialize its investments. Current examples of new and emerging markets for Modine include those related to exhaust gas recirculation, waste heat recovery and residential fuel cells. Modine's investment in these areas is subject to the risks associated with business integration, technological success, customers' and market acceptance, and Modine's ability to meet the demands of its customers as these markets emerge.

Future recovery from the global recession or continued economic growth in China are expected to put production pressure on certain of the Company's suppliers of raw materials. In particular, there are a limited number of suppliers of copper, steel and aluminum fin stock. The Company is exposed to the risk of supply of certain raw materials not being able to meet increasing customer demand as suppliers may not increase their output capacity as quickly as customers increase their orders and of increased prices being charged by raw material suppliers.

In addition to the purchase of raw materials, the Company purchases parts from suppliers that use the Company's tooling to create the part. In most instances, and for financial reasons, the Company does not have duplicate tooling for the manufacture of its purchased parts. As a result, the Company is exposed to the risk of a supplier of such parts being unable to provide the quantity or quality of parts that the Company requires. Even in situations where suppliers are manufacturing parts without the use of Company tooling, the Company faces the challenge of obtaining high-quality parts from suppliers. The Company has implemented a supplier risk management program that utilizes inside and third-party tools to identify and mitigate high risk supplier situations.

In addition to the above risks on the supply side, the Company is also exposed to risks associated with demands by its customers for decreases in the price of the Company's products. The Company attempts to offset this risk with firm agreements with its customers whenever possible, but these agreements often carry price-down provisions as well.

The Company operates in diversified markets as a strategy for offsetting the risk associated with a downturn in any one or more of the markets it serves. However, the risks associated with any market downturn, including the current global recession, are still present.

Commodity Price Risk

The Company is dependent upon the supply of certain raw materials and supplies in the production process and has, from time to time, entered into firm purchase commitments for copper, aluminum, nickel, and natural gas. The Company has utilized an aluminum hedging strategy from time to time by entering into fixed price contracts to help offset changing commodity prices. The Company does maintain agreements with certain customers to pass through certain material price fluctuations in order to mitigate the commodity price risk. The majority of these agreements contain provisions in which the pass through of the price fluctuations can lag behind the actual fluctuations by a quarter or longer.

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Hedging and Foreign Currency Exchange Contracts

The Company uses derivative financial instruments from time to time as a tool to manage certain financial risks. Their use has been restricted primarily to hedging assets and obligations already held by Modine, and they have been used to protect cash flows rather than generate income or engage in speculative activity. Leveraged derivatives are prohibited by Company policy.

Commodity Derivatives: The Company enters into futures contracts from time to time related to certain of the Company's forecasted purchases of aluminum. The Company's strategy in entering into these contracts is to reduce its exposure to changing purchase prices for future purchases of this commodity. These contracts have been designated as cash flow hedges by the Company. Accordingly, unrealized gains and losses on these contracts are deferred as a component of accumulated other comprehensive income (loss), and recognized as a component of earnings at the same time that the underlying purchases of aluminum impact earnings. During the three and six months ended September 30, 2010, $0.1 million and $0.2 million of expense, respectively, was recorded in the consolidated statement of operations related to the settlement of certain futures contracts. During the three and six months ended September 30, 2009, $1.7 million and $4.8 million of expense, respectively, was recorded in the consolidated statement of operations related to the settlement of certain futures contracts. At September 30, 2010, $0.9 million of unrealized losses, net of taxes, remain deferred in accumulated other comprehensive income (loss), and will be realized as a component of cost of sales over the next 57 months.

The Company has entered into futures contracts from time to time related to certain of the Company's forecasted purchases of copper and nickel. The Company's strategy in entering into these contracts was to reduce its exposure to changing purchase prices for future purchases of these commodities. The Company has not designated these contracts as hedges, therefore gains and losses on these contracts were recorded directly in the consolidated statement of operations.

Foreign exchange contracts: Modine maintains a foreign exchange risk management strategy that uses derivative financial instruments in a limited way to mitigate foreign currency exchange risk. Modine periodically enters into foreign currency exchange contracts to hedge specific foreign currency denominated transactions. The effect of this practice is to minimize the impact of foreign exchange rate movements on Modine's earnings. Modine's foreign currency exchange contracts do not subject it to significant risk due to exchange rate movements because gains and losses on these contracts offset gains and losses on the assets and liabilities being hedged.

As of September 30, 2010, the Company had no outstanding forward foreign exchange contracts. Non-U.S. dollar financing transactions through inter-company loans or local borrowings in the corresponding currency generally are effective as hedges of long-term investments.

The Company has a number of investments in wholly owned foreign subsidiaries and a non-consolidated foreign joint venture. The net assets of these entities are exposed to currency exchange rate volatility. From time to time, the Company uses non-derivative financial instruments to hedge, or offset, this exposure.

Interest rate derivatives: As further noted above under the section entitled "Interest Rate Risk," the Company has, from time to time, entered into interest rate derivatives to manage the variability in interest rates. These interest rate derivatives have been treated as cash flow hedges of forecasted transactions and, accordingly, derivative gains or losses are reflected as a component of accumulated other comprehensive income (loss) and are amortized to interest expense over the respective lives of the borrowings.

Counterparty risks: The Company manages counterparty risks by ensuring that counterparties to derivative instruments have credit rating acceptable to the Company. At September 30, 2010, all counterparties had a sufficient

long-term credit rating.

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Item 4. Controls and Procedures.

Evaluation Regarding Disclosure Controls and Procedures

As of the end of the period covered by this quarterly report on Form 10-Q, the Company carried out an evaluation, at the direction of the General Counsel and under the supervision of the Company's President and Chief Executive Officer and Vice President, Finance, Chief Financial Officer and Treasurer, of the effectiveness of the Company's disclosure controls and procedures as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e), with the participation of the Company's management. Based upon that evaluation, the President and Chief Executive Officer and Vice President, Finance, Chief Financial Officer and Treasurer concluded that the design and operation of the Company's disclosure controls and procedures are effective as of September 30, 2010.

Changes In Internal Control Over Financial Reporting

During the second quarter of fiscal 2011 there was no change in the Company's internal control over financial reporting that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

This item should be read in conjunction with Item 3. "Legal Proceedings" in Part I. of the Company's Annual Report on Form 10-K for the year ended March 31, 2010 and Item 1. "Legal Proceedings" in Part II. of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2010. Certain information required hereunder is incorporated by reference from Note 20 of the Notes to Condensed Consolidated Financial Statements in Item 1. of Part I. of this report.

Item 6. Exhibits.

(a) Exhibits:

Exhibit No.	Description	Incorporated Herein By Referenced To	Filed Herewith
4.1	Amended and Restated Credit Agreement dated as of August 12, 2010 among the Registrant, the Foreign Subsidiary Borrowers, JPMorgan Chase Bank, N.A. as Administrative Agent, as Swing Line Lender, as LC Issuer, and as a Lender, U.S. Bank, N.A and Wells Fargo Bank, N.A., each as Syndication Agent and as a Lender, M&I Marshall & Ilsley Bank, as Documentation Agent and as a Lender, Associated Bank, N.A., and Comerica Bank	Exhibit 4.1 to Registrant's Current Report on Form 8-K dated August 12, 2010 ("August 12, 2010 8-K")	
4.2		Exhibit 4.2 to August 12, 2010 8-K	

Note Purchase and Private Shelf Agreement dated as of August 12, 2010 among the Registrant and the Series A Purchasers named therein of $125,000,000 6.83% Secured Senior Notes, Series A, due August 12, 2020 and $25,000,000 Private Shelf Facility and each Prudential Affiliate (as defined therein) that may become bound by certain provisions thereof

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4.3	Amended and Restated Intercreditor Agreement dated as of August 12, 2010 among the Lenders (as defined therein), the Noteholders (as defined therein) and JPMorgan Chase Bank, N.A. as Collateral Agent	Exhibit 4.3 to August 12, 2010 8-K	
31.1	Rule 13a-14(a)/15d-14(a) Certification of Thomas A. Burke, President and Chief Executive Officer.		X
31.2	Rule 13a-14(a)/15d-14(a) Certification of Michael B. Lucareli, Vice President, Finance, Chief Financial Officer and Treasurer.		X
32.1	Section 1350 Certification of Thomas A. Burke, President and Chief Executive Officer.		X
32.2	Section 1350 Certification of Michael B. Lucareli, Vice President, Finance, Chief Financial Officer and Treasurer.		X

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MODINE MANUFACTURING COMPANY
(Registrant)

By: /s/ Michael B. Lucareli
Michael B. Lucareli, Vice President, Finance,
Chief Financial Officer and Treasurer*

Date: November 5, 2010

* Executing as both the principal financial officer and a duly authorized officer of the Company