

Key Performance Indicators & Non-GAAP Measures

Management reviews a variety of key performance indicators including revenue, segment operating income and margins, earnings per share, order growth, and backlog, some of which are non-GAAP financial measures. In addition, we consider certain measures to be useful to management and investors when evaluating our operating performance for the periods presented. These measures provide a tool for evaluating our ongoing operations and management of assets from period to period. This information can assist investors in assessing our financial performance and measures our ability to generate capital for deployment among competing strategic alternatives and initiatives, including, but not limited to, acquisitions, dividends and share repurchases. These metrics, however, are not measures of financial performance under accounting principles generally accepted in the United States of America (GAAP) and should not be considered a substitute for measures determined in accordance with GAAP. We consider the following non-GAAP measures, which may not be comparable to similarly titled measures reported by other companies, to be key performance indicators.

Organic Revenues and **Organic Orders** are defined as revenues and orders, excluding the impacts of foreign currency fluctuations, acquisitions and divestitures. Divestitures include sales of portions of our business that did not meet the criteria for presentation as a discontinued operation. The period-over-period change resulting from foreign currency fluctuations is estimated using a fixed exchange rate for both the current and prior periods. Management believes that reporting organic revenue and organic orders provides useful information to investors by helping identify underlying trends in our business and facilitating easier comparisons of our revenue performance with prior and future periods and to our peers.

Adjusted Operating Income, Adjusted Segment Operating Income and **Adjusted Segment Operating Margin** are defined as total operating income and segment operating income, adjusted to exclude special items that include, but are not limited to, asbestos-related costs, restructuring costs, realignment costs, certain asset impairment charges, certain acquisition-related expenses, and other unusual or infrequent operating items. Special items represent significant charges or credits that impact the current results, which management views as unrelated to the Company's ongoing operations and performance. Adjusted segment operating margin is defined as adjusted segment operating income divided by total revenue. We believe that these measures are useful to investors and other users of our financial statements in evaluating ongoing operating profitability, as well as in evaluating operating performance in relation to our competitors.

Adjusted Income from Continuing Operations, Adjusted EPS and **Adjusted EPS Guidance** are defined as income from continuing operations attributable to ITT Inc. and income from continuing operations attributable to ITT Inc. per diluted share, adjusted to exclude special items that include, but are not limited to, asbestos-related costs, restructuring costs, realignment costs, certain asset impairment charges, certain acquisition-related expenses, income tax settlements or adjustments, and other unusual and infrequent non-operating items. Special items represent significant charges or credits, on an after-tax basis, that impact current results, which management views as unrelated to the Company's ongoing operations and performance. We believe that adjusted income from continuing operations is useful to investors and other users of our financial statements in evaluating ongoing operating profitability, as well as in evaluating operating performance in relation to our competitors.

Adjusted Free Cash Flow is defined as net cash provided by operating activities less capital expenditures, adjusted for cash payments for restructuring costs, realignment actions, net asbestos cash flows and other significant items that impact current results which management views as unrelated to the Company's ongoing operations and performance. Due to other financial obligations and commitments, including asbestos, the entire free cash flow may not be available for discretionary purposes. We believe that adjusted free cash flow provides useful information to investors as it provides insight into the primary cash flow metric used by management to monitor and evaluate cash flows generated by our operations.



ITT Inc. Non-GAAP Reconciliation
Reported vs. Organic Revenue / Order Growth
Second Quarter 2017 & 2016
(In Millions)

	(As Reported - GAAP)				(As Adjusted - Organic)					
	(A)	(B)	(C)		(D)	(E)	(F) = A-D-E		(G) = C-D-E	(H) = G / B
	3M 2017	3M 2016	Change 2017 vs. 2016	% Change 2017 vs. 2016	Acquisition / Divestitures 3M 2017	FX Impact 3M 2017	Revenue / Orders 3M 2017	Change Adj. 2017 vs. 2016	% Change Adj. 2017 vs. 2016	
Revenues										
ITT Inc. - Consolidated	630.9	626.2	4.7	0.8%	22.0	(5.6)	614.5	(11.7)	(1.9%)	
Industrial Process	192.3	214.2	(21.9)	(10.2%)	-	(0.2)	192.5	(21.7)	(10.1%)	
Motion Technologies	290.1	259.6	30.5	11.7%	22.0	(4.7)	272.8	13.2	5.1%	
Connect & Control Technologies	149.6	153.5	(3.9)	(2.5%)	-	(0.7)	150.3	(3.2)	(2.1%)	
Orders										
Total Segment Orders	626.3	605.9	20.4	3.4%	20.2	(6.5)	612.6	6.7	1.1%	
Industrial Process	190.3	199.7	(9.4)	(4.7%)	-	(0.4)	190.7	(9.0)	(4.5%)	
Motion Technologies	288.9	261.2	27.7	10.6%	20.2	(5.3)	274.0	12.8	4.9%	
Connect & Control Technologies	147.8	145.9	1.9	1.3%	-	(0.8)	148.6	2.7	1.9%	

Note: Excludes intercompany eliminations
Immaterial differences due to rounding



ITT Inc. Non-GAAP Reconciliation
Reported vs Adjusted Segment Operating Income & Operating Margin
Second Quarter 2017 & 2016

(In Millions)

	3M 2017	3M 2017	3M 2017	3M 2016	3M 2016	3M 2016	% Change	% Change
	As Reported	Special Items	As Adjusted	As Reported	Special Items	As Adjusted	As Reported	As Adjusted
							2017 vs. 2016	2017 vs. 2016
Revenue:								
Industrial Process	192.3		192.3	214.2		214.2	(10.2%)	(10.2%)
Motion Technologies	290.1		290.1	259.6		259.6	11.7%	11.7%
Connect & Control Technologies	149.6		149.6	153.5		153.5	(2.5%)	(2.5%)
Intersegment eliminations	(1.1)		(1.1)	(1.1)		(1.1)		
Total Revenue	630.9		630.9	626.2		626.2	0.8%	0.8%
Operating Margin:								
Industrial Process	7.7%	- BP	7.7%	2.9%	840 BP	11.3%	480 BP	(360) BP
Motion Technologies	18.0%	20 BP	18.2%	18.8%	50 BP	19.3%	(80) BP	(110) BP
Connect & Control Technologies	9.2%	460 BP	13.8%	10.9%	80 BP	11.7%	(170) BP	210 BP
Total Operating Segments	12.8%	120 BP	14.0%	11.5%	320 BP	14.7%	130 BP	(70) BP
Income (loss):								
Industrial Process	14.8	0.1	14.9	6.3	17.9	24.2	134.9%	(38.4%)
Motion Technologies	52.1	0.7	52.8	48.9	1.1	50.0	6.5%	5.6%
Connect & Control Technologies	13.7	6.9	20.6	16.8	1.2	18.0	(18.5%)	14.4%
Total Segment Operating Income	80.6	7.7	88.3	72.0	20.2	92.2	11.9%	(4.2%)

Note: Immaterial differences due to rounding.

Special items include, but are not limited to, restructuring and realignment costs, certain asset impairment charges, acquisition-related expenses, and other unusual or infrequent operating items.



ITT Inc. Non-GAAP Reconciliation
Reported vs. Adjusted Income from Continuing Operations & Adjusted EPS
Second Quarter 2017 & 2016
(In Millions, except per share amounts)

	Q2 2017 As Reported	Non-GAAP Adjustments	Q2 2017 As Adjusted	Q2 2016 As Reported	Non-GAAP Adjustments	Q2 2016 As Adjusted	2017 vs. 2016 As Adjusted	Percent Change 2017 vs. 2016 As Adjusted
Segment Operating Income	80.6	7.7 #A	88.3	72.0	20.2 #A	92.2		
Corporate (Expense)	(22.9)	13.1 #B	(9.8)	(22.5)	15.8 #B	(6.7)		
Operating Income	<u>57.7</u>	<u>20.8</u>	<u>78.5</u>	<u>49.5</u>	<u>36.0</u>	<u>85.5</u>		
Interest Income (Expense)	1.1	(2.1) #C	(1.0)	0.8	(2.4) #C	(1.6)		
Other Income (Expense)	(0.2)	-	(0.2)	(0.3)	-	(0.3)		
Income from Continuing Operations before Tax	<u>58.6</u>	<u>18.7</u>	<u>77.3</u>	<u>50.0</u>	<u>33.6</u>	<u>83.6</u>		
Income Tax (Expense)	(10.6)	(8.7) #D	(19.3)	(17.5)	(5.7) #D	(23.2)		
Income from Continuing Operations	<u>48.0</u>	<u>10.0</u>	<u>58.0</u>	<u>32.5</u>	<u>27.9</u>	<u>60.4</u>		
Less: Non Controlling Interest	0.1	-	0.1	0.2	-	0.2		
Income from Continuing Operations - ITT Inc.	<u>47.9</u>	<u>10.0</u>	<u>57.9</u>	<u>32.3</u>	<u>27.9</u>	<u>60.2</u>		
EPS from Continuing Operations	<u>0.54</u>	<u>0.11</u>	<u>0.65</u>	<u>0.36</u>	<u>0.31</u>	<u>0.67</u>	<u>(0.02)</u>	<u>(3.0%)</u>

Note: Amounts may not calculate due to rounding.

#A - 2017 includes restructuring and realignment costs (\$2.6M), legal accrual (\$5.0M), and acquisition related costs (\$0.1M).

#A - 2016 includes restructuring and realignment costs (\$14.8M), acquisition related costs (\$1.3M), and impairment of trade name (\$4.1M).

#B - 2017 includes certain costs associated primarily with sale of excess property (\$2.0M), asbestos related expense (\$14.9M), offset by income of (\$3.8M) related to environmental insurance recovery.

#B - 2016 includes restructuring and realignment costs of (\$0.8M), asbestos related costs (\$15.0M).

#C - Includes interest income for a change in uncertain tax position for both 2017 & 2016.

#D -2017 includes various tax-related special items including tax benefit on change in uncertain tax positions (\$2.3M), tax benefit for change in valuation allowance (\$2.2M), tax expense on distribution of foreign earnings (\$1.0M), and the tax impact of other operating special items.

#D - 2016 includes various tax-related special items, including tax expense on distribution of foreign earnings (\$1.4M), valuation allowance changes (\$1.5M), and tax rate change in Italy (\$2.2M), and a tax benefit on uncertain tax positions (\$1.7M), in addition to the tax impact of other operating special items.



ITT Inc. Non-GAAP Reconciliation
Net Cash - Operating Activities vs. Adjusted Free Cash Flow Conversion
Second Quarter 2017 & 2016
(In Millions)

	<u>6M 2017</u>	<u>6M 2016</u>
Net Cash - Operating Activities	92.7	71.6
Capital Expenditures	53.3	46.1
Free Cash Flow	39.4	25.5
Realignment Related Cash Payments, including Capex	6.2	2.2
Restructuring Cash Payments	8.8	15.5
Asbestos Cash Payments, net	30.7	11.5
Adjusted Free Cash Flow	85.1	54.7
Income from Continuing Operations - ITT Inc.	94.0	70.0
Special Items	21.3	43.5
Income from Continuing Operations - ITT Inc., Excluding Special Items	115.3	113.5
Adjusted Free Cash Flow Conversion	73.8%	48.2%



ITT Inc. Non-GAAP Reconciliation GAAP vs. Adjusted EPS Guidance Full Year 2017

	2017 Full-Year Guidance	
	Low	High
EPS from Continuing Operations - GAAP	\$ 1.66	\$ 1.82
Estimated Asbestos Related Costs, Net of Tax	0.42	0.42
	\$ 2.08	\$ 2.24
Estimated Restructuring, Realignment and Other Costs, Net of Tax	0.28	0.24
Acquisition Related Costs, Net of Tax	0.11	0.09
Other Special Tax Items	(0.07)	(0.07)
EPS from Continuing Operations - Adjusted	\$ 2.40	\$ 2.50

