

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

For the Periods Ended December 31	Three Months		Twelve Months	
	2017	2016	2017	2016
Revenue	\$ 683.6	\$ 588.4	\$ 2,585.3	\$ 2,405.4
Costs of revenue	476.2	415.0	1,768.1	1,647.2
Gross profit	207.4	173.4	817.2	758.2
General and administrative expenses	58.8	71.9	264.0	274.1
Sales and marketing expenses	41.4	41.3	169.7	170.0
Research and development expenses	25.5	21.9	93.7	80.8
Asbestos-related costs (benefit), net	13.1	14.7	(19.9)	(25.6)
Operating income	68.6	23.6	309.7	258.9
Interest and non-operating expenses (income), net	0.2	(1.0)	0.3	0.5
Income from continuing operations before income tax	68.4	24.6	309.4	258.4
Income tax expense	134.3	0.7	194.6	76.0
(Loss) income from continuing operations	(65.9)	23.9	114.8	182.4
(Loss) Income from discontinued operations	(1.2)	2.2	(1.5)	4.2
Net (loss) income	(67.1)	26.1	113.3	186.6
Less: Income (loss) attributable to noncontrolling interests	0.1	0.3	(0.2)	0.5
Net (loss) income attributable to ITT Inc.	\$ (67.2)	\$ 25.8	\$ 113.5	\$ 186.1
Amounts attributable to ITT Inc.:				
(Loss) income from continuing operations, net of tax	\$ (66.0)	\$ 23.6	\$ 115.0	\$ 181.9
(Loss) income from discontinued operations, net of tax	(1.2)	2.2	(1.5)	4.2
Net (loss) income	\$ (67.2)	\$ 25.8	\$ 113.5	\$ 186.1
(Loss) earnings per share attributable to ITT Inc.:				
Basic:				
Continuing operations	\$ (0.75)	\$ 0.27	\$ 1.30	\$ 2.04
Discontinued operations	(0.01)	0.02	(0.01)	0.05
Net income	\$ (0.76)	\$ 0.29	\$ 1.29	\$ 2.09
Diluted:				
Continuing operations	\$ (0.75)	\$ 0.27	\$ 1.29	\$ 2.02
Discontinued operations	(0.01)	0.02	(0.01)	0.05
Net income	\$ (0.76)	\$ 0.29	\$ 1.28	\$ 2.07
Weighted average common shares – basic	88.1	88.3	88.3	89.2
Weighted average common shares – diluted	88.1	88.9	89.0	89.9

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(IN MILLIONS)

	December 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 389.8	\$ 460.7
Receivables, net	629.6	523.9
Inventories, net	311.9	295.2
Other current assets	147.4	122.0
Total current assets	1,478.7	1,401.8
Plant, property and equipment, net	521.7	464.5
Goodwill	886.8	774.7
Other intangible assets, net	156.2	160.3
Asbestos-related assets	304.0	314.6
Deferred income taxes	149.9	297.4
Other non-current assets	202.9	188.4
Total non-current assets	2,221.5	2,199.9
Total assets	\$ 3,700.2	\$ 3,601.7
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term loans and current maturities of long-term debt	\$ 163.6	\$ 214.3
Accounts payable	351.4	301.7
Accrued liabilities	384.4	350.2
Total current liabilities	899.4	866.2
Asbestos-related liabilities	800.1	877.5
Postretirement benefits	227.3	248.6
Other non-current liabilities	175.6	181.0
Total non-current liabilities	1,203.0	1,307.1
Total liabilities	2,102.4	2,173.3
Total ITT Inc. shareholders' equity	1,596.1	1,426.4
Noncontrolling interests	1.7	2.0
Total shareholders' equity	1,597.8	1,428.4
Total liabilities and shareholders' equity	\$ 3,700.2	\$ 3,601.7

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

(IN MILLIONS)

For the Years Ended December 31	2017	2016
Operating Activities		
Net income	\$ 113.3	\$ 186.6
Less: (Loss) income from discontinued operations	(1.5)	4.2
Less: (Loss) Income attributable to noncontrolling interests	(0.2)	0.5
Income from continuing operations attributable to ITT Inc.	115.0	181.9
Adjustments to income from continuing operations		
Depreciation and amortization	105.3	102.0
Equity-based compensation	18.1	12.6
Asbestos-related benefit, net	(19.9)	(25.6)
Deferred income taxes	147.0	20.9
Asbestos-related payments, net	(45.3)	(31.5)
Contributions to postretirement plans	(45.0)	(19.0)
Changes in assets and liabilities:		
Change in receivables	(59.3)	22.5
Change in inventories	14.2	(7.2)
Change in accounts payable	16.8	0.7
Change in accrued expenses	17.2	(27.4)
Change in accrued income taxes	(14.8)	(5.7)
Other, net	(1.9)	16.5
Net Cash – Operating activities	247.4	240.7
Investing Activities		
Capital expenditures	(113.3)	(111.4)
Acquisitions, net of cash acquired	(113.7)	(8.8)
Purchases of investments	—	(60.6)
Maturities of investments	—	123.5
Proceeds from sale of assets	3.8	3.0
Other, net	—	(0.1)
Net Cash – Investing activities	(223.2)	(54.4)
Financing Activities		
Commercial paper, net borrowings	48.9	19.0
Short-term revolving loans, borrowings	77.3	27.7
Short-term revolving loans, repayments	(177.3)	(78.3)
Long-term debt, repaid	(1.3)	(1.1)
Long-term debt issued	7.0	—
Repurchase of common stock	(32.9)	(77.8)
Dividends paid	(45.4)	(44.6)
Proceeds from issuance of common stock	11.2	12.3
Excess tax benefit from equity compensation activity	—	3.2
Other, net	—	(2.3)
Net Cash – Financing activities	(112.5)	(141.9)
Exchange rate effects on cash and cash equivalents	19.8	(11.4)
Net cash from discontinued operations – operating activities	(2.4)	12.0
Net change in cash and cash equivalents	(70.9)	45.0
Cash and cash equivalents – beginning of year	460.7	415.7
Cash and Cash Equivalents – End of Period	\$ 389.8	\$ 460.7
Supplemental Cash Flow Disclosures		
Cash paid (received) during the year for:		
Interest	\$ 3.8	\$ 4.5
Income taxes, net of refunds received	62.0	56.1