

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-05672

ITT INC.

State of Indiana

*(State or Other Jurisdiction
of Incorporation or Organization)*

81-1197930

*(I.R.S. Employer
Identification Number)*

1133 Westchester Avenue, White Plains, NY 10604

(Principal Executive Office)

Telephone Number: (914) 641-2000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company (Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 2, 2018, there were 87.4 million shares of common stock (\$1 par value per share) of the registrant outstanding.

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FORWARD-LOOKING AND CAUTIONARY STATEMENTS

Some of the information included herein includes forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our business, future financial results and the industry in which we operate, and other legal, regulatory and economic developments. These forward-looking statements include, but are not limited to, future strategic plans and other statements that describe the company's business strategy, outlook, objectives, plans, intentions or goals, and any discussion of future events and future operating or financial performance.

We use words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "target," "future," "may," "will," "could," "should," "potential," "continue," "guidance" and other similar expressions to identify such forward-looking statements. Forward-looking statements are uncertain and to some extent unpredictable, and involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from those expressed or implied in, or reasonably inferred from, such forward-looking statements.

Where in any forward-looking statement we express an expectation or belief as to future results or events, such expectation or belief is based on current plans and expectations of our management, expressed in good faith and believed to have a reasonable basis. However, there can be no assurance that the expectation or belief will occur or that anticipated results will be achieved or accomplished. More information on factors that could cause actual results or events to differ materially from those anticipated is included in our reports filed with the U.S. Securities and Exchange Commission (the SEC), including our Annual Report on Form 10-K for the year ended December 31, 2017 (particularly under the caption "Risk Factors"), our Quarterly Reports on Form 10-Q (including Part II, Item 1A, "Risk Factors," of this Quarterly Report on Form 10-Q) and in other documents we file from time to time with the SEC.

The forward-looking statements included in this Quarterly Report on Form 10-Q (this Report) speak only as of the date of this Report. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You can inspect, read and copy these reports, proxy statements and other information at the SEC's Public Reference Room, which is located at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information regarding the operation of the SEC's Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov where you may access our reports, proxy statements and other information that we file with, or furnish to, the SEC.

We make available free of charge at www.itt.com (in the "Investors" section) copies of materials we file with, or furnish to, the SEC. We also use the Investor Relations page of our website at www.itt.com (in the "Investors" section) to disclose important information to the public.

Information contained on our website, or that can be accessed through our website, does not constitute a part of this Report. We have included our website address only as an inactive textual reference and do not intend it to be an active link to our website. Our corporate headquarters is located at 1133 Westchester Avenue, White Plains, NY 10604 and the telephone number of this location is (914) 641-2000.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

For the Three Months Ended March 31	2018	2017
Revenue	\$ 689.3	\$ 625.8
Costs of revenue	465.1	422.7
Gross profit	224.2	203.1
General and administrative expenses	65.1	65.7
Sales and marketing expenses	43.5	43.1
Research and development expenses	24.7	22.4
Asbestos-related (benefit) costs, net	(19.7)	14.9
Operating income	110.6	57.0
Interest and non-operating expenses, net	1.8	2.2
Income from continuing operations before income tax expense	108.8	54.8
Income tax expense	7.6	9.1
Income from continuing operations	101.2	45.7
Income (loss) from discontinued operations, including tax (expense) benefit of \$(0.1) and \$0.1, respectively	0.1	(0.1)
Net income	101.3	45.6
Less: Income (loss) attributable to noncontrolling interests	0.1	(0.4)
Net income attributable to ITT Inc.	\$ 101.2	\$ 46.0
Amounts attributable to ITT Inc.:		
Income from continuing operations, net of tax	\$ 101.1	\$ 46.1
Income (loss) from discontinued operations, net of tax	0.1	(0.1)
Net income attributable to ITT Inc.	\$ 101.2	\$ 46.0
Earnings per share attributable to ITT Inc.:		
Basic:		
Continuing operations	\$ 1.15	\$ 0.52
Discontinued operations	—	—
Net income	\$ 1.15	\$ 0.52
Diluted:		
Continuing operations	\$ 1.14	\$ 0.52
Discontinued operations	—	—
Net income	\$ 1.14	\$ 0.52
Weighted average common shares – basic	88.0	88.5
Weighted average common shares – diluted	89.0	89.2
Cash dividends declared per common share	\$ 0.134	\$ 0.128

The accompanying Notes to Consolidated Condensed Financial Statements are an integral part of the above statements of operations.

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(IN MILLIONS)

For the Three Months Ended March 31

	2018	2017
Net income	\$ 101.3	\$ 45.6
Other comprehensive income:		
Net foreign currency translation adjustment	26.5	19.2
Net change in postretirement benefit plans, net of tax impacts of \$0.4 and \$0.5, respectively	1.1	1.1
Other comprehensive income	27.6	20.3
Comprehensive income	128.9	65.9
Less: Comprehensive income (loss) attributable to noncontrolling interests	0.1	(0.4)
Comprehensive income attributable to ITT Inc.	\$ 128.8	\$ 66.3
Disclosure of reclassification adjustments to postretirement benefit plans		
Reclassification adjustments (see Note 15):		
Amortization of prior service benefit, net of tax expense of \$(0.2) and \$(0.5), respectively	\$ (0.9)	\$ (0.7)
Amortization of net actuarial loss, net of tax benefits of \$0.6 and \$1.0, respectively	2.0	1.8
Net change in postretirement benefit plans, net of tax	\$ 1.1	\$ 1.1

The accompanying Notes to Consolidated Condensed Financial Statements are an integral part of the above statements of comprehensive income.

CONSOLIDATED CONDENSED BALANCE SHEETS (UNAUDITED)
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	March 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 438.7	\$ 389.8
Receivables, net	581.4	629.6
Inventories, net	404.9	311.9
Other current assets	173.0	147.4
Total current assets	1,598.0	1,478.7
Plant, property and equipment, net	526.6	521.7
Goodwill	895.7	886.8
Other intangible assets, net	151.8	156.2
Asbestos-related assets	329.6	304.0
Deferred income taxes	167.0	149.9
Other non-current assets	202.8	202.9
Total non-current assets	2,273.5	2,221.5
Total assets	\$ 3,871.5	\$ 3,700.2
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term loans and current maturities of long-term debt	\$ 247.9	\$ 163.6
Accounts payable	367.0	351.4
Accrued liabilities	394.2	384.4
Total current liabilities	1,009.1	899.4
Asbestos-related liabilities	792.9	800.1
Postretirement benefits	227.6	227.3
Other non-current liabilities	181.4	175.6
Total non-current liabilities	1,201.9	1,203.0
Total liabilities	2,211.0	2,102.4
Shareholders' equity:		
Common stock:		
Authorized – 250.0 shares, \$1 par value per share		
Issued and outstanding – 87.4 shares and 88.2 shares, respectively	87.4	88.2
Retained earnings	1,891.8	1,856.1
Total accumulated other comprehensive loss	(320.6)	(348.2)
Total ITT Inc. shareholders' equity	1,658.6	1,596.1
Noncontrolling interests	1.9	1.7
Total shareholders' equity	1,660.5	1,597.8
Total liabilities and shareholders' equity	\$ 3,871.5	\$ 3,700.2

The accompanying Notes to Consolidated Condensed Financial Statements are an integral part of the above balance sheets.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

(IN MILLIONS)

For the Three Months Ended March 31

	2018	2017
Operating Activities		
Net income	\$ 101.3	\$ 45.6
Less: Income (loss) from discontinued operations	0.1	(0.1)
Less: Income (loss) attributable to noncontrolling interests	0.1	(0.4)
Income from continuing operations attributable to ITT Inc.	101.1	46.1
Adjustments to income from continuing operations:		
Depreciation and amortization	27.6	24.8
Equity-based compensation	4.5	3.7
Asbestos-related (benefit) costs, net	(19.7)	14.9
Asbestos-related payments, net	(12.8)	(13.0)
Changes in assets and liabilities:		
Change in receivables	(13.3)	(34.7)
Change in inventories	(20.7)	(1.6)
Change in accounts payable	10.4	2.5
Change in accrued expenses	(31.2)	(3.5)
Change in accrued and deferred income taxes	0.1	(4.6)
Other, net	(3.6)	(7.7)
Net Cash – Operating activities	42.4	26.9
Investing Activities		
Capital expenditures	(28.7)	(36.7)
Acquisitions, net of cash acquired	—	(113.7)
Other, net	0.5	0.3
Net Cash – Investing activities	(28.2)	(150.1)
Financing Activities		
Commercial paper, net repayments	(162.4)	(1.5)
Short-term revolving loans, borrowings	246.5	—
Long-term debt, issued	—	2.1
Long-term debt, repayments	(1.5)	(0.3)
Repurchase of common stock	(55.3)	(2.3)
Proceeds from issuance of common stock	0.6	5.9
Dividends paid	(0.2)	(0.2)
Net Cash – Financing activities	27.7	3.7
Exchange rate effects on cash and cash equivalents	8.2	7.9
Net Cash – Operating activities of discontinued operations	(1.2)	(0.8)
Net change in cash and cash equivalents	48.9	(112.4)
Cash and cash equivalents – beginning of year (includes restricted cash of \$1.2 and \$1.2, respectively)	391.0	461.9
Cash and cash equivalents – end of period (includes restricted cash of \$1.2 and \$1.0, respectively)	\$ 439.9	\$ 349.5
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for:		
Interest	\$ 1.0	\$ 1.0
Income taxes, net of refunds received	\$ 7.0	\$ 13.2

The accompanying Notes to Consolidated Condensed Financial Statements are an integral part of the above statements of cash flows.

CONSOLIDATED CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

(IN MILLIONS)

For the Three Months Ended March 31

	2018	2017
Common Stock		
Common stock, beginning balance	\$ 88.2	\$ 88.4
Activity from stock incentive plans	0.3	0.4
Share repurchases	(1.1)	(0.1)
Common stock, ending balance	87.4	88.7
Retained Earnings		
Retained earnings, beginning balance	1,856.1	1,789.2
Cumulative adjustment for accounting change (See Note 2)	(4.1)	0.5
Net income attributable to ITT Inc.	101.2	46.0
Dividends declared	(11.9)	(11.4)
Activity from stock incentive plans	4.7	10.5
Share repurchases	(54.2)	(2.2)
Retained earnings, ending balance	1,891.8	1,832.6
Accumulated Other Comprehensive Loss		
Postretirement benefit plans, beginning balance	(137.6)	(145.2)
Net change in postretirement benefit plans	1.1	1.1
Postretirement benefit plans, ending balance	(136.5)	(144.1)
Cumulative translation adjustment, beginning balance	(210.6)	(306.0)
Net cumulative translation adjustment	26.5	19.2
Cumulative translation adjustment, ending balance	(184.1)	(286.8)
Total accumulated other comprehensive loss	(320.6)	(430.9)
Noncontrolling interests		
Noncontrolling interests, beginning balance	1.7	2.0
Income (loss) attributable to noncontrolling interests	0.1	(0.4)
Other	0.1	—
Noncontrolling interests, ending balance	1.9	1.6
Total Shareholders' Equity		
Total shareholders' equity, beginning balance	1,597.8	1,428.4
Net change in common stock	(0.8)	0.3
Net change in retained earnings	35.7	43.4
Net change in accumulated other comprehensive loss	27.6	20.3
Net change in noncontrolling interests	0.2	(0.4)
Total shareholders' equity, ending balance	\$ 1,660.5	\$ 1,492.0

The accompanying Notes to Consolidated Condensed Financial Statements are an integral part of the above statements of changes in shareholders' equity.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(DOLLARS AND SHARES (EXCEPT PER SHARE AMOUNTS) IN MILLIONS, UNLESS OTHERWISE STATED)

NOTE 1
DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION AND UPDATES TO SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

ITT Inc. is a diversified manufacturer of highly engineered critical components and customized technology solutions for the transportation, industrial, and oil and gas markets. Unless the context otherwise indicates, references herein to "ITT," "the Company," and such words as "we," "us," and "our" include ITT Inc. and its subsidiaries. ITT operates through three segments: Industrial Process, consisting of industrial pumping and complementary equipment; Motion Technologies, consisting of friction and shock and vibration equipment; and Connect & Control Technologies, consisting of electronic connectors, fluid handling, motion control and noise and energy absorption products. Financial information for our segments is presented in Note 3, [Segment Information](#).

Basis of Presentation

The unaudited consolidated condensed financial statements have been prepared pursuant to the rules and regulations of the SEC and, in the opinion of management, reflect all adjustments (which include normal recurring adjustments) necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted pursuant to such SEC rules. We believe that the disclosures made are adequate to make the information presented not misleading. We consistently applied the accounting policies described in ITT's Annual Report on Form 10-K for the year ended December 31, 2017 (2017 Annual Report) in preparing these unaudited financial statements, other than those described below. These financial statements should be read in conjunction with the financial statements and notes thereto included in our 2017 Annual Report.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Estimates are revised as additional information becomes available. Estimates and assumptions are used for, but not limited to, asbestos-related liabilities and recoveries from insurers, revenue recognition, unrecognized tax benefits, deferred tax valuation allowances, projected benefit obligations for postretirement plans, accounting for business combinations, goodwill and other intangible asset impairment testing, environmental liabilities, allowance for doubtful accounts and inventory valuation. Actual results could differ from these estimates.

ITT's quarterly financial periods end on the Saturday that is generally closest to the last day of the calendar quarter, except for the last quarterly period of the fiscal year, which ends on December 31st. For ease of presentation, the quarterly financial statements included herein are described as ending on the last day of the calendar quarter.

Certain prior year amounts have been reclassified or restated to conform to the current year presentation. For further information, refer to Note 2, [Recent Accounting Pronouncements](#).

Update to Summary of Significant Accounting Policies

Revenue Recognition

Revenue is derived from the sale of products and services to customers. We recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

For product sales, we consider practical and contractual limitations in determining whether there is an alternative use for the product. For example, long-term design and build contracts are typically highly customized to a customer's specifications. For contracts with no alternative use and an enforceable right to payment for work performed to date, including a reasonable profit if the contract were terminated at the customer's convenience, we recognize revenue over time. All other product sales are recognized at a point in time.

For contracts recognized over time, we use the cost-to-total cost method or the units of delivery method, depending on the nature of the contract, including length of production time.

For contracts recognized at a point in time, we recognize revenue when control passes to the customer, which is generally based on shipping terms when title and risk and rewards pass to the customer. However, we also consider certain customer acceptance provisions as certain contracts with customers include installation, testing, certification or other acceptance provisions. In instances where contractual terms include a provision for customer acceptance, we consider whether we have previously demonstrated that the product meets the specified criteria based on either seller or customer-specified objective criteria in assessing whether control has passed to the customer.

For service contracts, we recognize revenue as the services are rendered if the customer is benefiting from the service as it is performed, or upon completion of the service. Separately priced extended warranties are recognized as a separate performance obligation over the warranty period.

The transaction price in our contracts consists of fixed consideration and the impact of variable consideration including returns, rebates and allowances and penalties. Variable consideration is generally estimated using a probability-weighted approach based on historical experience, known trends and current factors including market conditions and status of negotiations.

When there is more than one performance obligation, the transaction price is allocated to the performance obligations based on the relative estimated standalone selling prices. If not sold separately, estimated standalone selling prices are determined considering various factors including market and pricing trends, geography, product customization and profit objectives. Revenue is recognized when the appropriate revenue recognition criteria for the individual performance obligations have been satisfied.

Revenue is reported net of any required taxes collected from customers and remitted to government authorities, with the collected taxes recorded as current liabilities until remitted to the relevant government authority.

Shipping and handling activities are accounted for as activities to fulfill a promise to transfer a product to a customer. As such, shipping and handling activities are not evaluated as a separate performance qualification.

For most contracts, payment is due from the customer within 30 to 90 days after the product is delivered or the service has been performed. For design and build contracts, we generally collect progress payments from the customer throughout the term of the contract, resulting in contract assets or liabilities depending on the timing of the payments. Contract assets consist of unbilled amounts when revenue recognized exceeds customer billings. Contract liabilities consist of advance payments and billings in excess of revenue recognized.

Design and engineering costs for highly complex products to be sold under a long-term production-type contract are capitalized and amortized throughout the life of the related contract or anticipated contract. Other design and development costs are capitalized only if there is a contractual guarantee for reimbursement. Costs to obtain a contract (e.g., commissions) for contracts greater than one year are capitalized and amortized over the life of the related contract.

NOTE 2 RECENT ACCOUNTING PRONOUNCEMENTS

The Company considers the applicability and impact of all accounting standard updates (ASUs). ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial position or results of operations.

Accounting Pronouncements Recently Adopted

In May 2014, the FASB issued ASU 2014-09 amending the existing accounting standards for revenue recognition. The new standard was effective for ITT as of January 1, 2018. Most revenue streams are recorded consistently under both the new standard and the previous standard. However, the timing of revenue recognition of certain design and build contracts in our Industrial Process segment, recognized using the percentage of completion method under the previous standard, is now dependent on certain terms within the contract and therefore will vary based on the new guidance. ITT adopted this guidance using a modified retrospective approach. As of the date of adoption, we have recognized approximately \$49 of revenue and \$5 of operating income on open contracts in our Industrial Process segment using the percentage of completion method that under the new guidance are recognized at a point in time, resulting in a cumulative adjustment to the opening balance in retained earnings of \$4, net of tax. The comparative information has not been restated and continues to be reported under the accounting guidance in effect in those periods. Additionally, the new guidance resulted in a change in balance sheet presentation. Certain progress payments, previously presented as a reduction of inventory, are now presented

within accrued liabilities. Unbilled receivables, previously presented within receivables, net, are now presented within other current or non-current assets.

The cumulative effect of the changes made to our consolidated January 1, 2018 balance sheet related to the adoption of ASU 2014-09 is as follows:

	Balance as of December 31, 2017	Cumulative Effect of Adjustments	Balance as of January 1, 2018
Assets:			
Receivables, net	\$ 629.6	\$ (71.9)	\$ 557.7
Inventories, net	311.9	66.3	378.2
Other current assets	147.4	43.2	190.6
Deferred income taxes	149.9	1.0	150.9
Liabilities:			
Accrued liabilities	384.4	43.7	428.1
Other non-current liabilities	175.6	(1.0)	174.6
Equity:			
Retained earnings	1,856.1	(4.1)	1,852.0

The impacts to our Consolidated Statements of Operation and Consolidated Balance Sheet had we not adopted ASU 2014-09 are as follows for the three months ended March 31, 2018:

	As Reported	Amounts under previous standard	Effect of Change
Statement of Operations			
Revenue	\$ 689.3	\$ 695.1	\$ 5.8
Costs of revenue	465.1	470.8	5.7
Net income	101.3	101.4	0.1
Balance Sheets			
Assets:			
Receivables, net	581.4	635.3	53.9
Inventories, net	404.9	338.4	(66.5)
Other current assets	173.0	147.2	(25.8)
Deferred income taxes	167.0	166.0	(1.0)
Liabilities:			
Accrued liabilities	394.2	349.5	(44.7)
Other non-current liabilities	181.4	182.4	1.0
Equity:			
Retained earnings	1,891.8	1,896.0	4.2

In March 2017, the FASB issued ASU 2017-07 which amends the Statement of Operations presentation for the components of net periodic benefit cost for entities that sponsor defined benefit pension and other postretirement plans. Under the ASU, entities are required to disaggregate the service cost component and present it with other current compensation costs for the related employees. All other components of net periodic benefit cost are no longer classified as an operating expense. In addition, only the service cost component will be eligible for capitalization on the balance sheet. The ASU requires a retrospective transition method to adopt the requirement to present service costs separately from the other components of net periodic benefit cost in the statements of operations, and a prospective transition method to adopt the requirement that prohibits capitalization of all components of net periodic benefit cost on the balance sheet except service costs. ITT adopted the ASU beginning in first quarter of 2018. Service costs eligible for capitalization on the balance sheet in 2018 are considered immaterial. As a result of the adoption, our Consolidated Statement of Operations for the three months ended March 31, 2017 was restated as follows:

For the three months ended March 31, 2017	Previously Reported	Effect of Change	Restated
Costs of revenue	\$ 423.5	\$ (0.8)	\$ 422.7
General and administrative expenses	66.2	(0.5)	65.7
Research and development expenses	22.5	(0.1)	22.4
Operating income	55.6	1.4	57.0
Interest and non-operating expenses, net	0.8	1.4	2.2

In November 2016, the FASB issued ASU 2016-18 which requires restricted cash to be included with cash and cash equivalents when reconciling the beginning and ending amounts on the of the Statement of Cash Flows. In addition, when cash and restricted cash are presented on separate lines on the Balance Sheet, an entity is required to reconcile the total cash, cash equivalents and restricted cash in the Statement of Cash Flows to the related line items in the Balance Sheet. The ASU requires a retrospective transition method and ITT adopted the ASU beginning in the first quarter of 2018.

In March 2016, the FASB issued ASU 2016-09 to simplify several aspects of the accounting standard for employee share-based payment transactions, including the classification of excess tax benefits and deficiencies and the accounting for employee forfeitures. ITT elected to adopt this guidance as of January 1, 2017 resulting in a cumulative-effect adjustment of \$1.0 to increase retained earnings. The increase to retained earnings was driven by previously unrecognized tax benefits due to net operating loss carryforwards of \$2.1, offset by a reduction in retained earnings of \$1.1, net of tax, due to a change in our accounting policy for the forfeiture of share-based compensation arrangements. For further information on our adoption of the new standard, refer to our 2017 Annual Report.

Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02 impacting the accounting for leases intending to increase transparency and comparability of organizations by requiring balance sheet presentation of leased assets and increased financial statement disclosure of leasing arrangements. The revised standard will require entities to recognize a liability for their lease obligations and a corresponding asset representing the right to use the underlying asset over the lease term. Lease obligations are to be measured at the present value of lease payments and accounted for using the effective interest method. The accounting for the leased asset will differ slightly depending on whether the agreement is deemed to be a financing or operating lease. For financing leases, the leased asset is depreciated on a straight-line basis and recorded separately from the interest expense in the statements of operations, resulting in higher expense in the earlier part of the lease term. For operating leases, the depreciation and interest expense components are combined, recognized evenly over the term of the lease, and presented as a reduction to operating income. The ASU requires that assets and liabilities be presented or disclosed separately and classified appropriately as current and noncurrent. The ASU further requires additional disclosure of certain qualitative and quantitative information related to lease agreements. The ASU is effective for the Company beginning in the first quarter 2019, at which time we expect to adopt the new standard. We are currently assessing our existing lease agreements and related financial disclosures to evaluate the impact of these amendments on our financial statements.

NOTE 3 SEGMENT INFORMATION

The Company's segments are reported on the same basis used by our chief operating decision maker, for evaluating performance and for allocating resources. Our three reportable segments are referred to as: Industrial Process, Motion Technologies, and Connect & Control Technologies.

Industrial Process manufactures engineered fluid process equipment serving a diversified mix of customers in global industries such as chemical, oil and gas, mining, and other industrial process markets and is a provider of plant optimization and efficiency solutions and aftermarket services and parts.

Motion Technologies manufactures brake components and specialized sealing solutions, shock absorbers and damping technologies primarily for the global automotive, truck and trailer, public bus and rail transportation markets.

Connect & Control Technologies manufactures harsh-environment connector solutions and critical energy absorption and flow control components for the aerospace and defense, general industrial, medical, and oil and gas markets.

Corporate and Other consists of corporate office expenses including compensation, benefits, occupancy, depreciation and other administrative costs, as well as charges related to certain matters, such as asbestos and environmental liabilities, that are managed at a corporate level and are not included in segment results when evaluating performance or allocating resources. Assets of the segments exclude general corporate assets, which principally consist of cash, investments, asbestos-related receivables, deferred taxes, and certain property, plant and equipment.

For the Three Months Ended March 31	Revenue		Operating Income ^(a)		Operating Margin	
	2018	2017	2018	2017	2018	2017
Industrial Process	\$ 189.8	\$ 186.1	\$ 16.9	\$ 8.1	8.9%	4.4%
Motion Technologies	342.2	287.3	61.9	55.0	18.1%	19.1%
Connect & Control Technologies	157.9	153.3	23.0	16.7	14.6%	10.9%
Total segment results	689.9	626.7	101.8	79.8	14.8%	12.8%
Asbestos-related benefit (costs), net	—	—	19.7	(14.9)	—	—
Eliminations / Other corporate costs	(0.6)	(0.9)	(10.9)	(7.9)	—	—
Total Eliminations / Corporate and Other costs	(0.6)	(0.9)	8.8	(22.8)	—	—
Total	\$ 689.3	\$ 625.8	\$ 110.6	\$ 57.0	16.0%	9.1%

(a) Operating income and operating margin for the three months ended March 31, 2017 has been restated to reflect the adoption of ASU 2017-07. Refer to Note 2, [Recent Accounting Pronouncements](#) for further information.

For the Three Months Ended March 31	Total Assets		Capital Expenditures		Depreciation & Amortization	
	2018	2017 ^(b)	2018	2017	2018	2017
Industrial Process	\$ 1,056.0	\$ 1,025.7	\$ 1.0	\$ 9.9	\$ 6.9	\$ 6.8
Motion Technologies	1,218.9	1,140.4	25.0	22.3	14.3	10.7
Connect & Control Technologies	708.9	694.8	2.7	4.4	5.3	5.6
Corporate and Other	887.7	839.3	—	0.1	1.1	1.7
Total	\$ 3,871.5	\$ 3,700.2	\$ 28.7	\$ 36.7	\$ 27.6	\$ 24.8

(b) Amounts reflect balances as of December 31, 2017.

NOTE 4 REVENUE

The following table represents our revenue disaggregated by product category for the three months ended March 31, 2018.

For the Three Months Ended March 31, 2018	Industrial Process	Motion Technologies	Connect & Control Technologies	Eliminations	Total
Industrial pumps	\$ 141.5	\$ —	\$ —	\$ —	\$ 141.5
Oil & gas pumps and components	48.3	—	9.0	—	57.3
Vehicle components	—	299.6	—	—	299.6
Aerospace & defense components	—	1.8	87.6	—	89.4
Rail components	—	39.0	—	—	39.0
Industrial components and other	—	1.8	61.3	(0.6)	62.5
Total	\$ 189.8	\$ 342.2	\$ 157.9	\$ (0.6)	\$ 689.3

Revenue recognized related to our Industrial Process segment primarily consists of pumps, valves and plant optimization systems and services which serve the general industrial, oil and gas, chemical and petrochemical, pharmaceutical, mining, pulp and paper, food and beverage, and power generation markets. Many of Industrial Process's products are highly engineered and customized to our customer needs and therefore do not have an alternative use. For these longer term design and build projects, if the contracts states that we also have an enforceable right to payment, we recognize revenue over time using the cost-to-total-cost method as we satisfy the performance obligations identified in the contract. If no right to payment exists, revenue is recognized at a point in time, generally based on shipping terms. A majority of our design and build project contracts currently do not have a right to payment. For other pumps that do have an alternative use to us, revenue is recognized at a point in time. Revenue on service and repair contracts, representing approximately 3% of consolidated ITT revenue, is recognized after services have been agreed to by the customer and rendered or over the service period.

Our Motion Technologies segment manufactures brake pads, shims, shock absorbers, and damping and sealing technologies primarily for the transportation industry. Our Connect & Control Technologies segment manufactures a range of highly engineered connectors and specialized control components for critical applications. In both of these segments, most products have an alternative use. Therefore, revenue is recognized at a point in time when control passes to the customer. In certain circumstances, we have concluded we do not have an alternative use for the component product. In these cases, due to the short-term nature of the production process we use a units-of-delivery method of revenue recognition which faithfully depicts the transfer of control to the customer.

Contract Assets and Liabilities

Contract assets consist of unbilled amounts under long term-term contracts where revenue recognized exceeds customer billings. Contract liabilities consist of advance payments and billings in excess of revenue recognized. The following table represents our net contract assets and liabilities as of March 31, 2018.

	March 31, 2018	January 1, 2018	Change
Current contract assets	\$ 25.8	\$ 43.2	(40.3)%
Noncurrent contract assets	0.7	—	100.0 %
Current contract liabilities	(57.5)	(61.7)	(6.8)%
Net contract liabilities	\$ (31.0)	\$ (18.5)	67.6 %

During the first quarter of 2018, the increase in our net contract liability of \$12.5, or 67.6%, was primarily due to higher customer billings. In the first quarter of 2018, we recognized revenue of \$30.9 related to contract liabilities at January 1, 2018.

For contracts greater than one year, the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of March 31, 2018 was \$39.6. Of this amount, we expect to recognize approximately \$20 to \$25 of revenue during 2018, and the remainder in 2019.

As of March 31, 2018, deferred contract costs were \$7.3, primarily related to pre-contract costs. During the three months ended March 31, 2018, we amortized \$0.2 of deferred contract costs.

NOTE 5 RESTRUCTURING ACTIONS

The table below summarizes the restructuring costs presented within general and administrative expenses in our Consolidated Condensed Statements of Operations for the three months ended March 31, 2018 and 2017. We have initiated various restructuring activities throughout our businesses during the past two years, however there were no restructuring activities considered to be individually significant.

For the Three Months Ended March 31	2018	2017
Severance costs	\$ 0.6	\$ 1.1
Other restructuring costs	0.3	1.5
Total restructuring costs	\$ 0.9	\$ 2.6
By segment:		
Industrial Process	\$ 0.1	\$ 1.3
Motion Technologies	0.4	0.2
Connect & Control Technologies	0.4	0.5
Corporate and Other	—	0.6

The following table displays a rollforward of the restructuring accruals, presented on our Consolidated Condensed Balance Sheet within accrued liabilities, for the three months ended March 31, 2018 and 2017.

For the Three Months Ended March 31	2018	2017
Restructuring accruals - beginning balance	\$ 8.9	\$ 14.6
Restructuring costs	0.9	2.6
Cash payments	(2.4)	(5.4)
Foreign exchange translation and other	1.2	1.0
Restructuring accrual - ending balance	\$ 8.6	\$ 12.8
By accrual type:		
Severance accrual	\$ 7.7	\$ 11.2
Facility carrying and other costs accrual	0.9	1.6

NOTE 6 INCOME TAXES

For the three months ended March 31, 2018 and 2017, the Company recognized income tax expense of \$7.6 and \$9.1 and had an effective tax rate of 7.0% and 16.6%, respectively. The lower effective tax rate in 2018 is primarily due to tax benefits of \$21.6 from the reversal of a valuation allowance on German deferred tax assets and \$4.5 from a reduction to the provisional one-time tax charge associated with the 2017 U.S. tax reform.

Our effective tax rate in 2018 includes the impact of the Tax Cuts and Jobs Act of 2017 (the "Tax Act") that was approved by Congress on December 20, 2017 and signed into law by the U.S. President on December 22, 2017. The Tax Act significantly changes the U.S. corporate income tax rules most of which are effective January 1, 2018. On December 22, 2017 the SEC issued guidance under Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed in reasonable detail to complete the accounting for certain income tax effects of the Tax Act and therefore records provisional amounts under the Tax Act. The ultimate impact of the Tax Act may differ from these provisional amounts, possibly materially, due to, among other things, additional analysis, changes in interpretations and assumptions a company has made, additional regulatory guidance that may be issued, and actions a company may take as a result of the Tax Act.

Quantifying the impact of the Tax Act is subject to guidance and regulations to be issued by the U.S. Treasury and possible changes to state tax laws. The Company is currently unable to compute with certainty the impact of the Tax Act on its financial statements. The Company has performed provisional computations of the impact of the Tax Act and has recorded the provisional amounts in its 2017 financial statements. The Company has updated some of these provisional computations to account for further guidance from the United States Treasury

Department. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date.

The Tax Act imposed a one-time tax on accumulated earnings of foreign subsidiaries as of December 31, 2017. In its 2017 financial statements, the Company recognized the provisional tax impacts resulting from the Tax Act. The Company has updated the provisional one-time tax amount to \$53.5 as compared to \$58.0 reported in December 31, 2017 financial statements.

The Company intends to distribute most earnings of its foreign subsidiaries to the U.S. in future years, and therefore is no longer asserting permanent reinvestment of these earnings outside the U.S. Further, the Company will provide for any U.S. state and foreign taxes on distributions of future earnings of its foreign subsidiaries as these earnings will not be considered permanently reinvested in the foreign countries.

The Company has performed provisional computations and has not provided deferred taxes on its remaining excess of financial reporting over tax bases of investments in its foreign subsidiaries that it intends to permanently reinvest outside the U.S. The Company anticipates that accumulated foreign earnings of \$1.2 billion and future earnings of its foreign subsidiaries that are considered not permanently reinvested will be sufficient to meet its U.S. cash needs. In the event additional foreign funds are needed to support U.S. operations, and if U.S. tax has not already been previously provided, we would be required to accrue and pay additional U.S. and foreign taxes.

The Tax Act limits the deductibility of compensation for certain senior officers. The Company has determined that certain deferred tax assets associated with officer compensation may not be deductible. The Company has therefore written off a provisional amount of \$2.8 of deferred tax assets relating to such compensation.

The Tax Act adopts a new rule "Global Intangible Low Taxed Income" (GILTI) that requires certain income of controlled foreign corporations to be subject to U.S. taxation. We are allowed under ASC 740 to make an accounting policy choice of either (1) treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current period expense when incurred or (2) factoring such amounts into the Company's measurement of its deferred taxes. Because of the complexity of these rules, and anticipated guidance from U.S. Treasury we will continue to evaluate the impact on the Company's financial statements. Therefore, we have not recorded any deferred taxes related to GILTI and have not made a policy decision regarding whether to record deferred taxes on GILTI.

The Company operates in various tax jurisdictions and is subject to examination by tax authorities in these jurisdictions. The Company is currently under examination in several jurisdictions including Canada, Germany, Hong Kong, Italy, Mexico, the U.S. and Venezuela. The estimated tax liability calculation for unrecognized tax benefits considers uncertainties in the application of complex tax laws and regulations in various tax jurisdictions. Due to the complexity of some uncertainties, the ultimate resolution may result in a payment that is materially different from the current estimate of the unrecognized tax benefit. Over the next 12 months, the net amount of the tax liability for unrecognized tax benefits in foreign and domestic jurisdictions could change by approximately \$16 due to changes in audit status, expiration of statutes of limitations and other events. In addition, the settlement of any future examinations relating to the 2011 and prior tax years could result in changes in amounts attributable to the Company under its Tax Matters Agreement with Exelis Inc. and Xylem Inc. relating to the Company's 2011 spin-off of those businesses.

NOTE 7
EARNINGS PER SHARE DATA

The following table provides a reconciliation of the data used in the calculation of basic and diluted earnings per share from continuing operations attributable to ITT for the three months ended March 31, 2018 and 2017.

For the Three Months Ended March 31	2018	2017
Basic weighted average common shares outstanding	88.0	88.5
Add: Dilutive impact of outstanding equity awards	1.0	0.7
Diluted weighted average common shares outstanding	89.0	89.2

There were no anti-dilutive shares underlying stock options excluded from the computation of diluted earnings per share for the three months ended March 31, 2018. During the three months ended March 31, 2017 there were 0.4 anti-dilutive shares underlying stock options excluded from the computation of diluted earnings per share with a weighted average exercise price per share of \$42.40. Anti-dilutive shares underlying stock options for the three months ended March 31, 2017 will expire between 2024 and 2025.

In addition, 0.2 of outstanding Performance stock units (PSU) awards were excluded from the computation of diluted earnings per share for the three months ended March 31, 2018 and 2017, as the necessary performance conditions had not yet been satisfied.

NOTE 8
RECEIVABLES, NET

	March 31, 2018	December 31, 2017
Trade accounts receivable	\$ 572.0	\$ 601.4
Notes receivable	4.4	3.9
Other	21.8	40.4
Receivables, gross	598.2	645.7
Less: Allowance for doubtful accounts	(16.8)	(16.1)
Receivables, net	\$ 581.4	\$ 629.6

NOTE 9
INVENTORIES, NET

	March 31, 2018	December 31, 2017
Finished goods	\$ 62.7	\$ 55.9
Work in process	88.9	54.8
Raw materials	212.4	184.4
Inventoried costs related to long-term contracts	40.9	38.1
Total inventory before progress payments	404.9	333.2
Less: Progress payments (see Note 2)	—	(21.3)
Inventories, net	\$ 404.9	\$ 311.9

**NOTE 10
OTHER CURRENT AND NON-CURRENT ASSETS**

	March 31, 2018	December 31, 2017
Asbestos-related assets	\$ 64.7	\$ 64.7
Advance payments and other prepaid expenses	56.7	50.9
Short-term contract asset (see Note 2)	25.8	—
Prepaid income taxes	24.4	30.3
Other	1.4	1.5
Other current assets	\$ 173.0	\$ 147.4
Other employee benefit-related assets	\$ 112.3	\$ 111.3
Capitalized software costs	39.4	41.9
Environmental-related assets	24.5	24.5
Equity method investments	7.4	6.7
Other	19.2	18.5
Other non-current assets	\$ 202.8	\$ 202.9

**NOTE 11
PLANT, PROPERTY AND EQUIPMENT, NET**

	March 31, 2018	December 31, 2017
Land and improvements	\$ 29.2	\$ 28.7
Machinery and equipment	1,062.3	1,039.9
Buildings and improvements	266.6	262.5
Furniture, fixtures and office equipment	75.1	74.5
Construction work in progress	66.1	58.4
Other	11.1	10.9
Plant, property and equipment, gross	1,510.4	1,474.9
Less: Accumulated depreciation	(983.8)	(953.2)
Plant, property and equipment, net	\$ 526.6	\$ 521.7

Depreciation expense of \$20.7 and \$18.3 was recognized in the three months ended March 31, 2018 and 2017, respectively.

During 2017, the Company entered into an agreement to sell excess property for a cash purchase price of approximately \$41. The purchaser's due diligence period has ended, however there are remaining conditions to closing which are anticipated to be finalized within three months from the date of this filing. At closing, the Company will receive the cash proceeds and is expected to record a gain of approximately \$38 to \$40.

NOTE 12 GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill

The following table provides a rollforward of the carrying amount of goodwill for the three months ended March 31, 2018 by segment.

	Industrial Process	Motion Technologies	Connect & Control Technologies	Total
Goodwill - December 31, 2017	\$ 324.5	\$ 295.6	\$ 266.7	\$ 886.8
Adjustments to purchase price allocations	—	3.3	—	3.3
Foreign exchange translation	3.1	1.9	0.6	5.6
Goodwill - March 31, 2018	\$ 327.6	\$ 300.8	\$ 267.3	\$ 895.7

Goodwill adjustments to purchase price allocations are related to our acquisition of Axtone Railway Components (Axtone) in the first quarter of 2017. The acquired goodwill, representing the excess of the purchase price over the net assets acquired, has been adjusted to reflect the final fair value of the net assets acquired. Refer to Note 19, [Acquisitions](#), for additional information.

Other Intangible Assets, Net

Information regarding our other intangible assets is as follows:

	March 31, 2018			December 31, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net Intangibles	Gross Carrying Amount	Accumulated Amortization	Net Intangibles
Customer relationships	\$ 166.6	\$ (77.8)	\$ 88.8	\$ 166.2	\$ (74.4)	\$ 91.8
Proprietary technology	54.8	(23.2)	31.6	54.4	(21.8)	32.6
Patents and other	13.0	(9.3)	3.7	13.5	(9.2)	4.3
Finite-lived intangible total	234.4	(110.3)	124.1	234.1	(105.4)	128.7
Indefinite-lived intangibles	27.7	—	27.7	27.5	—	27.5
Other intangible assets	\$ 262.1	\$ (110.3)	\$ 151.8	\$ 261.6	\$ (105.4)	\$ 156.2

Amortization expense related to finite-lived intangible assets was \$4.6 for both the three months ended March 31, 2018 and 2017, respectively.

NOTE 13 ACCRUED LIABILITIES AND OTHER NON-CURRENT LIABILITIES

	March 31, 2018	December 31, 2017
Compensation and other employee-related benefits	\$ 120.0	\$ 147.2
Contract liabilities and other customer-related liabilities (see Note 2)	82.0	45.5
Asbestos-related liabilities	77.4	77.1
Accrued income taxes and other tax-related liabilities	34.8	36.1
Environmental liabilities and other legal matters	23.1	22.8
Accrued warranty costs	17.4	17.0
Other accrued liabilities	39.5	38.7
Accrued liabilities	\$ 394.2	\$ 384.4
Environmental liabilities	\$ 58.4	\$ 63.6
Compensation and other employee-related benefits	35.7	36.4
Deferred income taxes and other tax-related accruals	35.7	19.3
Other	51.6	56.3
Other non-current liabilities	\$ 181.4	\$ 175.6

**NOTE 14
DEBT**

	March 31, 2018	December 31, 2017
Commercial paper	\$ —	\$ 162.4
Short-term loans	246.5	—
Current maturities of long-term debt and capital leases	1.4	1.2
Short-term loans and current maturities of long-term debt	247.9	163.6
Long-term debt and capital leases	8.0	8.3
Total debt and capital leases	\$ 255.9	\$ 171.9

Commercial Paper

As of March 31, 2018, there was no Commercial paper outstanding. As of December 31, 2017, Commercial paper had an associated weighted average interest rate of 2.09% and maturity terms less than one month from the date of issuance.

Short-term Loans

Short-term loans consist of outstanding borrowings under our \$500 Revolving Credit Agreement (the Revolving Credit Agreement). Outstanding borrowings under our Revolving Credit Agreement as of March 31, 2018 were denominated in Euros with an associated weighted average interest rate of 1.1%. As of December 31, 2017, we had no outstanding obligations under the Revolving Credit Agreement. Refer to the [Liquidity](#) section within "Item 2. Management's Discussion and Analysis," for additional information on the revolving credit facility as well as our overall funding and liquidity strategy.

**NOTE 15
POSTRETIREMENT BENEFIT PLANS**

The following table provides the components of net periodic benefit cost for pension plans and other employee-related benefit plans for the three months ended March 31, 2018 and 2017.

For the Three Months Ended March 31	2018			2017		
	Pension	Other Benefits	Total	Pension	Other Benefits	Total
Service cost	\$ 0.4	\$ 0.2	\$ 0.6	\$ 0.6	\$ 0.2	\$ 0.8
Interest cost	2.8	1.1	3.9	3.0	1.1	4.1
Expected return on plan assets ^(a)	(3.4)	(0.1)	(3.5)	(3.8)	(0.1)	(3.9)
Amortization of prior service cost (benefit)	0.2	(1.3)	(1.1)	0.2	(1.4)	(1.2)
Amortization of net actuarial loss	1.5	1.1	2.6	1.7	1.1	2.8
Total net periodic benefit cost	\$ 1.5	\$ 1.0	\$ 2.5	\$ 1.7	\$ 0.9	\$ 2.6

(a) Includes plan administrative expenses of \$0.9 and \$0.8 for the three months ended March 31, 2018 and 2017, respectively. The prior year plan administrative expenses have been reclassified from the service cost component line to conform to the current year presentation.

We made contributions to our global postretirement plans of \$3.5 during both the three months ended March 31, 2018 and 2017, respectively. We expect to make contributions of approximately \$10 to \$14 during the remainder of 2018, principally related to our other postretirement employee benefit plans.

Amortization from accumulated other comprehensive income into earnings related to prior service cost and net actuarial loss was \$1.1, net of tax, for both the three months ended March 31, 2018 and 2017, respectively. No other reclassifications from accumulated other comprehensive income into earnings were recognized during any of the presented periods.

NOTE 16
LONG-TERM INCENTIVE EMPLOYEE COMPENSATION

Our long-term incentive plan (LTIP) costs are primarily recorded within general and administrative expenses. The following table provides the components of LTIP costs for the three months ended March 31, 2018 and 2017.

For the Three Months Ended March 31	2018	2017
Equity-based awards	\$ 4.5	\$ 3.7
Liability-based awards	0.1	0.5
Total share-based compensation expense	\$ 4.6	\$ 4.2

At March 31, 2018, there was \$28.7 of total unrecognized compensation cost related to non-vested equity awards. This cost is expected to be recognized ratably over a weighted-average period of 2.1 years. Additionally, unrecognized compensation cost related to liability-based awards was \$4.3, which is expected to be recognized ratably over a weighted-average period of 2.2 years.

Year-to-Date 2018 LTIP Activity

The majority of our LTIP awards are granted during the first quarter of each year and vest on the completion of a three-year service period. During the three months ended March 31, 2018, we granted the following LTIP awards as provided in the table below:

	# of Awards Granted	Weighted Average Grant Date Fair Value Per Share
Restricted stock units (RSUs)	0.2	\$ 53.00
Performance stock units (PSUs)	0.1	\$ 57.92

During the three months ended March 31, 2018 and 2017, 0.1 and 0.3 non-qualified stock options were exercised resulting in proceeds of \$0.6 and \$5.9, respectively. During both the three months ended March 31, 2018 and 2017, RSUs of 0.1 vested and were issued, respectively. During the three months ended March 31, 2018, PSUs of 0.1 that vested on December 31, 2017 were issued. There were no PSUs that vested on December 31, 2016 because the minimum performance requirements were not met.

NOTE 17
CAPITAL STOCK

On October 27, 2006, a three-year \$1 billion share repurchase program was approved by the Board of Directors (Share Repurchase Program). On December 16, 2008, the provisions of the Share Repurchase Program were modified by the Board of Directors to replace the original three-year term with an indefinite term. During the three months ended March 31, 2018, we repurchased and retired 1.0 shares of common stock for \$50.0 under this program. During the three months ended March 31, 2017, there were no repurchases under this program. To date, the Company has repurchased 22.1 shares for \$909.4 under the Share Repurchase Program.

Separate from the Share Repurchase Program, the Company repurchased 0.1 shares during both the three months ended March 31, 2018 and 2017, respectively, for an aggregate price of \$5.3 and \$2.3, respectively, in settlement of employee tax withholding obligations due upon the vesting of RSUs and PSUs.

NOTE 18 COMMITMENTS AND CONTINGENCIES

From time to time, we are involved in legal proceedings that are incidental to the operation of our businesses. Some of these proceedings allege damages relating to environmental exposures, intellectual property matters, copyright infringement, personal injury claims, employment and employee benefit matters, government contract issues and commercial or contractual disputes and acquisitions or divestitures. We will continue to defend vigorously against all claims. Although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information including our assessment of the merits of the particular claim, as well as our current reserves and insurance coverage, we do not expect that such legal proceedings will have a material adverse impact on our financial statements, unless otherwise noted below.

Asbestos Matters

Subsidiaries of ITT, including ITT LLC and Goulds Pumps LLC, have been sued, along with many other companies in product liability lawsuits alleging personal injury due to asbestos exposure. These claims generally allege that certain products sold by our subsidiaries prior to 1985 contained a part manufactured by a third party (e.g., a gasket) which contained asbestos. To the extent these third-party parts may have contained asbestos, it was encapsulated in the gasket (or other) material and was non-friable. As of March 31, 2018, there were approximately 25 thousand pending claims against ITT subsidiaries, including Goulds Pumps LLC, filed in various state and federal courts alleging injury as a result of exposure to asbestos. Activity related to these asserted asbestos claims during the period was as follows:

For the Three Months Ended March 31 (in thousands)	2018
Pending claims – Beginning	26
New claims	1
Settlements	—
Dismissals	(2)
Pending claims – Ending	25

Frequently, plaintiffs are unable to identify any ITT LLC or Goulds Pumps LLC products as a source of asbestos exposure. Our experience to date is that a majority of resolved claims are dismissed without any payment from ITT subsidiaries. Management believes that a large majority of the pending claims have little or no value. In addition, because claims are sometimes dismissed in large groups, the average cost per resolved claim can fluctuate significantly from period to period. ITT expects more asbestos-related suits will be filed in the future, and ITT will continue to aggressively defend or seek a reasonable resolution, as appropriate.

Asbestos litigation is a unique form of litigation. Frequently, the plaintiff sues a large number of defendants and does not state a specific claim amount. After filing a complaint, the plaintiff engages defendants in settlement negotiations to establish a settlement value based on certain criteria, including the number of defendants in the case. Rarely do the plaintiffs seek to collect all damages from one defendant. Rather, they seek to spread the liability, and thus the payments, among many defendants. As a result of this and other factors, the Company is unable to estimate the maximum potential exposure to pending claims and claims estimated to be filed over the next 10 years.

Estimating our exposure to pending asbestos claims and those that may be filed in the future is subject to significant uncertainty and risk as there are multiple variables that can affect the timing, severity, quality, quantity and resolution of claims. Any predictions with respect to the variables impacting the estimate of the asbestos liability and related asset are subject to even greater uncertainty as the projection period lengthens. In light of the variables and uncertainties inherent in the long-term projection of the Company's asbestos exposures, although it is probable that the Company will incur additional costs for asbestos claims filed beyond the next 10 years, which additional costs may be material, we do not believe there is a reasonable basis for estimating those costs at this time.

The asbestos liability and related receivables reflect management's best estimate of future events. However, future events affecting the key factors and other variables for either the asbestos liability or the related receivables could cause actual costs or recoveries to be materially higher or lower than currently estimated. Due to these uncertainties, as well as our inability to reasonably estimate any additional asbestos liability for claims which may be filed beyond the next 10 years, it is difficult to predict the ultimate cost of resolving all pending and unasserted asbestos claims. We believe it is possible that future events affecting the key factors and other variables within

the next 10 years, as well as the cost of asbestos claims filed beyond the next 10 years, net of expected recoveries, could have a material adverse effect on our financial statements.

Asbestos-Related Costs, Net

As part of our ongoing review of our net asbestos exposure, each quarter we assess the most recent qualitative and quantitative data available for the key inputs and assumptions, comparing the data to expectations on which the most recent annual liability and asset estimates were calculated. Based on this evaluation, the Company determined that no change in the estimate was warranted for the quarter ended March 31, 2018 other than the incremental accrual to maintain a rolling 10-year forecast period and the settlement described below.

During the first quarter of 2018, we entered into a settlement agreement with an insurer to settle responsibility for multiple insurance claims. Under the terms of the coverage-in-place agreement, the insurer agreed to an upfront payment to a Qualified Settlement Fund (QSF) for past costs in addition to providing coverage for certain future asbestos claims on specified terms and conditions. Insurance payments under the coverage-in-place agreement will be made to a QSF as claims are settled or adjudicated.

The following table provides a rollforward of the estimated asbestos liability and related assets for the three months ended March 31, 2018 and 2017.

For the Three Months Ended March 31	2018			2017		
	Liability	Asset	Net	Liability	Asset	Net
Beginning balance	\$ 877.2	\$ 368.7	\$ 508.5	\$ 954.3	\$ 380.6	\$ 573.7
Asbestos provision	15.3	2.9	12.4	17.4	2.5	14.9
Insurance settlement agreements	—	32.1	(32.1)	—	—	—
Net cash activity	(22.2)	(9.4)	(12.8)	(28.8)	(15.8)	(13.0)
Ending balance	\$ 870.3	\$ 394.3	\$ 476.0	\$ 942.9	\$ 367.3	\$ 575.6
Current portion	\$ 77.4	\$ 64.7		\$ 76.3	\$ 66.0	
Noncurrent portion	\$ 792.9	\$ 329.6		\$ 866.6	\$ 301.3	

Environmental Matters

In the ordinary course of business, we are subject to federal, state, local, and foreign environmental laws and regulations. We are responsible, or are alleged to be responsible, for ongoing environmental investigation and site remediation. These sites are in various stages of investigation or remediation and in many of these proceedings our liability is considered de minimis. We have received notification from the U.S. Environmental Protection Agency, and from similar state and foreign environmental agencies, that a number of sites formerly or currently owned or operated by ITT, and other properties or water supplies that may be or have been impacted from those operations, contain disposed or recycled materials or wastes and require environmental investigation or remediation. These sites include instances where we have been identified as a potentially responsible party under federal and state environmental laws and regulations.

The following table provides a rollforward of the estimated environmental liability for the three months ended March 31, 2018 and 2017.

For the Three Months Ended March 31	2018	2017
Environmental liability - beginning balance	\$ 73.9	\$ 76.6
Change in estimates for pre-existing accruals	2.6	(0.7)
Accruals added during the period for new matters	2.0	—
Net cash activity	(10.0)	(3.4)
Environmental liability - ending balance	\$ 68.5	\$ 72.5

We are currently involved with 37 active environmental investigation and remediation sites. At March 31, 2018, we have estimated the potential high-end liability range of environmental-related matters to be \$119.8.

As actual costs incurred at identified sites in future periods may vary from our current estimates given the inherent uncertainties in evaluating environmental exposures, management believes it is possible that the outcome of these uncertainties may have a material adverse effect on our financial statements.

Other Matters

The Company received a civil subpoena from the Department of Defense, Office of the Inspector General, in the second quarter of 2015 as part of an investigation being led by the Civil Division of the U.S. Department of Justice (DOJ). The subpoena and related investigation involve certain connector products manufactured by the Company's Connect & Control Technologies segment that are purchased or used by the U.S. government. In addition, in the third quarter of 2017, the Company learned that the Criminal Division of DOJ is also investigating this matter. The Company is cooperating with the government and has produced documents responsive to the subpoena to the Civil Division. Based on its current analysis following discussions with DOJ to resolve the civil matter, the Company has accrued \$5 as its current best estimate of the minimum amount of probable loss. It is reasonably possible that any actual loss related to this matter may be higher than this amount, but at this time management is unable to estimate a range of potential loss in excess of the amount accrued.

NOTE 19 ACQUISITIONS

Axtone Railway Components

On January 26, 2017, we acquired 100% of the privately held stock of Axtone Railway Components (Axtone) for a purchase price of \$123.1, net of cash acquired. Axtone, which had 2016 revenue of approximately \$72, is a manufacturer of highly engineered and customized energy absorption solutions, including springs, buffers, and coupler components for the railway and industrial markets.

The final purchase price for Axtone is based on the net tangible assets acquired and liabilities assumed as of January 26, 2017, with the excess of the purchase price of \$86 recorded as goodwill. The goodwill arising from this acquisition, which is not expected to be deductible for income tax purposes, has been assigned to the Motion Technologies segment.

Allocation of Purchase Price for Axtone

Cash	\$	9.4
Receivables		11.5
Inventory		13.6
Plant, property and equipment		13.1
Goodwill		86.0
Other intangible assets		9.9
Other assets		5.5
Accounts payable and accrued liabilities		(15.2)
Postretirement liabilities		(4.2)
Other liabilities		(6.5)
Net assets acquired	\$	123.1

Pro forma results of operations have not been presented because the acquisition was not deemed material at the acquisition date.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(In millions, except per share amounts, unless otherwise stated)

OVERVIEW

ITT Inc. is a diversified manufacturer of highly engineered critical components and customized technology solutions for the transportation, industrial, and oil and gas markets. Building on our heritage of engineering, we partner with our customers to deliver enduring solutions to the key industries that underpin our modern way of life. We manufacture components that are integral to the operation of systems and manufacturing processes in our key markets. Our products provide enabling functionality for applications where reliability and performance are critically important to our customers and the users of their products.

Our businesses share a common, repeatable operating model. Each business applies technology and engineering expertise to solve our customers' most pressing challenges. Our applied engineering aptitude enables a tight business fit with our customers given the critical nature of their applications. This in turn provides us with unique insight to our customer's requirements and enables us to develop solutions to assist our customers in achieving their business goals. Our technology and customer intimacy work in tandem to produce opportunities to capture recurring revenue streams, aftermarket opportunities, and long-lived original equipment manufacturer (OEM) platforms.

Our product and service offerings are organized into three segments: Industrial Process, Motion Technologies, and Connect & Control Technologies. See Note 3, [Segment Information](#), in this Report for a summary description of each segment. Additional information is also available in our 2017 Annual Report within Part I, Item 1, "Description of Business".

DISCUSSION OF FINANCIAL RESULTS Three Months Ended March 31

For the Three Months Ended March 31	2018	2017	Change
Revenue	\$ 689.3	\$ 625.8	10.1%
Gross profit	224.2	203.1	10.4%
<i>Gross margin</i>	32.5%	32.5%	—
Operating expenses	113.6	146.1	(22.2%)
<i>Expense to revenue ratio</i>	16.5%	23.3%	(680)bp
Operating income	110.6	57.0	94.0%
<i>Operating margin</i>	16.0%	9.1%	690bp
Interest and non-operating expenses, net	1.8	2.2	(18.2%)
Income tax expense	7.6	9.1	(16.5%)
<i>Effective tax rate</i>	7.0%	16.6%	(960)bp
Income from continuing operations attributable to ITT Inc.	101.1	46.1	119.3%
Income (loss) from discontinued operations, net of tax	0.1	(0.1)	200.0%
Net income attributable to ITT Inc.	101.2	46.0	120.0%

All comparisons included within Management's Discussion and Analysis of Financial Condition and Results of Operations refer to the comparable three months ended March 31, 2017, unless stated otherwise.

Executive Summary

During the first quarter of 2018, we continued our emphasis on operational execution across the organization and driving growth through innovation and initiatives aimed at increasing global market share in key strategic end-markets. At Industrial Process, we continued to improve productivity and project performance leading to a 450 basis point improvement in operating margin. We also drove productivity improvements at Connect & Control Technologies, leading to a 370 basis point increase to operating margin. At Motion Technologies, we continued to outpace the global OEM friction market as evidenced by organic revenue growth and the award of several new automotive platforms.

In terms of capital deployment, we continued to invest in our North American brake pad facility which is ramping up its production. We also positioned ourselves to capitalize on the growth of the electric vehicles market by investing in both innovation and testing capabilities in China. Also, in the first quarter of 2018, we returned \$50 to shareholders in the form of share repurchases.

Our first quarter 2018 results include:

- Revenue of \$689.3 increased \$63.5, or 10.1%, driven by the transportation end-markets on solid growth in the rail and aerospace markets, as well as continued strength in OEM automotive brake pads. In addition, general industrial end-market revenues grew approximately 4% driven by strength in pulp and paper and mining, partially offset by a 10% decline in oil and gas due to weaker project activity. Organic revenue increased 2.1% compared to the prior year.
- Orders of \$761.2 reflect a year-over-year increase of \$90.6, or 13.5%. Continued share gains in the global OEM automotive brake pads, rotorcraft equipment, electric vehicle connectors, and defense aftermarket was partially offset by a decline in project pump orders due to a significant oil and gas order received in the prior year. We also received incremental orders of \$17.7 from our 2017 acquisition of Axtone. Organic orders increased 4% compared to the prior year.
- Operating income of \$110.6 increased \$53.6, or 94.0%, reflecting a 690 basis point increase to operating margin, due to an asbestos-related insurance settlement which provided a benefit of \$32.1, and an increase in segment operating income of \$22.0, or 27.6%. The increase in segment operating income was driven by higher sales volume, productivity and restructuring benefits, improved pump project performance and favorable impacts from foreign exchange, partially offset by higher commodity costs and growth investments. Adjusted segment operating income increased \$18.3, or 21.5%. As a result of our operational improvements, coupled with higher sales volume, we were able to deliver a segment operating margin of 14.8%, which is a 200 basis point improvement compared to the previous year.
- Income from continuing operations of \$1.14 per diluted share, increased \$0.62 over the prior year. Adjusted income from continuing operations was \$0.77 per diluted share, reflecting a \$0.13, or 20.3%, increase compared to the prior year.

Further details related to these results are contained elsewhere in the Discussion of Financial Results section. Refer to the section titled "Key Performance Indicators and Non-GAAP Measures" for reconciliations between GAAP and non-GAAP metrics.

REVENUE

For the Three Months Ended March 31	2018	2017	Change	Organic Revenue (Decline) Growth ^(a)
Industrial Process	\$ 189.8	\$ 186.1	2.0 %	(0.2)%
Motion Technologies	342.2	287.3	19.1 %	4.4 %
Connect & Control Technologies	157.9	153.3	3.0 %	0.4 %
Eliminations	(0.6)	(0.9)	(33.3)%	—
Revenue	\$ 689.3	\$ 625.8	10.1 %	2.1 %

(a) See the section titled “Key Performance Indicators and Non-GAAP Measures” for a definition and reconciliation of organic revenue.

Industrial Process

Revenue for the three months ended March 31, 2018 increased \$3.7 or 2.0%, which includes favorable foreign currency impacts of \$4.0. Organic revenue during the three months ended March 31, 2018 was flat. During the first quarter of 2018, revenue from aftermarket service increased approximately 19%. Revenue from valves increased approximately 1% driven by strength in the general industrial and chemical markets. Revenue from short-cycle baseline pumps declined approximately 9%, primarily due to weaker demand in the Asian oil and gas market. Revenue from project pumps declined approximately 1% due to oil and gas projects in North America, offset by growth from global petrochemical projects.

Orders for the three months ended March 31, 2018 were \$210.1, reflecting a decrease of \$11.7, or 5.3%, which includes favorable foreign currency impacts of \$4.5. Organic orders decreased \$16.2, or 7.3%, primarily due to a prior year \$26 downstream oil and gas order. Excluding this large prior year project win, organic orders increased approximately 5%, reflecting increased project orders across markets as well as an increase in short-cycle valve orders of approximately 8% due to strength in the general industrial and oil and gas markets. Short-cycle baseline pumps orders were flat compared to the prior year.

The level of order and shipment activity related to project pumps can vary significantly from period to period, which may impact year-over-year comparisons. Backlog as of March 31, 2018 was \$385.9, reflecting an increase of \$49.4, or 14.7%, from the December 31, 2017 level.

Motion Technologies

Revenue for the three months ended March 31, 2018 increased \$54.9, or 19.1%, which includes incremental revenue of \$5.5 from our January 2017 acquisition of Axtone and favorable foreign currency translation impacts of \$36.7. During the three months ended March 31, 2018, organic revenue increased \$12.7, or 4.4%, reflecting a 5% increase from our Friction Technologies business due to global share gains in the automotive OEM sales channel. The 9.5% growth in OEM friction was partially offset by a decline of 6% in the independent aftermarket sales channel due to phasing and destocking by distributors. In addition, revenue from Wolverine increased approximately 2% due to stronger sales from OE brake shims in Europe and Asia. Organic revenue from our KONI-Axtone business increased approximately 2% driven by the high-speed rail market in China and rail in Europe, partially offset by weaker sales in the auto and defense sales channels.

Orders for the three months ended March 31, 2018 were \$369.9, reflecting an increase of \$82.7, or 28.8%, including incremental orders of \$17.7 from our January 2017 acquisition of Axtone and favorable foreign currency translation impacts of \$37.1. During the three months ended March 31, 2018, organic orders grew \$27.9, or 9.7%. The increase was primarily driven by organic orders from our KONI-Axtone business which grew 30% compared to the prior year due the solid wins in the Eastern European rail market and the defense market in U.S. and Europe. The increase in organic orders also reflects continued strength in OEM auto brake pads in our Friction Technologies business which grew approximately 5%. Orders to our Wolverine business increased approximately 2% due to OEM shims in Europe and Asia.

Connect & Control Technologies

Revenue for the three months ended March 31, 2018 increased \$4.6, or 3.0%, including favorable foreign currency translation impacts of \$4.0. During the three months ended March 31, 2018, organic revenue was flat, as growth in revenue from the commercial aerospace market of approximately 4%, led by increased rotorcraft and connectors, and revenue growth from oil and gas connectors of approximately 3%, was offset by declines in revenue from the defense market of 6% primarily due to restrictions on the sales of certain military-specification connectors. Organic revenue in the general industrial market increased approximately 1% primarily due to higher energy absorption volume and electric vehicle connectors.

Orders for the three months ended March 31, 2018 were \$181.8, reflecting an increase of \$19.4, or 11.9% versus the prior year, including favorable foreign currency translation impacts of \$4.2. During the three months ended March 31, 2018, organic orders increased \$15.2, or 9.4%. The increase was primarily driven by strong component orders in the commercial aerospace market and higher order activity in rotorcraft. Oil and gas orders increased 20% compared to the prior year due to strength in the Middle East and U.S. In addition, general industrial orders grew 4% primarily driven by electric vehicle connectors.

On July 11, 2017, the U.S. Defense Logistics Agency, Land and Maritime (DLA) issued a notice that it had removed our connectors business from the Qualified Products List (QPL) with respect to six military-specification connector products. At the time of this notice, these products had been subject to a previously-disclosed stop shipment/stop production order issued by DLA in the first quarter of 2017. Annual sales of these military-specification connectors are estimated to range from \$8 to \$10. The Company is making progress and seeking to restore its status on the QPL as expeditiously as possible, but is unable to estimate how long this process will take. At this time, there is uncertainty whether there will be any further negative impacts to our revenue and results of operations related to the QPL removal.

Other

The Department of Treasury recently implemented U.S. sanctions targeting certain Russian individuals and businesses. The impact of these sanctions on ITT's backlog has been minimal to date; however, we are unable to predict what impact these sanctions will have on any future business. The Company estimates its annual revenue which could be potentially impacted by these sanctions is up to \$15.

GROSS PROFIT

Gross profit for the three months ended March 31, 2018 and 2017 was \$224.2 and \$203.1, reflecting a gross margin of 32.5% during both periods. Productivity gains across all segments were offset by unfavorable automotive pricing and aftermarket sales mix pressure, increased direct material costs due to higher commodity prices impacting our Motion Technologies segment, and unfavorable impacts from certain military-specification connectors.

OPERATING EXPENSES

For the Three Months Ended March 31	2018	2017	Change
General and administrative expenses	\$ 65.1	\$ 65.7	(0.9)%
Sales and marketing expenses	43.5	43.1	0.9 %
Research and development expenses	24.7	22.4	10.3 %
Asbestos-related (benefit) costs, net	(19.7)	14.9	(232.2)%
Total operating expenses	\$ 113.6	\$ 146.1	(22.2)%
Total Operating Expenses By Segment:			
Industrial Process	\$ 42.8	\$ 45.5	(5.9)%
Motion Technologies	45.6	40.7	12.0 %
Connect & Control Technologies	34.0	37.1	(8.4)%
Corporate & Other	(8.8)	22.8	(138.6)%

General and administrative (G&A) expenses for the three months ended March 31, 2018 decreased \$0.6, or 0.9%. The decrease in G&A expenses was primarily driven by disposal costs incurred in 2017 related to the sale of excess property, which was partially offset by unfavorable foreign currency impacts of \$0.7 and incremental costs related to our acquisition of Axtone of \$0.5 in the current year. In addition, restructuring costs decreased \$1.7 in the first quarter of 2018, but the decrease was offset by higher environmental remediation expenses.

Sales and marketing expenses for the three months ended March 31, 2018 increased \$0.4, or 0.9%, as higher overall selling costs at Motion Technologies were only partially offset by lower personnel costs at Industrial Process and lower commissions at Connect & Control Technologies. Incremental costs related to our acquisition of Axtone were \$0.3 during the three months ended March 31, 2018.

Research and development expenses for the three months ended March 31, 2018 increased \$2.3, or 10.3%, primarily due to increased product development activities at our Motion Technologies operating segment.

During the first quarter of 2018, we recorded an asbestos-related benefit of \$19.7 compared to asbestos-related costs of \$14.9 during the first quarter of 2017. The change was primarily due to a \$32.1 benefit from an insurance settlement recorded in the first quarter of 2018. See Note 18, [Commitments and Contingencies](#), to the Consolidated Condensed Financial Statements for further information.

OPERATING INCOME

For the Three Months Ended March 31	2018	2017	Change
Industrial Process	\$ 16.9	\$ 8.1	108.6 %
Motion Technologies	61.9	55.0	12.5 %
Connect & Control Technologies	23.0	16.7	37.7 %
Segment operating income	101.8	79.8	27.6 %
Asbestos-related benefit (costs), net	19.7	(14.9)	232.2 %
Other corporate costs	(10.9)	(7.9)	(38.0)%
Total corporate and asbestos-related benefit (costs)	8.8	(22.8)	138.6 %
Total operating income	\$ 110.6	\$ 57.0	94.0 %
Operating margin:			
Industrial Process	8.9%	4.4%	450bp
Motion Technologies	18.1%	19.1%	(100)bp
Connect & Control Technologies	14.6%	10.9%	370bp
Segment operating margin	14.8%	12.8%	200bp
Consolidated operating margin	16.0%	9.1%	690bp

Industrial Process operating income increased \$8.8, or 108.6%, and operating margin increased 450 basis points to 8.9% for the three months ended March 31, 2018. The increase was driven by net savings of approximately \$3 due to restructuring benefits and sourcing initiatives, as well as improved project performance. Additionally, restructuring costs declined by \$1.2 and favorable sales mix and pricing provided a benefit of approximately \$2. Foreign currency impacts were favorable by \$1 compared to the prior year. The increase in operating income was partially offset by higher strategic investment costs of approximately \$1, primarily related to efficiency initiatives.

Motion Technologies operating income for the three months ended March 31, 2018 increased \$6.9, or 12.5%. Operating margin for the three months ended March 31, 2018 decreased 100 basis points to 18.1%. The increase in operating income reflects favorable foreign currency impacts of approximately \$9, a \$5 benefit from higher sales volumes, and productivity improvements at Wolverine. These items were offset by unfavorable pricing and aftermarket mix of approximately \$6, higher commodity costs, and incremental investments to support recent long-term global automotive platform wins.

Connect & Control Technologies operating income increased \$6.3, or 37.7%, and operating margin increased 370 basis points for the three months ended March 31, 2018. The increase in operating income was primarily driven by savings from productivity and sourcing initiatives of approximately \$6 and benefits from past restructuring actions of approximately \$2 related to the integration of CCT, which were partially offset by higher commodity costs. Additionally, foreign currency impacts provided a favorable benefit of approximately \$1, however this was offset by an unfavorable impact related to certain military-specification connectors.

Other corporate costs for the three months ended March 31, 2018 increased \$3.0 due to higher environmental, legal, and incentive compensation costs, which were partially offset by higher disposal costs in 2017 related to the pending sale of excess property.

INTEREST AND NON-OPERATING INCOME AND EXPENSES, NET

During the three months ended March 31, 2018 and 2017, we recognized net interest and non-operating expenses of \$1.8 and \$2.2, respectively. The change during the period was driven by higher earnings from our ownership of companies accounted for under the equity method, partially offset by higher interest expense from borrowings.

INCOME TAX EXPENSE

For the three months ended March 31, 2018 and 2017, the Company recognized income tax expense of \$7.6 and \$9.1 and had an effective tax rate of 7.0% and 16.6%, respectively. The lower effective tax rate in 2018 is primarily due to tax benefits of \$21.6 from the reversal of a valuation allowance on German deferred tax assets and \$4.5 from a reduction to the provisional one-time tax charge associated with the 2017 U.S. tax reform.

Our effective tax rate in 2018 includes the impact of the Tax Cuts and Jobs Act of 2017 (the "Tax Act") that was approved by Congress on December 20, 2017 and signed into law by the U.S. President on December 22, 2017. The Tax Act significantly changes the U.S. corporate income tax rules most of which are effective January 1, 2018. On December 22, 2017 the SEC issued guidance under Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed in reasonable detail to complete the accounting for certain income tax effects of the Tax Act and therefore records provisional amounts under the Tax Act. The ultimate impact of the Tax Act may differ from these provisional amounts, possibly materially, due to, among other things, additional analysis, changes in interpretations and assumptions a company has made, additional regulatory guidance that may be issued, and actions a company may take as a result of the Tax Act.

The Tax Act imposed a one-time tax on accumulated earnings of foreign subsidiaries as of December 31, 2017. In its 2017 financial statements, the Company recognized the provisional tax impacts resulting from the Tax Act. The Company has updated the provisional one-time tax amount to \$53.5 as compared to \$58 reported in December 31, 2017 financial statements.

The Tax Act limits the deductibility compensation for certain senior officers. The Company has determined that certain deferred tax assets associated with officer compensation may not be deductible. The Company has therefore written off a provisional amount of \$2.8 of deferred tax assets relating to such compensation.

The Tax Act adopts a new rule "Global Intangible Low Taxed Income" (GILTI) that requires certain income of controlled foreign corporations to be subject to U.S. taxation. We are allowed under ASC 740 to make an accounting policy choice of either (1) treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current period expense when incurred or (2) factoring such amounts into the Company's measurement of its deferred taxes. Because of the complexity of these rules, and anticipated guidance from U.S. Treasury we will continue to evaluate the impact on the Company's financial statements. Therefore, we have not recorded any deferred taxes related to GILTI and have not made a policy decision regarding whether to record deferred taxes on GILTI.

LIQUIDITY

Funding and Liquidity Strategy

We monitor our funding needs and design and execute strategies to meet overall liquidity requirements, including the management of our capital structure, on both a short- and long-term basis. We expect to fund our ongoing working capital, capital expenditures, dividends and financing requirements through cash flows from operations and cash on hand, or by accessing the commercial paper market or our Revolving Credit Agreement. If our access to the commercial paper market were adversely affected, we believe that alternative sources of liquidity, including our Revolving Credit Agreement, described below, would be sufficient to meet our short-term funding requirements.

We manage our worldwide cash requirements considering available funds among the many subsidiaries through which we conduct business and the cost effectiveness with which those funds can be accessed. We have identified and continue to look for opportunities to access cash balances in excess of local operating requirements to meet our global liquidity needs in a cost-efficient manner. A majority of our cash and cash equivalents is held by our international subsidiaries. We plan to transfer cash between certain international subsidiaries and the U.S. and other international subsidiaries when it is cost effective to do so. The passage of the U.S. Tax Act will allow us greater flexibility around our global cash management strategy related to the amount and timing of transfers, and we will continue to support growth and expand in markets outside of the U.S. through the development of products, increased capital spending, and potentially the acquisition of foreign businesses. In connection with the Tax Act,

we have estimated and updated a one-time U.S. provisional tax expense of \$53.5 on existing post-1986 foreign earnings and potential future distributions of such earnings to the U.S., however we expect that existing foreign tax credits, research and development tax credits, and net operating losses will offset most of this tax liability. Accordingly, we expect the net cash outflow resulting from this tax liability will be approximately \$15. Net cash distributions from foreign countries amounted to \$246.8 for the three months ended March 31, 2018 and \$111.8 for the year ended December 31, 2017. The timing and amount of any additional future distributions remains under evaluation.

The amount and timing of dividends payable on our common stock are within the sole discretion of our Board of Directors and will be based on, and affected by, a number of factors, including our financial position and results of operations, available cash, expected capital spending plans, prevailing business conditions and other factors the Board of Directors deems relevant. Therefore, there can be no assurance as to what level of dividends, if any, will be paid in the future. In the first quarter of 2018, we declared a dividend of \$0.134 per share for shareholders of record on March 12, 2018, which was paid on April 2, 2018. The dividend declared in the first quarter of 2018 is a 4.7% increase from the first quarter of 2017.

During the three months ended March 31, 2018, we repurchased 1.0 shares of common stock for \$50.0, respectively, under our \$1 billion share repurchase program. During the three months ended March 31, 2017, there were no repurchases under this program. To date, under the program, the Company has repurchased 22.1 shares for \$909.4.

Significant factors that affect our overall management of liquidity include our credit ratings, the adequacy of commercial paper and supporting bank lines of credit, and the ability to attract long-term capital on satisfactory terms. We assess these factors along with current market conditions on a continuous basis, and as a result, may alter the mix of our short- and long-term financing when it is advantageous to do so.

Commercial Paper

We access the commercial paper market to supplement the cash flows generated internally and to provide additional short-term funding for strategic investments and other funding requirements. We manage our short-term liquidity through the use of our commercial paper program by adjusting the level of commercial paper borrowings as opportunities to deploy additional capital arise and it is cost effective to do so. As of March 31, 2018, we had no outstanding commercial paper. The average outstanding commercial paper balance during the three months ended March 31, 2018 was \$156.1. There have been no material changes that have impacted our funding and liquidity capabilities since December 31, 2017.

Credit Facilities

Our revolving \$500 credit agreement (the Revolving Credit Agreement) provides for increases of up to \$200 for a possible maximum total of \$700 in aggregate principal amount, at the request of the Company and with the consent of the institutions providing such increased commitments. The Revolving Credit Agreement is intended to provide access to additional liquidity and be a source of alternate funding to the commercial paper program, if needed. Our policy is to maintain unused committed bank lines of credit in an amount greater than outstanding commercial paper balances. The provisions of the Revolving Credit Agreement require that we maintain an interest coverage ratio, as defined therein, of at least 3.0 and a leverage ratio, as defined therein, of not more than 3.0. Outstanding borrowings of \$246.5 under our Revolving Credit Agreement as of March 31, 2018 were denominated in Euros, and our interest coverage ratio and leverage ratio were within the prescribed thresholds. In the event of certain ratings downgrades of the Company, to a level below investment grade, the direct and indirect significant U.S. subsidiaries of the Company would be required to guarantee the obligations under the Revolving Credit Agreement. The Revolving Credit Agreement matures in November 2021.

Sources and Uses of Liquidity

Our principal source of liquidity is our cash flow generated from operating activities, which provides us with the ability to meet the majority of our short-term funding requirements. The following table summarizes net cash derived from operating, investing, and financing activities from continuing operations, as well as net cash from discontinued operations, for the three months ended March 31, 2018 and 2017.

For the Three Months Ended March 31	2018	2017
Operating activities	\$ 42.4	\$ 26.9
Investing activities	(28.2)	(150.1)
Financing activities	27.7	3.7
Foreign exchange	8.2	7.9
Total net cash flow provided by (used in) continuing operations	50.1	(111.6)
Net cash used in discontinued operations	(1.2)	(0.8)
Net change in cash and cash equivalents	\$ 48.9	\$ (112.4)

Net cash provided by operating activities was \$42.4 for the three months ended March 31, 2018 compared to \$26.9 for the three months ended March 31, 2017. The change in net cash provided by operating activities primarily reflects an increase in segment operating income of approximately \$30, after adjustments for non-cash charges, such as depreciation and amortization. In addition, an insurance-related settlement received during the first quarter of 2018 of \$19.0 and lower income tax payments of \$6.2 were partially offset by higher incentive compensation and environmental payments in 2018.

Net cash used by investing activities was \$28.2 for the three months ended March 31, 2018, compared to \$150.1 of cash used by investing activities during the same prior year period. The year-over-year decrease reflects the 2017 purchase of Axtone for \$113.7 (net of cash acquired), as well as lower capital expenditures which decreased \$8.0 primarily due to capacity expansion projects in the prior year.

Net cash provided by financing activities was \$27.7 for the three months ended March 31, 2018 representing an increase of \$24.0 compared to the three months ended March 31, 2017. The change was primarily driven by an increase in net borrowings of \$82.3, partially offset by repurchases of ITT common stock of \$50 in the first quarter of 2018 as part of our Share Repurchase Plan. In addition, proceeds from employee stock option exercises declined by \$5.3.

Net cash used by discontinued operations was \$1.2 for the three months ended March 31, 2018 compared to net cash used by discontinued operation for the three months ended March 31, 2017 of \$0.8. The increase was primarily driven by higher payments for environmental remediation activities.

Asbestos

Based on the estimated undiscounted asbestos liability as of March 31, 2018 for claims filed or estimated to be filed over the next 10 years, we have estimated that we will be able to recover approximately 45% of the asbestos indemnity and defense costs from our insurers. Actual insurance reimbursements may vary significantly from period to period and the anticipated recovery rate is expected to decline over time due to gaps in our insurance coverage, reflecting uninsured periods, the insolvency of certain insurers, prior settlements with our insurers and our expectation that certain insurance policies will exhaust within the next 10 years. In the 10th year of our estimate, our insurance recoveries are currently projected to be approximately 18%. Additionally, future recovery rates may be impacted by other factors, such as future insurance settlements, insolvencies and judicial determinations relevant to our coverage program, which are difficult to predict and subject to a high degree of uncertainty.

While there are overall limits on the aggregate amount of insurance available to the Company with respect to asbestos claims, with respect to certain coverage, those overall limits were not reached by the estimated liability recorded by the Company at March 31, 2018.

Further, there is uncertainty in estimating when cash payments related to the recorded asbestos liability will be fully expended and such cash payments will continue for a number of years beyond the next 10 years due to the significant proportion of future claims included in the estimated asbestos liability and the delay between the date a claim is filed and when it is resolved. Subject to these inherent uncertainties, it is expected that cash payments related to pending claims and claims to be filed in the next 10 years will extend through approximately 2031.

Although asbestos cash outflows can vary significantly from year to year, our current net cash outflows for defense and indemnity, net of tax benefits, are projected to average \$20 to \$30 over the next five years and increase

to an average of approximately \$35 to \$45 per year over the remainder of the projection period. Net cash outflows for defense and indemnity, net of tax, averaged \$16 over the past three annual periods. Total net asbestos cash outflows also include certain administrative costs such as legal related costs for insurance asset recoveries.

In light of the variables and uncertainties inherent in the long-term projection of the Company's asbestos exposures and potential recoveries, although it is probable that the Company will incur additional costs for asbestos claims filed beyond the next 10 years, we do not believe that there is a reasonable basis for estimating the number of future claims, the nature of future claims, or the cost to resolve future claims for years beyond the next 10 years at this time. Accordingly, no liability or related asset has been recorded for any costs that may be incurred for claims asserted subsequent to 2028.

Due to these uncertainties, as well as our inability to reasonably estimate any additional asbestos liability for claims that may be filed beyond the next 10 years, it is difficult to predict the ultimate outcome of the cost of resolving the pending and estimated unasserted asbestos claims. We believe it is possible that the future events affecting the key factors and other variables within the next 10 years, as well as the cost of asbestos claims filed beyond the next 10 years, net of expected recoveries, could have a material adverse effect on our financial statements.

KEY PERFORMANCE INDICATORS AND 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 other 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 other 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:

n "organic revenue" and "organic orders" are defined as revenue 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. Reconciliations of organic revenue for the three months ended March 31, 2018 are provided below.

Three Months Ended March 31	Industrial Process	Motion Technologies	Connect & Control Technologies	Eliminations	Total ITT
2018 Revenue	\$ 189.8	\$ 342.2	\$ 157.9	\$ (0.6)	\$ 689.3
(Acquisitions)/divestitures, net	—	(5.5)	—	—	(5.5)
Foreign currency translation	(4.0)	(36.7)	(4.0)	—	(44.7)
2018 Organic revenue	\$ 185.8	\$ 300.0	\$ 153.9	\$ (0.6)	\$ 639.1
2017 Revenue	\$ 186.1	\$ 287.3	\$ 153.3	\$ (0.9)	\$ 625.8
Organic (decline) growth	(0.3)	12.7	0.6	0.3	13.3
Percentage change	(0.2)%	4.4%	0.4%		2.1%

Reconciliations of organic orders for the three months ended March 31, 2018 are provided below:

Three Months Ended March 31	Industrial Process	Motion Technologies	Connect & Control Technologies	Eliminations	Total ITT
2018 Orders	\$ 210.1	\$ 369.9	\$ 181.8	\$ (0.6)	\$ 761.2
(Acquisitions)/divestitures, net	—	(17.7)	—	—	(17.7)
Foreign currency translation	(4.5)	(37.1)	(4.2)	(0.1)	(45.9)
2018 Organic orders	\$ 205.6	\$ 315.1	\$ 177.6	\$ (0.7)	\$ 697.6
2017 Orders	\$ 221.8	\$ 287.2	\$ 162.4	\$ (0.8)	\$ 670.6
Organic (decline) growth	(16.2)	27.9	15.2	0.1	27.0
Percentage change	(7.3)%	9.7%	9.4%		4.0%

n "adjusted segment operating income" is defined as operating income, adjusted to exclude special items that include, but are not limited to, restructuring costs, realignment costs, certain asset impairment charges, certain acquisition-related expenses, and unusual or infrequent operating items. Special items represent significant charges or credits that impact current results, which management views as unrelated to the Company's ongoing operations and performance. We believe that adjusted segment operating income 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.

Reconciliations of segment operating income to adjusted segment operating income for the three months ended March 31, 2018 and 2017 are provided below.

Three Months Ended March 31, 2018	Industrial Process	Motion Technologies	Connect & Control Technologies	Total Segment
Segment operating income	\$ 16.9	\$ 61.9	\$ 23.0	\$ 101.8
Restructuring costs	0.1	0.4	0.4	0.9
Acquisition-related expenses	—	0.6	—	0.6
Adjusted segment operating income	\$ 17.0	\$ 62.9	\$ 23.4	\$ 103.3

Three Months Ended March 31, 2017	Industrial Process	Motion Technologies	Connect & Control Technologies	Total Segment
Segment operating income	\$ 8.1	\$ 55.0	\$ 16.7	\$ 79.8
Restructuring costs	1.3	0.2	0.5	2.0
Acquisition-related expenses	—	0.7	—	0.7
Realignment costs and other ^(a)	1.4	—	1.1	2.5
Adjusted segment operating income	\$ 10.8	\$ 55.9	\$ 18.3	\$ 85.0

(a) Primarily reflects realignment costs associated with an action to move certain production lines in our Connect & Control Technologies segment and costs associated with a management reorganization at our Industrial Process segment.

n "adjusted income from continuing operations" and "adjusted income from continuing operations per diluted share" 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 unusual or 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. The after-tax basis of each special item is determined using the jurisdictional tax rate of where the expense or benefit occurred.

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.

A reconciliation of adjusted income from continuing operations, including adjusted income from continuing operations per diluted share, is provided below.

For the Three Months Ended March 31	2018	2017
Income from continuing operations attributable to ITT Inc.	\$ 101.1	\$ 46.1
Net asbestos-related (benefit) costs, net of tax expense (benefit) of \$4.6 and (\$5.5), respectively	(15.1)	9.4
Restructuring costs, net of tax benefit of \$0.2 and \$0.9, respectively	0.7	1.7
Realignment costs, net of tax benefit of \$0.0 and \$1.7, respectively ^(a)	(0.2)	2.9
Tax-related special items ^(b)	(18.2)	(3.1)
Acquisition-related costs, net of tax benefit of \$0.1, and \$0.3, respectively	0.5	0.4
Adjusted income from continuing operations attributable to ITT Inc.	\$ 68.8	\$ 57.4
Income from continuing operations attributable to ITT Inc. per diluted share	\$ 1.14	\$ 0.52
Adjusted income from continuing operations attributable to ITT Inc. per diluted share	\$ 0.77	\$ 0.64

(a) Realignment costs include 2017 costs associated with the pending sale of excess property, costs associated with a management reorganization at our Industrial Process segment and costs associated with an action to move certain production lines in our Connect & Control Technologies segment.

(b) Tax-related special items for the three months ended March 31, 2018 primarily relate to the release of a valuation allowance on deferred tax assets in Germany and adjustments to our provisional tax estimate associated with the Tax Act. These items were partially offset by tax expense on undistributed foreign earnings. Tax-related special items for the three months ended March 31, 2017 primarily relate to a tax rate change in a foreign jurisdiction, tax benefits on excess stock based compensation, and distributions of foreign earnings.

n "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 expenses, 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. A reconciliation of adjusted free cash flow is provided below.

For the Three Months Ended March 31	2018	2017
Net cash provided by operating activities	\$ 42.4	\$ 26.9
Capital expenditures	(28.7)	(36.7)
Insurance settlement agreement	(19.0)	—
Net asbestos cash flows	12.8	13.0
Restructuring cash payments	2.4	5.4
Other ^(c)	(0.2)	4.5
Adjusted free cash flow	\$ 9.7	\$ 13.1

(c) Other primarily relates to the pending sale of excess property.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 2 to the Consolidated Condensed Financial Statements for information on recent accounting pronouncements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of ITT's financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. ITT believes the most complex and sensitive judgments, because of their significance to the Consolidated Condensed Financial Statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Management's Discussion and Analysis of Financial Condition and Results of Operations in the 2017 Annual Report describes the critical accounting estimates that are used in the preparation of the Consolidated Condensed Financial Statements. Actual results in these areas could differ from management's estimates. There have been no significant changes, other than those described below, concerning ITT's critical accounting estimates as described in our 2017 Annual Report.

Revenue Recognition

Revenue is derived from the sale of products and services to customers. We recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. For product sales, other than certain long-term construction and production type contracts where we have no alternative use for the product and have an enforceable right to payment, we recognize revenue at the time control passes to the customer, generally when products are shipped and the contractual terms have been fulfilled.

We recognize revenue for certain highly customized long-term design and build projects using the cost-to-total cost method, based upon the percentage of costs incurred to total projected costs. Revenue and profit recognized under the cost-to-total cost method are based on management's estimates such as total contract revenues, contract costs and the extent of progress toward completion. Due to the long-term nature of the contracts, these estimates are subject to uncertainties and require significant judgment. Estimates of contract costs include labor hours and rates, and material costs. These estimates consider historical performance, the complexity of the work to be performed, the estimated time to complete the project, and other economic factors such as inflation and market rates. We update our estimates on a periodic basis and any revisions to such estimates are recorded in earnings in the period in which they are determined. Provisions for estimated losses, if any, on uncompleted long-term contracts, are made in the period in which such losses are determined.

For contracts recognized at a point in time, provisions for estimated losses, if any, on uncompleted arrangements, are recognized in the period in which such losses are determined. These estimates are subject to uncertainties and require significant judgment and may consider historical performance, the complexity of the work to be performed, the estimated time to complete the project, and other economic factors such as inflation.

Additionally, accruals for estimated expenses related to sales returns and warranties are made at the time products are sold. Reserves for sales returns, rebates and other allowances are established using historical information on the frequency of returns for a particular product and period over which products can be returned. For distributors and resellers, our typical return period is less than 180 days. Future market conditions and product transitions may require us to take actions to increase customer incentive offerings, possibly resulting in a reduction in revenue at the time the incentive is offered.

Warranty accruals are established using historical information on the nature, frequency and average cost of warranty claims and estimates of future costs. Our standard product warranty terms generally include post-sales support and repairs or replacement of a product at no additional charge for a specified period of time. While we engage in extensive product quality programs and processes, we base our estimated warranty obligation on product warranty terms offered to customers, ongoing product failure rates, materials usage, service delivery costs incurred in correcting a product failure, as well as specific product class failures outside of our baseline experience and associated overhead costs. If actual product failure rates, repair rates or any other post-sales support costs differ from these estimates, revisions to the estimated warranty liability would be required.

For certain highly complex contracts, design, engineering and other preproduction costs may be capitalized if the costs relate directly to a contract or anticipated contract that the entity can specifically identify, the costs generate or enhance resources of the entity that will be used in satisfying performance obligations in the future and the costs are expected to be recovered. In addition to direct labor and materials to fulfill a contract or anticipated contract, we exercise judgment in determining which costs are allocated, including allocations of contract management and depreciation of tooling used to fulfill the contract. Additionally, overall contract profitability is estimated in determining cost recoverability.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has been no material change in the information concerning market risk as stated in our 2017 Annual Report.

ITEM 4. CONTROLS AND PROCEDURES

The Chief Executive Officer and Chief Financial Officer of the Company have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, such officers have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective.

There have been no changes in our internal control over financial reporting during the last fiscal quarter that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are involved in legal proceedings that are incidental to the operation of our businesses. Some of these proceedings allege damages relating to environmental exposures, intellectual property matters, copyright infringement, personal injury claims, employment and employee benefit matters, government contract issues and commercial or contractual disputes and acquisitions or divestitures. Descriptions of certain legal proceedings to which the Company is a party are contained in Note 18, [Commitments and Contingencies](#) to the Consolidated Condensed Financial Statements included in Part I, Item 1 of this Report and are incorporated by reference herein. Such descriptions include the following recent developments:

Asbestos Proceedings

Subsidiaries of ITT, ITT LLC and Goulds Pumps LLC, are joined as a defendant with numerous other companies in product liability lawsuits alleging personal injury due to asbestos exposure. These claims allege that certain of their products sold prior to 1985 contained a part manufactured by a third party (e.g., a gasket) which contained asbestos. To the extent these third-party parts may have contained asbestos, it was encapsulated in the gasket (or other) material and was non-friable. Frequently, the plaintiffs are unable to identify any ITT LLC or Goulds Pumps LLC products as a source of asbestos exposure. In addition, a large majority of claims pending against the Company subsidiaries have been placed on inactive dockets because the plaintiff cannot demonstrate a significant compensable loss. Our experience to date is that a substantial portion of resolved claims have been dismissed without payment by the Company's subsidiaries.

We record a liability for pending asbestos claims and asbestos claims estimated to be filed over the next 10 years. While it is probable that we will incur additional costs for future claims to be filed against the Company, a liability for potential future claims beyond the next 10 years is not reasonably estimable due to the variables and uncertainties inherent in the long-term projection of the Company's asbestos exposures and potential recoveries. As of March 31, 2018, we have recorded an undiscounted asbestos-related liability for pending claims and unasserted claims estimated to be filed over the next 10 years of \$870.3, including expected legal fees, and an associated asset of \$394.3 which represents estimated recoveries from insurers, resulting in a net asbestos exposure of \$476.0.

Environmental

In the ordinary course of business, we are subject to federal, state, local, and foreign environmental laws and regulations. We are responsible, or are alleged to be responsible, for ongoing environmental investigation and site remediation. These sites are in various stages of investigation or remediation and in many of these proceedings our liability is considered de minimis. We have received notification from the U.S. Environmental Protection Agency, and from similar state and foreign environmental agencies, that a number of sites formerly or currently owned or operated by ITT, and other properties or water supplies that may be or have been impacted from those operations, contain disposed or recycled materials or wastes and require environmental investigation or remediation. These sites include instances where we have been identified as a potentially responsible party under federal and state environmental laws and regulations.

Other Matters

The Company received a civil subpoena from the Department of Defense, Office of the Inspector General, in the second quarter of 2015 as part of an investigation being led by the Civil Division of the U.S. Department of Justice (DOJ). The subpoena and related investigation involve certain connector products manufactured by the Company's Connect & Control Technologies segment that are purchased or used by the U.S. government. In addition, in the third quarter of 2017, the Company learned that the Criminal Division of DOJ is also investigating this matter. The Company is cooperating with the government and has produced documents responsive to the subpoena to the Civil Division. Based on its current analysis following discussions with DOJ to resolve the civil matter, the Company has accrued \$5 as its current best estimate of the minimum amount of probable loss. It is reasonably possible that any actual loss related to this matter may be higher than this amount, but at this time management is unable to estimate a range of potential loss in excess of the amount accrued.

ITEM 1A. RISK FACTORS

Reference is made to the risk factors set forth in Part I, Item 1A, "Risk Factors," of our 2017 Annual Report, which are incorporated by reference herein. There have been no material changes with regard to the risk factors disclosed in such report.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of equity securities by the issuer and affiliated purchasers

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	TOTAL NUMBER OF SHARES PURCHASED	AVERAGE PRICE PAID PER SHARE ⁽¹⁾	TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS ⁽²⁾	MAXIMUM DOLLAR VALUE OF SHARES THAT MAY YET BE PURCHASED UNDER THE PLANS OR PROGRAMS ⁽²⁾
PERIOD				
1/1/2018 - 1/31/2018	—	\$ —	—	\$ 140.6
2/1/2018 - 2/28/2018	0.1	\$ 52.96	—	\$ 140.6
3/1/2018 - 3/31/2018	1.0	\$ 51.22	1.0	\$ 90.6

(1) Average price paid per share is calculated on a settlement basis and includes commissions.

(2) On October 27, 2006, our Board of Directors approved a three-year \$1 billion Share Repurchase Program. On December 16, 2008, our Board of Directors modified the provisions of the Share Repurchase Program to replace the original three-year term with an indefinite term. As of March 31, 2018, we had repurchased 22.1 shares for \$909.4, including commissions, under the Share Repurchase Program. The program is consistent with our capital allocation process, which has centered on those investments necessary to grow our businesses organically and through acquisitions, while also providing cash returns to shareholders. Our strategy for cash flow utilization is to invest in our business, execute strategic acquisitions, pay dividends and repurchase common stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Disclosure pursuant to Section 219 of the Iran Threat Reduction & Syria Human Rights Act (ITRA)

This disclosure is made pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 which added subsection (r) to Section 13 of the Exchange Act (Section 13(r)). Section 13(r) requires an issuer to disclose in its annual or quarterly reports whether it or any of its affiliates have knowingly engaged in certain activities, transactions or dealings relating to Iran. Disclosure of such activities, transactions or dealings is required even when conducted outside the United States by non-U.S. persons in compliance with applicable law, and whether or not such activities are sanctionable under U.S. law.

In its 2012 Annual Report, ITT described its acquisition of all the shares of Joh. Heinr. Bornemann GmbH (Bornemann) in November 2012, as well as certain activities of Bornemann in Iran and the wind down of those activities in accordance with a General License issued on December 26, 2012 (the General License) by the Office of Foreign Assets Control. As permitted by the General License, on or before March 8, 2013, Bornemann completed the wind-down activities and ceased all activities in Iran. As required to be disclosed by Section 13(r), the gross revenues and operating income to Bornemann from its Iranian activities subsequent to its acquisition by ITT were Euros 2.2 million and Euros 1.5 million, respectively. Prior to its acquisition by ITT, Bornemann issued a performance bond to its Iranian customer in the amount of Euros 1.3 million (the Bond). Bornemann requested that the Bond be canceled prior to March 8, 2013; however, the former customer refused this request and as a result the Bond remains outstanding. Bornemann did not receive gross revenues or operating income, or pay interest, with respect to the Bond in any subsequent periods through March 31, 2018, however, Bornemann did pay fees of approximately Euros 3 thousand during the three months ended March 31, 2018 and approximately Euros 11 thousand during 2017 to the German financial institution which is maintaining the Bond.

ITEM 6. EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
(10.1)*	Form of 2018 Performance Unit Award Agreement
(10.2)*	Form of 2018 Restricted Stock Unit Agreement
(10.3)*	ITT Senior Executive Severance Pay Plan, amended and restated as of March 31, 2018
(31.1)	Certification pursuant to Rule 13a-14(a)/15d-14 (a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(31.2)	Certification pursuant to Rule 13a-14(a)/15d-14 (a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(32.1)	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(32.2)	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(101)	The following materials from ITT Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Condensed Statements of Operations, (ii) Consolidated Condensed Statements of Comprehensive Income, (iii) Consolidated Condensed Balance Sheets, (iv) Consolidated Condensed Statements of Cash Flows, (v) Consolidated Condensed Statements of Changes in Shareholders' Equity, and (vi) Notes to Consolidated Condensed Financial Statements

* Management compensatory plan

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.

ITT Inc.

(Registrant)

By: _____ /s/ STEVEN C. GIULIANO
Steven C. Giuliano
Vice President and Chief Accounting Officer
(Principal accounting officer)

May 4, 2018

ITT INC. 2011 OMNIBUS INCENTIVE PLAN
PERFORMANCE UNIT AWARD AGREEMENT

THIS AGREEMENT (the “Agreement”), effective as of the 26th day of February 2018, by and between ITT Inc. (the “Company”) and _____ (the “Participant”),

WITNESSETH:

WHEREAS, the Participant is now employed by the Company or an Affiliate (as defined in the Company’s 2011 Omnibus Incentive Plan (the “Plan”)) as an employee, and in recognition of the Participant’s valued services, the Company, through the Compensation and Personnel Committee of its Board of Directors (the “Committee”), desires to provide an inducement to remain in service of the Company and as an incentive for increased efforts during such service pursuant to the provisions of the Plan.

NOW, THEREFORE, in consideration of the terms and conditions set forth in this Agreement and the provisions of the Plan, which is incorporated herein as part of this Agreement and which provides definitions for capitalized terms not otherwise defined herein, and any administrative rules and regulations related to the Plan as may be adopted by the Committee, the parties hereto hereby agree as follows:

1. **Grant of Award and Performance Period.** In accordance with, and subject to, the terms and conditions of the Plan and this Agreement, the Company hereby grants to the Participant this performance unit award (the “Award”). A performance unit corresponds to the right to receive one Share, subject to the terms of the Award. The target number of performance units subject to this Award is _____ (the “Target Units”). The actual number of performance units that will be settled under this Award will depend upon the achievement of the performance goals described in Section 2 of this Agreement during the Performance Period, which for this Award commences **January 1, 2018** and ends **December 31, 2020**.
2. **Terms and Conditions.** It is understood and agreed that this Award is subject to the following terms and conditions:
 - (a) **Determination of Performance Unit Award Payout.** The “Performance Unit Award Payout” shall be the sum of the TSR Unit Payout and the ROIC Unit Payout, each as described below.
 - (i) *TSR Unit Payout.* 50% of the Target Units shall be “TSR Target Units.” The performance units calculated with respect to the TSR Target Units shall be determined in accordance with the following formula:

$$\text{TSR Unit Payout} = \text{TSR Payout Factor} \times \text{TSR Target Units}$$

The “TSR Payout Factor” is based on the Company’s Total Shareholder Return (defined and measured as described below, the “TSR”) for the Performance Period relative to the TSR for each company (x) in the S&P 400 Capital Goods Index and (y) listed on Appendix A ((x) and (y) collectively, the “Peer Group”), determined in accordance with the following table:

If Company's TSR rank against the Peer Group is	TSR Payout Factor (% of TSR Target Units)
less than the 35 th percentile	0%
at the 35 th percentile	50%
at the 50 th percentile	100%
at the 80 th percentile or more	200%
The TSR Payout Factor is interpolated for actual results between the 35 th percentile and the 80 th percentile shown above.	

“Total Shareholder Return” is the percentage change in value of a shareholder’s investment in the Company’s common stock from the beginning to the end of the Performance Period, assuming reinvestment of dividends and any other shareholder payouts during the Performance Period. For purposes of this Agreement, the stock price at the beginning of the Performance Period will be the average closing stock price over the trading days in the month immediately preceding the start of the Performance Period, and the stock price at the end of the Performance Period will be the average closing stock price over the trading days in the last month of the Performance Period.

- (ii) *ROIC Unit Payout.* 50% of the Target Units shall be “ROIC Target Units.” The performance units calculated with respect to the ROIC Target Units shall be determined in accordance with the following formula:

$$\text{ROIC Unit Payout} = \text{ROIC Payout Factor} \times \text{ROIC Target Units}$$

The “ROIC Payout Factor” is based on the Company’s Return on Invested Capital (defined and measured as described below, the “ROIC”).

ROIC will be calculated following each year of the Performance Period and the annual results will be averaged to yield the final “Average ROIC”. ROIC will be calculated as a percentage calculated by dividing (A) income from continuing operations attributable to the Company, after income taxes, adjusted to exclude the impact from special items, interest expense, and amortization expense from intangible assets by (B) average total assets of continuing operations, less asbestos-related assets (including deferred tax assets on asbestos-related matters) and non-interest bearing current liabilities (excluding asbestos-related current liabilities) for the five preceding quarterly periods. Special items represent significant charges or credits that impact results, but may not be related to the Company’s ongoing operations and performance, as disclosed in the Company’s filings with the Securities and Exchange Commission.

The “ROIC Payout Factor” is determined in accordance with the following table:

Average ROIC Targets	ROIC Payout Factor (% of ROIC Target Units)
Z%	200%
Y%	100%
X%	50%
Less than X%	0%
<p>The ROIC Payout Factor has a maximum of 200%. Actual results will be interpolated between the points shown above.</p>	

The Average ROIC Targets set forth in the table above will be automatically adjusted annually during the Performance Period for material acquisitions or divestitures, or other one-time events or material changes in laws, regulations or accounting principles. Such adjustment will reflect the impacts of such acquisition, divestiture or other event in accordance with the acquisition projections or applicable strategic or operating plan.

- (b) **Form and Timing of Payment of Award.** Payment with respect to an earned Performance Unit Award shall be made (i) as soon as practicable (but not later than March 15th) in the calendar year following the close of the Performance Period, and (ii) in Shares in an amount equal to the Performance Unit Award Payout, as determined under this Section 2, in each case subject to subsections 2(d) and 2(e).
- (c) **Effect of Termination of Employment.** Except as otherwise provided below (each provision of which is subject to the Committee’s discretion), if the Participant’s employment with the Company or an Affiliate of the Company is terminated for any reason prior to the end of the Performance Period, any Award subject to this Agreement shall be immediately forfeited.
- (i) Termination due to Death or Disability. If the Participant’s termination of employment is due to death or Disability (as defined below), the Award shall vest and will be payable at the time and in the form as provided in subsection 2(b) above and shall be based on the performance criteria set forth in subsection 2(a) above as measured for the entire Performance Period.
- (ii) Termination due to Early Retirement. If the Participant’s termination of employment is due to Early Retirement (as defined below), then a prorated portion of the Award shall vest in accordance with the provisions of this subsection and will be payable at the time and in the form as provided in subsection 2(b) above. The prorated portion of the Award that vests due to termination of the Participant's employment due to Early Retirement shall be determined by multiplying (i) the Performance Unit Award Payout determined pursuant to subsection 2(a) above for the entire Performance Period, by (ii) a fraction, the numerator of which is the number of full months the Participant has been continually employed since the beginning of the Performance Period and the denominator of which is 36. For this purpose, full months of employment shall be based on monthly anniversaries of the commencement of the Performance Period.
- (iii) Termination by the Company for Other than Cause. If the Participant’s employment is terminated by the Company (or an Affiliate of the Company, as the case may be) for other than Cause, a prorated portion of the Award shall vest in accordance with the provisions of this subsection and will be payable at the time and in the form as provided in subsection 2(b)

above. The prorated portion of the Award that vests due to termination of the Participant's employment by the Company for other than cause shall be determined by multiplying (i) the Performance Unit Award Payout determined pursuant to subsection 2(a) above for the entire Performance Period, by (ii) a fraction, the numerator of which is the number of full months the Participant has been continually employed since the beginning of the Performance Period and the denominator of which is 36. For this purpose, full months of employment shall be based on monthly anniversaries of the commencement of the Performance Period. The term "Cause" shall mean "cause" as defined in any employment agreement then in effect between the Participant and the Company, or if not defined therein, or if there is no such agreement, the Participant's (a) embezzlement, misappropriation of corporate funds, or other material acts of dishonesty; (b) commission or conviction of any felony, or of any misdemeanor involving moral turpitude, or entry of a plea of guilty or nolo contendere to any felony or misdemeanor; (c) engagement in any activity that the Participant knows or should know could harm the business or reputation of the Company or an affiliate; (d) material failure to adhere to the Company's or its subsidiaries' or affiliates' corporate codes, policies or procedures as in effect from time to time; (e) willful failure to perform the Participant's assigned duties, repeated absenteeism or tardiness, insubordination, or the refusal or failure to comply with the directions or instructions of the Participant's supervisor, as determined by the Company or an affiliate; (f) violation of any statutory, contractual, or common law duty or obligation to the Company or an affiliate, including, without limitation, the duty of loyalty; (g) the Participant's violation of any of the applicable provisions of subsection 2(i) of this Agreement; or (h) material breach of any confidentiality or non-competition covenant entered into between the Participant and the Company or an affiliate. The determination of the existence of Cause shall be made by the Company in good faith, and such determination shall be conclusive for purposes of this Agreement.

(iv) Termination Due to Normal Retirement.

(A) After First 12 Months. If the Participant's separation from service is due to Normal Retirement (as defined below), and the separation from service occurs at least twelve (12) months after the first day of the Performance Period, the Award shall vest and will be payable in the amount determined pursuant to subsection 2(a) at the time and in the form as provided in subsection 2(b) above.

(B) Within First 12 Months. If the Participant's separation from service is due to Normal Retirement, and the separation from service occurs within the first twelve (12) months of the Performance Period, then a prorated portion of the Award shall vest in accordance with the provisions of this subsection and will be payable at the time and in the form as provided in subsection 2(b) above. The prorated portion of the Award that vests in accordance with the previous sentence shall be determined by multiplying (i) the Performance Unit Award Payout determined pursuant to subsection 2(a) above for the entire Performance Period, by (ii) a fraction, the numerator of which is the number of full months the Participant has been continually employed since the beginning of the Performance Period and the denominator of which is 12. For this purpose, full months of employment shall be based on monthly anniversaries of the commencement of the Performance Period.

(v) Early and Normal Retirement. For purposes of this Agreement, the term "Early Retirement" shall mean any termination of the Participant's employment (other than a Normal Retirement) after the date the Participant attains age 55 and completes 10 or more years of Effective Service (as such term is defined in the ITT Retirement Savings Plan for Salaried Employees). The term "Normal Retirement" shall mean any termination of the Participant's employment after (A) the date the Participant attains age 62 and completes 10 or more years of Effective Service

(as such term is defined in the ITT Retirement Savings Plan for Salaried Employees) or, if earlier, (B) the date the Participant attains age 65.

(vi) Disability. For purposes of this Agreement, the term “Disability” shall mean the complete and permanent inability of the Participant to perform all of his or her duties under the terms of his or her employment, as determined by the Committee upon the basis of such evidence, including independent medical reports and data, as the Committee deems appropriate or necessary.

(d) **Acceleration Event - Involuntary Termination of Employment Without Cause or Termination With Good Reason.**

(i) Vesting. Notwithstanding anything in the Plan to the contrary other than subsection 2(e)(i) (but subject to the Committee’s discretion), if, during the Performance Period, the Participant’s employment is terminated on or within two (2) years after an Acceleration Event (A) by the Company (or an Affiliate, as the case may be) for other than Cause, as defined herein, and not because of the Participant’s Early or Normal Retirement, Disability, or death, or (B) by the Participant because of Good Reason, then the Award shall become fully vested and valued as provided below in this subsection 2(d) and shall be paid at the time specified in subsection 2(b).

(ii) Payment Amount. Notwithstanding any provisions of this Agreement to the contrary, the value of the Performance Unit Award Payout payable under this subsection 2(d) shall be equal to the greater of (A) the “most recent share price” multiplied by the sum of (I) 50% of the Target Units multiplied by the TSR Payout Factor for the “most recent performance period” and (II) 50% of the Target Units multiplied by the ROIC Payout Factor for the “most recent performance period” or (B) the “most recent share price” multiplied by the Target Units. For this purpose, “most recent share price” means the market price of a Share on the date of the Acceleration Event, and “most recent performance period” means the performance period with respect to a similar performance-based award of the Company that most recently ended before the termination of employment.

(iii) Good Reason. For this purpose, the term “Good Reason” shall mean (A) without the Participant’s express written consent and excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company or its affiliates within 30 days after receipt of notice thereof given by the Participant, (I) a reduction in the Participant’s annual base compensation (whether or not deferred), (II) the assignment to the Participant of any duties inconsistent in any material respect with the Participant’s position (including status, offices, titles and reporting requirements), authority, duties or responsibilities, or (III) any other action by the Company or its affiliates that results in a material diminution in such position, authority, duties or responsibilities; or (B) without the Participant’s express written consent, the Company’s requiring the Participant’s primary work location to be other than within twenty-five (25) miles of the location where the Participant was principally working immediately prior to the Acceleration Event; provided, that “Good Reason” shall cease to exist for an event on the 90th day following the later of its occurrence or the Participant’s knowledge thereof, unless the Participant has given the Company notice thereof prior to such date.

(e) **Other Payments After an Acceleration Event.**

(i) Going Private Transaction. If an Acceleration Event occurs that constitutes a change in control under Section 409A of the Code and any related regulations or other effective guidance promulgated thereunder (“Section 409A”) and, immediately following the Acceleration Event the common stock of the Company (or, if applicable, its successor) is not publicly traded, the

Award shall immediately become 100% vested as of the date of the Acceleration Event and be settled in cash on such date in the amount described in clause (iii) below.

- (ii) **Other Acceleration Event.** If clause (i) above does not apply and a Performance Period ends after the occurrence of an Acceleration Event, then, notwithstanding any provisions of this Agreement to the contrary (except as provided in subsection 2(d), and subject to the Committee's discretion), the Award shall be settled at the time provided in subsection 2(b) in the amount determined under clause (iii) below.
- (iii) **Amount.** In the event of a payment under clause (i) or clause (ii), above, the value of the Performance Unit Award Payout payable at a time otherwise provided herein shall be equal to the greater of (A) the "most recent share price" multiplied by the sum of (I) 50% of the Target Units multiplied by the TSR Payout Factor for the "most recent performance period" and (II) 50% of the Target Units multiplied by the ROIC Payout Factor for the "most recent performance period" or (B) the "most recent share price" multiplied by the Target Units. For this purpose, "most recent share price" means the market price of a Share on the date of the Acceleration Event, and "most recent performance period" means the performance period with respect to a similar performance-based award of the Company that most recently ended before the Acceleration Event.
- (f) **Tax Withholding.** Payments with respect to Awards under the Plan shall be subject to applicable tax withholding obligations as described in Article 15 of the Plan, or, if the Plan is amended, successor provisions.
- (g) **No Shareholder Rights.** The Participant shall not be entitled to any rights or privileges of ownership of Shares with respect to this Award unless and until a Share is actually delivered to the Participant in settlement of this Award pursuant to this Agreement.
- (h) **Participant Bound by Plan and Rules.** The Participant hereby acknowledges receipt of a copy of the Plan and this Agreement and agrees to be bound by the terms and provisions thereof. The Participant agrees to be bound by any rules and regulations for administering the Plan as may be adopted by the Committee prior to the settlement of the Award subject to this Agreement. The Committee shall be authorized to make all necessary interpretations concerning the provisions of this Agreement and the proper application of those provisions to particular fact patterns, including but not limited to the basis for the Participant's termination of employment, and any such interpretation shall be final.
- (i) **Non-Competition, Non-Solicitation and Non-Disparagement.** In consideration of the Company entering into this Agreement with the Participant, the Participant agrees as follows:
 - (i) During Participant's employment with the Company (which, for purposes of this subsection 2(i) includes its subsidiaries), Participant will not, directly or indirectly, except for on behalf of the Company or except with the prior written approval of the Company, either as an employee, employer, consultant, agent, principal, partner, stockholder, member, corporate officer, director or in any other individual or representative capacity, engage or attempt to engage in any competitive activity relating to the Company's business or products, or to its actual or demonstrably anticipated research or development, nor will Participant engage in any other activities that conflict with Participant's employment obligations to the Company, where such activities (other employment, occupations, consulting, business activities, commitments, anticipated research or development, or conflicts) violate ITT's Code of Conduct. Activities and commitments as used herein do not include passive investments in stocks or other financial instruments.
 - (ii) During Participant's employment and for a period of twelve (12) months following the termination of Participant's employment with the Company for any reason, Participant agrees

that Participant will not within the Restricted Area, directly or indirectly, except with the Company's prior written approval from an authorized officer, either as an employee, employer, consultant, agent, principal, partner, stockholder, member, corporate officer, director or in any other individual or representative capacity, engage or attempt to engage in any Competitive Activity relating to the Company's business or products, or to its actual or demonstrably anticipated research or development. For the purposes of this subparagraph, "Competitive Activity" shall mean perform services for, have an interest in, be employed by, or do business with (including as a consultant), any person, firm, or corporation engaged in the same or a similar business as the Company's within the Restricted Area. For purposes of this Agreement, "Restricted Area" shall mean, any area in which the Company has transacted business for the twelve (12) months prior to Participant's termination of employment, which includes, but is not limited to, the state(s) in which Participant worked on behalf of the Company, the United States, Australia, Argentina, Brazil, Canada, Chile, China, Columbia, Czech Republic, Denmark, Egypt, France, Germany, Greece, Hong Kong, India, Indonesia, Italy, Japan, Republic of Korea, Luxembourg, Mexico, Netherlands, Peru, Poland, Russia, Saudi Arabia, Singapore, Spain, Taiwan, Thailand, United Arab Emirates, United Kingdom, Venezuela and such other countries as the Company is now conducting and may expand its business from time to time.

- (iii) Throughout the Participant's term of employment with the Company and for a period of twelve (12) months following the Participant's termination of employment with the Company for any reason, the Participant shall not, directly or indirectly, divert or attempt to divert or assist others in diverting any business of the Company including by soliciting, contacting or communicating with any customer or supplier of the Company with whom the Participant has direct or indirect contact or upon termination of employment has had direct or indirect contact during the twelve (12) month period immediately preceding the Participant's date of termination with the Company.
- (iv) During Participant's employment and for a period of twelve (12) months following Participant's termination of employment with the Company for any reason, the Participant shall not, directly or indirectly, hire, solicit, induce, attempt to induce or assist others in attempting to induce any employee of the Company with whom the Participant has worked or had material contact with, during the twelve (12) month period immediately preceding the termination of the Participant's employment, to leave the employment of the Company or to accept employment or affiliation with (including as a consultant) any other company or firm of which the Participant becomes an employee, owner, partner or consultant.
- (v) Participant agrees not to make or publish any maliciously defamatory statements about the Company, including any current, former or future managers or representatives.
- (vi) Participant agrees that damages in the event of a breach by Participant of Participant's obligations in this Agreement, including in this subsection 2(j), would be difficult if not impossible to ascertain, and that any such breach will result in irreparable and continuing damage to the Company. Therefore, Participant agrees that the Company, in addition to and without limiting any other remedy or right it may have, shall have the right to an immediate injunction or other equitable relief (without posting bond or other form of security) in the Chosen Courts (as defined below) enjoining any such threatened or actual breach. The existence of this right shall not preclude the Company from also pursuing any other rights and remedies at law or in equity that it may have.
- (vii) If the Participant violates the terms of this subsection 2(i), then, in addition to any other remedy the Company might have, no amount shall be due to the Participant under this Agreement and

the Participant shall be required to repay to the Company all amounts and Shares paid under this Agreement (or proceeds from Shares, if applicable).

- (viii) **Notice to Attorneys.** For a Participant who is an attorney, the provisions in subsection 2(i)(ii) will apply only to prohibit Participant's employment for twelve (12) months in any position in the Restricted Area that involves non-legal responsibilities similar to those performed for the Company, or that would involve or risk the use or disclosure of the Company's attorney-client privileged or other Confidential Information, as defined in the Participant's respective confidentiality agreement with the Company. This restriction and the other restrictions in subsection 2(i) are not intended to bar Participant from performing solely legal functions for any entity or client, provided that work does not involve or risk the disclosure of the Company's attorney-client privileged information or other Confidential Information.
- (j) **Governing Law.** This Agreement is issued in White Plains, New York, and shall be governed and construed in accordance with the laws of the State of New York, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.
- (k) **Jurisdiction.** Participant hereby consents to the personal jurisdiction of and venue in the state and federal courts in the state of New York (collectively, the "Chosen Courts"), and agrees that such Chosen Courts shall have exclusive jurisdiction to hear and determine or settle any dispute that may arise out of or in connection with this Agreement, and that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chosen Courts.
- (l) **Attorneys' Fees.** If any action or proceeding is commenced to construe or enforce this Agreement or the rights and duties of the parties hereunder, then the party prevailing in that action will be entitled to recover its reasonable attorneys' fees and costs related to such action or proceeding.
- (m) **Severability.** Any term or provision of this Agreement that is determined to be invalid or unenforceable by any court of competent jurisdiction in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction and such invalid or unenforceable provision shall be modified by such court so that it is enforceable to the extent permitted by applicable law.
- (n) **Section 409A Compliance.** To the extent applicable, it is intended that the Plan and this Agreement comply with the requirements of Section 409A, and the Plan and this Agreement shall be interpreted accordingly.
 - (i) If it is determined that all or a portion of the Award constitutes deferred compensation for purposes of Section 409A, and if the Participant is a "specified employee," as defined in Section 409A(a)(2)(B)(i) of the Code, at the time of the Participant's separation from service, then, to the extent required under Section 409A, any portion of this Award that would otherwise be distributed upon the Participant's termination of employment, shall instead be distributed on the earlier of (x) the first business day of the seventh month following the date of the Participant's termination of employment or (y) the Participant's death.
 - (ii) It is intended that this Agreement shall comply with the provisions of Section 409A, or an exception to Section 409A, to the extent applicable, so as not to subject the Participant to the payment of interest and taxes under Section 409A. Further, any reference to termination of employment, Early Retirement, Normal Retirement, separation from service, or similar terms under this Agreement shall be interpreted in a manner consistent with the definition of "separation from service" under Section 409A.

- (o) **Successors.** All obligations of the Company under this Agreement shall be binding on any successor to the Company, and the term "Company" shall include any successor.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed by its Chief Executive Officer, President or a Vice President, as of the 26th day of February 2018.

Agreed to: **ITT Inc.**



Participant

Dated: _____

Dated: February 26, 2018

TSR ADDITIONAL PEER GROUP

- | | |
|-------------------------------------|------------------------------|
| Akebono Brake Industry Co. LTD | • Circor International, Inc. |
| Allison Transmissions Holdings Inc. | • Flowserve Corporation |
| Brembo S.p.A | • KSB AG |
| Cooper-Standard Holdings Inc. | • SPX Flow, Inc. |
| Dana Incorporated | • Sulzer Ltd. |
| Meritor, Inc. | • Weir Group plc |
| Sensata Technologies, Inc. | |
| Tenneco Inc. | |
| Visteon Corporation | |
| WABCO Holdings Inc. | |

If (i) any TSR Additional Peer Group company's TSR shall cease to be publicly available (due to a business combination, receivership, bankruptcy or other event) or (ii) if any such company is no longer publicly traded or (iii) if as a result of a spin-off, divestiture or other business transaction any such resulting company is no longer comparable to the Company due to a significant reduction in revenue or market capitalization or elimination of comparable lines of business, then in each case the Compensation & Personnel Committee of the Company shall exclude that company from the TSR Additional Peer Group.

ITT INC.
2011 OMNIBUS INCENTIVE PLAN
RESTRICTED STOCK UNIT AGREEMENT

THIS AGREEMENT (the "Agreement"), effective as of the 26th day of February, 2018, by and between ITT Inc. (the "Company") and _____ (the "Grantee"),

WITNESSETH:

WHEREAS, the Grantee is now employed by the Company or an Affiliate (as defined in the Company's 2011 Omnibus Incentive Plan (the "Plan")) as an employee, and in recognition of the Grantee's valued services, the Company, through the Compensation and Personnel Committee of its Board of Directors (the "Committee"), desires to provide an inducement to remain in service of the Company and as an incentive for increased efforts during such service pursuant to the provisions of the Plan.

NOW, THEREFORE, in consideration of the terms and conditions set forth in this Agreement and the provisions of the Plan, a copy of which is attached hereto and incorporated herein as part of this Agreement and which provides definitions for capitalized terms not otherwise defined herein, and any administrative rules and regulations related to the Plan as may be adopted by the Committee, the parties hereto hereby agree as follows:

1. **Grant of Restricted Stock Units.** In accordance with, and subject to, the terms and conditions of the Plan and this Agreement, the Company hereby confirms the grant on **February 26, 2018** (the "Grant Date") to the Grantee of _____ Restricted Stock Units. The Restricted Stock Units are notional units of measurement corresponding to Shares of common stock (*i.e.*, one Restricted Stock Unit is equivalent in value to one Share).

The Restricted Stock Units represent an unfunded, unsecured right to receive Shares (and dividend equivalent payments pursuant Section 2(b) hereof) in the future if the conditions set forth in the Plan and this Agreement are satisfied.

2. **Terms and Conditions.** It is understood and agreed that the Restricted Stock Units are subject to the following terms and conditions:
 - (a) **Restrictions.** Except as otherwise provided in the Plan and this Agreement, neither this Award nor any Restricted Stock Units subject to this Award may be sold, assigned, pledged, exchanged, transferred, hypothecated or encumbered, other than to the Company as a result of forfeiture of the Restricted Stock Units.
 - (b) **Voting and Dividend Equivalent Rights.** The Grantee shall not have any privileges of a stockholder of the Company with respect to the Restricted Stock Units, including without limitation any right to vote Shares or to receive dividends. Dividend equivalents shall be earned with respect to each Restricted Stock Unit that vests. The amount of dividend equivalents earned with respect to each such Restricted Stock Unit that vests shall be equal to the total dividends declared on a Share where the record date of the dividend is between the Grant Date of this Award and the date this Award is settled. Any dividend equivalents earned shall be paid in cash to the Grantee when the Shares subject to the vested Restricted Stock Units are issued. No dividend equivalents shall be earned or paid with respect to any Restricted Stock Units that do not vest. Dividend equivalents shall not accrue interest.
 - (c) **Vesting of Restricted Stock Units and Payment.**
 - (i) **Vesting.** Subject to earlier vesting pursuant to subsection 2(d) below, the Restricted Stock Units shall vest (meaning the Period of Restriction shall lapse and the Restricted Stock Units shall become free of the forfeiture provisions in this Agreement) on **February 26, 2021**,

provided the Grantee has been continuously employed by the Company or an Affiliate on a full-time basis from the Grant Date through the date the Restricted Stock Units vest. For the avoidance of doubt, continuous employment of a Grantee by the Company or an Affiliate for purposes of vesting in the Restricted Stock Units granted hereunder shall include continuous employment with the Company for so long as the Grantee continues working at such entity.

- (ii) Payment of the Award. Except as provided in subsection 2(l) below, as soon as practicable after the date the Restricted Stock Units vest (including vesting upon a separation from service pursuant to subsection 2(d) below), the Company will deliver to the Grantee (A) one Share for each vested Restricted Stock Unit, with any fractional Shares resulting from proration pursuant to subsection 2(d) to be rounded to the nearest whole Share (with 0.5 to be rounded up) and (B) an amount in cash attributable to any dividend equivalents earned in accordance with subsection 2(b) above, in the case of (A) and (B) less any Shares or cash withheld in accordance with subsection 2(e) below.
- (iii) Payment after Acceleration Event. If, prior to the payment date, Shares cease to exist as a result of an Acceleration Event and this Award is not assumed, converted, or otherwise replaced with a comparable award, the RSUs shall be settled in cash instead of Shares, and the amount of cash paid on the settlement date specified in this Agreement shall equal the sum of (A) the Fair Market Value of one Share multiplied by the number of vested RSUs, plus (B) the dividend equivalents described herein. For this purpose, “Fair Market Value” shall be the fair market value on the date of the Acceleration Event. However, if the Acceleration Event constitutes a change in control under Section 409A of the Code and any related regulations or other effective guidance promulgated thereunder (“Section 409A”) and, immediately following the Acceleration Event the common stock of the Company (or, if applicable, its successor) is not publicly traded, the Restricted Stock Units shall immediately become 100% vested as of the date of the Acceleration Event and be settled on such date.
- (d) **Effect of Termination of Employment.** If the Grantee's employment with the Company and its Affiliates is terminated for any reason and such termination constitutes a “separation from service” within the meaning of Section 409A, any Restricted Stock Units that are not vested at the time of such separation from service shall be immediately forfeited except as follows:
 - (i) Separation from Service due to Death or Disability. If the Grantee's separation from service is due to death or Disability (as defined below), the Restricted Stock Units shall immediately become 100% vested as of such separation from service. For purposes of this Agreement, the term “Disability” shall mean the complete and permanent inability of the Grantee to perform all of his or her duties under the terms of his or her employment, as determined by the Committee upon the basis of such evidence, including independent medical reports and data, as the Committee deems appropriate or necessary.
 - (ii) Separation from Service due to Early Retirement or Separation from Service by the Company for Other than Cause. If the Grantee's separation from service is due to Early Retirement (as defined below) or an involuntary separation from service by the Company (or an Affiliate, as the case may be) for other than Cause (other than as specified in (iv), below), a prorated portion of the Restricted Stock Units shall immediately vest as of such separation from service. For these purposes,
 - (A) the prorated portion of the Restricted Stock Units shall be determined by multiplying the total number of Restricted Stock Units subject to this Award by a fraction, the numerator of which is the number of full months during which the Grantee has been continually employed since the Grant Date (not to exceed 36 in the aggregate) and the denominator of which is 36 (for avoidance of doubt, the period during which the Grantee may receive severance in the form of salary continuation or otherwise shall

not affect the determination of the date of the Grantee's separation from service or the date this award is settled); and

- (B) full months of employment shall be based on monthly anniversaries of the Grant Date, not calendar months.

For purposes of this Agreement, the term "Early Retirement" shall mean any termination (other than a Normal Retirement) of the Grantee's employment after the date the Grantee attains age 55 and completes 10 or more years of Effective Service (as such term is defined in the ITT Retirement Savings Plan). The term "Cause" shall mean "cause" as defined in any employment agreement then in effect between the Grantee and the Company, or if not defined therein, or if there is no such agreement, the Grantee's (a) embezzlement, misappropriation of corporate funds, or other material acts of dishonesty; (b) commission or conviction of any felony, or of any misdemeanor involving moral turpitude, or entry of a plea of guilty or nolo contendere to any felony or misdemeanor; (c) engagement in any activity that the Grantee knows or should know could harm the business or reputation of the Company or an affiliate; (d) material failure to adhere to the Company's or its subsidiaries' or affiliates' corporate codes, policies or procedures as in effect from time to time; (e) willful failure to perform the Grantee's assigned duties, repeated absenteeism or tardiness, insubordination, or the refusal or failure to comply with the directions or instructions of the Grantee's supervisor, as determined by the Company or an affiliate; (f) violation of any statutory, contractual, or common law duty or obligation to the Company or an affiliate, including, without limitation, the duty of loyalty; (g) the Grantee's violation of any of the applicable provisions of subsection 2(g) of this Agreement; or (h) material breach of any confidentiality or non-competition covenant entered into between the Grantee and the Company or an affiliate. The determination of the existence of Cause shall be made by the Company in good faith, and such determination shall be conclusive for purposes of this Agreement.

- (iii) Separation from Service Due to Normal Retirement. If the Grantee's separation from service is due to Normal Retirement (as defined below), and the separation from service occurs at least twelve (12) months after the Grant Date, the Grantee's Restricted Stock Units shall immediately become 100% vested as of such separation from service. If the Grantee's separation from service is due to Normal Retirement and the separation from service occurs within the twelve (12) month period beginning on the Grant Date, a prorated portion of the Restricted Stock Units shall immediately vest as of such separation from service in an amount equal to the number of Restricted Stock Units granted herein multiplied by a fraction, the numerator of which is the number of full months in such twelve (12) month period that were completed before the Grantee's separation and the denominator of which is twelve (12). For this purpose, full months of employment shall be based on monthly anniversaries of the Grant Date, not calendar months.

For purposes of this Agreement, the term "Normal Retirement" shall mean any termination of the Grantee's employment after (A) the date the Grantee attains age 62 and completes 10 or more years of Effective Service (as such term is defined in the ITT Retirement Savings Plan) or, if earlier, (B) the date the Grantee attains age 65.

- (iv) Separation from Service After an Acceleration Event. If the Grantee's employment is terminated on or within two (2) years after an Acceleration Event (A) by the Company (or an Affiliate, as the case may be) for other than Cause, as defined herein, and not because of the Grantee's Early or Normal Retirement, Disability, or death, or (B) by the Grantee because of Good Reason, then any unvested Restricted Stock Units shall immediately become 100% vested. For this purpose, the term "Good Reason" shall mean (i) without the Grantee's express written consent and excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company or its affiliates within 30 days after receipt of notice thereof given by the Grantee, (a) a reduction in the Grantee's annual

base compensation (whether or not deferred), (b) the assignment to the Grantee of any duties inconsistent in any material respect with the Grantee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities, or (c) any other action by the Company or its affiliates that results in a material diminution in such position, authority, duties or responsibilities; or (ii) without the Grantee's express written consent, the Company's requiring the Grantee's primary work location to be other than within twenty-five (25) miles of the location where the Grantee was principally working immediately prior to the Acceleration Event; provided, that "Good Reason" shall cease to exist for an event on the 90th day following the later of its occurrence or the Grantee's knowledge thereof, unless the Grantee has given the Company notice thereof prior to such date.

- (e) **Tax Withholding.** In accordance with Article 15 of the Plan, the Company may make such provisions and take such actions as it may deem necessary for the withholding of all applicable taxes attributable to the Restricted Stock Units and any related dividend equivalents.
- (f) **Grantee Bound by Plan and Rules.** The Grantee hereby acknowledges receipt of a copy of the Plan and this Agreement and agrees to be bound by the terms and provisions thereof. The Grantee agrees to be bound by any rules and regulations for administering the Plan as may be adopted by the Committee prior to the date the Restricted Stock Units vest. The Committee shall be authorized to make all necessary interpretations concerning the provisions of this Agreement and the proper application of those provisions to particular fact patterns, including but not limited to the basis for the Grantee's termination of employment, and any such interpretation shall be final. Terms used herein and not otherwise defined shall be as defined in the Plan.
- (g) **Non-Competition, Non-Solicitation and Non-Disparagement.** In consideration of the Company entering into this Agreement with the Grantee, the Grantee agrees as follows:
 - (i) During Grantee's employment with the Company (which, for purposes of this subsection 2(g) includes its subsidiaries), Grantee will not, directly or indirectly, except for on behalf of the Company or except with the prior written approval of the Company, either as an employee, employer, consultant, agent, principal, partner, stockholder, member, corporate officer, director or in any other individual or representative capacity, engage or attempt to engage in any competitive activity relating to the Company's business or products, or to its actual or demonstrably anticipated research or development, nor will Grantee engage in any other activities that conflict with Grantee's employment obligations to the Company, where such activities (other employment, occupations, consulting, business activities, commitments, anticipated research or development, or conflicts) violate ITT's Code of Conduct. Activities and commitments as used herein do not include passive investments in stocks or other financial instruments.
 - (ii) During Grantee's employment and for a period of twelve (12) months following the termination of Grantee's employment with the Company for any reason, Grantee agrees that Grantee will not within the Restricted Area, directly or indirectly, except with the Company's prior written approval from an authorized officer, either as an employee, employer, consultant, agent, principal, partner, stockholder, member, corporate officer, director or in any other individual or representative capacity, engage or attempt to engage in any Competitive Activity relating to the Company's business or products, or to its actual or demonstrably anticipated research or development. For the purposes of this subparagraph, "Competitive Activity" shall mean perform services for, have an interest in, be employed by, or do business with (including as a consultant), any person, firm, or corporation engaged in the same or a similar business as the Company's within the Restricted Area. For purposes of this Agreement, "Restricted Area" shall mean, any area in which the Company has transacted business for the twelve (12) months prior to Grantee's termination of employment, which includes, but is not limited to, the state(s)

in which Grantee worked on behalf of the Company, the United States, Australia, Argentina, Brazil, Canada, Chile, China, Columbia, Czech Republic, Denmark, Egypt, France, Germany, Greece, Hong Kong, India, Indonesia, Italy, Japan, Republic of Korea, Luxembourg, Mexico, Netherlands, Peru, Poland, Russia, Saudi Arabia, Singapore, Spain, Taiwan, Thailand, United Arab Emirates, United Kingdom, Venezuela and such other countries as the Company is now conducting and may expand its business from time to time.

- (iii) Throughout the Grantee's term of employment with the Company and for a period of twelve (12) months following the Grantee's termination of employment with the Company for any reason, the Grantee shall not, directly or indirectly, divert or attempt to divert or assist others in diverting any business of the Company including by soliciting, contacting or communicating with any customer or supplier of the Company with whom the Grantee has direct or indirect contact or upon termination of employment has had direct or indirect contact during the twelve (12) month period immediately preceding the Grantee's date of termination with the Company.
- (iv) During Grantee's employment and for a period of twelve (12) months following Grantee's termination of employment with the Company for any reason, the Grantee shall not, directly or indirectly, hire, solicit, induce, attempt to induce or assist others in attempting to induce any employee of the Company with whom the Grantee has worked or had material contact with, during the twelve (12) month period immediately preceding the termination of the Grantee's employment, to leave the employment of the Company or to accept employment or affiliation with (including as a consultant) any other company or firm of which the Grantee becomes an employee, owner, partner or consultant.
- (v) Grantee agrees not to make or publish any maliciously defamatory statements about the Company, including any current, former or future managers or representatives.
- (vi) Grantee agrees that damages in the event of a breach by Grantee of Grantee's obligations in this Agreement, including in this subsection 2(g), would be difficult if not impossible to ascertain, and that any such breach will result in irreparable and continuing damage to the Company. Therefore, Grantee agrees that the Company, in addition to and without limiting any other remedy or right it may have, shall have the right to an immediate injunction or other equitable relief (without posting bond or other form of security) in the Chosen Courts (as defined below) enjoining any such threatened or actual breach. The existence of this right shall not preclude the Company from also pursuing any other rights and remedies at law or in equity that it may have.
- (vii) If the Grantee violates the terms of this subsection 2(g), then, in addition to any other remedy the Company might have, no amount shall be due to the Grantee under this Agreement and the Grantee shall be required to repay to the Company all amounts and Shares paid under this Agreement (or proceeds therefrom).
- (viii) Notice to Attorneys. For a Grantee who is an attorney, the provisions in subsection 2(g)(ii) will apply only to prohibit Grantee's employment for twelve (12) months in any position in the Restricted Area that involves non-legal responsibilities similar to those performed for the Company, or that would involve or risk the use or disclosure of the Company's attorney-client privileged or other Confidential Information, as defined in Grantee's respective confidentiality agreement with the Company. This restriction and the other restrictions in subsection 2(g) are not intended to bar Grantee from performing solely legal functions for any entity or client, provided that work does not involve or risk the disclosure of the Company's attorney-client privileged information or other Confidential Information.
- (h) **Governing Law.** This Agreement is issued, and the Restricted Stock Units evidenced hereby are granted, in White Plains, New York, and shall be governed and construed in accordance with the laws

of the State of New York, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.

- (i) **Jurisdiction.** Grantee hereby consents to the personal jurisdiction of and venue in the state and federal courts in the state of New York (collectively, the “Chosen Courts”), and agrees that such Chosen Courts shall have exclusive jurisdiction to hear and determine or settle any dispute that may arise out of or in connection with this Agreement, and that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chosen Courts.
- (j) **Attorneys’ Fees.** If any action or proceeding is commenced to construe or enforce this Agreement or the rights and duties of the parties hereunder, then the party prevailing in that action will be entitled to recover its reasonable attorneys’ fees and costs related to such action or proceeding.
- (k) **Severability.** Any term or provision of this Agreement that is determined to be invalid or unenforceable by any court of competent jurisdiction in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction and such invalid or unenforceable provision shall be modified by such court so that it is enforceable to the extent permitted by applicable law.
- (l) **Section 409A Compliance.** To the extent applicable, it is intended that the Plan and this Agreement comply with the requirements of Section 409A, and the Plan and this Agreement shall be interpreted accordingly.
 - (i) If it is determined that all or a portion of the Award constitutes deferred compensation for purposes of Section 409A, and if the Grantee is a “specified employee,” as defined in Section 409A(a)(2)(B)(i) of the Code, at the time of the Grantee’s separation from service, then, to the extent required under Section 409A, any Shares that would otherwise be distributed (along with the cash value of all dividend equivalents that would be payable) upon the Grantee’s separation from service shall instead be delivered (and, in the case of the dividend equivalents, paid) on the earlier of (x) the first business day of the seventh month following the date of the Grantee’s separation from service or (y) the Grantee’s death.
 - (ii) It is intended that this Agreement shall comply with the provisions of Section 409A, or an exception to Section 409A, to the extent applicable, so as not to subject the Grantee to the payment of interest and taxes under Section 409A. Further, any reference to termination of employment, Early Retirement, Normal Retirement, separation from service, or similar terms under this Agreement shall be interpreted in a manner consistent with the definition of “separation from service” under Section 409A.
 - (iii) In no event will payment be made later than the date on which payment is treated as being timely under Treas. Reg. § 1.409A-3(d), generally referring to the last day of the calendar year in which the RSUs vest or, if later, the 15th day of the third calendar month following the vesting date, and subject to any delay required under paragraph (i), above. (For this purpose, vesting and vesting date refer to the vesting date designated in this Agreement.) The Grantee does not have a right to designate the taxable year of the payment.
- (m) **Successors.** All obligations of the Company under this Agreement shall be binding on any successor to the Company, and the term “Company” shall include any successor.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed by its Chief Executive Officer and President, or a Vice President, as of the 26th day of **February, 2018**.

Agreed to: **ITT INC.**

A handwritten signature in cursive script, appearing to read "Denis L. Han".

Grantee
(Online acceptance constitutes agreement)

Dated: _____ Dated: February 26, 2018

Enclosures

**ITT Senior Executive Severance Pay Plan
(amended and restated effective March 31, 2018)**

1. Purpose

The purpose of this ITT Senior Executive Severance Pay Plan (“Plan”) is to assist in occupational transition by providing severance pay for employees covered by this Plan whose employment is terminated under conditions set forth in this Plan. This Plan is being amended and restated as of March 31, 2018 (the “Restatement Date”). The Plan is intended to be an “employee welfare benefit plan” within the meaning of Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), 29 U.S.C. §1002(1), and 29 C.F.R. §2510.3-2(b). This Plan is sponsored by ITT Inc. (“ITT”) and maintained as an unfunded plan for the purpose of providing benefits to a select group of management or highly compensated employees within the meaning of 29 C.F.R. § 2520.104-24.

2. Covered Employees

Covered employees under this Plan (“Executives”) are each individual who:

- is a full-time salaried U.S. employee of ITT or of any subsidiary company that is wholly owned, directly or indirectly, by ITT (collectively or individually as the context requires, the “Company”),
- is paid under a United States payroll of the Company, and
- is an executive who, at any time within the two year period immediately preceding the date the Company selects as the Executive’s last day of active employment (“Scheduled Termination Date”), meets both of the following criteria: (i) is at the level of Senior Vice President or above and (ii) has been designated by the Board of Directors as an “officer” of the Company for purposes of Section 16 of the Securities Exchange Act of 1934, as amended; provided however that the individual who is the Chief Executive Officer on the Restatement Date shall not be an Executive covered under this Plan.

3. Severance Pay Upon Termination of Employment

If the Company terminates an Executive’s employment, the Executive shall be provided severance pay in accordance with the terms of this Plan, except where the Executive:

- is terminated for cause,
- accepts employment or refuses comparable employment with a purchaser as provided in Section 8, “Divestiture”, or
- voluntarily terminates employment with the Company prior to the Scheduled Termination Date.

No severance pay will be provided under this Plan where the Executive terminates employment by:

- voluntarily resigning,
- voluntarily retiring, or
- failing to return from an approved leave of absence (including a medical leave of absence).

No severance pay will be provided under this Plan upon any termination of employment as a result of the Executive’s death or disability.

4. Severance Pay**A. Amount**

Severance pay (“Severance Pay”) will equal the number of weeks of Base Pay (as defined in Section 4(C)) equal to the sum of: (i) two (2) weeks for each Year of Service (as defined in Section 4(C)), plus (ii) one (1) week for each \$10,000 of annual Base Pay. However, the number of weeks shall not be less than twelve (12) nor more than fifty-two (52).

B. Limitation on Severance Pay

In no event shall severance benefits exceed the equivalent of twice the Executive's total annual compensation during the year immediately preceding the Scheduled Termination Date (as determined under 29 C.F.R. § 2510.3-2(b)).

C. Definitions

"Base Pay" shall mean the annual base salary rate payable to the Executive at the Scheduled Termination Date divided by fifty-two (52) weeks (in the case of severance expressed in weeks) or twelve (12) months (in the case of severance expressed in months). Such annual base salary rate shall in no event be less than the highest annual base salary rate paid to the Executive at any time during the twenty-four (24) month period immediately preceding the Scheduled Termination Date.

"Years of Service" shall mean the total number of completed years of employment as a regular employee of the Company. Adjusted service dates will be used for employees who have bridged prior breaks in service, as determined by the Company. The ITT system service date is the date from which employment in the ITT system is recognized for purposes of determining eligibility for vesting under the applicable Company retirement plan covering the Executive on the Scheduled Termination Date.

5. Form of Payment of Severance Pay

Severance Pay shall be paid in the form of periodic payments according to the regular payroll schedule.

Severance Pay will commence within 60 days following the Scheduled Termination Date.

In the event of an Executive's death during the period the Executive is receiving Severance Pay, the amount of Severance Pay remaining shall be paid in a discounted lump sum to the Executive's spouse or to such other beneficiary or beneficiaries designated by the Executive in writing, or, if the Executive is not married and failings such designation, to the estate of the Executive. Any discounted lump sum paid under this Plan shall be equal to the present value of the remaining periodic payments of Severance Pay as determined by ITT using an interest rate equal to the prime rate at Citibank in effect on the date of the Executive's death. Payment shall be made within thirty (30) days of the Executive's death.

If an Executive is receiving Severance Pay, the Executive must continue to be available to render to the Company reasonable assistance, consistent with the level of the Executive's prior position with the Company, at times and locations that are mutually acceptable. In requesting such services, the Company will take into account any other commitments which the Executive may have. After the Scheduled Termination Date and normal wind up of the Executive's former duties, the Executive will not be required to perform any regular services for the Company. In the event the Executive secures other employment during the period the Executive is receiving Severance Pay, the Executive must promptly notify the Company.

Severance Pay will cease if an Executive is rehired by the Company.

6. Benefits During Severance Pay

An Executive who receives Severance Pay shall be eligible for the following benefits: (a) during the 12-month period beginning on the business day after the Scheduled Termination Date, the Company will provide reasonable outplacement assistance and (b) during the six months immediately following the month of the Scheduled Termination Date, the Company will pay the portion of the Executive's premium for medical, dental and vision coverage under the Consolidated Omnibus Budget Reconciliation Act (COBRA), if any, that exceeds the premium the Executive would have paid for such coverage if the Executive's employment had not been terminated.

7. Excluded Executive Compensation Plans, Programs, Arrangements, and Perquisites

After the Scheduled Termination Date, an Executive will not be eligible to participate in any Company tax qualified retirement plans, non-qualified excess or supplemental benefit plans, short-term or long-term disability plans, the Company business travel accident plan or any new employee benefit plan or any improvement to any

existing employee benefit plan adopted by the Company after the Scheduled Termination Date. During the period an Executive is receiving Severance Pay, the Executive will not be eligible to accrue any vacation or participate in any (i) bonus program, (ii) special termination programs, (iii) tax or financial advisory services, (iv) new awards under any stock option or stock related plans for executives (provided that the Executive will be eligible to exercise any outstanding stock options in accordance with the terms of any applicable stock option plan), (v) new or revised executive compensation programs that may be introduced after the Scheduled Termination Date and (vi) any other executive compensation program, plan, arrangement, practice, policy or perquisites unless specifically authorized by ITT in writing. The period during which an Executive is receiving Severance Pay does not count as service for the purpose of any ITT long term incentive award program unless otherwise provided in plan documents previously approved by the Board of Directors of ITT (the “Board”) or the Compensation and Personnel Committee of the Board (the “Compensation Committee”), or a board of directors or committee of a board of directors of a predecessor to ITT.

8. Divestiture

If an ITT subsidiary or division of ITT or a portion thereof at which an Executive is employed is sold or divested and if (i) the Executive accepts employment or continued employment with the purchaser or (ii) refuses employment or continued employment with the purchaser on terms and conditions substantially comparable to those in effect immediately preceding the sale or divestiture, the Executive shall not be provided Severance Pay under this Plan. The provisions of this Section 8 apply to divestitures accomplished through sales of assets or through sales of corporate entities.

9. Disqualifying Conduct

If during the period an Executive is receiving Severance Pay, the Executive (i) engages in any activity which is inimical to the best interests of the Company; (ii) disparages the Company; (iii) fails to comply with any agreement with the Company (including the Company Confidentiality, Non-Compete, and Intellectual Property Assignment Agreement); (iv) without the Company’s prior consent, induces any employees of the Company to leave their Company employment; (v) without the Company’s prior consent, engages in, becomes affiliated with, or becomes employed by any business competitive with the Company; or (vi) fails to comply with applicable provisions of the ITT Code of Conduct or applicable ITT Corporate Policies or any applicable ITT subsidiary code or policies, then the Company will have no further obligation to provide Severance Pay to the Executive.

10. Release

The Company shall not be required to make or continue any payments of Severance Pay under this Plan unless the Executive executes and delivers to ITT within 45 days following the Scheduled Termination Date a release, satisfactory to ITT (which includes the Company Confidentiality, Non-Compete, and Intellectual Property Assignment Agreement), in which the Executive discharges and releases the Company and the Company’s directors, officers, employees and employee benefit plans from all claims (other than for benefits to which Executive is entitled under any Company employee benefit plan) arising out of Executive’s employment or termination of employment.

11. Administration of Plan

This Plan shall be administered by ITT, who shall have the exclusive right to interpret this Plan, adopt any rules and regulations for carrying out this Plan as may be appropriate and decide any and all matters arising under this Plan. Subject to applicable Federal and state law, all interpretations and decisions by ITT shall be final, conclusive and binding on all parties affected thereby.

12. Termination or Amendment

ITT may terminate or amend this Plan (“Plan Change”) at any time except that no such Plan Change may reduce or adversely affect Severance Pay for any Executive whose employment terminates within two years after the effective date of such Plan Change provided that the Executive was a covered employee under this Plan on the

date of such Plan Change. Such action shall be taken by the Board or the Compensation Committee, or a person or committee delegated by the Board or Compensation Committee.

13. Offset

Any Severance Pay provided to an Executive under this Plan shall be offset in a manner consistent with Section 15 by reducing such Severance Pay by any severance pay, salary continuation, termination pay or similar pay or allowance which Executive receives or is entitled to receive (i) under any other Company plan, policy practice, program, arrangement; (ii) pursuant to any employment agreement or other agreement with the Company; (iii) by virtue of any law, custom or practice. Any Severance Pay provided to an Executive under this Plan shall also be offset by reducing such Severance Pay by any severance pay, salary continuation pay, termination pay or similar pay or allowance received by the Executive as a result of any prior termination of employment with the Company.

Any amounts due under this Plan may be reduced by the Company, in a manner consistent with Section 15, by any amount that the Executive owes to the Company, including under the Company's clawback or recoupment policy, as such policy may be amended from time to time.

Coordination of Severance Pay with any pay or benefits provided by any applicable ITT short-term or long-term disability plan shall be in accordance with the provisions of those plans.

14. Miscellaneous

Except as provided in this Plan, the Executive shall not be entitled to any notice of termination or pay in lieu thereof.

In cases where Severance Pay is provided under this Plan, pay in lieu of any unused current year vacation entitlement will be paid to the Executive in a lump sum.

Benefits under this Plan are paid for entirely by the Company from its general assets.

This Plan is not a contract of employment, does not guarantee the Executive employment for any specified period and does not limit the right of the Company to terminate the employment of the Executive at any time.

The section headings contained in this Plan are included solely for convenience of reference and shall not in any way affect the meaning of any provision of this Plan

15. Section 409A

This Plan is intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and will be interpreted in a manner intended to comply with Section 409A of the Code. Notwithstanding anything herein to the contrary, (i) if at the time of the Executive's termination of employment with the Company the Executive is a "specified employee" as defined in Section 409A of the Code (and any related regulations or other pronouncements thereunder) and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of employment is necessary in order to prevent any accelerated or additional tax under Section 409A of the Code, then the Company will defer the commencement of the payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided to the Executive) until a date that is six months following the Executive's termination of employment with the Company (or the earliest date as is permitted under Section 409A of the Code), at which point all payments deferred pursuant to this Section 15 shall be paid to the Executive in a lump sum and (ii) if any other payments of money or other benefits due hereunder could cause the application of an accelerated or additional tax under Section 409A of the Code, such payments or other benefits shall be deferred if deferral will make such payment or other benefits compliant under Section 409A of the Code, or otherwise such payment or other benefits shall be restructured, to the extent possible, in a manner, determined by the Company, that does not cause such an accelerated or additional tax. To the extent any reimbursements or in-kind benefits due under this Plan constitute "deferred compensation" under Section 409A of the Code, any such reimbursements or in-kind benefits shall be paid in a manner consistent with Treas. Reg. Section 1.409A-3(i)(1)(iv). Each payment made under this Plan shall be designated as a "separate payment" within the meaning of Section 409A of the Code. All payments to be made

upon a termination of employment that constitute deferred compensation under this Plan may only be made upon a “separation from service” as defined under Section 409A of the Code. The Company shall consult with Executives in good faith regarding the implementation of the provisions of this section; provided that neither the Company nor any of its employees or representatives shall have any liability to Executives with respect thereto. Any separation payment that constitutes deferred compensation under Section 409A of the Code, that is conditioned upon a release, and that is due during a sixty-day period immediately following separation from service that spans two calendar years shall be paid in the second of such calendar years.

16. Adoption Date and Amendments

This Plan was initially adopted by a predecessor of ITT Corporation on December 12, 1989 and assumed by ITT Indiana, Inc. (renamed ITT Industries, Inc. and later ITT Corporation) on October 10, 1995. On the Restatement Date, ITT became the successor issuer to ITT Corporation pursuant to Rule 12g-3(a) under the Securities Exchange Act of 1934, as amended, and assumed, amended and restated this Plan as of such date.

17. Claims Procedures

A. Adverse Benefit Determinations

An Executive may contest the determination of eligibility and/or the administration of the benefits by completing and filing a written claim for reconsideration with the Compensation Committee (the “Plan Administrator”). If the Plan Administrator denies a claim in whole or in part, the Plan Administrator will provide notice to the Executive, in writing, within ninety (90) days after the claim is filed, unless the Plan Administrator determines that an extension of time for processing is required. In the event that the Plan Administrator determines that such an extension is required, written notice of the extension shall be furnished to the Executive prior to the termination of the initial ninety-day period. The extension shall not exceed a period of ninety (90) days from the end of the initial period of time and the extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render the benefit decision. The Executive may not file a claim for benefits under the Plan more than one (1) year after the date of termination of employment with the Company.

The written notice of a denial of a claim shall set forth, in a manner calculated to be understood by the Executive:

1. the specific reason or reasons for the denial;
2. reference to the specific Plan provisions on which the denial is based;
3. a description of any additional material or information necessary for the Executive to perfect the claim and an explanation as to why such information is necessary; and
4. an explanation of the Plan’s claims procedure and the time limits applicable to such procedures, including a statement of the Executive’s right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on appeal.

B. Appeal of Adverse Benefit Determinations

An Executive or his or her duly authorized representative shall have an opportunity to appeal a claim denial to the Plan Administrator for a full and fair review. The Executive or duly authorized representative may:

1. request a review upon written notice to the Plan Administrator within sixty (60) days after receipt of a notice of the denial of a claim for benefits;
2. submit written comments, documents, records, and other information relating to the claim for benefits; and
3. examine the Plan and obtain, upon request and without charge, copies of all documents, records, and other information relevant to the claim for benefits.

The Plan Administrator's review shall take into account all comments, documents, records, and other information submitted by the Executive relating to the claim, without regard to whether such information was submitted or considered by the Plan Administrator in the initial benefit determination. A determination on the review by the Plan Administrator will be made not later than sixty (60) days after receipt of a request for review, unless the Plan Administrator determines that an extension of time for processing is required. In the event that the Plan Administrator determines that such an extension is required, written notice of the extension shall be furnished to the Executive prior to the termination of the initial sixty-day period. The extension shall not exceed a period of sixty (60) days from the end of the initial period and the extension notice shall indicate the special circumstances requiring an extension of time and the date on which the Plan Administrator expects to render the determination on review. However, if the Plan Administrator holds regularly scheduled meetings at least quarterly, the Plan Administrator shall instead make a benefit determination no later than the date of the meeting of the Plan Administrator that immediately follows the Plan's receipt of a request for review, unless the request for review is filed within 30 days preceding the date of such meeting. In such case, a benefit determination may be made by no later than the date of the second meeting following the Plan's receipt of the request for review. If special circumstances require a further extension of time for processing, a benefit determination shall be rendered not later than the third meeting following the plan's receipt of the request for review. If such an extension of time for review is required because of special circumstances, the Plan Administrator shall provide the Executive with written notice of the extension, describing the special circumstances and the date as of which the benefit determination will be made, prior to the commencement of the extension.

The written determination of the Plan Administrator shall set forth, in a manner calculated to be understood by the Executive:

1. the specific reason or reasons for the decision;
2. reference to the specific Plan provisions on which the decision is based;
3. the Executive's right to receive, upon request and without charge, reasonable access to, and copies of, all documents, records and other information relevant to the claim for benefits; and
4. a statement of the Executive's right to bring a civil action under Section 502(a) of ERISA.

No person may bring an action for any alleged wrongful denial of Plan benefits in a court of law unless the claims procedures set forth above are exhausted and a final determination is made by the Plan Administrator. If any interested person challenges a decision of the Plan Administrator, a review by the court of law will be limited to the facts, evidence and issues presented to the Plan Administrator during the claims procedure set forth above. Facts and evidence that become known to an interested person after having exhausted the claims procedure must be brought to the attention of the Plan Administrator for reconsideration of the claims determination. Issues not raised with the Plan Administrator will be deemed waived.

**CERTIFICATION OF DENISE L. RAMOS PURSUANT TO SEC. 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Denise L. Ramos, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 of ITT Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DENISE L. RAMOS

Denise L. Ramos

Chief Executive Officer and President

Date: May 4, 2018

**CERTIFICATION OF THOMAS M. SCALERA PURSUANT TO SEC. 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Thomas M. Scalera, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 of ITT Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ THOMAS M. SCALERA

Thomas M. Scalera

Executive Vice President and
Chief Financial Officer

Date: May 4, 2018

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of ITT Inc. (the "Company") on Form 10-Q for the period ended March 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Denise L. Ramos, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DENISE L. RAMOS

Denise L. Ramos

Chief Executive Officer and President

May 4, 2018

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of ITT Inc. (the "Company") on Form 10-Q for the period ended March 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas M. Scalera, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ THOMAS M. SCALERA

Thomas M. Scalera

Executive Vice President and
Chief Financial Officer

May 4, 2018

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.