



**Third Quarter
Fiscal 2018
January 31, 2018
8:00 a.m. CST**



Agenda

Introduction

Kathy Powers
VP, Treasurer, Investor Relations and Tax

Third Quarter Highlights and Segment Review

Tom Burke
President and Chief Executive Officer

Financial Overview and Outlook

Mick Lucareli
VP, Finance and Chief Financial Officer

Summary

Tom Burke

Q & A

Tom Burke and Mick Lucareli

Forward-Looking Statements

This presentation contains statements, including information about future financial performance and market conditions, accompanied by phrases such as “believes,” “estimates,” “expects,” “plans,” “anticipates,” “intends,” and other similar “forward-looking” statements, as defined in the Private Securities Litigation Reform Act of 1995. Modine's actual results, performance or achievements may differ materially from those expressed or implied in these statements because of certain risks and uncertainties, including, but not limited to those described under “Risk Factors” in Item 1A of Part I of the Company's Annual Report on Form 10-K for the year ended March 31, 2017 and under Forward-Looking Statements in Item 7 of Part II of that same report and in the Company's Quarterly Reports on Form 10-Q for the quarters ended June 30, 2017 and September 30, 2017. Other risks and uncertainties include, but are not limited to, the following: Modine's ability to integrate the former Luvata HTS operations into Modine, to harness the anticipated synergies associated with the transaction, and to achieve projected cash flows sufficient to enable Modine to maintain a desirable leverage ratio; the overall health and price-down focus of Modine's customers, particularly in light of economic and market-specific challenges; uncertainties regarding the costs and benefits of Modine's restructuring activities; operational inefficiencies as a result of program launches, unexpected volume increases and product transfers; economic, social and political conditions, changes and challenges in the markets where Modine operates and competes, including foreign currency exchange rate fluctuations (particularly the value of the euro, Brazilian real and British pound relative to the U.S. dollar), tariffs, inflation, changes in interest rates, recession, restrictions associated with importing and exporting and foreign ownership, and in particular the economic and market conditions in Brazil and China, the remaining economic uncertainties in certain markets in North America, and the general uncertainties about the impact of regulatory and/or policy changes, including those related to tax and trade, that have been or may be implemented in the U.S., and continuing uncertainty regarding “Brexit”; the impact on Modine of any significant increases in commodity prices, particularly aluminum and copper, and our ability to pass these prices on to customers; Modine's ability to successfully execute its strategic and operational plans; the nature of and Modine's significant exposure to the vehicular industry and the dependence of this industry on the health of the economy; the concentration of sales within our CIS segment attributed to one customer, and our ability to manage troughs and take advantage of peaks; costs and other effects of environmental investigation, remediation or litigation; and other risks and uncertainties identified by the Company in public filings with the U.S. Securities and Exchange Commission. The Company does not assume any obligation to update any forward-looking statements.

Third Quarter Highlights and Segment Review

Tom Burke

President and Chief Executive Officer



FY2018 – Third Quarter Highlights

- Strong quarter with significant sales and earnings growth
- Q3 sales increased 47% from the prior year
 - Includes \$110M of incremental sales from our CIS business
- Q3 adjusted operating income of \$27.0M, up \$8.6M or 47%
- Q3 adjusted earnings per share of \$0.35, improved \$0.14
- \$35.7M charge to income tax expense related to U.S. tax reform legislation

Q3 FY2018 – Americas

Americas			
(\$ in millions)	Q3 2018	Q3 2017	Better / (Worse)
Net sales	\$ 140.5	\$ 123.4	\$ 17.1
Gross profit	21.7	18.4	3.3
% of net sales	15.4%	14.9%	50 bp
SG&A expenses	12.7	11.3	(1.4)
% of net sales	9.0%	9.2%	20 bp
Adjusted operating income*	\$ 9.2	\$ 7.1	\$ 2.1
% of net sales	6.6%	5.8%	80 bp

Market Outlook (Fiscal 2018)	
	YOY Change
NA Automotive	-4%
NA Medium Duty Truck	+6%
NA Heavy Duty Truck	+30%
NA Construction/Mining	+10%
NA Agriculture	+5%
SA Commercial Vehicle	+30%
SA Agriculture	+10% to +15%

- Sales increased 14% on a constant-currency basis
 - Increases across all major end-markets
 - Substantial increases in off-highway, automotive and specialty vehicle sales
- Gross margin improved 50 bps due to higher sales volume and improved performance, partially offset by higher material costs
- Adjusted operating income growth of \$2.1M or 30% driven by higher sales volume
- Market strength expected to continue in North America
- Plants launching multiple off-highway programs



* See Appendix for Non-GAAP reconciliations

Q3 FY2018 – Europe

Europe			
(\$ in millions)	Q3 2018	Q3 2017	Better / (Worse)
Net sales	\$ 134.6	\$ 119.8	\$ 14.8
Gross profit	17.9	18.6	(0.7)
% of net sales	13.3%	15.5%	(220 bp)
SG&A expenses	10.5	9.9	(0.6)
% of net sales	7.8%	8.2%	40 bp
Adjusted operating income*	\$ 7.4	\$ 8.7	\$ (1.3)
% of net sales	5.5%	7.2%	(170 bp)

Market Outlook (Fiscal 2018)	
	YOY Change
Automotive	+1%
Commercial Vehicle	Flat to +5%
Off-Highway	Flat

- Sales increased 3%, excluding a favorable FX impact of \$11.1M
 - Higher sales to automotive and off-highway customers
 - Partially offset by the planned wind-down of certain commercial vehicle programs
- Year-over-year gross profit and gross margin decreased primarily due to favorable pricing settlements in the prior year
- Adjusted operating income of \$7.4M, down \$1.3M on relatively flat sales
- Construction of new production facility in Hungary complete and beginning production
- Seeing significant quote volume for electric vehicles
 - Recently awarded another large automotive EV battery chiller program



* See Appendix for Non-GAAP reconciliations

Q3 FY2018 – Asia

Asia			
(\$ in millions)	Q3 2018	Q3 2017	Better / (Worse)
Net sales	\$ 42.8	\$ 28.6	\$ 14.2
Gross profit	8.2	5.0	3.2
% of net sales	19.0%	17.6%	140 bp
SG&A expenses	3.1	2.4	(0.7)
% of net sales	7.3%	8.4%	110 bp
Operating income	\$ 5.1	\$ 2.6	\$ 2.5
% of net sales	11.7%	9.2%	250 bp

Market Outlook (Fiscal 2018)	
	YOY Change
China Automotive	+1%
Asia Excavator	+35%
India Automotive	+5%
India Commercial Vehicle	-5%

- Sales increased 44% in the quarter, excluding a favorable FX impact of \$1.5M
 - Growth in all end-markets in China, India and Korea
 - Significant increases in automotive and off-highway sales in China
- 140 bps improvement in gross margin to 19.0% driven by higher sales volume
- Operating income increased \$2.5M, nearly doubling from the prior year
- Expanding manufacturing capacity at existing Changzhou site
 - Leverage our seasoned management team at that location
 - Expect to begin construction this spring; anticipating completion in 2019

Q3 FY2018 – Commercial and Industrial Solutions

Commercial and Industrial Solutions				Market Outlook (Fiscal 2018)	
(\$ in millions)	Q3 2018	Q3 2017	Better / (Worse)		YOY Change
Net sales	\$ 144.9	\$ 34.7	\$ 110.2	Commercial & Residential AC	+3%
Gross profit	18.6	4.4	14.2	Refrigeration	+2%
% of net sales	12.9%	12.7%	20 bp	Precision Cooling	+3%
SG&A expenses	13.7	4.7	(9.0)	Industrial Cooling	-1%
% of net sales	9.5%	13.7%	420 bp	Mobile AC	+5%
Adjusted operating income (loss)*	\$ 4.9	\$ (0.3)	\$ 5.2		
% of net sales	3.3%	(1.0%)	430 bp		

- Sales increased \$110.2M in the third quarter
 - Prior year included only one month of results
- Gross margin of 12.9% and \$4.9M of adjusted operating income
 - Third quarter is seasonally the weakest quarter for this business
- Anticipating higher revenue and margins in the fourth quarter
- Focused on performance challenges and operational improvements
 - New operations leadership team in place
 - Achieving synergy targets
- Announced closure of the Gailtal, Austria manufacturing facility
 - Leveraging low-cost manufacturing footprint

Q3 FY2018 – Building HVAC

Building HVAC			
(\$ in millions)	Q3 2018	Q3 2017	Better / (Worse)
Net sales	\$ 56.1	\$ 47.2	\$ 8.9
Gross profit	19.0	15.3	3.7
% of net sales	33.8%	32.4%	140 bp
SG&A expenses	9.8	8.5	(1.3)
% of net sales	17.4%	18.0%	60 bp
Adjusted operating income*	\$ 9.2	\$ 6.8	\$ 2.4
% of net sales	16.5%	14.4%	210 bp

Market Outlook (Fiscal 2018)	
	YOY Change
Commercial Heating - NA	+3%
Air Conditioning - EMEA	+3%
Commercial Ventilation - NA	+4%
Commercial Ventilation - UK	+2%

- Sales increased 16% compared to the prior year on a constant-currency basis
 - Increased sales across most markets
- 24% increase in gross profit and 140 bps margin improvement, benefitting from operational improvements
- Adjusted operating income of \$9.2M, up 36%, driven by good conversion on higher sales volume
- Benefitting from a better heating season this year
 - Gaining market share in Midwest, Northeast and Canadian markets
- Expanding ventilation line in North America to include “D-cabinet”
 - Largest capacity rooftop ventilation product
 - Recently showcased at AHR Expo in Chicago

Financial Overview and Outlook

Mick Lucareli

Vice President, Finance and Chief Financial Officer



Q3 FY2018 vs. Prior Year

(In millions, except per share amounts)	Q3 2018	Q3 2017	Better (Worse)
Net sales	\$ 512.7	\$ 349.8	\$ 162.9
Gross profit	85.4	59.0	26.4
<i>% of net sales</i>	<i>16.7%</i>	<i>16.9%</i>	<i>(20 bp)</i>
SG&A expenses	60.8	50.7	(10.1)
<i>% of net sales</i>	<i>11.9%</i>	<i>14.5%</i>	<i>260 bp</i>
Adjusted operating income *	27.0	18.4	8.6
<i>% of net sales</i>	<i>5.3%</i>	<i>5.3%</i>	<i>-</i>
Adjusted earnings per share *	\$ 0.35	\$ 0.21	\$ 0.14

- Sales increased \$147M or 42% on a constant-currency basis
 - Excluding CIS sales, up \$39M or 12% constant-currency
- Gross profit increased 45% or \$26.4M
 - Excluding CIS, gross profit up \$12.2M or 22%
 - Gross margin negatively impacted by sales mix and metals prices
- SG&A increase is primarily due to the incremental increase from CIS of \$9.0M
- Current quarter includes \$13.1M of adjustments to operating income
- Adjusted operating income increased 47%
- Adjusted EPS improved \$0.14 or 67%
- GAAP EPS impacted by tax reform legislation
 - \$20.7M adjustment to deferred tax assets
 - \$15.0M charge for transition tax on foreign earnings not previously taxed in the U.S.

Operating income	\$ 13.9	\$ 6.7	\$ 7.2
Acquisition and integration costs	1.0	10.1	
Strategy consulting fees	1.2	-	
Restructuring expenses	9.4	1.6	
Impairment charge	1.3	-	
Environmental and legal charges	0.2	-	
Adjusted operating income*	\$ 27.0	\$ 18.4	\$ 8.6

* See Appendix for the full GAAP income statement and Non-GAAP reconciliations

Cash Flow & Net Debt

(In millions)	Q3 YTD FY2018	Q3 YTD FY2017
Operating cash flow	\$ 105.6	\$ 35.0
Capital expenditures	(55.0)	(46.0)
Free cash flow	\$ 50.6	\$ (11.0)

(In millions)	12/31/17	3/31/17
Cash	\$ 47.8	\$ 34.2
Total debt	485.9	510.9
Net Debt	\$ 438.1	\$ 476.7
Leverage Ratio	2.5x	2.9x

- Operating cash flow improved \$70.6M to \$105.6M due to higher cash earnings and improved working capital
- Capital spending \$9.0M higher; expect approximately \$70M full-year
 - Higher spending in FY2018 mainly as a result of the CIS segment and expansion in China
- YTD free cash flow of \$50.6M; \$61.6M better than the prior year
 - FY2018 includes \$20.1M of cash payments for restructuring activities, acquisition and integration costs, plus certain other expenses
- Leverage ratio of 2.5x is well below our current covenant ratio requirement of 3.25x
 - Achieved our goal to reach 2.5x ahead of schedule

FY2018 Guidance

(In millions, except per share amounts)	FY 2017 Results	FY 2018 Guidance	% Increase
Net Sales	\$1,503	\$2,044 to \$2,104	36% to 40%
Adjusted Operating Income *	\$72.2	\$112 to \$117	55% to 62%
Adjusted EBITDA *	\$124.7	\$187 to \$192	50% to 54%
Adjusted EPS *	\$0.78	\$1.44 to \$1.52	85% to 95%

- Anticipating significant earnings growth driven by the full-year impact of CIS and SDG savings
- Benefitting from tailwinds in certain end-markets along with favorable foreign exchange rates
- Tightening our adjusted operating income and adjusted EBITDA ranges
- Raising the sales range due to stronger volumes, metals pricing and foreign exchange rates
- Guidance assumes approximately \$26M of annual interest expense
- Raising adjusted EPS range \$1.44 to \$1.52; an increase of 85% to 95% over the prior-year
 - Lowering the adjusted tax rate to 10-12%, driven by our expected mix of earnings and the impact of a lower U.S. tax rate

Q3 FY2018 – Conclusion

- Modine is a more profitable, diversified industrial company
 - Reorganized regional vehicular business into a global business unit
 - Ongoing strategic review will help prioritize capital for profitable growth
- One year anniversary of CIS acquisition
 - Significant accretion to earnings and cash flow
- Evaluating our next major strategy moves
- Further growth from strong end-markets, market share gains and program launches
 - Global EV opportunities developing – auto, specialty truck and bus
- Pleased with strong results and excited for the future of Modine



Q&A

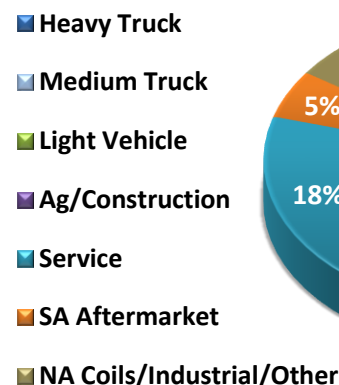


Appendix

Americas (25% of Net Sales)¹

- Six manufacturing facilities
- Diversified revenue mix across major end-markets
- Segment well positioned for future success based on improved manufacturing footprint and cost structure
- New growth opportunities with off-highway and automotive customers
- Key customers: CAT, Deere, Navistar, Daimler Trucks North America (DTNA), MAN, AGCO, CNH, FCA, GM, Tesla, Volvo

FY 2017 Sales Mix



(In millions)

FY Ended March 31,	2014	2015	2016	2017
Net sales	\$688.3	\$666.9	\$585.5	\$534.0
Adjusted operating income*	52.8	47.4	47.3	35.6
Adjusted operating margin*	7.7%	7.1%	8.1%	6.7%

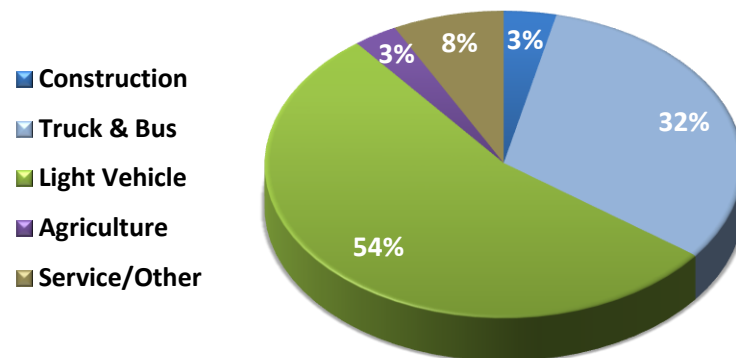
* See Non-GAAP reconciliations

¹ FY 2017 Pro forma net sales. For pro forma purposes, coils sales reported in the Americas segment are included in the Commercial and Industrial Solutions segment.

Europe (28% of Net Sales) ¹

- Seven manufacturing facilities in Europe
- Consolidated manufacturing operations in Germany
- Expanded capacity in Hungary, moved production from Western Europe
- Managing launch activity mainly in oil cooler and liquid charge air cooler (LCAC) products
- Key customers: VW Group, Daimler AG, BMW, ZF, Volvo, John Deere

FY 2017 Sales Mix



(In millions)

FY Ended March 31,	2014	2015	2016	2017
Net sales	\$584.4	\$578.2	\$524.1	\$524.3
Adjusted operating income*	32.2	25.8	30.8	40.3
Adjusted operating margin*	5.5%	4.5%	5.9%	7.7%

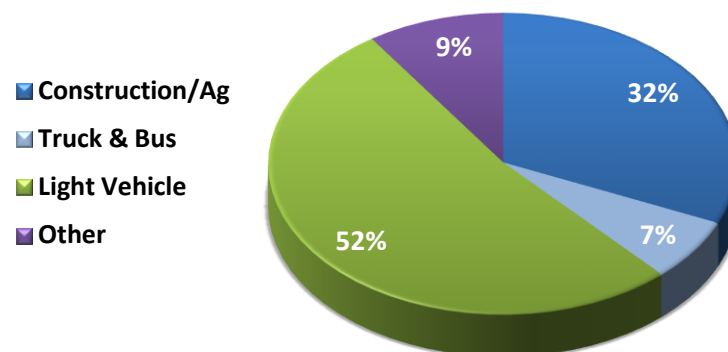
* See Non-GAAP reconciliations

¹ FY 2017 Pro forma net sales.

Asia (6% of Net Sales) ¹

- Six manufacturing facilities in China, India, Japan and Korea (3 Joint Ventures)
- Strategic focus on creating new business opportunities with local customers
- Diversifying our business model; reducing exposure to excavator market
- Shifting longer-term focus to local commercial vehicle customers due to more stringent emissions standards in China
- Key customers: Volvo CE, VW Group, CAT, Hyundai Heavy Industries, Ashok Leyland, Renault

FY 2017 Sales Mix



(In millions)

FY Ended March 31,	2014	2015	2016	2017
Net sales	\$71.5	\$81.2	\$79.0	\$111.5
Adjusted operating income (loss)*	(3.3)	0.3	1.3	7.7
Adjusted operating margin*	(4.7%)	0.3%	1.5%	6.9%

* See Non-GAAP reconciliations

¹ FY 2017 Pro forma net sales.

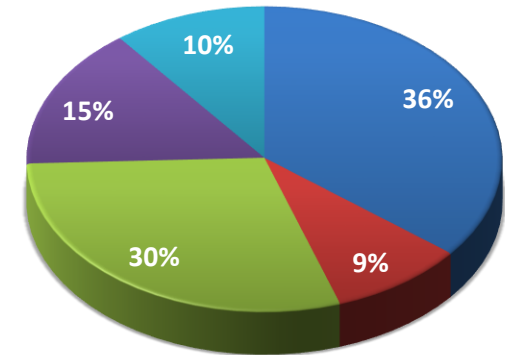
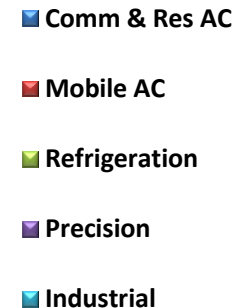
Commercial and Industrial Solutions (32% of Net Sales)¹

- 15 manufacturing facilities in North America, Europe and Asia (closed Austria manufacturing facility)
- Primary products include Coils, Coolers and Coatings
- CIS is a pioneer in bringing microchannel technology to the HVAC&R industry, which has been used in the auto industry for more than 20 years
- Broadens and complements BHVAC sales channels
- Fiscal 2017 financial results represent the four months ended March 31, 2017

(In millions)

FY Ended March 31, 2017	
Net sales	\$177.7
Operating income	7.5
Operating margin	4.2%

FY 2017 Sales Mix

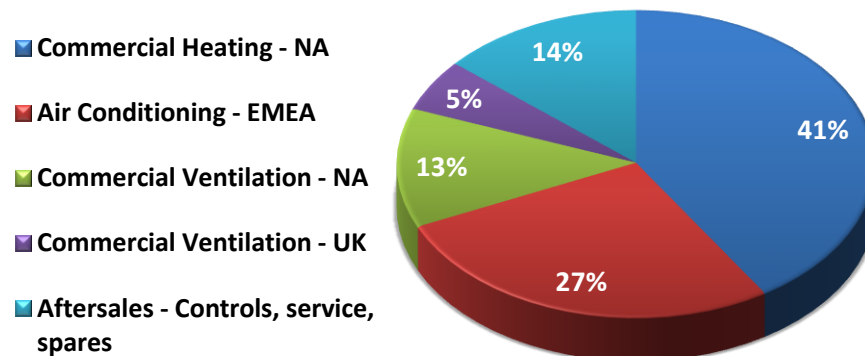


¹ FY 2017 Pro forma net sales. Includes sales from Luvata HTS and coils sales that are reported in the Americas segment.

Building HVAC (9% of Net Sales)¹

- Five facilities in North America, United Kingdom and Africa
- Complementary business that provides diversification to Modine's vehicular segments
- Strong financials due to product differentiation, manufacturing efficiencies and brand strength
- Pursuing growth opportunities based on energy efficiency and other "green" initiatives
 - Ventilation and data center cooling

FY 2017 Sales Mix



(In millions)

FY Ended March 31,	2014	2015	2016	2017
Net sales	\$146.5	\$186.3	\$181.4	\$171.6
Adjusted operating income*	9.9	19.1	15.0	13.9
Adjusted operating margin*	6.8%	10.2%	8.3%	8.1%

* See Non-GAAP reconciliations

¹ FY 2017 Pro forma net sales.

Q3 GAAP Income Statement

(In millions, except per share amounts)

	Q3 2018	Q3 2017	Better (Worse)
Net sales	\$ 512.7	\$ 349.8	\$ 162.9
Cost of sales	427.3	290.8	(136.5)
Gross profit	85.4	59.0	26.4
SG&A expenses	60.8	50.7	(10.1)
Restructuring expenses	9.4	1.6	(7.8)
Impairment charge	1.3	-	(1.3)
Operating income	13.9	6.7	7.2
Interest expense	(6.3)	(4.5)	(1.8)
Other expense - net	(0.3)	(1.0)	0.7
Earnings before income taxes	7.3	1.2	6.1
(Provision) benefit for income taxes	(35.2)	0.7	(35.9)
Net (loss) earnings	(27.9)	1.9	(29.8)
Net earnings attributable to noncontrolling interest	(0.4)	(0.2)	(0.2)
Net (loss) earnings attributable to Modine	\$ (28.3)	\$ 1.7	\$ (30.0)
Net (loss) earnings per share - diluted	\$ (0.57)	\$ 0.04	\$ (0.61)

Non-GAAP Reconciliations

Modine Manufacturing Company

Adjusted operating income and earnings per share (unaudited)

(In millions, except per share amounts)

	FY 2017
Operating income	\$ 42.3
Acquisition-related costs and adjustments ^(a)	19.1
Restructuring expenses - Americas ^(b)	6.9
Restructuring expenses - Europe ^(b)	3.0
Restructuring expenses - other ^(b)	1.0
Gain on sale of facilities ^(c)	(2.0)
Legal and environmental charges ^(d)	1.9
Adjusted operating income	\$ 72.2
Net earnings per share attributable to Modine shareholders - diluted	\$ 0.29
Acquisition-related costs and adjustments ^(a)	0.28
Restructuring expenses ^(b)	0.17
Gain on sale of facilities ^(c)	(0.04)
Legal and environmental charges ^(d)	0.04
Tax valuation allowances ^(e)	0.04
Adjusted earnings per share	\$ 0.78

^(a) On November 30, 2016, the Company acquired Luvata HTS. Acquisition-related costs in fiscal 2017, recorded as SG&A expenses at Corporate, primarily included costs for i) transaction advisors, ii) legal, accounting, and other professional services, and iii) incremental costs directly associated with integration activities, including third-party consulting fees. Additionally, the adjustments include \$4.3 million, also recorded at Corporate, for the impact of an inventory purchase accounting adjustment. The Company wrote up acquired inventory to its estimated fair value and charged the write-up to cost of sales as the underlying inventory was sold. Certain acquisition-related costs are non-deductible for income tax purposes. The tax benefit related to acquisition-related costs and adjustments for the twelve months ended March 31, 2017 was \$5.5 million.

^(b) Restructuring amounts primarily relate to equipment transfer and plant consolidation costs and employee severance expenses, and include activities under the Company's Strengthen Diversify and Grow strategic platform. During fiscal 2017, restructuring expenses within the Building HVAC segment totaled \$0.7 million.

^(c) During the fourth quarter of fiscal 2017, the Company sold two previously-closed manufacturing facilities in its Americas segment. In addition, during the second quarter of fiscal 2017, the Company sold a manufacturing facility in its Europe segment. As a result of these sales, the Company recorded net gains totaling \$2.0 million.

^(d) During fiscal 2017, the Company increased a legal reserve recorded in Brazil by \$1.6 million (within SG&A expenses in the Americas segment) associated with a formal administrative investigation under Brazil's antitrust laws and incurred environmental charges related to a previously-owned manufacturing facility in the Americas segment. The Company recorded the environmental charges within cost of sales.

^(e) On March 31, 2017, the Company recorded a valuation allowance on its deferred tax assets in Brazil, and, as a result, recorded income tax expense of \$2.0 million.

Non-GAAP Reconciliations

Modine Manufacturing Company

Adjusted financial results (unaudited)

(In millions, except per share amounts)

	Three months ended December 31,		Nine months ended December 31,	
	2017	2016	2017	2016
Operating income	\$ 13.9	\$ 6.7	\$ 65.0	\$ 21.4
Acquisition and integration costs ^(a)	1.0	10.1	3.7	14.5
Strategy consulting fees ^(b)	1.2	-	2.8	-
Restructuring expenses - Americas ^(c)	0.1	1.4	1.6	5.2
Restructuring expenses (income) - Europe ^(c)	1.1	0.1	1.7	(0.2)
Restructuring expenses - Commercial and Industrial Solutions ^(c)	8.2	-	8.2	-
Restructuring expenses - other ^(c)	-	0.1	-	1.0
Impairment charge ^(d)	1.3	-	1.3	-
Environmental and legal charges ^(e)	0.2	-	1.1	1.6
Gain on sale of facility ^(f)	-	-	-	(1.2)
Adjusted operating income	\$ 27.0	\$ 18.4	\$ 85.4	\$ 42.3
Net (loss) earnings per share attributable to Modine shareholders - diluted	\$ (0.57)	\$ 0.04	\$ 0.09	\$ 0.13
Acquisition and integration costs ^(a)	0.02	0.15	0.05	0.21
Strategy consulting fees ^(b)	0.02	-	0.04	-
Restructuring expenses ^(c)	0.15	0.02	0.18	0.08
Impairment charge ^(d)	0.03	-	0.03	-
Environmental and legal charges ^(e)	-	-	0.01	0.04
Gain on sale of facility ^(f)	-	-	-	(0.03)
U.S. tax reform charges ^(g)	0.70	-	0.70	-
Adjusted earnings per share	\$ 0.35	\$ 0.21	\$ 1.10	\$ 0.43
Net (loss) earnings	\$ (27.9)	\$ 1.9	\$ 5.8	\$ 6.8
Net earnings attributable to noncontrolling interest	(0.4)	(0.2)	(1.2)	(0.6)
Interest expense	6.3	4.5	19.5	10.5
Provision (benefit) for income taxes	35.2	(0.7)	37.4	1.3
Depreciation and amortization expense ^(h)	19.0	14.5	56.8	39.9
Acquisition and integration costs ^(a)	1.0	10.1	3.7	14.5
Strategy consulting fees ^(b)	1.2	-	2.8	-
Restructuring expenses ^{(c) (h)}	9.4	1.3	11.5	5.2
Impairment charge ^(d)	1.3	-	1.3	-
Environmental and legal charges ^(e)	0.2	-	1.1	1.6
Gain on sale of facility ^(f)	-	-	-	(1.2)
Adjusted EBITDA	\$ 45.3	\$ 31.4	\$ 138.7	\$ 78.0

* Footnotes listed on next slide.

Non-GAAP Reconciliations

* Footnotes relate to the previous slide.

- (a) On November 30, 2016, the Company acquired Luvata Heat Transfer Solutions and has since operated the business as its Commercial and Industrial Solutions segment ("CIS"). Acquisition and integration costs in fiscal 2018, recorded as SG&A expenses at Corporate, primarily consisted of incremental costs directly associated with integration activities, including legal and accounting professional services and severance expenses. Acquisition and integration costs in fiscal 2017 primarily consisted of transaction advisory and due diligence costs, incremental costs directly associated with integration activities, and a \$2.9 million impact of an inventory purchase accounting adjustment. The tax benefit related to acquisition and integration costs for the nine months ended December 31, 2017 and 2016 was \$1.2 million and \$4.4 million, respectively.
- (b) During fiscal 2018, the Company recorded \$2.8 million of third party strategy advisory fees as SG&A expenses at Corporate, related to both the recently-acquired CIS and base businesses.
- (c) Fiscal 2018 restructuring amounts primarily relate to employee severance expenses, largely resulting from the closure of a manufacturing facility in Austria within the CIS segment, and equipment transfer and plant consolidation costs. Fiscal 2017 restructuring amounts primarily related to equipment transfer and plant consolidation costs and severance expenses within the Americas segment. For the nine months ended December 31, 2016, restructuring expenses within the Building HVAC segment totaled \$0.7 million.
- (d) During the third quarter of fiscal 2018, the Company recorded a \$1.3 million impairment charge within the CIS segment related to the closure of a manufacturing facility in Austria.
- (e) During fiscal 2018, the Company recorded environmental charges and related legal costs totaling \$1.1 million associated with a previously-owned manufacturing facility in the Americas segment. During fiscal 2017, the Company increased a legal reserve in Brazil (Americas segment) by \$1.6 million, which has since been settled.
- (f) During the second quarter of fiscal 2017, the Company sold a facility within its Europe segment for cash proceeds of \$4.3 million, and as a result, recorded a gain of \$1.2 million.
- (g) As a result of the enactment of tax reform legislation in the U.S. in December 2017, the Company wrote down U.S. deferred tax assets by \$20.7 million due to the reduction in the U.S. federal tax rate from 35 percent to 21 percent. In addition, the Company recorded a \$15.0 million income tax liability for foreign earnings that have not been previously taxed in the U.S.
- (h) Fiscal 2017 restructuring expenses included accelerated depreciation totaling of \$0.8 million, which is included within depreciation expense for this schedule and the cash flow statement.

Segment adjusted operating income and margin

(In millions)

	Three months ended December 31,	
Americas	2017	2016
Operating income	\$ 8.9	\$ 5.7
Restructuring expenses	0.1	1.4
Environmental and legal charges	0.2	-
Adjusted operating income	<u>\$ 9.2</u>	<u>\$ 7.1</u>
Net sales	\$ 140.5	\$ 123.4
Adjusted operating margin	6.6%	5.8%

Non-GAAP Reconciliations

Segment adjusted operating income and margin

(In millions)

Three months ended December 31,

Europe	2017	2016
Operating income	\$ 6.3	\$ 8.6
Restructuring expenses	1.1	0.1
Adjusted operating income	<u>\$ 7.4</u>	<u>\$ 8.7</u>
Net sales	\$ 134.6	\$ 119.8
Adjusted operating margin	5.5%	7.2%

Three months ended December 31,

Commercial and Industrial Solutions	2017	2016
Operating loss	\$ (4.6)	\$ (0.3)
Restructuring expenses	8.2	-
Impairment charges	1.3	-
Adjusted operating income (loss)	<u>\$ 4.9</u>	<u>\$ (0.3)</u>
Net sales	\$ 144.9	\$ 34.7
Adjusted operating margin	3.3%	-1.0%

Three months ended December 31,

Building HVAC	2017	2016
Operating income	\$ 9.2	\$ 6.7
Restructuring expenses	-	0.1
Adjusted operating income	<u>\$ 9.2</u>	<u>\$ 6.8</u>
Net sales	\$ 56.1	\$ 47.2
Adjusted operating margin	16.5%	14.4%

Non-GAAP Reconciliations

Segment adjusted operating income and margin

(In millions)

Americas	Years ended March 31,			
	2014	2015	2016	2017
Operating income	\$ 50.4	\$ 33.7	\$ 36.9	\$ 27.9
Restructuring expenses	1.2	2.7	8.8	6.9
Impairment charges	1.2	7.8	-	-
Gain on sale of facilities	-	-	-	(1.1)
Brazil legal reserve	-	3.2	-	1.6
Environmental charges	-	-	1.6	0.3
Adjusted operating income	<u>\$ 52.8</u>	<u>\$ 47.4</u>	<u>\$ 47.3</u>	<u>\$ 35.6</u>
Net sales	\$ 688.3	\$ 666.9	\$ 585.5	\$ 534.0
Adjusted operating margin	7.7%	7.1%	8.1%	6.7%

Europe	Years ended March 31,			
	2014	2015	2016	2017
Operating income	\$ 11.0	\$ 27.0	\$ 14.7	\$ 38.2
Restructuring expenses	19.2	2.0	6.2	3.0
Impairment charges	2.0	-	9.9	-
Gain on sale of facilities	-	(3.2)	-	(0.9)
Adjusted operating income	<u>\$ 32.2</u>	<u>\$ 25.8</u>	<u>\$ 30.8</u>	<u>\$ 40.3</u>
Net sales	\$ 584.4	\$ 578.2	\$ 524.1	\$ 524.3
Adjusted operating margin	5.5%	4.5%	5.9%	7.7%

Non-GAAP Reconciliations

Segment adjusted operating income and margin

(In millions)

Asia	Years ended March 31,			
	2014	2015	2016	2017
Operating income (loss)	\$ (3.3)	\$ 0.3	\$ 0.8	\$ 7.7
Acquisition-related costs	-	-	0.5	-
Adjusted operating income (loss)	<u>\$ (3.3)</u>	<u>\$ 0.3</u>	<u>\$ 1.3</u>	<u>\$ 7.7</u>
Net sales	\$ 71.5	\$ 81.2	\$ 79.0	\$ 111.5
Adjusted operating margin	(4.7%)	0.3%	1.5%	6.9%

Building HVAC	Years ended March 31,			
	2014	2015	2016	2017
Operating income	\$ 9.4	\$ 19.1	\$ 13.9	\$ 13.2
Loss from Airedale fire	0.5	-	-	-
Restructuring expenses	-	-	1.1	0.7
Adjusted operating income	<u>\$ 9.9</u>	<u>\$ 19.1</u>	<u>\$ 15.0</u>	<u>\$ 13.9</u>
Net sales	\$ 146.5	\$ 186.3	\$ 181.4	\$ 171.6
Adjusted operating margin	6.8%	10.2%	8.3%	8.1%

Non-GAAP Reconciliations

Adjusted EBITDA

(In millions)

	<u>FY 2017</u>
Earnings before income taxes	\$ 20.8
Net earnings attributable to noncontrolling interest	(0.7)
Interest expense	17.2
Depreciation and amortization expense ^(a)	58.3
Acquisition-related costs and adjustments ^(b)	19.1
Restructuring expenses ^{(a) (b)}	10.1
Gain on sale of facilities ^(b)	(2.0)
Legal and environmental charges ^(b)	1.9
Adjusted EBITDA	<u>\$ 124.7</u>

^(a) Fiscal 2017 restructuring expenses included accelerated depreciation expense of \$0.8 million, which is included within depreciation expense for this schedule and the cash flow statement.

^(b) See the adjusted operating income reconciliation on page 24 for additional information regarding these adjustments.

Forward-Looking Non-GAAP Financial Measures

Our fiscal 2018 guidance includes adjusted EBITDA, adjusted operating income and adjusted EPS. These are non-GAAP measures, which exclude certain cash and non-cash charges or gains. These charges and gains may be significant and include items such as restructuring expenses (including severance costs and plant consolidation and relocation expenses), acquisition and integration costs, impairment charges and certain other items. These adjustments for fiscal 2017 are presented on slide 24 of this presentation. These adjustments for the first nine months of fiscal 2018 are presented on slide 25. Estimates of these adjustments for the remainder of fiscal 2018 are not available due to the low visibility and unpredictability of these items.