

**Fourth Quarter  
Fiscal 2018  
May 24, 2018  
8:00 a.m. CDT**



# Agenda

Introduction

Kathy Powers

VP, Treasurer, Investor Relations and Tax

Fourth Quarter and FY 2018

Tom Burke

Highlights and Segment Review

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, September 30, 2017 and December 31, 2017. Other risks and uncertainties include, but are not limited to, the following: Modine's ability to realize the anticipated synergies associated with the Luvata HTS acquisition and to achieve projected cash flows sufficient to maintain a desirable leverage ratio; the overall health and price-down focus of Modine's customers; 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 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. or by its trade partners, and continuing uncertainty regarding “Brexit”; the impact on Modine of any significant increases in commodity prices, particularly aluminum, copper, steel and stainless steel (nickel), and our ability to pass increasing 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; Modine's ability to recruit and maintain managerial and leadership talent; Modine's ability to protect its proprietary information and intellectual property from theft or attack; 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.



# Fourth Quarter Highlights and Segment Review

**Tom Burke**  
President and Chief Executive Officer



# FY2018 – Fourth Quarter and Full-Year Highlights

- Successful year for Modine, cumulative revenue increase of more than 50% over the past two years
  - From \$1.4 billion in Fiscal 2016 to \$2.1 billion in Fiscal 2018
  - Sales growth due to the addition of the CIS business in Fiscal 2017 and meaningful organic growth in vehicular and building HVAC segments
  - Sales in Asia have more than doubled over the past two years
- Adjusted operating income increased \$47.9M to \$120.1M, up 66% in Fiscal 2018
- Adjusted earnings per share of \$1.54, nearly double the prior year of \$0.78
- Sales increased 16% in Q4
- Q4 adjusted operating income of \$34.7M, up \$4.8M or 16%
- Adjusted earnings per share of \$0.44 for Q4, improved \$0.09

\* See Appendix for Non-GAAP reconciliations



# Q4 FY2018 – Americas

Americas			
(\$ in millions)	Q4 2018	Q4 2017	Better / (Worse)
<b>Net sales</b>	\$ 150.0	\$ 144.6	\$ 5.4
<b>Gross profit</b>	22.2	27.5	(5.3)
% of net sales	14.8%	19.0%	(420 bps)
<b>SG&amp;A expenses</b>	12.8	13.2	0.4
% of net sales	8.5%	9.1%	60 bps
<b>Adjusted operating income*</b>	\$ 9.7	\$ 14.6	\$ (4.9)
% of net sales	6.5%	10.1%	(360 bps)

Market Outlook (Fiscal 2019)	
	YOY Change
NA Automotive	+1%
NA Medium Duty Truck	+3%
NA Heavy Duty Truck	+15%
NA Off-highway	+5%

- Sales increased 4% or \$6.0M on a constant-currency basis
  - Driven by higher sales to off-highway and automotive customers
- As anticipated, gross profit and gross margin declined compared to a strong Q4 of Fiscal 2017
  - Higher material costs, \$2.6M impact in the quarter
  - Higher labor and benefit expense in Nuevo Laredo, Mexico to prepare for new business launches
  - Negative currency impact from the stronger Mexican peso
- Adjusted operating income down \$4.9M due to the lower gross profit
- Markets in the Americas continue to be strong, with growth expected in all end-markets
- Material prices remain volatile; contractual pricing mechanisms allow for cost recovery over time

\* See Appendix for Non-GAAP reconciliations



# Q4 FY2018 – Europe

Europe			
(\$ in millions)	Q4 2018	Q4 2017	Better / (Worse)
<b>Net sales</b>	\$ 162.9	\$ 134.6	\$ 28.3
<b>Gross profit</b>	27.0	21.3	5.7
% of net sales	16.6%	15.9%	70 bps
<b>SG&amp;A expenses</b>	12.2	10.5	(1.7)
% of net sales	7.5%	7.8%	30 bps
<b>Adjusted operating income*</b>	\$ 14.8	\$ 10.8	\$ 4.0
% of net sales	9.1%	8.0%	110 bps

Market Outlook (Fiscal 2019)	
	YOY Change
Automotive	Flat
Commercial Vehicle	+2%
Off-Highway	Flat to +5%

- Sales increased 5%, excluding a favorable FX impact of \$21.7M
  - Improvements across all end-markets
- Gross margin increased 70 bps primarily due to higher sales volume, procurement cost savings and plant production efficiencies
- Adjusted operating income increased \$4.0 million due to higher sales and improved gross profit
- Our teams in each region are heavily involved in electrical vehicle pursuits
- Completed expansion of manufacturing facility in Hungary, expanding low-cost country footprint
  - Income tax benefit from development credits
  - Managing transfers of product lines from Austrian plant

\* See Appendix for Non-GAAP reconciliations



# Q4 FY2018 – Asia

Asia			
(\$ in millions)	Q4 2018	Q4 2017	Better / (Worse)
<b>Net sales</b>	\$ 48.1	\$ 33.3	\$ 14.8
<b>Gross profit</b>	8.4	5.6	2.8
% of net sales	17.6%	16.9%	70 bps
<b>SG&amp;A expenses</b>	3.4	2.8	(0.6)
% of net sales	7.2%	8.5%	130 bps
<b>Operating income</b>	\$ 5.0	\$ 2.8	\$ 2.2
% of net sales	10.4%	8.4%	200 bps

Market Outlook (Fiscal 2019)	
	YOY Change
China Automotive	+3%
Asia Excavator	+10%
India Automotive	+8%
India Commercial Vehicle	+10%

- Sales increased 35% in the quarter, excluding a favorable FX impact of \$3.2M
  - Growth in all end-markets in China, India and Korea
  - Significant increases in automotive and off-highway sales in China
- 70 bps improvement in gross margin to 17.6% driven by higher sales volume
- Operating income increased \$2.2M, due to the higher gross profit on higher sales
- Higher sales volume in China is stretching manufacturing capacity
  - Began expansion of the Changzhou site, expect construction to be complete by calendar year-end



# Q4 FY2018 – Commercial and Industrial Solutions

Commercial and Industrial Solutions			
(\$ in millions)	Q4 2018	Q4 2017	Better / (Worse)
<b>Net sales</b>	\$ 168.4	\$ 143.0	\$ 25.4
<b>Gross profit</b>	25.7	21.6	4.1
% of net sales	15.3%	15.1%	20 bps
<b>SG&amp;A expenses</b>	14.1	13.8	(0.3)
% of net sales	8.4%	9.6%	120 bps
<b>Adjusted operating income*</b>	\$ 11.6	\$ 7.8	\$ 3.8
% of net sales	6.9%	5.5%	140 bps

Market Outlook (Fiscal 2019)	
	YOY Change
Commercial & Residential AC	+2%
Refrigeration	+2%
Precision Cooling	+3%
Industrial Cooling	Flat
Mobile AC	+3%

- Sales increased 10%, excluding a favorable FX impact of \$10.5M
  - Higher sales of precision cooling, mobile air conditioning and coatings products
- Gross margin of 15.3% up 20 bps on higher sales volume
- Adjusted operating income up \$3.8M or 49% over the prior year
- Benefits from synergy savings
  - Achieved planned procurement cost savings
  - Now focusing on manufacturing footprint: closure of Austria, expansion in Serbia and Mexico

\* See Appendix for Non-GAAP reconciliations



# Q4 FY2018 – Building HVAC

Building HVAC			
(\$ in millions)	Q4 2018	Q4 2017	Better / (Worse)
<b>Net sales</b>	\$ 43.3	\$ 38.8	\$ 4.5
<b>Gross profit</b>	13.0	10.7	2.3
% of net sales	30.0%	27.5%	250 bps
<b>SG&amp;A expenses</b>	9.7	7.9	(1.8)
% of net sales	22.3%	20.2%	(210 bps)
<b>Adjusted operating income*</b>	\$ 3.3	\$ 2.8	\$ 0.5
% of net sales	7.6%	7.3%	30 bps

Market Outlook (Fiscal 2019)	
	YOY Change
<b>Commercial Heating - NA</b>	+3%
<b>Air Conditioning - EMEA</b>	+1%
<b>Commercial Ventilation - NA</b>	+4%
<b>Commercial Ventilation - UK</b>	+2%

- Sales increased 7% compared to the prior year on a constant-currency basis
  - Driven by strong North American heating season
- Gross profit increased 21% and gross margin improved by 250 basis points due to favorable sales mix and improved pricing
- Adjusted operating income of \$3.3M, up 18%, driven by solid conversion on higher sales volume
- As part of the strategic portfolio analysis, announced the discontinuation of the geothermal product line and sale of the South African business

\* See Appendix for Non-GAAP reconciliations



# Financial Overview and Outlook

**Mick Lucareli**

**Vice President, Finance and Chief Financial Officer**



# Q4 FY2018 vs. Prior Year

(In millions, except per share amounts)	Q4 2018	Q4 2017	Better (Worse)
<b>Net sales</b>	\$ 566.6	\$ 488.3	\$ 78.3
<b>Gross profit</b> <i>% of net sales</i>	96.5 17.0%	85.1 17.4%	11.4 (40 bps)
<b>SG&amp;A expenses</b> <i>% of net sales</i>	63.6 11.2%	60.1 12.3%	(3.5) 110 bps
<b>Adjusted operating income *</b> <i>% of net sales</i>	34.7 6.1%	29.9 6.1%	4.8 -
<b>Adjusted earnings per share *</b>	\$ 0.44	\$ 0.35	\$ 0.09
<b>Operating income</b>	\$ 27.2	\$ 20.9	\$ 6.3
Restructuring expenses	4.5	4.9	
Acquisition and integration costs	0.6	4.6	
Strategy consulting fees	0.9	-	
Impairment charge	1.2	-	
Environmental and legal charges	0.3	0.3	
Gain on sale of facilities	-	(0.8)	
<b>Adjusted operating income*</b>	\$ 34.7	\$ 29.9	\$ 4.8

- Sales increased \$42M or 9% on a constant-currency basis
- Gross profit increased 13%
  - Positive impact from sales volume, FX rates and purchasing initiatives
  - Ongoing impact from higher metals prices
  - Additional margin impacts from higher labor and overhead costs, along with the stronger Mexican peso
- SG&A increase is primarily due to a negative FX impact of (\$2.9M)
- Current quarter includes \$7.5M of adjustments
- Adjusted operating income increased 16% and adjusted EPS improved 26%
- GAAP EPS of \$0.34 impacted by tax reform legislation
  - \$1.7M benefit to deferred tax assets
  - \$4.0M charge for transition tax on foreign earnings not previously taxed in the U.S.

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

# Cash Flow & Net Debt

(In millions)	FY2018	FY2017
Operating cash flow	\$ 123.8	\$ 41.6
Capital expenditures	(71.0)	(64.4)
Free cash flow	\$ 52.8	\$ (22.8)

(In millions)	3/31/18	3/31/17
Cash	\$ 39.3	\$ 34.2
Total debt	479.4	510.9
<b>Net Debt</b>	<b>\$ 440.1</b>	<b>\$ 476.7</b>
<b>Leverage Ratio</b>	<b>2.4x</b>	<b>2.9x</b>

- Fiscal 2018 operating cash flow improved \$82.2M due to higher cash earnings and improved working capital
- Full-year capital spending increased \$6.6M
  - Increase mostly due to the CIS segment, plus capacity expansion in Hungary and China
- Fiscal 2018 free cash flow of \$52.8M; \$75.6M better than the prior year
  - Includes \$26.1M of cash payments related to restructuring activities, acquisition and integration costs, environmental and legal charges, and strategy consulting fees
- Leverage ratio of 2.4x is well below our current covenant ratio requirement of 3.25x and below our Fiscal 2018 target of 2.5x

# FY2019 Guidance

(In millions, except per share amounts)	FY 2018 Results	FY 2019 Guidance	% Increase
Net Sales	\$2,103.1	\$2,166 to \$2,271	3% to 8%
Adjusted Operating Income *	\$120.1	\$135 to \$145	12% to 21%
Adjusted EPS *	\$1.54	\$1.50 to \$1.65	-3% to 7%

- Expecting sales growth of 3% to 8%, driven by growth across most end-markets; partially offset by headwinds from the continued wind-down of multiple truck programs
- In addition to sales growth, further earnings growth expected from margin improvements across all business segments
- Adjusted operating income of \$135M to \$145M; up 12% to 21%
- Key guidance assumptions
  - Guidance reflects recent metals increases; expecting to be an ongoing headwind
  - Approximately \$23M of annual interest expense
  - Assumes current foreign exchange rates
  - Significant changes to income tax expense, driven by our expected mix of earnings and the impact of U.S. tax reform legislation. Expecting adjusted tax rate to be 27% to 28% in Fiscal 2019
- Adjusted EPS range \$1.50 to \$1.65; including the higher effective tax rate

\* See Appendix for Non-GAAP reconciliations



## Q4 FY2018 – Conclusion

- Focused significant resources on strategic review of our product portfolio
- Continuing with Strengthen, Diversify and Grow strategy
  - Will define new targets and actions
  - Goal remains to be a more diversified, global thermal management company
- Strengthen business by optimizing global manufacturing and operational capabilities
  - Continue to expand low-cost country footprint
  - “One Modine” – Modine Operating System driving discipline around the world
- Diversify business by looking for acquisitions that will add to the existing industrial portfolio
- Grow business by investing where we have a right to win
  - Seek high returns on invested capital
  - Embrace technological advancements to our markets



# Q&A

**MODINE**



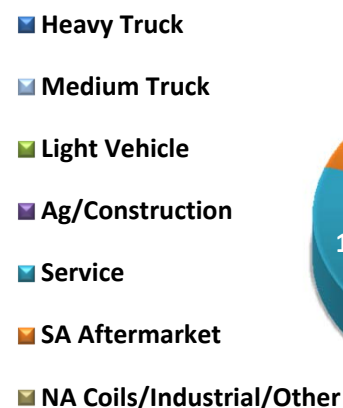


# Appendix

# Americas (24% of Net Sales)<sup>1</sup>

- 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), Denso, Volvo, AGCO, CNH, FCA, Tesla, Oshkosh

**FY 2018 Sales Mix**



(In millions)

FY Ended March 31,	2014	2015	2016	2017	2018
<b>Net sales</b>	\$688.3	\$666.9	\$585.5	\$534.0	<b>\$580.7</b>
<b>Adjusted operating income*</b>	52.8	47.4	47.3	35.6	<b>41.2</b>
<b>Adjusted operating margin*</b>	7.7%	7.1%	8.1%	6.7%	<b>7.1%</b>

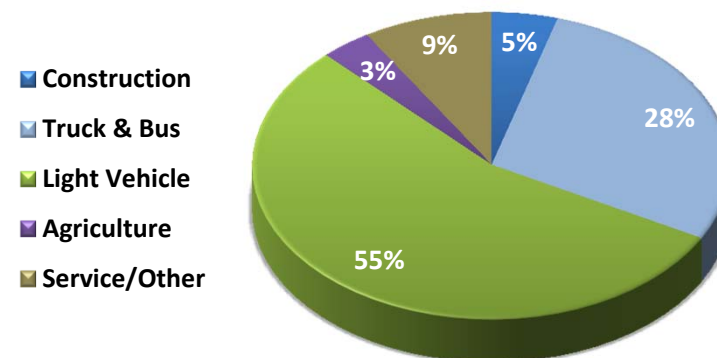
\* See Non-GAAP reconciliations

<sup>1</sup> For purposes of this presentation, coils sales reported in the Americas segment are included in the Commercial and Industrial Solutions segment.

# Europe (27% of Net Sales)

- 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: Daimler AG, VW Group, MAN, ZF, Volvo, BMW, Voith Deere

**FY 2018 Sales Mix**



(In millions)

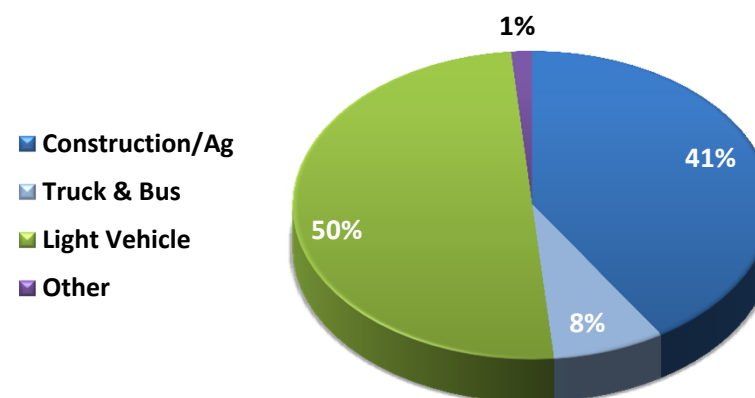
FY Ended March 31,	2014	2015	2016	2017	2018
<b>Net sales</b>	\$584.4	\$578.2	\$524.1	\$524.3	<b>\$568.3</b>
<b>Adjusted operating income*</b>	32.2	25.8	30.8	40.3	<b>39.3</b>
<b>Adjusted operating margin*</b>	5.5%	4.5%	5.9%	7.7%	<b>6.9%</b>

\* See Non-GAAP reconciliations

# Asia (8% of Net Sales)

- 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 automotive and commercial vehicle customers due to more stringent emissions standards in China
- Key customers: Volvo, Daimler, VW Group, CAT, Hyundai Heavy Industries, GM, Ashok Leyland

**FY 2018 Sales Mix**



(In millions)

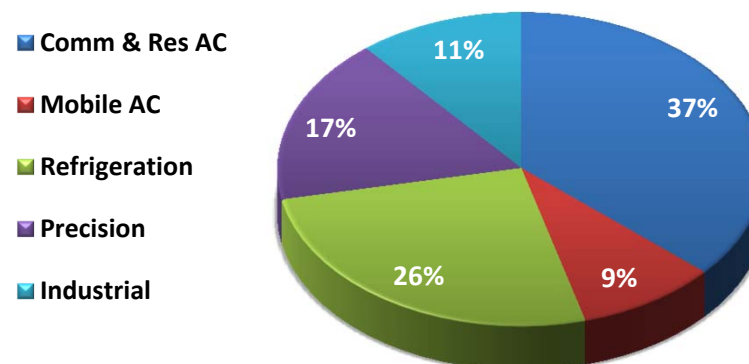
FY Ended March 31,	2014	2015	2016	2017	2018
<b>Net sales</b>	\$71.5	\$81.2	\$79.0	\$111.5	<b>\$165.8</b>
<b>Adjusted operating income (loss)*</b>	(3.3)	0.3	1.3	7.7	<b>17.6</b>
<b>Adjusted operating margin*</b>	(4.7%)	0.3%	1.5%	6.9%	<b>10.6%</b>

\* See Non-GAAP reconciliations

# Commercial and Industrial Solutions (32% of Net Sales) <sup>1</sup>

- 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

**FY 2018 Sales Mix**



(In millions)

FY Ended March 31,	2017	2018
<b>Net sales</b>	\$177.7	\$620.0
<b>Adjusted operating income*</b>	7.5	35.4
<b>Adjusted operating margin*</b>	4.2%	5.7%

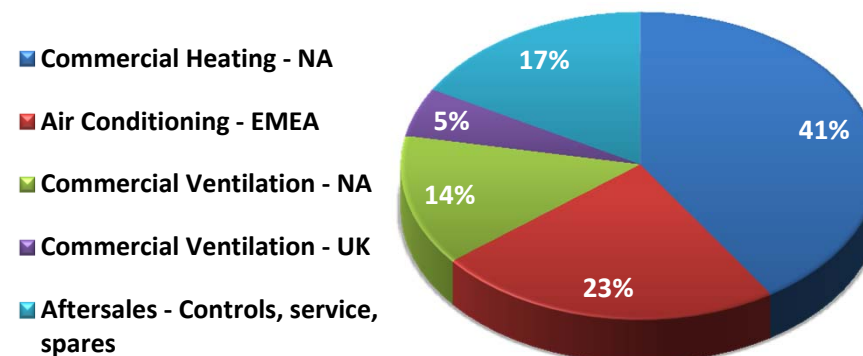
\* See Non-GAAP reconciliations

<sup>1</sup> Includes coils sales that are reported in the Americas segment.

# Building HVAC (9% of Net Sales)

- Six manufacturing facilities in North America and United Kingdom
- 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 2018 Sales Mix**



(In millions)

FY Ended March 31,	2014	2015	2016	2017	2018
<b>Net sales</b>	\$146.5	\$186.3	\$181.4	\$171.6	<b>\$191.2</b>
<b>Adjusted operating income*</b>	9.9	19.1	15.0	13.9	<b>21.9</b>
<b>Adjusted operating margin*</b>	6.8%	10.2%	8.3%	8.1%	<b>11.5%</b>

\* See Non-GAAP reconciliations

# Q4 GAAP Income Statement

(In millions, except per share amounts)

	Q4 2018	Q4 2017	Better (Worse)
<b>Net sales</b>	<b>\$ 566.6</b>	<b>\$ 488.3</b>	<b>\$ 78.3</b>
Cost of sales	470.1	403.2	(66.9)
<b>Gross profit</b>	<b>96.5</b>	<b>85.1</b>	<b>11.4</b>
SG&A expenses	63.6	60.1	(3.5)
Restructuring expenses	4.5	4.9	0.4
Impairment charges	1.2	-	(1.2)
Gain on sale of facilities	-	(0.8)	(0.8)
<b>Operating income</b>	<b>27.2</b>	<b>20.9</b>	<b>6.3</b>
Interest expense	(6.1)	(6.7)	0.6
Other expense - net	(1.0)	(1.5)	0.5
<b>Earnings before income taxes</b>	<b>20.1</b>	<b>12.7</b>	<b>7.4</b>
Provision for income taxes	(2.1)	(4.6)	2.5
<b>Net earnings</b>	<b>18.0</b>	<b>8.1</b>	<b>9.9</b>
Net earnings attributable to noncontrolling interest	(0.4)	(0.1)	(0.3)
<b>Net earnings attributable to Modine</b>	<b>\$ 17.6</b>	<b>\$ 8.0</b>	<b>\$ 9.6</b>
<b>Net earnings per share - diluted</b>	<b>\$ 0.34</b>	<b>\$ 0.16</b>	<b>\$ 0.18</b>

# Non-GAAP Reconciliations

## Modine Manufacturing Company

### Adjusted financial results (unaudited)

(In millions, except per share amounts)

	Three months ended March 31,		Twelve months ended March 31,	
	2018	2017	2018	2017
Operating income	\$ 27.2	\$ 20.9	\$ 92.2	\$ 42.3
Acquisition and integration costs <sup>(a)</sup>	0.6	4.6	4.3	19.1
Strategy consulting fees <sup>(b)</sup>	0.9	-	3.7	-
Restructuring expenses - Americas <sup>(c)</sup>	-	1.7	1.6	6.9
Restructuring expenses - Europe <sup>(c)</sup>	4.0	3.2	5.7	3.0
Restructuring expenses - Commercial and Industrial Solutions <sup>(c)</sup>	0.1	-	8.3	-
Restructuring expenses - other <sup>(c)</sup>	0.4	-	0.4	1.0
Impairment charges <sup>(d)</sup>	1.2	-	2.5	-
Environmental and legal charges <sup>(e)</sup>	0.3	0.3	1.4	1.9
Gain on sale of facilities <sup>(f)</sup>	-	(0.8)	-	(2.0)
<b>Adjusted operating income</b>	<b>\$ 34.7</b>	<b>\$ 29.9</b>	<b>\$ 120.1</b>	<b>\$ 72.2</b>
Net earnings per share attributable to Modine shareholders - diluted	\$ 0.34	\$ 0.16	\$ 0.43	\$ 0.29
Acquisition and integration costs <sup>(a)</sup>	0.01	0.07	0.06	0.28
Strategy consulting fees <sup>(b)</sup>	0.01	-	0.05	-
Restructuring expenses <sup>(c)</sup>	0.08	0.09	0.26	0.17
Impairment charges <sup>(d)</sup>	0.02	-	0.04	-
Environmental and legal charges <sup>(e)</sup>	-	-	0.02	0.04
Gain on sale of facilities <sup>(f)</sup>	-	(0.01)	-	(0.04)
U.S. tax reform charges <sup>(g)</sup>	0.04	-	0.74	-
Tax valuation allowances <sup>(h)</sup>	(0.06)	0.04	(0.06)	0.04
<b>Adjusted earnings per share</b>	<b>\$ 0.44</b>	<b>\$ 0.35</b>	<b>\$ 1.54</b>	<b>\$ 0.78</b>

\* 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 \$4.3 million impact of an inventory purchase accounting adjustment. The tax benefit related to acquisition and integration costs for the twelve months ended March 31, 2018 and 2017 was \$1.4 million and \$5.5 million, respectively.
- (b) During fiscal 2018, the Company recorded \$3.7 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 targeted headcount reductions within the Europe segment, and equipment transfer and plant consolidation costs. Fiscal 2017 restructuring amounts primarily related to equipment transfer and plant consolidation costs and severance expenses. During fiscal 2018 and 2017, restructuring expenses within the Building HVAC segment totaled \$0.4 million and \$0.7 million, respectively.
- (d) During the fourth quarter of fiscal 2018, the Building HVAC segment discontinued its geothermal product line. Annual revenue for this non-core product line was less than \$1 million. As a result of this decision, the Company recorded a \$1.2 million impairment charge for long-lived assets it will no longer use. 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 \$1.4 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, and incurred environmental charges related to the previously-owned manufacturing facility.
- (f) During fiscal 2017, the Company sold two previously-closed manufacturing facilities in its Americas segment and a facility within its Europe segment. As a result of these sales, the Company recorded net gains totaling \$2.0 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 \$19.0 million due to the reduction in the U.S. federal tax rate from 35 percent to 21 percent. In addition, the Company recorded a \$19.0 million income tax liability for foreign earnings that have not been previously taxed in the U.S.
- (h) On March 31, 2018, the Company reversed a portion of the valuation allowance on its deferred tax assets in China, and, as a result, recorded an income tax benefit of \$2.8 million. 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

## Segment adjusted operating income and margin

(In millions)

Three months ended March 31,

<b>Americas</b>	<b>2018</b>	<b>2017</b>
<b>Operating income</b>	\$ 9.4	\$ 13.7
Restructuring expenses	-	1.7
Environmental and legal charges	0.3	0.3
Gain on sale of facilities	-	(1.1)
<b>Adjusted operating income</b>	\$ 9.7	\$ 14.6
Net sales	\$ 150.0	\$ 144.6
<b>Adjusted operating margin</b>	6.5%	10.1%

Three months ended March 31,

<b>Europe</b>	<b>2018</b>	<b>2017</b>
<b>Operating income</b>	\$ 10.8	\$ 7.3
Restructuring expenses	4.0	3.2
Loss on sale of facility	-	0.3
<b>Adjusted operating income</b>	\$ 14.8	\$ 10.8
Net sales	\$ 162.9	\$ 134.6
<b>Adjusted operating margin</b>	9.1%	8.0%

# Non-GAAP Reconciliations

## Segment adjusted operating income and margin

(In millions)

	Three months ended March 31,	
<b>Commercial and Industrial Solutions</b>	<b>2018</b>	<b>2017</b>
<b>Operating income</b>	\$ 11.5	\$ 7.8
Restructuring expenses	0.1	-
<b>Adjusted operating income</b>	<b>\$ 11.6</b>	<b>\$ 7.8</b>
Net sales	\$ 168.4	\$ 143.0
<b>Adjusted operating margin</b>	6.9%	5.5%

	Three months ended March 31,	
<b>Building HVAC</b>	<b>2018</b>	<b>2017</b>
<b>Operating income</b>	\$ 1.7	\$ 2.8
Restructuring expenses	0.4	-
Impairment charge	1.2	-
<b>Adjusted operating income</b>	<b>\$ 3.3</b>	<b>\$ 2.8</b>
Net sales	\$ 43.3	\$ 38.8
<b>Adjusted operating margin</b>	7.6%	7.3%

# Non-GAAP Reconciliations

## Segment adjusted operating income and margin

(In millions)

Americas	Years ended March 31,				
	2014	2015	2016	2017	2018
<b>Operating income</b>	\$ 50.4	\$ 33.7	\$ 36.9	\$ 27.9	\$ 38.2
Restructuring expenses	1.2	2.7	8.8	6.9	1.6
Environmental and legal charges	-	3.2	1.6	1.9	1.4
Impairment charges	1.2	7.8	-	-	-
Gain on sale of facilities	-	-	-	(1.1)	-
<b>Adjusted operating income</b>	<u>\$ 52.8</u>	<u>\$ 47.4</u>	<u>\$ 47.3</u>	<u>\$ 35.6</u>	<u>\$ 41.2</u>
Net sales	\$ 688.3	\$ 666.9	\$ 585.5	\$ 534.0	\$ 580.7
<b>Adjusted operating margin</b>	7.7%	7.1%	8.1%	6.7%	7.1%

Europe	Years ended March 31,				
	2014	2015	2016	2017	2018
<b>Operating income</b>	\$ 11.0	\$ 27.0	\$ 14.7	\$ 38.2	\$ 33.6
Restructuring expenses	19.2	2.0	6.2	3.0	5.7
Impairment charges	2.0	-	9.9	-	-
Gain on sale of facilities	-	(3.2)	-	(0.9)	-
<b>Adjusted operating income</b>	<u>\$ 32.2</u>	<u>\$ 25.8</u>	<u>\$ 30.8</u>	<u>\$ 40.3</u>	<u>\$ 39.3</u>
Net sales	\$ 584.4	\$ 578.2	\$ 524.1	\$ 524.3	\$ 568.3
<b>Adjusted operating margin</b>	5.5%	4.5%	5.9%	7.7%	6.9%

# Non-GAAP Reconciliations

## Segment adjusted operating income and margin

(In millions)

Asia	Years ended March 31,				
	2014	2015	2016	2017	2018
<b>Operating income (loss)</b>	\$ (3.3)	\$ 0.3	\$ 0.8	\$ 7.7	\$ 17.6
Acquisition-related costs	-	-	0.5	-	-
<b>Adjusted operating income (loss)</b>	<u>\$ (3.3)</u>	<u>\$ 0.3</u>	<u>\$ 1.3</u>	<u>\$ 7.7</u>	<u>\$ 17.6</u>
Net sales	\$ 71.5	\$ 81.2	\$ 79.0	\$ 111.5	\$ 165.8
<b>Adjusted operating margin</b>	(4.7%)	0.3%	1.5%	6.9%	10.6%

Building HVAC	Years ended March 31,				
	2014	2015	2016	2017	2018
<b>Operating income</b>	\$ 9.4	\$ 19.1	\$ 13.9	\$ 13.2	\$ 20.3
Restructuring expenses	-	-	1.1	0.7	0.4
Impairment charge	-	-	-	-	1.2
Loss from Airedale fire	0.5	-	-	-	-
<b>Adjusted operating income</b>	<u>\$ 9.9</u>	<u>\$ 19.1</u>	<u>\$ 15.0</u>	<u>\$ 13.9</u>	<u>\$ 21.9</u>
Net sales	\$ 146.5	\$ 186.3	\$ 181.4	\$ 171.6	\$ 191.2
<b>Adjusted operating margin</b>	6.8%	10.2%	8.3%	8.1%	11.5%

Commercial and Industrial Solutions	Years ended March 31,	
	2017	2018
<b>Operating income</b>	\$ 7.5	\$ 25.8
Restructuring expenses	-	8.3
Impairment charge	-	1.3
<b>Adjusted operating income</b>	<u>\$ 7.5</u>	<u>\$ 35.4</u>
Net sales	\$ 177.7	\$ 620.0
<b>Adjusted operating margin</b>	4.2%	5.7%

# Non-GAAP Reconciliations

Net sales - constant currency (unaudited)

(In millions)

	Three months ended March 31,			
	2018		2017	
	Net Sales	Effect of Ex change Rate Changes	Net Sales - Constant Currency	Net Sales
Americas	\$ 150.0	\$ 0.6	\$ 150.6	\$ 144.6
Europe	162.9	(21.7)	141.2	134.6
Asia	48.1	(3.2)	44.9	33.3
Commercial and Industrial Solutions	168.4	(10.5)	157.9	143.0
Building HVAC	43.3	(1.9)	41.4	38.8
<b>Segment total</b>	<b>572.7</b>	<b>(36.7)</b>	<b>536.0</b>	<b>494.3</b>
Corporate and eliminations	(6.1)	0.4	(5.7)	(6.0)
<b>Net sales</b>	<b>\$ 566.6</b>	<b>\$ (36.3)</b>	<b>\$ 530.3</b>	<b>\$ 488.3</b>

	Twelve months ended March 31,			
	2018		2017	
	Net Sales	Effect of Ex change Rate Changes	Net Sales - Constant Currency	Net Sales
<b>Net sales</b>	<b>\$ 2,103.1</b>	<b>\$ (55.0)</b>	<b>\$ 2,048.1</b>	<b>\$ 1,503.0</b>

# Forward-Looking Non-GAAP Financial Measures

Our fiscal 2019 guidance includes 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 2018 are presented on slide 24 of this presentation. Estimates of these adjustments for fiscal 2019 are not available due to the low visibility and unpredictability of these items.