ITT Corp
Form 10-K
February 22, 2016

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

Form 10-K
ANNUAL REPORT
(Mark One)

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

For the fiscal year ended December 31, 2015
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 No. 001-05672

ITT CORPORATION

Incorporated in the State of Indiana	13-5158950 (I.R.S. Employer Identification No.)

1133 Westchester Avenue, White Plains, NY 10604
(Principal Executive Office)
Telephone Number: (914) 641-2000

Securities registered pursuant to Section 12(b) of the Act, all of which are registered on The New York Stock Exchange, Inc.:
COMMON STOCK, $1 PAR VALUE
Securities registered pursuant to Section 12(g) of the Act: None.
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No þ
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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 þ No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

The aggregate market value of the common stock of the registrant held by non-affiliates of the registrant on June 30, 2015 was approximately $3.7 billion. As of February 17, 2016, there were outstanding 89.5 million shares of common stock, $1 par value, of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A for its 2016 Annual Meeting of Shareholders are incorporated by reference in Part II and Part III of this Form 10-K.

TABLE OF CONTENTS

ITEM		PAGE
PART I		
1	Description of Business	1
1A	Risk Factors	8
1B	Unresolved Staff Comments	16
2	Properties	17
3	Legal Proceedings	18
4	Mine Safety Disclosures	18
*	Executive Officers of the Registrant	19
PART II		
5	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	21
	Performance Graph	
6	Selected Financial Data	23
7	Management's Discussion and Analysis of Financial Condition and Results of Operations	25
7A	Quantitative and Qualitative Disclosures About Market Risk	56
8	Financial Statements and Supplementary Data	56
9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	56
9A	Controls and Procedures	57
9B	Other Information	58
PART III		
10	Directors, Executive Officers and Corporate Governance	60
11	Executive Compensation	60
12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	60
13	Certain Relationships and Related Transactions, and Director Independence	60
14	Principal Accounting Fees and Services	60
PART IV		
15	Exhibits and Financial Statement Schedule	61
Signatures		II-1
Exhibit Index		II-3

* Included pursuant to Instruction 3 to Item 401(b) of Regulation S-K.

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, Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). 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 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 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 this Annual Report on Form 10-K under the caption "Risk Factors", and in other documents that we file from time to time with the U.S. Securities and Exchange Commission (SEC).

The forward-looking statements included in 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 on which you may access electronic copies of our SEC filings.

We make available free of charge at www.itt.com/investors copies of materials we file with, or furnish to, the SEC as well as other important information that we disclose from time to time. Information contained on our website, or that can be accessed through our website, does not constitute a part of this Annual Report on Form 10-K. 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 are located at 1133 Westchester Avenue, White Plains, NY 10604 and the telephone number of this location is (914) 641-2000.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

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

COMPANY OVERVIEW

Unless the context otherwise indicates, references herein to "ITT," "the Company," and such words as "we," "us," and "our" include ITT Corporation and its subsidiaries.

ITT is a diversified manufacturer of highly engineered critical components and customized technology solutions for the energy, transportation and industrial markets. We manufacture components that are integral to the operation of systems and manufacturing processes in these 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.

We are a global company with approximately 9,700 employees in more than 35 countries and 2015 revenue of $2.5 billion, which we derived from sales in more than 100 countries. In 2015, 62% of our sales were outside the U.S., including 31% from emerging growth markets. Accordingly, we have located approximately half of our manufacturing facilities outside of the U.S. in order to lower costs, achieve strategic proximity to customers and further increase international sales and market share.

We have a balanced and diversified portfolio of businesses, which are organized in four segments – Industrial Process, Motion Technologies, Interconnect Solutions, and Control Technologies. Our businesses share a common, repeatable operating model centered on our engineering aptitude. Each business applies its technology and engineering expertise to solve some of the most pressing challenges of our customers. Our applied engineering provides a special business fit with our customers given the critical nature of their applications. This in turn provides us with unique insight to our customers' requirements and enables us to develop solutions to better assist our customers achieve their business goals. Our technology and customer intimacy together produce opportunities to capture recurring revenue streams, aftermarket opportunities and long-lived platforms from original equipment manufacturers (OEMs).

We also possess strong leading brands, such as Goulds Pumps, Bornemann, Engineered Valves, Cannon, VEAM, BIW Connector Systems, KONI, Wolverine, Enidine, Hartzell Aerospace, and ITT, in many of our niche markets. These brands are associated with quality, reliability, durability, and engineering excellence. Our brands extend internationally and perform strongly in emerging growth markets including China, Mexico, Brazil, Saudi Arabia, and Russia.

We are committed to creating long-term sustainable value for all of our stakeholders, supported by our balanced operating strategy designed to achieve long-term profitable growth. The elements of this strategy are disciplined organic growth through global market expansion and new product development, combined with operational improvements that focus on the principles of Lean Six Sigma to reduce costs and cycle times while improving overall productivity, quality, and safety on a continuing basis. We have also moved beyond the factory floor to improve the efficiency of other critical processes of the value chain to become a truly lean enterprise. This initiative encompasses not only core lean, problem solving and continuous improvement principles but also leadership, talent and cultural aspects.

Given these dynamics and our technology investments, global reach and vibrant brands, we believe we have the opportunity to continue to expand geographically, broaden our product lines, improve our market position, and increase earnings through organic revenue growth and operational efficiencies and through targeted acquisitions. We continue to prioritize deploying capital for organic growth and then acquisitive growth. Our acquisition strategy generally targets firms in similar businesses and end-markets that have unique and differentiated products, services, and technologies. Effective capital deployment, including resource optimization and a disciplined focus on liquidity and cash management is a major part of how we plan to achieve our financial performance goals.

We aspire to drive long-term average annual organic revenue growth of approximately 5%-7%, with corresponding operating margin expansion of 50-70 basis points, achieve an adjusted free cash flow conversion rate of greater than 105%, deliver adjusted earnings per share growth of 10%-15% per year, and maintain a return on invested capital (ROIC) that is in-line with proxy peers.

Segment Information

See Note 3, Segment Information, to the Consolidated Financial Statements for financial information about each of our segments.

Industrial Process

The Industrial Process segment, commonly referred to as IP, is an original equipment manufacturer and service provider offering an extensive portfolio of industrial pumps, valves and plant optimization systems and services. During 2015, this segment aligned around three business units – Industrial Products, Engineered Systems, and Aftermarket Solutions – serving an extensive base of customers from large multi-national companies and engineering, procurement and construction (EPC) firms to regional distributors to end-user customers. IP's customers operate in global infrastructure and natural resource markets such as oil and gas, chemical and petrochemical, general industrial, mining, pulp and paper, and power generation. Brands include Goulds Pumps, Bornemann, Engineered Valves, PRO Services, and C'treat.

Industrial Products Business Unit

Industrial Products designs and manufactures configured-to-order industrial pumps, valves, and equipment for both original equipment installations and replacement parts and pumps. We serve customers rapidly as products in this business unit typically have shorter lead times. These products include centrifugal process pumps and engineered industrial and sanitary valves.

Engineered Systems Business Unit

Engineered Systems provides highly engineered and customized pumping systems typically used in severe service conditions via both original equipment installations and replacement parts and pumps. Products include API (American Petroleum Institute) centrifugal pumps, vertical centrifugal pumps, twin screw pumps and water systems. Our pumping systems are generally part of larger capital projects, which have longer lead times and are generally managed by EPCs.

Aftermarket Solutions Business Unit

Aftermarket Solutions provides customers with parts, services, and solutions that reduce total cost of ownership for pumps and rotating equipment. In addition to providing standard repairs and upgrades, the business also develops engineered solutions for specific customer process issues. Examples include innovative technologies like PumpSmart Controllers and i-ALERT2 Equipment Health Monitoring Devices to monitor and control pumps and other rotating equipment in an industrial environment.

IP goes to market via a global and diversified sales channel structure. End-users are serviced by an extensive network of independent industrial distributors, which account for approximately 30% of revenue, and representatives which complement our customer-focused direct sales and service organization. We also have focused channels dedicated to supporting EPC firms as their needs are often distinct from those of other distributor and end-user customers.

The pump and valve markets served are highly competitive. For most of our products there are hundreds of regional competitors and a limited number of larger global peers. Primary customer purchase decision drivers include price, delivery terms and on-time performance, brand recognition and reputation, perceived quality, breadth of product and service offerings, commercial terms, technical support and localization. Pricing can be very competitive for large projects because of the engineering complexity and increased potential for aftermarket opportunities for the original equipment provider.

Motion Technologies
The Motion Technologies segment, commonly referred to as MT, is a manufacturer of braking pads, shims, shock absorbers, damping, and sealing technologies primarily for the transportation industry, including passenger cars, light- and heavy-duty commercial and military vehicles, buses and rail transportation. MT consists of three business units, Friction Technologies, KONI, and Wolverine.
Friction Technologies
Our Friction Technologies business manufactures a range of brake pads installed as OE pads on cars and light and heavy duty commercial vehicles. Demand for MT's products stem from a variety of end customers and automotive platforms around the world. OE pads are sold either directly to OEMs or to Tier-1 and Tier-2 brake manufacturers. Our OE pads are designed to meet customer specifications and environmental regulations, and to satisfy an array of geographic applications. Most automobile OEM platforms (car model) require specific brake pad formulations and have demanding delivery and volume schedules.
Friction Technologies also manufactures aftermarket brake pads designed for the automotive service and repairs market. This market consists of both OE dealers, also referred to as original equipment spares (OES) networks, and independent aftermarket (AM) networks. Brake pads sold within the OES network generally match the specifications of an original auto platform OE brake pad, while our catalog of AM pads feature technology designed to provide up to a range of braking performance levels. Within the service and repairs market, pads are sold either directly to OE manufacturers or Tier-1 and Tier-2 brake manufacturers (such as Continental or TRW) or indirectly through independent distributor channels.
Combined sales to Continental and TRW, MT's two largest customers, were approximately 40% of 2015 MT revenue, however, approximately 50% of the Continental and TRW derived revenue is directly attributable to OES supply agreements signed directly with automakers. In addition, all OE pad contracts are specified by brake manufacturers even in cases where automakers specify the use of our pads in the braking system.
KONI
The KONI business organizes its various performance shock absorber products into three main product groups: railway rolling stock; car & racing; and bus, truck & trailer.
Railway Rolling Stock provides a wide range of equipment for passenger rail, locomotives, freight cars, high speed trains and light rail. Offerings include hydraulic shock absorbers (primary, lateral and inter-car), yaw dampers as well as visco-elastic and hydraulic buffers. Revenue opportunities for our rail damping systems are balanced between OE and AM customers. Sales are either directly to train manufacturers and train operators carrying out scheduled train maintenance programs or indirectly through distributors.
Car & Racing features performance shock absorbers often using our Frequency Selective Damping (FSD) technology. FSD products generally have been used by car and racing enthusiasts who desire to modify their cars for increased handling performance and comfort, but are now also being incorporated into OE platform designs. KONI car shock absorbers are sold all over the world, through a distribution network that markets KONI products into specific geographies or customer groups.
Bus, Truck & Trailer manufactures shock absorbers and bus dampers, destined to both OE and AM customers.
Wolverine
In October 2015, ITT acquired Wolverine Automotive Holdings Inc., the parent company of Wolverine Advanced Materials LLC (Wolverine). Wolverine is a manufacturer of customized technologies for automotive braking systems and specialized sealing solutions for harsh operating environments across a range of industries. Brake shims are thin metal and rubber adhesive dampeners that fit onto the brake pad and against the brake caliper to prevent excessive noise and vibration. Gaskets are an anti-vibration solution and a sealing solution that prevent fluid spillage with applications to engines, transmissions, exhaust systems, fuel systems and a variety of pneumatic systems.
MT has a market reputation derived from many years of mutual collaboration with major OEMs and is focused on customer satisfaction, quality and on-time delivery. MT has a global manufacturing footprint, with production facilities in Western Europe, Eastern Europe and China.
MT competes in markets primarily served by large, well-established national and global companies. Key competitive drivers within the brake pad business include technical expertise, formulation development capabilities, scale production, product performance, high-quality standards, customer intimacy, reputation and the ability to meet

demanding delivery and volume schedules in a reduced amount of time. OE and OES customers usually require long-lasting and well-established relationships, based on mutual trust, local proximity and a wide range of cooperative activities, starting from the design to the sampling, prototyping and testing phases of brake pads. Within the independent AM pads market, MT is a leading European provider in a highly fragmented global market.

3

Competitive drivers in the rail damping systems business include price, technical expertise and product performance. Rail damping systems are considered critical components because of safety requirements and thus they have to be specifically designed according to many different train applications, and must satisfy strict compliance requirements. MT is a global leader in the rail dampers component of the complete rail damper system.

Interconnect Solutions

The Interconnect Solutions segment, commonly referred to as ICS, designs and manufactures a broad range of highly engineered connectors and cable assemblies for critical applications in harsh environments. ICS' product portfolio includes high performance, military-specification, and commercial electrical connectors of the following types: Circular, Rectangular, Radio Frequency, Fiber Optic, D-sub Miniature, Micro-Miniature and cable assemblies. ICS operates through its brands, Cannon, VEAM and BIW Connector Systems, which deliver solutions to enable the transfer of data, signal, and power into three end-user markets: aerospace and defense, transportation and industrial, and oil and gas. ICS has organized its business around these three end-user markets, with each business unit having a dedicated team that specializes in solutions for their specific market, providing focused customer support and expertise. ICS is considered a leading company in the harsh environment niche markets it participates in, because of its technological capabilities, customer relationships, cost performance and global footprint.

Aerospace and Defense

ICS Aerospace and Defense products include industry standards-based connectors and customized interconnect solutions for most segments of the commercial aviation and defense industry. These products are designed to withstand the extreme shock, exposure and vibration environments that are typical in aviation and military applications and where reliability and safety are critical factors.

Transportation and Industrial

ICS Transportation products include connectors for high-speed, mainline, metro and light passenger rail, heavy-duty vehicles, electric vehicle applications, and medical devices. ICS Industrial products include connectors for industrial production equipment, industrial electronics and instruments, and other industrial and medical applications. Both markets are served through the Cannon brand, which celebrated its 100-year anniversary in 2015, and VEAM brand, which celebrated its 60-year anniversary in 2014. These brands are known for high-performance, high-reliability solutions which withstand high vibrations and are resistant to dirt and fluids.

Oil and Gas

Operating through the BIW Connector Systems brand, ICS Oil and Gas products include connectors that provide power for electric submersible pumps (ESP) in oil and gas wells, reservoir monitoring instruments and electrical downhole heaters. Product applications include electrical power penetrations for wellheads, packers and pods that are able to accommodate any size and provide for multiple sealing strategies and ratings.

ICS has a global production footprint, including major facilities in the United States, Mexico, Germany, and China, which provides geographic proximity and the highest level of customer support to over 2,500 global customers. Products are sold either directly to OEM’s, contract manufacturers and cable system operators or indirectly through partnerships with leading distribution companies, creating an extensive global distribution channel. We have long-lasting relationships with our distributor partners, as many have been selling ICS products for over 70 years. Sales to distributors represented approximately 33% of 2015 ICS revenue.

ICS competes with a large number of competitors in a highly fragmented industry. Our products compete to varying degrees on the basis of quality, price, availability, performance and brand recognition. We also compete on the basis of customer service. Our ability to compete also depends on continually providing innovative new product solutions and worldwide support for our customers.

Control Technologies

The Control Technologies segment, commonly referred to as CT, manufactures specialized equipment, including actuation, fuel management, noise and energy absorption, and environmental control system components, for the aerospace and defense, and industrial markets. CT has a broad customer base including end-users, OEM's, and distributors, for which no single customer represents more than 15% of the segment's revenue. Channels to market include direct, commissioned representation and buy-resell distributors. CT consists of two business units, CT Aerospace and CT Industrial.

CT Aerospace

CT Aerospace designs and manufactures products for commercial aerospace, business aviation, defense, and other markets, which are generally part of long-lived platforms that provide for recurring aftermarket opportunities. Aircraft component products consist of fuel and water pumps, valves, electro-mechanical rotary and linear actuators, and pressure, temperature, limit, and flow switches for various aircraft systems. Aircraft interior products include a variety of engineered elastomer isolators to protect equipment and keep the interior of the aircraft quiet, stowage bin rate controls, rotary hinge dampers and actuators, and seat recline locks and control cables. CT Aerospace also provides electromechanical seat actuation for premium seating products. Defense products generally include energy absorption applications and aerospace components. CT's 2015 acquisition of Hartzell Aerospace brings additional product capabilities in environmental control systems including climate control and ice protection heaters, composite conveyance ducting and acoustically engineered inlets and exhausts for Auxiliary Power Units (APU). Most of the products are sold direct to the customer by an in-house sales force. CT Aerospace utilizes a small third-party business for government spare parts distribution.

Competitors range from large multi-national corporations to small privately held firms. CT Aerospace markets are often fragmented and thus there are several types of competitors. Competition in these markets focuses on application expertise with effective solutions, product delivery and performance, previous installation history, quality, price and customer support. CT Aerospace competes by offering a wide portfolio of reliable products, coupled with advanced application expertise and customer support. We believe application expertise and our reputation for quality and operational performance significantly enhance our market position. CT Aerospace's ability to collaborate with customers to deliver a wide range of product offerings has allowed them to compete effectively, to cultivate and maintain customer relationships, and to expand into new markets.

CT Industrial

CT Industrial designs, manufactures, and markets large and small bore shock absorbers, linear and rotary actuators, and process control instrumentation, such as high and low pressure regulators and flow, temperature, and pressure switches. The shock absorbers and actuators serve a wide range of applications in a diverse set of end-markets including automotive production, packaging, and factory automation. The process control products primarily serve the chemical, petrochemical, energy markets. CT Industrial possesses a specialized set of design and application engineering skills and capabilities that enables us to engineer differentiated custom solutions for unique applications. For example, CT Industrial's large bore shock absorbers are custom designed to mitigate the damaging effects of seismic events on critical structures such as buildings and bridges. In addition, CT Industrial has a strong direct and indirect sales channel providing reliable and value added service to our diverse customer base.

Competitors change depending on the product line and global region and range from large multi-national corporations to small privately held firms. CT Industrial's broad product offerings, technical expertise, quality and lead times enable us to collaborate with our customers to deliver comprehensive solutions enabling CT Industrial to compete effectively in existing markets and expand into new markets.

Other Company Information

Materials

All of our businesses require various OEM products, manufactured components and raw materials, the availability and prices of which may fluctuate. The principal OEM products and manufactured components assembled into our products include motors, castings, mechanical seals, machined castings, metal fabrications and miscellaneous metal, plastic, or electronic components. The primary raw materials used in manufacturing our products include steel, gold, copper, nickel, iron, aluminum, and tin, as well as specialty alloys, including titanium. Materials are purchased in various forms, such as sheet, bar, rod and wire stock, pellets and metal powders.

Raw materials, supplies and product subassemblies are purchased from third-party suppliers, contract manufacturers, and commodity dealers. For most of our products, we have existing alternate sources of supply, or such materials are readily available. In some instances we depend on a single source of supply, manufacturing or assembly or participate in commodity markets that may be subject to a limited number of suppliers.

We continually monitor the business conditions of our supply chain to maintain our market position and to avoid potential supply disruptions. There have been no raw materials shortages that have had a material adverse impact on our business as a whole, and we have been able to develop a robust supply chain such that we do not anticipate shortages of such materials in the future.

Although some cost increases may be recovered through increased prices to customers, our operating results are generally exposed to such fluctuations. When practical, we attempt to control such costs through fixed-priced contracts with suppliers. We typically acquire materials and components through a combination of blanket and scheduled purchase orders to support our materials requirements for an average of four to eight weeks, with the exception of some specialty materials. From time to time, we experience price volatility or supply constraints for raw materials based on market supply and demand dynamics. In limited circumstances, we may have to obtain scarce components for higher prices on the spot market, which may have a negative impact on gross margin and can periodically create a disruption to production and delivery. We also acquire certain inventory in anticipation of supply constraints or enter into longer-term pricing commitments with vendors to improve the priority, price and availability of supply. We evaluate hedging opportunities to mitigate or minimize the risk of operating margin erosion resulting from the volatility of commodity prices.

Manufacturing Methods

We utilize two primary methods of fulfilling demand for products: build-to-order and engineer-to-order. Build-to-order consists of assembling a group of products with the same pre-defined specifications, generally for our OEM customers. Engineer-to-order consists of assembling a customized system for a customer’s individual order specifications. In both cases, we offer design, integration, test and other production value-added services. We employ build-to-order capabilities to maximize manufacturing and logistics efficiencies by producing high volumes of basic product configurations. Engineering products to order permits the configuration of units to meet the customized requirements of our customers. Our inventory management and distribution practices in both build-to-order and engineer-to-order seek to minimize inventory holding periods, and improve customer delivery performance.

Backlog

Delivery schedules vary from customer to customer based on their requirements. For example, large complex projects in specialized markets such as oil and gas, chemical, and mining at Industrial Process require longer lead times and production cycles. Delivery delays could arise from supply chain limitations, internal production challenges, changes in the customer’s requirements, or technical difficulties. Total backlog, representing firm orders that have been received, acknowledged and entered into our production systems, was $860.5 and $1,024.6 at December 31, 2015 and 2014, respectively. Total backlog by segment as of December 31, 2015 and 2014 was: IP - $410.9 and $603.4; MT - $198.2 and $199.9; ICS - $102.1 and $108.5; and CT - $116.9 and $94.7. We expect to satisfy nearly all December 31, 2015 backlog commitments during 2016.

Intellectual Property

We generally seek patent protection for those inventions and improvements that are likely to be incorporated into our products or where proprietary rights are expected to improve our competitive position. The highly customized application engineering embedded within our products, our proprietary rights and our knowledge capabilities all contribute to enhancing our competitive position.

While we own and control a significant number of patents, trade secrets, confidential information, trademarks, trade names, copyrights, and other intellectual property rights which, in the aggregate, are of material importance to our business, management believes that our Company, as a whole, as well as each of our core segments, is not materially dependent on any one intellectual property right or related group of such rights. Patents, patent applications, and license agreements will expire or terminate over time by operation of law, in accordance with their terms or otherwise. As the portfolio of our patents, patent applications, and license agreements has evolved over a long period of time, we do not expect the expiration of any specific patent or other intellectual property right to have a material adverse effect on our financial statements.

Research and Development

Research and Development (R&D) is a key element of ITT’s engineering culture and is generally focused on the design and development of products and solutions that anticipate customer needs and emerging trends. Our approach to R&D often begins by working with our customers to address a problem, then engineering a solution to the

particular customer need. As a result, our R&D is based on taking technology quickly to the tangible phase, increasing the competitive offering, and increasing the customer service experience through engineered application solutions. During 2015, 2014 and 2013, we recognized R&D expenses of $78.9, $76.6, and $67.3, respectively, which were 3.2%, 2.9%, and 2.7%, of revenues, respectively.

Cyclicality and Seasonality

Many of the businesses in which we operate are subject to specific industry and general economic cycles. We consider our connectors business to be an early cycle business, meaning it generally is impacted more in the early portion of an economic cycle, while the automotive and aerospace components businesses tend to be impacted in the middle portion of the cycle and the industrial pump business typically is impacted late in the economic cycle.

Our businesses experience limited seasonal variations, with demand generally lower during summer months (our third quarter) mainly attributable to manufacturing shutdowns and the planned industrial maintenance activities of our customers. Revenue impacts from the limited seasonal variations are typically mitigated by our backlog of orders that allow us to adjust levels of production across the summer months.

Environmental Matters

We are subject to stringent federal, state, local, and foreign environmental laws and regulations concerning air emissions, water discharges and waste disposal. In the U.S., these include, but are not limited to, the Federal Clean Air Act, the Clean Water Act, the Resource, Conservation and Recovery Act, and the Comprehensive Environmental Response, Compensation and Liability Act. Environmental requirements are significant factors affecting our operations. We have established an internal program to assess compliance with applicable environmental requirements for our facilities. The program, which includes periodic audits of many of our locations, including our major operating facilities, is designed to identify problems in a timely manner, correct deficiencies and prevent future noncompliance. We closely monitor our environmental responsibilities, together with trends in the environmental laws. In addition, we have purchased insurance protection against certain environmental risks arising from our business activities. Environmental laws and regulations are subject to change, however, the nature and timing of such changes, if any, is difficult to predict. 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. See "Critical Accounting Estimates" within Item 7, Management's Discussion and Analysis, as well as Note 18, Commitments and Contingencies, to the Consolidated Financial Statements for additional information regarding environmental matters.

Employees

As of December 31, 2015, we had approximately 9,700 employees, of which approximately 3,800 were located in the U.S. Approximately 12% of our U.S. employees are represented by unions. We also have unionized employees in Italy, Germany, and Brazil. No one unionized facility accounts for more than 16% of ITT total revenues. Although our relations with our employees are strong and we have not experienced any material strikes or work stoppages recently, no assurances can be made that we will not experience these or other types of conflicts with labor unions, works councils, other groups representing employees or our employees generally, or that any future negotiations with our labor unions will not result in significant increases in our cost of labor.

General Developments of the Business

ITT Corporation was incorporated as ITT Industries, Inc. on September 5, 1995. On July 1, 2006, ITT Industries, Inc. changed its name to ITT Corporation.

On October 31, 2011, ITT completed the tax-free spin-off (referred to herein as the 2011 spin-off) of its Defense and Information Solutions business, Exelis Inc. (Exelis), and its water-related businesses, Xylem Inc. (Xylem) by way of a distribution of all of the issued and outstanding shares of Exelis common stock and Xylem common stock, on a pro rata basis, to ITT shareholders of record on October 17, 2011. The 2011 spin-off was made pursuant to a Distribution Agreement, dated October 25, 2011, among ITT, Exelis and Xylem (the Distribution Agreement). Following the 2011 spin-off, ITT did not own any shares of common stock of Exelis or Xylem. On May 29, 2015, Exelis was acquired by Harris Corporation (Harris).

Acquisitions

On November 28, 2012, we acquired Joh. Heinr. Bornemann GmbH (Bornemann), a supplier and servicer of multiphase pumping systems in the global oil and gas, industrial, food and pharmaceutical markets. Bornemann is included as part of our Industrial Process segment.

On March 31, 2015, we completed the acquisition of Hartzell (Hartzell) Aerospace, a designer and manufacturer of products to support aerospace applications. Hartzell is included as part of our Control Technologies segment.

On October 5, 2015, we completed the acquisition of Wolverine Automotive Holdings Inc., the parent company of Wolverine Advanced Materials LLC (Wolverine). Wolverine is a manufacturer of customized technologies for automotive braking systems and specialized sealing solutions. Wolverine is included as part of our Motion Technologies segment.
See Note 21, Acquisitions, to the Consolidated Financial Statements for additional information.

ITEM 1A. RISK FACTORS

We are subject to a wide range of factors that could materially affect future developments and performance. Because of these factors, past performance may not be a reliable indicator of future results. Set forth below and elsewhere in this document are descriptions of the risks and uncertainties that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this document. The most significant factors affecting our business and operations include the following:

Business and Operating Risks

Our exposure to pending and future asbestos claims and related liabilities, assets, and cash flows is subject to significant uncertainties.

ITT, including its subsidiary Goulds Pumps, Inc., has been sued, along with many other companies, in numerous lawsuits in which the plaintiffs claim damages for personal injury arising from exposure to asbestos from component parts of certain products sold or distributed by various defendants, including the Company. We expect to be sued in similar actions in the future. We record an estimated liability related to pending claims and claims estimated to be filed over the next 10 years based on a number of key assumptions, including the plaintiffs' propensity to sue, claim acceptance rates, disease type, settlement values and defense costs. These assumptions are derived from ITT's recent experience and reflect the Company's expectations about future claim activities. These assumptions about the future may or may not prove accurate, and accordingly, the Company may incur additional liabilities in the future. A change in one or more of the inputs used to estimate our asbestos liability could materially change the estimated liability and associated cash flows for pending claims and those estimated to be filed in the next 10 years. 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 those costs at this time.

We record an asset that represents our best estimate of probable recoveries from our insurers for the estimated asbestos liabilities. There are significant assumptions made in developing estimates of asbestos-related recoveries, such as policy triggers, policy or contract interpretation, the methodology for allocating claims to policies, and the continued solvency of the Company's insurers. Certain of our primary coverage-in-place agreements are exhausted which may result in higher net cash outflows until excess carriers begin accepting claims for reimbursement. Performance by our insurers could differ from the assumptions underlying the recognized asset and could result in lower collections of receivables than are currently expected to reduce the Company's asbestos costs.

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, including potential recoveries, of resolving the pending and all unasserted asbestos claims. Additionally, we believe it is possible that the cost of asbestos claims filed beyond the next 10 years, net of expected recoveries, could have a material adverse effect on our financial condition and results of operations.

Many uncertainties exist surrounding asbestos litigation. The Company will continue to evaluate its estimated asbestos-related liability and corresponding estimated insurance reimbursement, as well as the underlying assumptions and process used to derive these amounts. Changes in estimates related to these uncertainties may result in increases or decreases to the net asbestos liability, particularly if the quality or number of claims or settlement or defense costs change significantly, if there are significant developments in the trend of case law or court procedures, or if legislation or another alternative solution is implemented; however, the Company is currently unable to predict such future changes or estimate their potential effect on its net asbestos liability. Although the resolution of asbestos claims may take many years, the effect of changes in our estimates related to our pending or estimated future claims in any given period could be material to our financial condition and results of operations.

In addition, as part of the 2011 spin-off, ITT indemnified Exelis and Xylem with respect to asserted and unasserted asbestos claims that relate to the presence or alleged presence of asbestos in products manufactured, repaired or sold prior to the 2011 spin-off, subject to limited exceptions.

Our operating results and our ability to maintain liquidity or procure capital may be adversely affected by unfavorable economic and capital market conditions associated with global sales and operations and the uncertain geopolitical environment.

We have experienced and expect to continue to experience fluctuations in revenues and operating results due to economic and business cycles. Important factors impacting our businesses include the overall strength of the global economy and our customers' confidence in local and global macroeconomic conditions, industrial spending, interest rates, availability of commercial financing for our customers and unemployment rates.

We serve a diverse mix of customers in global infrastructure industries which can be volatile. The markets in which our businesses operate include automotive, aerospace, oil and gas, industrial, mining, chemical and defense, each of which is impacted by specific industry and general economic cycles. Our revenues, operating results and profitability have varied in the past and can be negatively impacted by volatility in the end markets we serve. We have undertaken measures to reduce the impact of this volatility through diversification of markets we serve and expansion of geographic regions in which we operate, but we expect volatility to continue to affect our business in the future. We may be adversely affected by disruptions in financial markets or downturns in macroeconomic conditions in specific countries or regions, or in the various industries in which the Company operates or be subject to adverse changes in the availability and cost of capital, interest rates, tax rates, or regulations in the jurisdictions in which the Company operates.

Our international operations, including U.S. exports, comprise a growing portion of our operations and are a strategic focus for continued future growth. Our strategy calls for increasing sales in overseas markets, including emerging growth markets such as Central and South America, China, Russia, and the Middle East. In 2015, 62% of our total sales were to customers operating outside of the United States. Our sales from international operations and export sales are subject in varying degrees to risks inherent to doing business outside of the United States. These risks include the following:

- possibility of unfavorable circumstances arising from host country laws or regulations;
- restrictions on currency repatriation;
- potential negative consequences from changes to taxation policies;
- the disruption of operations from labor and political disturbances;
- our ability to hire and maintain qualified staff in these regions; and
- changes in tariff and trade barriers and import and export licensing requirements.

Instability in the global credit markets and geopolitical environment in many parts of the world may continue to put pressure on global economic conditions. If global economic and market conditions, or economic conditions in key markets, deteriorate further we may experience material impacts on our financial statements.

Adverse changes to financial conditions could jeopardize certain counterparty obligations, including those of our insurers and customers. Restrictive credit markets may also result in customers extending terms for payment and may result in our having higher customer receivables with increased risk of default. We closely monitor the credit worthiness of our insurers and customers and evaluate their ability to service their obligations to us. A tightening of credit markets may reduce funds available to our customers to pay for or buy our products and services for an unknown, but perhaps lengthy, period.

Should market conditions deteriorate, this may adversely affect our ability to manage inventory levels and maintain current levels of profitability. If, for any reason, we lose access to our currently available lines of credit, or if we are required to raise additional capital, we may be unable to do so or we may be able to do so only on unfavorable terms. Deteriorating market conditions could also indicate an impairment in the value of our goodwill and intangible assets in one or more of our reporting units which would require us to recognize a non-cash charge to our Statement of Operations. We test both goodwill and intangible assets for impairment on an annual basis and whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable.

In addition to the general risks that we face outside the U.S., we now conduct more of our operations in emerging growth markets than we have in the past, which could involve additional uncertainties, including risks that governments may impose limitations on our ability to repatriate funds, impose or increase withholding or other taxes on remittances and other payments to us, seek to nationalize our assets, or impose or increase investment barriers or other restrictions that may adversely affect our business. In addition, emerging growth markets pose other

uncertainties, including challenges to our ability to protect our intellectual property, pressure on the pricing of our products, and risks of political instability.

A substantial portion of our earnings is generated by our foreign subsidiaries and repatriation of those earnings to the U.S. may be inefficient from a tax perspective. Any distributions, loans or advances to us by our foreign subsidiaries

could be subject to taxation under applicable local law, monetary transfer restrictions and foreign currency exchange regulations in the jurisdictions in which our subsidiaries operate.
The cost of compliance with increasingly complex and often conflicting regulations worldwide can also impair our flexibility in modifying product, marketing, pricing, or other strategies for growing our businesses, as well as our ability to improve productivity and maintain acceptable profit margins.
Significant movements in foreign currency exchange rates may adversely affect our financial statements.
A significant portion of our sales are to customers operating outside the U.S. We are exposed to fluctuations in foreign currency exchange rates. The primary currencies to which we have exposure are the Euro, Chinese renminbi, Czech koruna, South Korean won, and British pound. We have currently elected not to hedge these foreign currency exposures but we continue to evaluate the need for hedging activities within our business.
As we continue to grow our business internationally, our operating results could be affected by the relative strength of the European, Asian and developing economies and the impact of currency exchange rate fluctuations. Any significant change in the value of currencies of the countries in which we do business relative to the value of the U.S. dollar could affect our ability to sell products competitively and control our cost structure, which could have a material adverse effect on our financial statements. Accordingly, fluctuations in exchange rates may also impact our results when financial statements of non-U.S. operating units are translated into U.S. dollars. Given that the majority of our sales are non-U.S. based, a strengthening of the U.S. dollar against other major foreign currencies could adversely affect our results of operations.
Our business is impacted by our customer's levels of capital investment and maintenance expenditures, particularly in the oil and gas, chemical, and mining markets.
Demand for our industrial products and services depend on the level of capital investment and planned maintenance expenditures of our customers. Our customers' levels of capital expenditures depends, in turn, on general economic conditions, availability of credit, economic conditions within their respective industries and expectations of future market behavior. Additionally, volatility in commodity prices can negatively affect the level of these activities and can result in postponement of capital spending decisions or the delay or cancellation of existing orders. The ability of our customers to finance capital investment and maintenance may also be affected by factors independent of the conditions in their industries, such as the condition of global credit and capital markets.
The businesses of many of our customers, particularly oil and gas companies, chemical companies, mining companies and industrial companies are to varying degrees cyclical and have experienced, or may experience, periodic downturns of varying severity. Our customers in these industries, particularly those whose demand for our products and services is primarily profit-driven, historically have tended to delay large capital projects, including expensive maintenance and upgrades, during economic downturns. Additionally, fluctuating energy demand forecasts and lingering uncertainty concerning commodity pricing can cause our customers to be more conservative in their capital planning, which may reduce demand for our products and services. Reduced demand for our products and services could result in the delay or cancellation of existing orders or lead to excess manufacturing capacity, which unfavorably impacts our absorption of fixed manufacturing costs. This reduced demand may also erode average selling prices in our industry. Any of these results could adversely affect our business and financial results.
Additionally, some of our industrial products customers may choose to delay capital investment and maintenance, even during favorable conditions in their industries or markets. Despite these favorable conditions, the general health of global credit and capital markets and our customers' ability to access such markets may significantly impact investments in large capital projects, as well as necessary maintenance and upgrades. In addition, the liquidity and financial position of our customers, which is typically directly linked to the economies in which they operate, could impact capital investment decisions and their ability to pay in full and/or on a timely basis. Any of these factors, whether individually or in the aggregate, could have a material adverse effect on our customers and, in turn, our business and financial results.

Failure to compete successfully in our markets could adversely affect our business.
We provide products and services to competitive markets. We believe the principal points of competition in our markets are product performance, reliability and innovation, application expertise, brand reputation, energy efficiency, product life cycle cost, timeliness of delivery, proximity of service centers, effectiveness of our distribution channels and price.
Maintaining and improving our competitive position will require continued investment by us in manufacturing, research and development, engineering, marketing, customer service and support, and our distribution networks. We may not be successful in maintaining our competitive position. Our competitors may develop products that are superior to our products, or may develop more efficient or effective methods of providing products and services or may adapt more quickly than we do to new technologies or evolving customer requirements. Pricing pressures also could cause us to adjust the prices of certain products to stay competitive. We may not be able to compete successfully with existing or new competitors. Risks such as these are particularly apparent in our ICS business, which relies on innovation to stay competitive.
Our operating costs are subject to fluctuations, particularly due to changes in commodity prices, raw materials, energy and related utilities, freight, and cost of labor. In order to remain competitive, we may not be able to recoup all or a portion of these higher costs from our customers through product price increases. Further, our ability to realize financial benefits from Lean Six Sigma activities may not be able to mitigate fully or in part these manufacturing and operating cost increases and, as a result, could negatively impact our profitability.
Quality problems with our manufacturing processes or finished goods could harm our reputation for producing high-quality products and erode our competitive advantage, sales, and market share.
We manufacture key components that are integral to the operation of systems and manufacturing processes in the energy, transportation and industrial markets. Our products provide enabling functionality for applications where reliability and performance are critically important to our customers and the users of their products. As such, quality is extremely important to us and our customers due to the serious and costly consequences of product failure. Our quality certifications, including products manufactured to military specifications, are critical to the marketing success of our goods and services. If we fail to meet these standards, our reputation could be damaged, we could lose customers or the ability to sell certain products, and our revenue and results of operations could be materially adversely affected. Aside from specific customer standards, our success in part depends on our ability to manufacture to exact tolerances precision-engineered components, subassemblies, and finished devices from multiple materials. If our components fail to meet these standards or fail to adapt to evolving standards, our reputation as a manufacturer of high-quality components will be harmed, our competitive advantage could be damaged, and we could lose customers, market share or our ability to sell certain products.
We are subject to risks related to government contracting, including changes in levels of government spending and regulatory and contractual requirements applicable to sales to the U.S. government.
Our Interconnect Solutions, Control Technologies and Motion Technologies segments derive revenue from sales to U.S. government customers and to higher tier contractors who sell to the U.S. government. Government expenditures are subject to political and budgetary fluctuations and constraints, which may result in significant unexpected changes in levels of demand for our products. In addition, the award, administration and performance of government contracts are subject to regulatory and contractual requirements that differ significantly from the terms and conditions that apply to contracts with our non-governmental customers. We may be subject to audits and investigations to evaluate our compliance with these requirements. If we are found to have failed to comply with requirements applicable to government contractors, we may be subject to various actions, including but not limited to fines or penalties, reductions in the value of our government contracts, suspension and termination. Failure to comply with applicable requirements also could harm our reputation and our ability to compete for future government contracts. Any of these outcomes could have a material adverse effect on our business, results of operations and financial condition.
Our business could be adversely affected by raw material price volatility and the inability of suppliers to meet quality and delivery requirements.
Our business relies on third-party suppliers for raw materials, components, and contract manufacturing services to produce our products. The supply of raw materials to the Company and to its component parts suppliers and the supply of castings, motors, and other critical components could be interrupted for a variety of reasons, including

availability and pricing. Prices for raw materials necessary for production have fluctuated significantly in the past and significant increases could adversely affect the Company's results of operations and profit margins. Due to pricing pressure or other factors, the Company may not be able to pass along increased raw material and components parts prices to its customers in the form of price increases or its ability to do so could be delayed. Consequently, our results of operations and financial condition may be adversely affected.

For most of our products, we have existing alternate sources of supply, or such materials are readily available. In some instances we depend on a single source of supply, manufacturing or assembly or participate in commodity markets that may be subject to a limited number of suppliers. Delays in obtaining supplies may result from a number of factors affecting our suppliers, including production interruptions at suppliers, capacity constraints, labor disputes, the impaired financial condition of a particular supplier, the ability of suppliers to meet regulatory requirements, and suppliers' allocations to other purchasers. Any delay in our suppliers' abilities to provide us with sufficient quality and flow of materials, price increases, or decreased availability of raw materials or commodities could impair our ability to deliver products to our customers and, accordingly, could have an adverse effect on our business, results of operations and financial position.

Our business could be adversely affected by the inability of suppliers to provide us with certifications relating to conflict minerals.

Since our supply chain is complex, ultimately we may not be able to sufficiently discover the origin of the conflict minerals (generally defined as the minerals tin, tantalum, titanium and gold which have been extracted from the Democratic Republic of the Congo or adjoining countries) used in our products through the due diligence procedures that we implement, which may adversely affect our reputation with our customers, shareholders, and other stakeholders. In such event, we may also face difficulties in satisfying customers who require that all of our products are certified as conflict mineral free. If we are not able to meet such requirements, customers may choose not to purchase our products, which could adversely affect our sales and the value of portions of our inventory. Further, there may be only a limited number of suppliers offering conflict free minerals and, as a result, we cannot be sure that we will be able to obtain metals, if necessary, from such suppliers in sufficient quantities or at competitive prices. Any one or a combination of these various factors could harm our business, reduce market demand for our products, and adversely affect our financial results.

If we fail to manage the distribution of our products and services effectively, our revenue, gross margin and profitability could suffer. A significant portion of our revenue is derived from a single customer.

We use a variety of sales channels to sell our products and services. Successfully managing these sales channels is a complex process as we sell a broad mix of products through a network of over 750 distributors, agents, and value-added resellers. Moreover, since each distribution method has distinct risks and profit margins, our failure to implement the most advantageous balance in the delivery model for our products and services could adversely affect our revenue and profit margins. In addition, changes to the sales channels could introduce additional complexity to the sales and inventory management processes and could cause disruptions to customer service or create channel conflicts. Further, we must manage inventory effectively, particularly with respect to sales to distributors, which involves forecasting demand and potential pricing issues. Distributors may increase orders during periods of product shortages, cancel orders if their inventory is too high or delay orders in anticipation of new products. Our reliance on indirect distribution methods may reduce visibility to end-customer demand, generating a time lag to the market trend with potential negative impacts on strategic decisions, including pricing and operational decisions.

Our financial results could be adversely affected by the loss of a distributor, the loss or deterioration of some distribution or reseller arrangements, channel conflicts including the consolidation of third-party distributors, or if the financial conditions of our channel partners were to weaken. It is not unreasonable to suspect that some of our distributors may have insufficient financial resources and may not be able to withstand changes in business conditions, including economic weakness, leading to a slowness or difficulty in the cash collection process.

Approximately 10% of our total revenue is derived from a single customer, Continental ATE, whom we sell to through OE pad contracts and OES supply agreements with automakers and which is also a third-party distributor for us in the independent aftermarket channel. The loss of this customer could have a material adverse effect on our business, results of operations, and financial condition.

Changes in our effective tax rates as a result of changes in the realizability of our deferred tax assets, the geographic mix of earnings, tax examinations or disputes, tax authority rulings, or changes in the tax laws, may adversely affect our financial results.

The Company is subject to income taxes in the U.S. and in various foreign jurisdictions. We exercise significant judgment in calculating our provision for income taxes and other tax liabilities. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Furthermore, changes in domestic or foreign income tax laws and regulations, or their interpretation, could result in higher or lower income tax rates assessed or changes in the taxability of certain income or the deductibility of certain expenses, thereby affecting our income tax expense and profitability.

Any significant increase in our future effective tax rates could reduce net income for future periods. Given the global nature of our business, a number of factors may increase our future effective tax rates, including:

- decisions to repatriate non-U.S. earnings for which we have not previously provided for U.S. income taxes;
- changes in the geographic mix of our profits among jurisdictions with differing statutory income tax rates;
- sustainability of historical income tax rates in the jurisdictions in which we conduct business;
- changes in tax laws applicable to us;
- expiration, renewal, or application of tax holidays;
- the resolution of issues arising from tax audits with various tax authorities; and
- changes in the valuation of our deferred tax assets, deferred tax liabilities and deferred tax asset valuation allowances.

The amount of income taxes and other taxes we have paid are subject to ongoing audits by U.S. federal, state and local tax authorities and by non-U.S. authorities. If these audits result in assessments different from amounts paid or reserved, future financial results may include unfavorable tax adjustments. We are currently under routine examination by the U.S. Internal Revenue Service and other tax authorities, and we may be subject to additional examinations in the future. The tax authorities may disagree with our tax treatment of certain material items and thereby increase our tax liability. Failure to sustain our position in these matters could result in a material adverse effect on our financial statements.

Failure to retain our existing senior management, engineering and other key personnel or the inability to attract and retain new qualified personnel could negatively impact our ability to operate or grow our business.

Our success will continue to depend to a significant extent on our ability to retain or attract a significant number of employees in senior management, engineering and other key personnel. The ability to attract or retain employees will depend on our ability to offer competitive compensation, training and cultural benefits. We will need to continue to develop a roster of qualified talent to support business growth and replace departing employees. A failure to retain or attract highly skilled personnel could adversely affect our operating results or ability to operate or grow our business.

A material business interruption, particularly at one of our manufacturing facilities, could negatively impact our ability to generate sales and meet customer demand.

If operations at one of our manufacturing facilities were to be disrupted as a result of a significant equipment failure, natural disaster, power outage, fire, explosion, terrorism, IT system failure, cyber-based attack, adverse weather conditions, labor disputes, relocation of production location, or any other reason, our financial performance could be adversely affected as a result of our inability to meet customer demand for our products. A significant interruption in production capability could require also us to make substantial payments due to non-performance, which could negatively affect our results of operations. We have insurance for certain covered losses which we believe to be adequate to provide for reconstruction of facilities and equipment, as well as certain financial losses resulting from any production interruption or shutdown. However, any recovery under our insurance policies may not offset the lost revenues or increased expenses that may be experienced during the disruption of operations.

Additionally, we have intentions to upgrade or replace existing Enterprise Resource Planning (ERP) systems over the next several years. Implementing new systems may result in unintended changes to the way in which production is performed and transactions are processed. Our ability to execute these ERP systems implementations will directly impact our potential risk exposure during this implementation period.

Security breaches could adversely affect our business and results of operations.
The efficient operation of our business is dependent on computer hardware and software systems. While we believe we have taken many steps to protect our information systems, even the most well-protected information systems are vulnerable to internal and external security breaches including those by computer hackers and cyber terrorists. Furthermore, information technology security threats are increasing in sophistication and frequency. While we actively manage the risks to our information systems that are within our control, we can provide no assurance that our actions will be successful in eliminating or mitigating risks to our systems, networks and data. The unavailability of our information systems, the failure of these systems to perform as anticipated for any reason or any significant breach of security could cause significant disruption to our business and could result in decreased performance and increased overhead costs, causing an adverse effect on our reputation, business, financial condition and results of operations. A breach could also result in the loss of our intellectual property, potentially impacting our long-term capability to compete on sales for affected products. In addition, a breach of security of our information systems could result in litigation, regulatory action and potential liability, as well as increased costs to implement further information security measures.
Portfolio management strategies for growth, including cost-saving initiatives, may not meet expectations.
We regularly review our portfolio of businesses and pursue growth through the acquisition of other companies, assets and product lines that either complement or expand our existing business. Although we conduct what we believe to be a prudent level of investigation regarding the operating and financial condition of the businesses we purchase, a level of risk remains regarding the actual operating condition of these businesses. Until we actually assume operating control of these business assets and their operations, we may not be able to ascertain the actual value or understand the potential liabilities of the acquired entities and their operations. Acquisitions involve a number of risks and present financial, managerial and operational challenges that could have a material adverse effect on our reputation and business, including that an acquired business could under-perform relative to our expectations, the failure to realize expected synergies, integration of technology, operations, personnel and financial and other systems, the possibility that we have acquired substantial undisclosed liabilities, potentially insufficient internal controls over financial activities or financial reporting at an acquired company that could impact us on a consolidated basis, diversion of management attention from other businesses, loss of key employees of the acquired businesses, and customer dissatisfaction or performance.
Our portfolio reviews also include the potential for cost-saving initiatives through restructuring and other initiatives. We strive for and expect to achieve cost savings in connection with certain initiatives, including: (i) manufacturing process and supply chain rationalization; (ii) streamlining redundant administrative overhead and support activities; and (iii) restructuring and repositioning organizations. Cost savings expectations are inherently estimates that are difficult to predict and we cannot provide assurance that we will achieve expected, or any, actual cost savings. Our restructuring activities may place substantial demands on our management, which could lead to the diversion of management's attention from other business priorities and result in a reduced customer focus.
The level of returns on postretirement benefit plan assets, changes in interest rates and other factors could affect our earnings and cash flows in future periods.
A portion of our current and retired employee population is covered by pension and other employee-related defined benefit plans (collectively, postretirement benefit plans). We may experience significant fluctuations in costs related to postretirement benefit plans as a result of macroeconomic factors, such as interest rates, that are beyond our control. The cost of our postretirement plans is incurred over long periods of time and involves various factors and uncertainties during those periods, which can be volatile and unpredictable, including the rates of return on postretirement benefit plan assets and discount rates used to calculate liabilities and expenses. Management develops each assumption using relevant Company experience in conjunction with market-related data. Our liquidity, cash flows and financial statements could be materially affected by significant changes in key economic indicators, volatility in the financial markets, future legislation and other governmental regulatory actions.

We make contributions to fund our postretirement benefit plans when considered necessary or advantageous to do so. The macro-economic factors discussed above, including the return on postretirement benefit plan assets and the minimum funding requirements established by local government funding or taxing authorities, or established by other agreements, may influence future funding requirements. A significant decline in the fair value of our plan assets, or other adverse changes to our overall pension and other employee-related benefit plans could require increased funding contributions and could adversely affect our financial statements. Future minimum funding requirements will depend primarily on the return on plan assets and discount rate. Depending on these factors, the level of future minimum contributions could be material.

Other Risks, Including Litigation and Regulatory Risk

Changes in environmental laws or regulations, the discovery of previously unknown or more extensive contamination, or the failure of a potentially responsible party to perform may adversely affect our financial results.

Environmental laws and regulations allow for the assessment of substantial fines and criminal sanctions as well as facility shutdowns to address violations, and may require the installation of costly pollution control equipment or operational changes to limit emissions or discharges. We also could be affected by changes in environmental laws or regulations, including, for example, those imposed in response to vapor intrusion or climate change concerns. Accruals for environmental liabilities are recorded on a site-by-site basis when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on current law and existing technologies. Our estimated liability is undiscounted and is reduced to reflect the participation of other potentially responsible parties in those instances where it is probable that such parties are legally responsible and financially capable of paying their respective share of the relevant costs. Such estimates are subject to change and may be affected by many factors, such as new information about a site, evolving scientific knowledge about risk associated with any contamination involved, developments affecting remediation technology, and enforcement by regulatory authorities. Developments such as the adoption of new environmental laws and regulations, violations by us of such laws and regulations, discovery of previously unknown or more extensive contamination, litigation involving environmental impacts, the adequacy of insurance policies, our inability to recover costs associated with any such developments, or financial insolvency of other potentially responsible parties could have a material adverse effect on our financial statements.

Failure to comply with the U.S. Foreign Corrupt Practices Act or other applicable anti-corruption legislation, as well as export controls and trade sanctions, could result in fines or criminal penalties.

We operate in a number of countries throughout the world, including countries known to have a reputation for corruption. We are committed to doing business in accordance with applicable anti-corruption laws. We are subject, however, to the risk that we, our affiliated entities, or the respective officers, directors, employees and agents of ITT, may take action determined to be in violation of such anti-corruption laws, including but not limited to, the U.S. Foreign Corrupt Practices Act of 1977 and the U.K. Bribery Act of 2010, as well as trade sanctions administered by the Office of Foreign Assets Control (OFAC) and the U.S. Department of Commerce. Any such violation could result in substantial fines, sanctions, civil and/or criminal penalties, curtailment of operations in certain jurisdictions, and might adversely affect our business, results of operations or financial position. In addition, actual or alleged violations could damage our reputation and ability to do business. Furthermore, detecting, investigating, and resolving actual or alleged violations is expensive and can consume significant time and attention of our senior management.

We are subject to laws, regulations and potential liability relating to claims, complaints and proceedings, including those related to product and other matters.
We are subject to various laws, ordinances, regulations and other requirements of government authorities in the U.S. and in foreign countries. Any violations or failure to comply with securities laws, trade or tax rules or similar regulations could create a substantial liability for us, and also could cause harm to our reputation. Changes in laws, ordinances, regulations or other government policies, the nature, timing, and effect of which are uncertain, may significantly increase our expenses and liabilities.
Our business exposes us to potential product liability risks that are inherent in the design, manufacture, and marketing of products for the markets we serve. In addition, many of the devices we manufacture and sell are designed to be used in harsh environments for long periods of time where the cost of failure is high. Component failures, manufacturing defects, design flaws, or inadequate disclosure of product-related risks or product-related information could result in an unsafe condition or injury to, or death of, an end-user of our products. The occurrence of such a problem could result in product liability claims or a recall of, or safety alert relating to, one or more of our products which could ultimately result, in certain cases, in the removal of such products from the marketplace and claims regarding costs associated therewith. Product liability claims or product recalls in the future, regardless of their ultimate outcome, could have a material adverse effect on our business and reputation and on our ability to attract and retain customers for our products.
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 personal injury claims, employment and employee benefit matters and commercial or contractual disputes, sometimes related to acquisitions or divestitures. Additionally, we may become subject to significant claims of which we are currently unaware or the claims of which we are aware may result in our incurring a significantly greater liability than we anticipate or can estimate.
The 2011 Spin-Off may expose us to potential liabilities.
In connection with the 2011 spin-off, we may be exposed to potential liabilities. As part of the Distribution Agreement, ITT, Exelis, and Xylem indemnified each other with respect to such parties' assumed or retained liabilities pursuant to the Distribution Agreement and breaches of the Distribution Agreement or related spin agreements. There can be no assurance that the indemnity from Exelis and Xylem will be sufficient to protect us against the full amount of these and other liabilities, or that each of Exelis and Xylem will be able to fully satisfy its indemnification obligations. Third-parties could also seek to hold us responsible for any of the liabilities that each of Exelis and Xylem has agreed to assume. Even if we ultimately succeed in recovering from Exelis and/or Xylem any amounts for which we are held liable, we may be temporarily required to bear these losses ourselves. In addition, performance on indemnities that we provided Exelis and Xylem may be significant. Each of these risks could negatively affect our business, results of operations and financial position.
Anti-takeover provisions in our organizational documents and Indiana law could delay or prevent a change in control.
Certain provisions of our articles of incorporation and by-laws may delay or prevent a merger or acquisition that a shareholder may consider favorable. For example, the articles of incorporation authorize our Board of Directors to issue one or more series of preferred stock. In addition, the articles of incorporation and by-laws, among other things, do not permit action by written consent of the shareholders. These provisions may also discourage acquisition proposals or delay or prevent a change in control, which could harm our stock price. Indiana law also imposes some restrictions on mergers and other business combinations between any holder of 10% or more of our outstanding common stock and us as well as certain restrictions on the voting rights of "control shares" of an "issuing public corporation."
ITEM 1B. UNRESOLVED STAFF COMMENTS
None.

ITEM 2. PROPERTIES

We consider the offices, plants, warehouses, and other properties that we own or lease to be in good condition and generally suitable for their intended purpose. We believe these properties are adequate for the Company's needs and will generally allow for expansion of capacity if needed. The following table summarizes the number and area (in thousands of square feet) of our properties by region and business segment.

	Number of Facilities - Owned											
	Industrial Process		Motion Technologies		Interconnect Solutions		Control Technologies		Other		Total	
Location	#	Area	#	Area	#	Area	#	Area	#	Area	#	Area
Manufacturing:												
North America	4	1,155.0	2	226.1	2	722.1	3	182.6	—	—	11	2,285.8
Europe	2	367.5	4	848.5	1	231.3	—	—	—	—	7	1,447.3
Asia	1	189.0	—	—	1	13.4	—	—	—	—	2	202.4
	7	1,711.5	6	1,074.6	4	966.8	3	182.6	—	—	20	3,935.5
Non-Manufacturing:												
North America	2	66.5	—	—	—	—	—	—	—	—	2	66.5
Europe	—	—	1	38.5	—	—	—	—	—	—	1	38.5
South America	1	68.0	—	—	—	—	—	—	—	—	1	68.0
	3	134.5	1	38.5	—	—	—	—	—	—	4	173.0

	Number of Facilities - Leased											
	Industrial Process		Motion Technologies		Interconnect Solutions		Control Technologies		Other		Total	
Location	#	Area	#	Area	#	Area	#	Area	#	Area	#	Area
Manufacturing:												
North America	5	290.4	2	85.6	5	178.6	2	255.5	—	—	14	810.1
Europe	—	—	1	261.4	1	52.8	1	5.5	—	—	3	319.7
Asia	1	211.5	1	341.7	1	294.4	—	—	—	—	3	847.6
South America	1	33.6	—	—	—	—	—	—	—	—	1	33.6
	7	535.5	4	688.7	7	525.8	3	261.0	—	—	21	2,011.0
Non-Manufacturing:												
North America	16	303.9	1	16.0	3	6.5	1	3.0	1	53.7	22	383.1
Europe	12	115.3	1	28.0	2	11.3	—	—	—	—	15	154.6
Middle East	2	12.5	—	—	2	1.0	—	—	—	—	4	13.5
Asia	19	217.8	—	—	4	10.5	—	—	3	18.4	26	246.7
South America	8	199.5	1	0.5	—	—	—	—	—	—	9	200.0
	57	849.0	3	44.5	11	29.3	1	3.0	4	72.1	76	997.9

ITEM 3. 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 personal injury claims, environmental exposures, intellectual property matters, commercial or contractual disputes, sometimes related to acquisitions or divestitures, and employment and employee benefit matters. We will continue to defend vigorously against all claims.

Asbestos Proceedings

ITT, including its subsidiary Goulds Pumps, Inc., has been sued, along with many other companies in product liability lawsuits alleging personal injury due to asbestos exposure. These claims allege that certain of our products sold prior to 1985 contained a part manufactured by a third party (e.g., a gasket) that 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 or Goulds Pumps, Inc. product as a source of asbestos exposure. In addition, a large percentage of claims pending against the Company have been placed on inactive dockets because the plaintiffs cannot demonstrate a significant compensable loss. Our experience to date is that a majority of resolved claims are dismissed without payment by the Company.

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, the amount of liability for potential future claims beyond the next 10 years is not reasonably estimable due to a number of factors. As of December 31, 2015, we have recorded an undiscounted asbestos-related liability for pending claims and unasserted claims estimated to be filed over the next 10 years of $1,042.8, including expected legal fees, and an associated asset of $412.0 which represents estimated recoveries from insurers, resulting in a net exposure of $630.8. See information provided below and in Note 18, Commitments and Contingencies, to the Consolidated Financial Statements for further information.

Other Matters

The Company has received a civil subpoena from the Department of Defense, Office of the Inspector General requesting documents pertaining to certain products manufactured by the Company’s Interconnect Solutions segment that are purchased or used by the U.S. government. The Company is cooperating with the request. The Company is unable to estimate the timing or outcome of the matter.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The current executive officers of the Company, as of February 1, 2016, are listed below.

Name	Age	Current Title
Denise L. Ramos	59	Chief Executive Officer and President
Farrokh Batliwala	40	Senior Vice President and President, Control Technologies
Aris C. Chicles	54	Executive Vice President and President, Industrial Process
Victoria L. Creamer	46	Senior Vice President Human Resources
Steven C. Giuliano	46	Vice President and Chief Accounting Officer
Mary Beth Gustafsson	56	Senior Vice President, General Counsel and Chief Compliance Officer
Luca Savi	50	Senior Vice President and President, Motion Technologies
Thomas M. Scalera	44	Senior Vice President and Chief Financial Officer
Neil W. Yeargin	50	Senior Vice President and President, Interconnect Solutions

Denise L. Ramos was appointed Chief Executive Officer, President and a director of the Company in October 2011. She previously served as Senior Vice President and Chief Financial Officer of the Company since 2007. Prior to joining the Company, Ms. Ramos served as Chief Financial Officer for Furniture Brands International from 2005 to 2007. From 2000 to 2005, Ms. Ramos served as Senior Vice President and Corporate Treasurer at Yum! Brands, Inc. and Chief Financial Officer for the U.S. division of KFC Corporation. Ms. Ramos began her career in 1979 at Atlantic Richfield Company (ARCO), where she had more than 20 years of business and financial experience serving in a number of increasingly responsible finance positions, including Corporate General Auditor and Assistant Treasurer. Ms. Ramos has served as a director of Praxair, Inc. since April 2014, where she serves on the Audit Committee and the Governance and Nominating Committee. She serves on the Executive Committee of the Board of Trustees for the Manufacturers Alliance for Productivity and Innovation and is also a member of the Business Roundtable and the Business Council. Ms. Ramos was included in the Top 100 CEO Leaders in Science, Technology, Engineering and Math publication by STEMconnector, she recently received a Distinguished Leadership Award from the New York Hall of Science and she was named to Fortune magazine’s 2014 Top People in Business.

Farrokh Batliwala has served as our Senior Vice President and President, Control Technologies since October 2015. Prior to joining us, Mr. Batliwala served as Vice President and General Manager, Hydraulics, Power and Motion Control Division for Eaton Corporation (Eaton), a diversified global power management technology company, from 2013 to 2015. Mr. Batliwala held various other positions of increasing levels of responsibility at Eaton since 2004.

Aris C. Chicles has served as our Executive Vice President and President, Industrial Process since May 2014 and previously as Executive Vice President since October 2011. Prior to that he served as our Senior Vice President, Strategy and Corporate Development from August 2007 to October 2011 and Vice President, Strategy and Corporate Development from June 2006 to July 2007. Before joining us, Mr. Chicles held various positions of increasing levels of responsibility at American Standard Companies, Inc., a global manufacturer of products and systems in diversified industries, and Owens Corning Inc., a leading provider of building materials systems and composite solutions.

Victoria L. Creamer has served as our Senior Vice President, Human Resources since February 2015. Prior to joining ITT, Ms. Creamer served as Vice President, Global Compensation and Recognition of International Business Machines Corporation (IBM), a global technology and consulting company, from April 2013 to January 2015. Ms. Creamer held various other positions of increasing levels of responsibility at IBM since 1991.

Steven C. Giuliano has served as our Vice President and Chief Accounting Officer since January 2014. Prior to joining us, Mr. Giuliano served as Senior Vice President and Chief Financial Officer from 2009 to 2011 and was Vice President and Chief Financial Officer from 2007 to 2009 of Arch Chemicals, Inc. Mr. Giuliano was Controller of Arch Chemicals from 1999 through 2007, while assuming increasing levels of responsibility.

Mary Beth Gustafsson has served as our Senior Vice President and General Counsel since February 2014 and as our Chief Compliance Officer since August 2014. Prior to joining us, Ms. Gustafsson served as Executive Vice President, General Counsel and Corporate Secretary of First Solar Inc., a global provider of comprehensive photovoltaic solar systems, from 2009 to 2013 and from 2008 to 2009 as Vice President, General Counsel. Ms. Gustafsson was previously Senior Vice President, General Counsel and Secretary of American Standard Companies, Inc.

Luca Savi has served as our Senior Vice President and President, Motion Technologies since November 2011. Prior to joining us, Mr. Savi served as Chief Operating Officer, Comau Body Welding at Comau, a subsidiary of the Fiat Group responsible for producing and serving advanced manufacturing systems, from 2009 to 2011 and prior to that as Chief Executive Officer, Comau North America from 2007 to 2009 and Chief Executive Officer, Comau China from 2004 to 2007. Mr. Savi previously held senior leadership roles at Honeywell International, Royal Dutch Shell and Ferruzzi-Montedison Group.

Thomas M. Scalera has served as our Senior Vice President, Chief Financial Officer and Strategy and IT Leader since August 2014 and prior to that as Senior Vice President and Chief Financial Officer since October 2011. He previously served as Vice President, Corporate Finance from 2010 to 2011 and Director, Investor Relations from 2008 to 2010. Prior to joining ITT in 2006, Mr. Scalera held senior financial roles with R.R. Donnelley, Dover Corp., and PricewaterhouseCoopers, LLP.

Neil W. Yeargin has served as our Senior Vice President and President, Interconnect Solutions since February 2013. Prior to joining us, Mr. Yeargin held several leadership roles at Invensys plc, a global maker of software, systems and controls, most recently serving as Senior Vice President, Global Commercial Business from 2011 to 2013 and prior to that as Vice President and General Manager, Americas/APAC from 2008 to 2011. Mr. Yeargin previously held leadership roles in operations, supply chain and process improvement with Cooper Industries and Honeywell Inc. (formerly Allied Signal).

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

COMMON STOCK – MARKET PRICES AND DIVIDENDS

The table below reflects the range of market prices of our common stock as reported in the consolidated transaction reporting system of the New York Stock Exchange (NYSE), the principal market in which this security is traded (under the trading symbol "ITT").

	2015		2014	
	High	Low	High	Low
Three Months Ended:				
March 31	$42.97	$35.30	$44.87	$37.87
June 30	43.96	39.01	48.24	41.48
September 30	42.43	32.86	49.42	44.93
December 31	40.52	32.70	45.34	36.74

We declared dividends of $0.1183 and $0.11 per share of common stock in each of the four quarters of 2015 and 2014, respectively. In the first quarter of 2016, we declared a dividend of $0.124 per share for shareholders of record on March 11, 2016. 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 deems relevant. Therefore, there can be no assurance as to what level of dividends, if any, will be paid in the future.

There were approximately 10,687 holders of record of our common stock on February 17, 2016.

EQUITY COMPENSATION PLAN INFORMATION

The equity compensation plan information called for by Item 5(a) is set forth under the caption "Equity Compensation Plan Information" in our Proxy Statement for the 2016 Annual Meeting of Shareholders.

During the fiscal year ended December 31, 2015, no equity securities of the Company were sold by the Company that were not registered under the Securities Act.

ISSUER PURCHASES OF EQUITY SECURITIES

The following table summarizes our purchases of our common stock for the quarter ended December 31, 2015.

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS) PERIOD	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)
10/1/2015 - 10/31/2015	—	—	—	$240.7
11/1/2015 - 11/30/2015	—	—	—	$240.7
12/1/2015 - 12/31/2015	—	—	—	$240.7

(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 (2006 Share Repurchase Program). On December 16, 2008, our Board of Directors modified the provisions of the 2006 Share Repurchase Program to replace the original three-year term with an indefinite term. As of December 31, 2015, we had repurchased 18.4 shares for $759.3, including commissions, under the 2006 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.

PERFORMANCE GRAPH
CUMULATIVE TOTAL RETURN
Based upon an initial investment on December 31, 2010 of $100 with dividends reinvested

	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
ITT Corporation	$100.00	$114.01	$140.76	$263.75	$248.26	$225.59
S&P 400 Mid-Cap	$100.00	$98.27	$115.76	$154.50	$169.54	$165.85
S&P 400 Capital Goods	$100.00	$95.45	$119.81	$169.36	$169.79	$160.43

This graph is not, and is not intended to be, indicative of future performance of our common stock. This graph shall not be deemed "filed" with the SEC or subject to the liabilities of Section 18 of the Exchange Act, and should not be deemed to be incorporated by reference into any of our prior or subsequent filings under the Securities Act.

ITEM 6. SELECTED FINANCIAL DATA

The following table presents selected historical financial data derived from the Consolidated Financial Statements for each of the five years presented. The selected financial data should be read in conjunction with, and is qualified in its entirety by reference to, Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and the Notes thereto.

(In Millions, except per share amounts)	2015	2014	2013[a]	2012	2011
Results of Operations					
Revenue	$2,485.6	$2,654.6	$2,496.9	$2,227.8	$2,085.6
Gross profit	809.1	866.4	799.8	680.2	645.0
Gross margin	32.6 %	32.6 %	32.0 %	30.5 %	30.9 %
Asbestos-related (benefit) costs, net[b]	(91.4)	3.9	32.8	50.9	100.4
Other operating costs[c]	520.4	596.1	583.4	477.8	789.5
Operating income (loss)	380.1	266.4	183.6	151.5	(244.9)
Operating margin	15.3 %	10.0 %	7.4 %	6.8 %	(11.7)%
Income tax expense (benefit)[d]	70.1	71.3	(309.6)	39.6	260.6
Income (loss) from continuing operations attributable to ITT Corporation	312.4	188.4	487.7	109.5	(576.5)
Income (loss) from discontinued operations, net of tax[e]	39.4	(3.9)	0.8	15.9	447.0
Net income (loss) attributable to ITT Corporation	$351.8	$184.5	$488.5	$125.4	$(129.5)
Income (loss) from continuing operations per basic share	$3.48	$2.06	$5.36	$1.18	$(6.22)
Income (loss) from discontinued operations per basic share	$0.44	$(0.04)	$0.01	$0.17	$4.82
Net income (loss) per basic share	$3.92	$2.02	$5.37	$1.35	$(1.40)
Income (loss) from continuing operations per diluted share	$3.44	$2.03	$5.28	$1.16	$(6.22)
Income (loss) from discontinued operations per diluted share	$0.44	$(0.04)	$0.01	$0.17	$4.82
Net income (loss) per diluted share	$3.88	$1.99	$5.29	$1.33	$(1.40)
Dividends declared	$0.4732	$0.44	$0.40	$0.364	$1.591
Financial Position					
Cash and cash equivalents[f]	$415.7	$584.0	$507.3	$544.5	$689.8
Total assets[g]	3,723.6	3,631.5	3,740.2	3,386.1	3,671.5
Total debt and capital leases	248.5	8.5	48.9	26.9	6.5

(a) On November 28, 2012, we acquired Bornemann GmbH, therefore our 2013 Consolidated Financial Statements include an additional eleven months of operations.

(b) The asbestos-related benefit in 2015 primarily reflects a $100.7 benefit recognized related to a new single firm strategy and streamlined case management that is expected to significantly reduce asbestos defense costs. See Note 18, Commitments and Contingencies, to the Consolidated Financial Statements for further information.

(c) The decrease in other operating costs from 2011 to 2012 was primarily due to the 2011 spin-off of Exelis and Xylem. In connection with activities taken to create the revised organizational structure and to complete the 2011 spin-off (referred to herein as transformation costs) we recognized total transformation costs of $636.2 during 2011, of which $396.1 are presented within income from continuing operations. Transformation costs incurred during 2011 primarily relate to losses on the extinguishment of debt, asset impairments, and employee retention and severance.

(d) The 2011 tax expense of $260.6 includes a $340.7 valuation allowance for U.S. federal and state deferred tax assets as it became more likely than not that these deferred tax assets would not be realized, a $69.3 tax expense for undistributed foreign earnings that were no longer considered indefinitely reinvested, and a $30.9 tax benefit from an increase in state deferred tax assets which were re-measured based on enacted tax rates using different state apportionment factors as a result of the 2011 spin-off. The 2013 tax benefit of $309.6 includes the release of a U.S. deferred tax valuation allowance of $374.6 that was initially established in 2011. See Note 5, Income Taxes, to the Consolidated Financial Statements for further information.

(e) During 2015, the Company recognized income from discontinued operations of $39.4, principally related to the settlement of the U.S. income tax audit. Discontinued operations include the results of the Shape Cutting Businesses (disposed of in 2012), Exelis (disposed of in 2011), Xylem (disposed of in 2011) and transformation costs of $240.1 recorded during 2011. Transformation costs presented within discontinued operations are costs directly related to the 2011 spin-off, primarily advisory fees and information technology costs, which provide no future benefit to the Company.

(f) The decline in cash and cash equivalents from 2014 to 2015 was primarily due to the acquisitions of Wolverine in October of 2015 and Hartzell Aerospace in March of 2015 and an increase of $59.5 in short-term investment deposits. The decline in cash and cash equivalents from 2011 to 2012 was primarily due to the acquisition of Bornemann for $193.2 net of cash acquired.

(g) The increase in total assets from 2012 to 2013 is primarily due to the release of a U.S. deferred tax valuation allowance of $374.6. The decline in total assets from 2011 to 2012 is primarily due to a reduction in asbestos-related assets and liabilities resulting from a Settlement Agreement executed during the third quarter of 2012. See Note 18, Commitments and Contingencies, to the Consolidated Financial Statements for further information.

ITEM 7. MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements and the notes related thereto. As we noted earlier in the Forward-Looking and Cautionary Statements of this Annual Report on Form 10-K, this Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Part II, Item 7A, "Quantitative and Qualitative Disclosures about Market Risk" (along with other sections of this Annual Report), may contain forward-looking statements. The risks discussed in Part I, Item 1A, "Risk Factors," and other risks identified in this Annual Report on Form 10-K could cause our actual results to differ materially from those expressed by such forward-looking statements.

OVERVIEW

ITT Corporation is a diversified manufacturer of highly engineered critical components and customized technology solutions for the energy, transportation and industrial markets. We refer you to Part I, Item 1, "Description of Business" for a further overview of our company, segments, products and services offerings, and other information about our business.

See the section titled "Key Performance Indicators and Non-GAAP Measures" for a definition and reconciliation of organic revenue, adjusted segment operating income, and adjusted income from continuing operations.

EXECUTIVE SUMMARY

During 2015, we continued to face an ongoing difficult external environment including a declining global oil and gas market, weaker than expected general industrial markets, and negative impacts from a strengthening U.S. dollar. Despite these persistent external challenges, our ITT team focused on key strategic areas including Optimizing Execution, Market Expansion, and Balanced and Effective Capital Deployment. The progress we made in these strategic growth areas helped propel our strategy forward and create sustainable benefits, which are keenly focused on long-term growth and value creation for all of our stakeholders.

Our 2015 results include:

- A 6% decline in revenue (1% decline organic revenue) driven by a $193.8 unfavorable impact from foreign currency translation and the declines we experienced in oil & gas and general industrial markets, which were collectively down 6% on an organic basis. The impact of these headwinds was partially offset by top-line growth of 4% on an organic basis in the transportation markets, led by Automotive.
- Despite the overall topline decline, operating income and margin increased $113.7 and 530 basis points, respectively, which includes a $100.7 benefit from our estimate of future asbestos-related legal costs as we drove productivity and efficiencies across ITT.
- Income from continuing operations was $3.44 per diluted share, or $2.55 per diluted share on an adjusted EPS basis. The adjusted EPS non-GAAP metric reflects a 3.2% increase over the same prior year metric.

Our attention to controlling what we had the ability to control drove progress across our three strategic areas of focus. The following highlights a few examples of our value-creating activities this year.

- We advanced the reorganization and streamlining of our Industrial Process segment leading to improved operational effectiveness and productivity savings to address the current realities of the global oil & gas market and slowing project activity.
- We continued to identify additional opportunities to improve efficiency and reduce both operational and corporate costs in areas ranging from footprint optimization and a more focused supplier base to in-sourcing more functional activities.
- We also reduced our net asbestos liability by 16%, by aggressively driving our strategy focused on reducing the volatility and uncertainty associated with the assets and liabilities.

Despite experiencing market pressures throughout the year, we continued to focus on our long-term strategic markets.

- Motion Technologies continued their track record of outpacing the global automotive friction market with organic revenue growth of 9%, with all major geographies contributing to the results.
- We remained focused on new product launches and innovation across the organization. For example, our i-ALERT 2 Equipment Health Monitor, was named Processing magazine’s 2015 Breakthrough Product of the Year.

The year of 2015 also marked the highest deployment of capital since the 2011 spin-off, topping out at close to $600 million.

- We advanced our portfolio by acquiring two businesses this year - Wolverine Advanced Materials and Hartzell Aerospace.
- We continued our phased investments to further expand our friction facilities in Europe and China to meet the growing customer demand.
- We completed $80 of share repurchases during the year, in addition to maintaining a solid dividend.

As we enter 2016, we are continuing to recalibrate our cost structure to improve efficiency and costs, while building our strategic path for the future. As a result, we expect to take an additional restructuring and realignment actions during 2016. These actions will largely take place within our Industrial Process segment, as we further align with the current realities of the oil and gas market and will help to solidify the foundation and position the business for long-term growth. We will also be maintaining our focus on gross productivity savings during 2016 by advancing our Lean Transformation and realizing supply chain and restructuring benefits.

From a capital allocation standpoint, we will continue our track record of balanced and effective capital deployment by funding major organic investments that extend our global reach and capabilities and drive future organic growth. In 2016, we will be expanding our global auto brake pad footprint by adding a new production facility in Mexico that will supply the North American market. We will take a standardized and modular approach, just as we did with our Wuxi, China facility, where we will only add enough production capacity for the known platform wins. We expect to begin production in this new facility by the end of 2017. Acquisitions are also a critical component of our long-term capital deployment priorities.

Our success in 2016 will rely heavily on the effective execution of our strategic plan, however there are certain macro-trends that are out of our control, such as the impacts from lower oil prices, industrial production declines, and foreign exchange volatility, which create uncertainty with regard to our overall business and financial performance. Demand for our products that serve the oil and gas market, primarily pumps and connectors that represent approximately 20% of 2015 revenue, depend substantially on the level of expenditures by the oil and gas industry for exploration, development and production. These expenditures are generally dependent on the industry’s view of future oil and natural gas prices and are sensitive to the industry’s view of future economic growth and the resulting impact on demand for oil and natural gas. Since 2014, oil and gas prices have declined significantly, resulting in lower expenditures by the oil and gas industry. As a result, many of our customers have reduced or delayed spending, thus reducing the demand for our products and exerting downward pressure on the prices that we charge. These conditions have had, and may continue to have, an adverse impact on our financial condition.

DISCUSSION OF FINANCIAL RESULTS
2015 VERSUS 2014

	2015	2014	Change
Revenue	$2,485.6	$2,654.6	(6.4)%
Gross profit	809.1	866.4	(6.6)%
Gross margin	32.6%	32.6%	—
Operating expenses	429.0	600.0	(28.5)%
Operating expense to revenue ratio	17.3%	22.6%	(530)bp
Operating income	380.1	266.4	42.7%
Operating margin	15.3%	10.0%	530 bp
Interest and non-operating (income) expenses, net	(2.2)	4.4	(150.0)%
Income tax expense	70.1	71.3	(1.7)%
Effective tax rate	18.3%	27.2%	(890)bp
Income from continuing operations attributable to ITT Corporation	312.4	188.4	65.8%
Income (loss) from discontinued operations, net of tax	39.4	(3.9)	**
Net income attributable to ITT Corporation	$351.8	$184.5	90.7%

** Resulting percentage not considered meaningful.

All comparisons included with the Discussion of Financial Results 2015 versus 2014 refer to results for the year ended December 31, 2015 compared to the year ended December 31, 2014, unless stated otherwise.

REVENUE

The following table illustrates the year-over-year revenue results from each of our segments for the years ended December 31, 2015 and 2014.

	2015	2014	Change	Organic Revenue Growth[(a)]
Industrial Process	$1,113.8	$1,208.3	(7.8)%	(2.4)%
Motion Technologies	767.2	769.4	(0.3)%	9.1%
Interconnect Solutions	328.1	392.8	(16.5)%	(11.3)%
Control Technologies	281.2	290.5	(3.2)%	(10.4)%
Eliminations	(4.7)	(6.4)	(26.6)%	—
Total Revenue	$2,485.6	$2,654.6	(6.4)%	(1.2)%

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

Our 2015 revenue was significantly impacted by an unfavorable foreign currency translation impact of $193.8, primarily due to the strengthening of the U.S. dollar versus the Euro. The decline in revenue during 2015 also reflects the impact of reduced capital spending levels from the softness in the global general industrial markets, which were partially offset by the increased sales volumes at our Motion Technologies segment from market share gains and geographical expansion within North America and China. Additional details regarding revenue and orders are provided by segment below.

Industrial Process

Industrial Process revenue for the year ended December 31, 2015 was $1,113.8, reflecting a decrease of $94.5, or 7.8%. Unfavorable foreign currency fluctuations negatively impacted revenue growth by $65.0, or 5.4%. Organic revenue decreased 2.4%, from the prior year, reflecting the challenging oil and gas and industrial market conditions which have impacted customers' capital spending levels and led to project delays in 2015. However, a large portion of the impact was offset by shipments from strong prior year bookings despite the difficult market conditions. These were the primary drivers that impacted our results within the oil and gas market resulting in a revenue decline of approximately 2%. Revenue stemming from the chemical market declined approximately 10% globally, which reflects significant impacts within the Asia Pacific region driven by a decline in large projects. Revenue from the mining market was down approximately 3% as strength in Latin America, primarily due to large project pumps, was more than offset by the impact of soft market conditions in North America.

Orders for the year ended December 31, 2015 were $936.7, reflecting a decrease of $277.5, or 22.9%. Unfavorable foreign currency fluctuations negatively impacted order growth by $57.8, or 4.8%. Organic orders decreased 18.1%, from the prior year, primarily reflecting the impact from lower oil prices which has decreased the level of capital investment in the oil and gas markets and created difficult prior year comparisons which included multiple large-scale highly engineered pump project wins. Soft market conditions also drove lower orders to both the chemical and mining markets, primarily within North America and Asia. We did experience some modest order improvement in the other general industrial markets, primarily the pulp and paper and power markets within North America and Latin America.

Backlog

The level of order and shipment activity related to engineered pumps can vary significantly from period to period. Backlog as of December 31, 2015 was $410.9, reflecting a decrease of $192.5, or 31.9%, and includes a $25.3 unfavorable foreign currency translation impact. The decrease reflects a delinquency reduction through improved operational performance combined with a lower project order in-take due to global capital project delays and lower oil and gas, chemical, and general industrial orders due to market uncertainty and volatility.

Motion Technologies

Motion Technologies revenue for the year ended December 31, 2015 was $767.2, reflecting a decrease of $2.2, or 0.3%. The decrease was due to an unfavorable foreign currency translation impact of $106.8, offset by organic revenue growth of $69.7, or 9.1%, and revenue of $34.9 from the acquisition of Wolverine which was completed in the beginning of fourth quarter of 2015. Organic revenue growth reflected strength in global automotive brake pads of approximately 12% in Friction Technologies reflecting increases in the OEM, OES and independent aftermarket sales channels due to market share gains and geographical expansion within North America and China. Sales from our KONI business were flat as growth in the European automotive and U.S. defense markets were partially offset by a decline in the global rail market.

Orders for the year ended December 31, 2015 were $780.0, reflecting a decrease of $17.0, or 2.1%. The unfavorable foreign currency translation impact of $110.0 was partially offset by organic order growth of $52.9, or 6.6%, and orders of $40.1 from the acquisition of Wolverine. Organic orders for 2015 increased due to overall strength in Friction Technologies as our past automotive platform wins began to enter the production cycle but were partially offset by a year-over-year decline in KONI orders related to the rail market.

Interconnect Solutions

Interconnect Solutions revenue for the year ended December 31, 2015 was $328.1, reflecting a decrease of $64.7, or 16.5%, which includes unfavorable foreign currency translation impact of $20.3. Organic revenue decreased $44.4, or 11.3%, as compared to prior year, reflecting a decline in all market categories. Organic revenue derived from the transportation and industrial market category declined approximately 12%, primarily due to weak demand in the heavy vehicle and industrial markets. Organic revenue stemming from the oil and gas market decreased approximately 25% due primarily to the decline in oil prices and related decline in North American rig counts. Organic revenue within the aerospace and defense market declined approximately 6% primarily due to shipment delays from operational disruptions related to the relocation of certain North American operations.

Orders for the year ended December 31, 2015 were $324.3, reflecting a decrease of $64.1, or 16.5%, primarily due to a decline in organic orders driven by challenging industrial market conditions combined with a decline in market share, end-of-life connector platforms, and including an unfavorable foreign currency translation impact of $20.0.

Control Technologies

Control Technologies revenue for the year ended December 31, 2015 was $281.2, reflecting a decrease of $9.3, or 3.2%, which includes an unfavorable foreign currency translation impact of $1.7, as well as revenues of $5.0 from the prior year associated with an industrial product line that was sold in May 2015. These decreases were offset by additional revenues of $27.7 from the Hartzell Aerospace acquisition in March 2015. Organic revenue for 2015 decreased $30.3, or 10.4%, driven by declines at the CT Aerospace and CT Industrial divisions of 8% and 15%, respectively. At CT Aerospace, the declines were driven by weakness in our automated seat product line, as well as soft market conditions in the aerospace aftermarket channel. Weakness in our CT Aerospace division was partially offset by a 6% increase in revenue related to our Defense products. At CT Industrial, weakness in energy absorption products in Europe and China as well as the impact from the oil and gas markets and overall weakness in the industrial markets caused the decline.

Orders received during the year ended December 31, 2015 were $294.3, reflecting an increase of $5.1, or 1.8%, including unfavorable foreign currency translation impact of $1.8 and an impact of $4.0 from an industrial product line that was sold in May 2015. These items were offset by orders of $31.2 from the acquisition of Hartzell Aerospace in March 2015. On an organic basis, orders declined $20.3, or 7.0% for the same reasons as discussed above regarding revenue, and were, partially offset by a 36% increase in orders for Defense products in the CT Aerospace division.

GROSS PROFIT

Gross profit for the year ended December 31, 2015 was $809.1, a decrease of $57.3, or 6.6%. The table below provides gross profit and gross margin by segment for the years ended December 31, 2015 and 2014.

	2015		2014		Change	
Industrial Process	$362.8		$385.4		(5.9	)%
Motion Technologies	227.9		219.5		3.8	%
Interconnect Solutions	105.6		136.8		(22.8	)%
Control Technologies	111.8		123.9		(9.8	)%
Corporate and Other	1.0		0.8		25.0	%
Total gross profit	$809.1		$866.4		(6.6	)%
Gross margin:						
Industrial Process	32.6	%	31.9	%	70	bp
Motion Technologies	29.7	%	28.5	%	120	bp
Interconnect Solutions	32.2	%	34.8	%	(260	)bp
Control Technologies	39.8	%	42.7	%	(290	)bp
Consolidated	32.6	%	32.6	%	—	

OPERATING EXPENSES

Operating expenses for the year ended December 31, 2015 decreased $171.0, primarily due to lower net asbestos-related costs as well as from additional cost savings generated by recent restructuring and Lean initiative actions. The following table provides further information by expense type, as well as a breakdown of operating expense by segment.

	2015	2014	Change
Sales and marketing expenses	$183.2	$219.4	(16.5)%
General and administrative expenses	258.3	300.1	(13.9)%
Research and development expenses	78.9	76.6	3.0%
Asbestos-related (benefit) costs, net	(91.4)	3.9	**
Total operating expenses	$429.0	$600.0	(28.5)%
By Segment:			
Industrial Process	$221.6	$261.5	(15.3)%
Motion Technologies	101.5	88.6	14.6%
Interconnect Solutions	93.4	114.6	(18.5)%
Control Technologies	69.4	60.4	14.9%
Corporate & Other	(56.9)	74.9	**

** Resulting percentage not considered meaningful.

Sales and marketing expenses for the year ended December 31, 2015 were $183.2, reflecting a decrease of $36.2, or 16.5%, mainly due to lower commission expenses and other selling and marketing expenses primarily associated with lower sale volumes and cost reduction actions.

G&A expenses were $258.3 for the year ended December 31, 2015, reflecting a decrease of $41.8, or 13.9%. The decrease was primarily driven by a decline in corporate costs of $36.7 (excluding asbestos) reflecting lower environmental-related costs of $12, and a decline in human resource and culture-related investment spending of approximately $10. G&A expense also benefited by favorable foreign currency and year-over-year savings from past restructuring and Lean initiatives, as well as focused cost control efforts across the entire company. G&A expenses associated with the operations of our 2015 acquisitions were approximately $12, which includes $4.5 of restructuring charges.

R&D expenses for the year ended December 31, 2015 were $78.9, reflecting an increase of $2.3, or 3.0%. As a percentage of revenue, R&D expenses increased to 3.2% in 2015 from 2.9% in 2014, as we continued to invest in new product development activities at Control Technologies and Motion Technologies combined with consistent levels of investment spending at the other two business segments.

During 2015, we recognized a net asbestos-related benefit of $91.4, compared to a net asbestos-related cost of $3.9 in the prior year. The decrease of $95.3 was primarily due to a $100.7 benefit recognized during the second quarter of 2015, reflecting a change in our asbestos defense strategy to retain a single firm to defend the Company in asbestos litigation. This new long-term strategy streamlines the management of cases and significantly reduces defense costs. See Note 18, Commitments and Contingencies, in our Notes to the Consolidated Financial Statements for further information on our asbestos-related liabilities and assets.

OPERATING INCOME

Operating income for 2015 was $380.1, reflecting an increase of $113.7, or 42.7%. The change was primarily driven by a $100.7 benefit recognized in the second quarter of 2015 resulting in a net asbestos-related benefit of $91.4 in 2015. The following table illustrates the 2015 and 2014 operating income and operating margin by segments and at the consolidated level.

	2015		2014		Change	
Industrial Process	$141.2		$123.9		14.0	%
Motion Technologies	126.4		130.9		(3.4	)%
Interconnect Solutions	12.2		22.2		(45.0	)%
Control Technologies	42.4		63.5		(33.2	)%
Segment operating income	322.2		340.5		(5.4	)%
Asbestos-related benefit (cost), net	91.4		(3.9	)	**	
Other corporate costs	(33.5	)	(70.2	)	(52.3	)%
Total corporate and other benefit (costs), net	57.9		(74.1	)	(178.1	)%
Total operating income	$380.1		$266.4		42.7	%
Operating margin:						
Industrial Process	12.7	%	10.3	%	240	bp
Motion Technologies	16.5	%	17.0	%	(50	)bp
Interconnect Solutions	3.7	%	5.7	%	(200	)bp
Control Technologies	15.1	%	21.9	%	(680	)bp
Segment operating margin	13.0	%	12.8	%	20	bp
Consolidated operating margin	15.3	%	10.0	%	530	bp

** Resulting percentage not considered meaningful.

Industrial Process operating income for the year ended December 31, 2015 increased $17.3, or 14.0%, to $141.2 and resulted in an operating margin of 12.7%, reflecting growth of 240 basis points. The increase in operating income and margin was primarily the result of net savings from restructuring, Lean, sourcing, and cost control initiatives of approximately $29, an adjustment to reserves established in purchase accounting for a prior acquisition, and a favorable product warranty resolution during 2015, as well as lower commission and postretirement costs. The favorability of these items was partially offset by negative pricing and sales mix impacts of approximately $25 and higher restructuring costs of $8.

Motion Technologies operating income for the year ended December 31, 2015 decreased $4.5, or 3.4%, to $126.4 and resulted in an operating margin of 16.5%, reflecting a decline of 50 basis points. The operating income result was primarily driven by costs of $13.1 related to the acquisition of Wolverine. Excluding these acquisition costs, operating income increased $8.6, or 6.6%, driven by higher sales volume growth, coupled with continued press efficiency improvements and net savings from Lean, sourcing, and cost control initiatives resulting in a benefit of approximately $48. Also included in the 2015 operating income is a $3 gain from an insurance recovery. These items were partially offset by unfavorable foreign currency impacts of approximately $24, as well as unfavorable pricing and sales mix impacts, higher strategic investment costs, and legal settlement favorability in 2014 that totaled an unfavorable impact of approximately $20.

Interconnect Solutions operating income for the year ended December 31, 2015 decreased $10.0, or 45.0%, to $12.2 and resulted in an operating margin of 3.7%, reflecting a decline of 200 basis points. The result reflects declines in sales volume of approximately $18 and incremental costs of approximately $25 related to operational disruptions from the relocation of certain North American operations. Foreign currency unfavorably impacted operating income results by approximately $3. The decline in operating income was partially offset by lower restructuring costs of $14, incremental savings from past restructuring initiatives that provided a benefit of approximately $14, and lower postretirement-related costs of $5 primarily due to a benefit from a plan curtailment.

Control Technologies operating income for the year ended December 31, 2015 decreased $21.1, or 33.2%, to $42.4 and resulted in an operating margin of 15.1%, reflecting a decline of 680 basis points. The decrease in operating income and margin primarily relates to an unfavorable impact of approximately $19 due to lower sales volume and sales mix. In addition, 2015 included higher restructuring costs of $5 and R&D expenses of $3, as well as an

unfavorable legal settlement impact of $2 and an impairment charge of $2 both associated with a non-core product line. These

---

expenses were partially offset by the 2015 operating income generated by the Hartzell Aerospace acquisition. These items were further offset by net savings from Lean and sourcing initiatives and cost control management actions of approximately $9 and lower compensation costs.
Other corporate costs for the year ended December 31, 2015 decreased $36.7, or 52.3%, to $33.5, primarily reflecting lower environmental-related costs of $12 (see Note 18, Commitments and Contingencies, for additional information) and a decline in human resource and culture related investment spending of approximately $10 and generally lower departmental spending due to a focus on cost control. Other corporate costs also reflect lower insurance-related costs of approximately $6 and employee incentive costs of approximately $4.
INTEREST AND NON-OPERATING (INCOME) EXPENSES, NET

	2015	2014	Change
Interest (income) expense, net	$(2.5)	$1.5	(266.7)%
Miscellaneous expense (income), net	0.3	2.9	(89.7)%
Total interest and non-operating (income) expenses, net	$(2.2)	$4.4	(150.0)%

Interest (income) expense, net reflects a $5.0 favorable change for 2015, primarily due to the reversal of accrued interest in the third quarter of 2015 related to unrecognized tax benefits, partially offset by additional interest expense associated with higher annual average outstanding borrowings from our revolving credit and commercial paper facilities during 2015. In addition, earned interest income declined $1.0 due to lower average interest rates primarily in Europe and a lower average balance of short-term investments during 2015.
Miscellaneous expenses (income), net decreased $2.6 during 2015, primarily due to a $1.6 receivable with Xylem and Exelis related to the settlement of the U.S. income tax audit in the third quarter of 2015, as well as higher income from equity method investments.
INCOME TAX EXPENSE
For the year ended December 31, 2015, the Company recognized income tax expense of $70.1 representing an effective tax rate of 18.3%, compared to income tax expense of $71.3, and an effective tax rate of 27.2% for 2014. Our effective tax rate in 2015 is lower than the statutory tax rate primarily resulting from a larger mix of foreign income taxed more favorably than the U.S., including a tax holiday in South Korea, the recognition of previously unrecognized tax benefits upon the completion of tax examinations and lapses in the statute of limitations.
After considering all available evidence, including cumulative income and the absence of any significant negative evidence, the Company released the valuation allowance against certain foreign net deferred tax assets in China. The Company continues to maintain a valuation allowance against certain deferred tax assets attributable to state net operating losses and tax credits, and certain foreign net deferred tax assets primarily in Luxembourg, Germany and India which are not expected to be realized. Overall, the current year decrease in the valuation allowance of $11.4 is primarily attributable to the release of valuation allowance in China.
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, Mexico, South Korea, the U.S. and Venezuela. The estimated tax liability calculation for unrecognized tax benefits includes dealing with 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. The settlement of any future examinations could result in changes in amounts attributable to the Company under its existing Tax Matters Agreement with Exelis and Xylem.
See Note 5, Income Taxes, to the Consolidated Financial Statements for further information on tax-related matters.
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX
During 2015, the Company recognized income from discontinued operations of $39.4, principally related to the settlement of the U.S. income tax audit during the third quarter of 2015. This includes a tax benefit of $38.3 from the recognition of previously unrecognized tax positions, related net interest income of $3.2, and a $13.2 receivable due from Exelis and Xylem, partially offset by net tax expense of $17.4 from unfavorable audit adjustments. During 2014, the Company incurred a loss from discontinued operations of $3.9, net of tax, primarily related to a settlement

payment to a former ITT entity.

DISCUSSION OF FINANCIAL RESULTS
2014 VERSUS 2013

	2014		2013		Change	
Revenue	$2,654.6		$2,496.9		6.3	%
Gross profit	866.4		799.8		8.3	%
Gross margin	32.6	%	32.0	%	60	bp
Operating expenses	600.0		616.2		(2.6	)%
Operating expense to revenue ratio	22.6	%	24.7	%	(210	)bp
Operating income	266.4		183.6		45.1	%
Operating margin	10.0	%	7.4	%	260	bp
Interest and non-operating expenses, net	4.4		3.1		41.9	%
Income tax expense (benefit)	71.3		(309.6	)	(123.0	)%
Effective tax rate	27.2	%	(171.5	)%	19,870	bp
Income from continuing operations attributable to ITT Corporation	188.4		487.7		(61.4	)%
(Loss) income from discontinued operations, net of tax	(3.9	)	0.8		(587.5	)%
Net income attributable to ITT Corporation	$184.5		$488.5		(62.2	)%

All comparisons included with the Discussion of Financial Results 2014 versus 2013 refer to results for the year ended December 31, 2014 compared to the year ended December 31, 2013, unless stated otherwise.

REVENUE

Revenue for the year ended December 31, 2014 was $2,654.6, reflecting an increase of $157.7, or 6.3%. The Industrial Process segment generated revenue growth of $100.9, or 9.1%, primarily from long-term industrial pump projects serving the oil and gas, mining, and chemical markets in North America and Latin America. The Motion Technologies segment experienced revenue growth of $47.6, or 6.6%, driven by strength in both automotive OE and aftermarket, as well as in the global rail markets. The Interconnect Solutions segment revenue declined $2.7, or 0.7%, primarily due to weakness in the defense and communication market connectors, as well as from the expected decline in our non-strategic connector product lines, offset by growth from oil and gas in the North American market. The Control Technologies segment revenue grew $12.3, or 4.4%, reflecting strength in both our industrial and commercial aerospace markets.

The following table illustrates the year-over-year revenue results from each of our segments for the years ended December 31, 2014 and 2013.

	2014		2013		Change		Organic Revenue Growth[(a)]	
Industrial Process	$1,208.3		$1,107.4		9.1	%	10.7	%
Motion Technologies	769.4		721.8		6.6	%	6.1	%
Interconnect Solutions	392.8		395.5		(0.7	)%	(0.4	)%
Control Technologies	290.5		278.2		4.4	%	4.6	%
Eliminations	(6.4	)	(6.0	)	6.7	%	—	
Total Revenue	$2,654.6		$2,496.9		6.3	%	6.9	%

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

Industrial Process

Industrial Process revenue for the year ended December 31, 2014 was $1,208.3, reflecting an increase of $100.9, or 9.1%. Unfavorable foreign currency fluctuations negatively impacted revenue growth by $20.6, or 1.9%. Organic revenue increased 10.7%, over the prior year, primarily reflecting market share gains in the large, highly engineered project pump business, driven by our growth in the oil and gas market of approximately 21%. The project pump business also contributed to revenue growth in the mining market of approximately 16% and in the chemical market of approximately 9%. The growth of our project pump business was partially offset by a decline in our Asia Pacific general chemical and mining markets.

Orders for the year ended December 31, 2014 were $1,214.2, reflecting an increase of $52.2, or 4.5%. Unfavorable foreign currency fluctuations negatively impacted order growth by $20.7, or 1.8%. Organic orders increased 6.0% primarily reflecting a strong fourth quarter of large engineered project business, mainly in the downstream oil and gas markets in Canada, which led to full year-over-year growth of approximately $60 in the global oil and gas market. We also experienced strong fourth quarter 2014 orders of pumps and parts for the mining market, primarily to the Latin America region, which contributed to our full year 2014 order growth in the mining market of approximately $10. The level of order and shipment activity related to engineered pumps can vary from period to period, which may impact year-over-year comparisons.

Motion Technologies

Motion Technologies revenue for the year ended December 31, 2014 was $769.4, reflecting an increase of $47.6, or 6.6%, due to approximately 5% growth in Friction Technologies and 19.0% growth in KONI. Growth in Friction Technologies came from both the aftermarket and OE channels. Growth in aftermarket channels benefited from the addition of a new production line, as well as improved production press efficiency rates coming from specific Lean initiatives to meet increased demand. The year-over-year increase in OE was driven by growth in China which corresponded with our investments and strategic focus to gain market share in the Asia Pacific region. Higher year-over-year revenues in KONI related to growth in the global rail market as well as growth in the North American automotive market. Foreign currency translation favorably impacted revenue growth by $3.4, resulting in organic revenue growth of 6.1%.

Orders for the year ended December 31, 2014 were $797.0, reflecting an increase of 7.1% driven by order growth at KONI of approximately 23% from strong order intake within the global rail market, along with strong North American aftermarket orders. Orders at our Friction Technologies business increased 4% during 2014, due to key automotive platform wins in Europe and China. Organic orders increased $49.8, or 6.7%.

Interconnect Solutions

Interconnect Solutions revenue for the year ended December 31, 2014 was $392.8, reflecting a decrease of $2.7, or 0.7%. The decline in revenue was mainly due to the phase-out of certain non-strategic connector product lines in the communications market and weakness in the defense market, which was partially offset by year-over-year growth in our other market areas. Revenue from the oil and gas market increased during 2014 by approximately $7, primarily within North America. Revenue from the transportation and industrial market increased by approximately $6, due primarily to growth in heavy equipment and electric vehicle connector products. Revenue from the commercial aircraft market increased approximately 11% over the prior year. Revenue from the medical technologies market was relatively consistent with the prior year.

Orders decreased during 2014 by 3.0%, to $388.4, primarily reflecting year-over-year declines from the U.S. defense market, and the Asia Pacific medical market. These declines were partially offset by an increase in North America oil and gas orders.

Control Technologies

Control Technologies revenue for the year ended December 31, 2014 was $290.5, reflecting an increase of $12.3, or 4.4%. The increase in revenue was primarily driven by growth of 6% in our CT Industrial division and 4% in the CT Aerospace division. The CT Industrial growth was due to gains in energy absorption products, which experienced growth across all major markets, and from higher sales of natural gas valves due to the continued conversion of commercial vehicles to a natural gas fuel source.

The aerospace growth was due to both higher commercial OE sales of approximately 15%, stemming from increased aircraft production rates, as well as increased sales of aftermarket spares of 38%. Total aftermarket sales grew 2%, as the growth in spares was offset by a decline in revenue from an aftermarket program that ended. In addition, the overall CT aerospace revenue growth was reduced by lower year-over-year sales from our seat actuation product line and a 7% decline in sales to the defense market.

Orders received during the year ended December 31, 2014 were $289.2, reflecting an increase of $13.2, or 4.8%, primarily driven by growth in commercial aerospace OEM components due to production rate increases and share gains, as well as order growth in the aerospace aftermarket spares business.

GROSS PROFIT

Gross profit for the year ended December 31, 2014 was $866.4, an increase of $66.6, or 8.3%. The table below provides gross profit and gross margin by segment for the year ended December 31, 2014 and 2013.

	2014		2013		Change	
Industrial Process	$385.4		$361.7		6.6	%
Motion Technologies	219.5		193.4		13.5	%
Interconnect Solutions	136.8		129.7		5.5	%
Control Technologies	123.9		113.7		9.0	%
Corporate and Other	0.8		1.3		(38.5	)%
Total gross profit	$866.4		$799.8		8.3	%
Gross margin:						
Industrial Process	31.9	%	32.7	%	(80	)bp
Motion Technologies	28.5	%	26.8	%	170	bp
Interconnect Solutions	34.8	%	32.8	%	200	bp
Control Technologies	42.7	%	40.9	%	180	bp
Consolidated	32.6	%	32.0	%	60	bp

OPERATING EXPENSES

Operating expenses for the year ended December 31, 2014 decreased $16.2 primarily due to lower net asbestos-related costs as well as from additional cost savings generated by recent restructuring and Lean initiative actions, which were partially offset by higher R&D costs and strategic investment costs. The following table provides further information by expense type, as well as a breakdown of operating expense by segment.

	2014	2013	Change
Sales and marketing expenses	$219.4	$216.2	1.5 %
General and administrative expenses	300.1	299.9	0.1 %
Research and development expenses	76.6	67.3	13.8 %
Asbestos-related costs, net	3.9	32.8	(88.1)%
Total operating expenses	$600.0	$616.2	(2.6)%
By Segment:			
Industrial Process	$261.5	$249.7	4.7 %
Motion Technologies	88.6	93.1	(4.8)%
Interconnect Solutions	114.6	115.5	(0.8)%
Control Technologies	60.4	58.4	3.4 %
Corporate & Other	74.9	99.5	(24.7)%

Sales and marketing expenses for the year ended December 31, 2014 were $219.4, reflecting an increase of $3.2, or 1.5%, mainly due to increased selling costs associated with higher sales volume. Sales and marketing expenses as a percentage of revenue decreased 40 basis points to 8.3%, primarily due to a decline in marketing expenses of approximately 6% combined with the year-over-year revenue growth.

G&A expenses were $300.1 for the year ended December 31, 2014, which were consistent with the prior year. During 2014 we incurred lower transformation and repositioning costs of $16.1 and received a favorable legal settlement; however these items were offset by an increase in strategic investment costs, charges related to our operations in Venezuela, as well as higher spending on various corporate initiatives, such as Human Resource (HR) capability improvements and our culture initiative.

R&D expenses for the year ended December 31, 2014 were $76.6, reflecting an increase of $9.3, or 13.8%. As a percentage of revenue, R&D expenses increased to 2.9% in 2014 from 2.7% in 2013, as we continued to invest in new product developments for use in new automotive platforms and expanding multiphase pump technology, as well as in various other targeted growth markets.

During 2014, we recognized net asbestos-related costs of $3.9, reflecting a decrease of $28.9. The decrease was primarily due to our 2014 asbestos remeasurement that resulted in a year-over-year benefit of $58.8, which was partially offset by a settlement agreement entered into in the prior year with an insurer that resulted in a $31.0 gain. Based on the results of our 2014 remeasurement, we decreased our estimated undiscounted asbestos liability, including legal fees, by $42.8, reflecting a decrease in costs the company estimates will be incurred to resolve all pending claims, as well as unasserted claims estimated to be filed over the next 10 years. The decrease in our estimated liability is a result of several developments, including an expectation of lower defense costs relative to indemnities paid over the projection period and favorable experience in the ratio of dismissed claims versus settled claims. These favorable factors were offset in part by an increasing number of cases expected to be adjudicated. Further, in 2014, the Company increased its estimated asbestos-related assets by $16.0, principally due to the estimated probable recoveries of certain liabilities resulting from the annual study. See Note 18, “Commitments and Contingencies,” in our Notes to the Consolidated Financial Statements for further information on our asbestos-related liabilities and assets.

OPERATING INCOME

Operating income for 2014 was $266.4, reflecting an increase of $82.8, or 45.1% primarily due to segment operating income growth of $58.7 and lower asbestos-related of $28.9. The following table illustrates the 2014 and 2013 operating income and operating margin by segments and at the consolidated level.

	2014		2013		Change	
Industrial Process	$123.9		$112.0		10.6	%
Motion Technologies	130.9		100.3		30.5	%
Interconnect Solutions	22.2		14.2		56.3	%
Control Technologies	63.5		55.3		14.8	%
Segment operating income	340.5		281.8		20.8	%
Asbestos-related costs, net	(3.9	)	(32.8	)	(88.1	)%
Other corporate costs	(70.2	)	(65.4	)	7.3	%
Total corporate and other costs	(74.1	)	(98.2	)	(24.5	)%
Total operating income	$266.4		$183.6		45.1	%
Operating margin:						
Industrial Process	10.3	%	10.1	%	20	bp
Motion Technologies	17.0	%	13.9	%	310	bp
Interconnect Solutions	5.7	%	3.6	%	210	bp
Control Technologies	21.9	%	19.9	%	200	bp
Segment operating margin	12.8	%	11.3	%	150	bp
Consolidated operating margin	10.0	%	7.4	%	260	bp

Industrial Process operating income for the year ended December 31, 2014 increased $11.9, or 10.6%, to $123.9 and resulted in an operating margin of 10.3%, reflecting growth of 20 basis points. The benefit from increased sales volume, particularly large engineered project pumps, of approximately $20, and a similar benefit from net savings from Lean, productivity, and global sourcing initiatives taken during 2014 were partially offset by an unfavorable shift of sales mix and continued project pricing pressures, resulting in an approximate 40 basis point increase to operating margin. Acquisition-related costs related to Bornemann, incurred during 2013, and a reduction in postretirement plan costs and repositioning-related expenses provided a year-over-year operating income benefit of $15.3, resulting in a 120 basis point improvement to operating margin, which were offset by higher strategic investment spending, charges of approximately $10 associated with our operations in Venezuela, corporate expense allocations, and operational impacts from certain complex engineering projects.

Motion Technologies operating income for the year ended December 31, 2014 increased $30.6, or 30.5%, to $130.9 and resulted in an operating margin of 17.0%, reflecting growth of 310 basis points. The primary growth driver was higher sales volumes which provided approximately $24 of additional operating income and a 200 basis point operating margin improvement. Motion Technologies' results also reflected year-over-year operating income and margin growth from the KONI business which are due to strong sales volume growth, fixed cost reductions, and manufacturing improvements. In addition, net savings from Lean, productivity, and global sourcing initiatives and a favorable legal settlement during 2014, as well as lower year-over-year restructuring costs provided approximately $29 of additional operating income, and approximately 380 basis point increase to operating margin. The total year-over-year growth in operating income was partially offset by unfavorable OE pricing, as well as higher R&D and other costs related to capacity expansion and start-up costs.

Interconnect Solutions operating income for the year ended December 31, 2014 increased $8.0, or 56.3%, to $22.2 and resulted in an operating margin of 5.7%, reflecting growth of 210 basis points. The increase in operating income and margin was primarily driven by the cost savings from our restructuring actions taken over the last 2 years, as well as from additional net savings from Lean and sourcing initiatives and lower year-over-year postretirement employee benefit costs, resulting from a plan modification to reduce future participant benefits, that improved operating income and margin by approximately $27 and 710 basis points, respectively. The favorability of these items was partially offset by costs incurred associated with an action to move certain production lines from one location to another existing lower cost manufacturing site, costs incurred related to the design of an enterprise resource planning system, higher restructuring costs, and a negative change in sales mix that reduced operating income and margin by

approximately $20 and 500 basis points, respectively.

Control Technologies operating income for the year ended December 31, 2014 increased $8.2, or 14.8%, to $63.5 and resulted in an operating margin of 21.9%, reflecting growth of 200 basis points. The growth in operating income stemmed from net productivity savings generated by Lean and sourcing initiatives, increased sales volume and benefits from pricing initiatives, and lower pension, repositioning and restructuring costs which provided approximately $14 of additional operating income and 400 basis points to operating margin for 2014. However, the benefit provided by these items was partially offset by an unfavorable shift in sales mix related to the decline in sales to the defense market and from an aerospace aftermarket program that was nearing its end of life and higher year-over-year strategic investment-related costs and corporate expense allocations which reduced operating income and margin by approximately $6 and 200 basis points, respectively.

Other corporate costs for the year ended December 31, 2014 increased $4.8, or 7.3%, to $70.2. The increase was due to higher compensation and benefit-related costs, including severance, bonus and stock compensation expenses, combined with a favorable worker's disability insurance adjustment in 2013 that did not occur in 2014. Additionally, other corporate expenses for 2014 were impacted by higher investment spending on various corporate initiatives, such as Human Resource capabilities and our culture initiative. These costs were partially offset by a decline in transformation and repositioning costs of $10.3.

INTEREST AND NON-OPERATING EXPENSES, NET

	2014	2013	Change	
Interest expense (income), net	$1.5	$1.3	15.4	%
Miscellaneous expense (income), net	2.9	1.8	61.1	%
Total interest and non-operating expenses, net	$4.4	$3.1	41.9	%

Interest expense (income), net increased by $0.2 during 2014, as a favorable movement in accrued interest associated expense related to unrecognized tax benefits and lower average outstanding debt and commercial paper during 2014 were almost entirely offset by a $2.5 decline in interest income primarily related to a 2013 interest-related benefit associated with the settlement of legacy receivables and payables with a former ITT entity.

Miscellaneous expenses (income), net increased $1.1 during 2014, primarily due to income earned during 2013 in connection with transition services arrangements pertaining to the 2011 spin-off of Exelis and Xylem.

INCOME TAX EXPENSE

For the year ended December 31, 2014, the Company recognized an income tax expense of $71.3 representing an effective tax rate of 27.2%, compared to an income tax benefit of $309.6, and an effective tax rate of (171.5)% for 2013. Excluding the impact of the release of the valuation allowance (described further in Note 5, Income Taxes, to the Consolidated Financial Statements) the effective tax rate was 36.0% in 2013. The 2014 effective tax rate included tax benefits resulting from a tax basis step-up election in Italy and additional income that was eligible for a tax holiday in Korea. These were partially offset by changes in the New York State income tax law during the year which resulted in an increase in tax expense of $3.2.

After considering all available evidence, including a cumulative loss and the absence of any significant positive evidence, the Company recorded a valuation allowance against certain foreign net deferred tax assets in Germany and Venezuela. In addition, a portion of the deferred tax assets in Italy were no longer realizable. The Company continued to maintain a valuation allowance against certain deferred tax assets attributable to state net operating losses and tax credits and certain foreign net deferred tax assets primarily in Luxembourg, Germany, India and China which were not expected to be realized. Overall, the increase in the valuation allowance of $11.8 was primarily attributable to foreign net operating loss carryforwards in Luxembourg.

(LOSS) INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX

During 2014, the Company incurred a loss from discontinued operations of $3.9, net of tax, primarily related to a settlement payment to a former ITT entity. During 2013, ITT had income from discontinued operations primarily related to a reversal of warranty reserves and legal-related contingencies associated with previously disposed businesses that were partially offset by a net after-tax loss of $1.3 related to a settlement of legacy receivables and payables with a former ITT entity.

LIQUIDITY AND CAPITAL RESOURCES
Funding and Liquidity Strategy
Our funding needs are monitored and strategies are executed 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. If our access to the commercial paper market were adversely affected, we believe that alternative sources of liquidity, including our 2014 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 global liquidity needs in a cost-efficient manner. A majority of our cash and cash equivalents is held by our international subsidiaries. We have and plan to transfer cash between certain international subsidiaries and the U.S. and other international subsidiaries when it is cost effective to do so. Our intent is generally to indefinitely reinvest these funds outside of the U.S., consistent with our overall intention to support growth and expand in markets outside of the U.S. through the development of products, increased non-U.S. capital spending, and potentially the acquisition of foreign businesses. However, we have determined that certain undistributed foreign earnings generated in Luxembourg, Japan, Hong Kong and South Korea should not be considered permanently reinvested outside of the U.S. Net cash distributions from foreign countries amounted to $235.0 and $138.5 during 2015 and 2014, respectively. The timing and amount of future remittances, if any, 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 deems relevant. Therefore, there can be no assurance as to what level of dividends, if any, will be paid in the future. Aggregate dividends paid in 2015 were $42.8, compared to $40.7 in 2014 and $36.4 in 2013, reflecting per share amounts of $0.4732, $0.44, and $0.40, respectively. In the first quarter of 2016, we declared a quarterly dividend of $0.124 per share for shareholders of record on March 11, 2016.
We repurchased 2.0 and 1.1 shares of ITT common stock at a cost of $80.0 and $50.0 in 2015 and 2014, respectively, through our share repurchase program.
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.
We access the commercial paper market to supplement the cash flows generated internally 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 when it is cost effective to do so. We had $94.5 of commercial paper outstanding as of December 31, 2015 and we had an average outstanding commercial paper balance of $73.1 during the year.

Credit Facilities

On November 25, 2014, we replaced the four-year revolving $500 credit agreement (the 2011 Revolving Credit Agreement) with a new five-year revolving $500 credit agreement (the 2014 Revolving Credit Agreement). The 2014 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 2014 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. Two borrowing options are available under the 2014 Credit Agreement: (i) a competitive advance option and (ii) a revolving credit option. The interest rates for the competitive advance option will be obtained from bids in accordance with competitive auction procedures. The interest rates under the revolving credit option will be based either on LIBOR plus spreads reflecting the Company's credit ratings, or on the Administrative Agent's Alternate Base Rate. The provisions of the 2014 Revolving Credit Agreement require that we maintain an interest coverage ratio, as defined, of at least 3.0 times and a leverage ratio, as defined, of not more than 3.0 times. At December 31, 2015, we had $150 outstanding under the 2014 Revolving Credit Agreement. Our interest coverage ratio and leverage ratio were within the prescribed thresholds as of December 31, 2015. 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 credit facility.

Our credit ratings as of December 31, 2015 were as follows:

Rating Agency	Short-Term Ratings	Long-Term Ratings
Standard & Poor's	A-3	BBB-
Moody's Investors Service	P-3	Baa3
Fitch Ratings	F2	BBB+

Please refer to the rating agency websites and press releases for more information.

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 for the three years ended December 31, 2015, 2014, and 2013.

	2015	2014	2013
Operating activities	$229.7	$244.7	$226.6
Investing activities	(485.5)	(14.5)	(188.8)
Financing activities	120.4	(116.6)	(58.3)
Foreign exchange	(31.6)	(31.2)	(0.4)
Total net cash flow (used in) from continuing operations	$(167.0)	$82.4	$(20.9)
Net cash used in discontinued operations	(1.3)	(5.7)	(16.3)
Net change in cash and cash equivalents	$(168.3)	$76.7	$(37.2)

Net cash provided by operating activities was $229.7 for the year ended December 31, 2015, representing a decrease of $15.0, or 6.1%, from 2014. This decline was primarily driven by higher asbestos-related payments of $20.7, higher postretirement benefit contributions of $6.0, and additional restructuring-related payments of $5.8, and payments associated with the completion and related integration of acquisitions. In addition, cash provided by segment operating income declined by $17.1, after adjustments for non-cash items such as depreciation and amortization. The decrease in net cash provided by operating activities was partially offset by lower income tax payments, net of refunds, of $21.5 and fluctuations in working capital, primarily related to inventory, that resulted in a favorable year-over-year impact of $24.5.

Net cash provided by operating activities was $244.7 for the year ended December 31, 2014, representing an increase of $18.1, or 8.0%, from 2013. This growth was primarily driven by increased segment operating income, which increased $60.5 after adjustments for non-cash items such as depreciation and amortization. A decline in cash payments related to transformation and repositioning activities of $18.0 and lower net asbestos-related payments of $21.5, also contributed to the year-over-year increase in cash from operating activities. However, these items were partially offset by higher net tax payments of $48.1 and unfavorable changes in accrued expenses of $30.2 and customer advances of $10.6. In addition, during 2014 we made payments of $7.7 associated with an action to move certain production lines from one location to another existing lower cost manufacturing site and develop an ERP global template design. The year-over-year change in working capital balances resulted in lower cash usage of $12.9 during 2014, primarily related to improved cash collections and lower year-end inventory balances due to the timing of certain large, long-term industrial pump projects and inventory reduction plans.

Net cash used in investing activities increased from $14.5 in 2014 to $485.5 in 2015 over 2014, primarily due to our acquisitions of Wolverine for $298.1 and Hartzell Aerospace for $52.9 during 2015. In addition, net purchases of short-term investments (net of maturities) exceeded the 2014 amount by $165.2. Capital expenditure spending decreased $32.1 year-over-year with spending for both years focused on capacity expansion projects and system upgrades. In addition, during the second quarter of 2015 we sold an industrial product line within our Control Technologies segment resulting in proceeds of $8.9.

Net cash used in investing activities declined from $188.8 in 2013 to $14.5 in 2014, primarily due to maturities of short-term time deposits that exceeded purchases by $103.6 during 2014. In contrast, during 2013, purchases of short-term time deposits exceeded maturities by $72.0. In addition, capital expenditures were lower by $4.1, or 3.3%, year-over-year, primarily related to our production capacity investments during 2013 and 2014. Capital expenditures during 2014 primarily relate to the production capacity investments in the Motion Technologies segment and the construction of an additional testing and production facility in Seneca Falls, New York for our Industrial Process segment.

Net cash provided by financing activities was $120.4 for the year ended December 31, 2015, reflecting an increase of $237.0 as compared to 2014. The increase reflects 2015 net borrowings of $150 from our revolving credit facility and commercial paper issuances of $94.5, partially offset by a $23.8 increase in repurchases of ITT common stock.

Net cash used in financing activities increased by $58.3 in the year ended December 31, 2014 as compared to 2013 primarily due to the repayment of all outstanding commercial paper during 2014, compared to net commercial paper borrowings during 2013. This led to a year-over-year outflow from short-term debt activity of $63.4. Cash from financing activities was also unfavorably impacted by a reduction of $18.0 in proceeds associated with employee stock issuance activity, net of excess tax benefits. However, these items were partially offset by a $27.7 decline in the amount of common stock repurchased during 2014 compared to 2013. In addition, we made dividend payments of $40.7 and $36.4 during the years ended December 31, 2014 and 2013, respectively.

Our average daily outstanding commercial paper balance for the years ended 2015, 2014, and 2013 was $73.1, $41.2, and $47.7, respectively. The maximum outstanding commercial paper during each of those respective years was $180.0, $100.5, and $103.5, respectively. We had $94.5 of commercial paper outstanding as of December 31, 2015.

Net cash used related to discontinued operations for the year ended December 31, 2015 of $1.3 is primarily related to environmental-related payments for sites formerly owned by ITT. Net cash used related to discontinued operations for the year ended December 31, 2014 is primarily related to a settlement payment to a former ITT entity. Net cash used related to discontinued operations for the year ended December 31, 2013 is primarily due to the settlement of legacy receivables and payables with a former ITT entity, resulting in a net cash payment by ITT of $15.3.

Asbestos

Based on the estimated undiscounted asbestos liability as of December 31, 2015 for claims filed or estimated to be filed over the next 10 years, we have estimated that we will be able to recover approximately 40% 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 15%. 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.

The Company has negotiated with certain of its excess insurers to reimburse the Company for a portion of its settlement and/or defense costs as incurred, frequently referred to as "coverage-in-place" agreements. Under coverage-in-place agreements, an insurer's policies remain in force and the insurer undertakes to provide coverage for the Company's present and future asbestos claims on specified terms and conditions that address, among other things, the share of asbestos claims costs to be paid by the insurer, payment terms, claims handling procedures and the expiration of the insurer's obligations. The Company has entered into policy buyout agreements with certain insurers confirming the aggregate amount of available coverage under the subject policies and setting forth a schedule for future payments to a Qualified Settlement Fund, to be disbursed for future asbestos costs. Collectively, these agreements are designed to facilitate an orderly resolution and collection of ITT's insurance and to mitigate issues that insurers may raise regarding their responsibility to respond to claims.

As of December 31, 2015, the Company has entered into coverage-in-place agreements and policy buyout agreements representing approximately 53% of our recorded asset. Certain of our primary coverage-in-place agreements are exhausted which may result in higher net cash outflows until excess carriers begin accepting claims for reimbursement. While there are overall limits on the aggregate amount of insurance available to the Company with respect to asbestos claims, with respect to ITT coverage, those overall limits were not reached by the estimated liability recorded by the Company at December 31, 2015.

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 2029.

Although asbestos cash outflows can vary significantly from year to year, our current net cash outflows, net of tax benefits, averaged $12 over the past three annual periods and are projected to average $15 to $25 over the next five years, increasing to an average of approximately $35 to $45 per year over the remainder of the projection period.

In light of the uncertainties and variables 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 2025.

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.

Funding of Postretirement Plans

The following table provides a summary of the funded status of our postretirement benefit plans as of December 31, 2015 and 2014.

	2015				2014			
	U.S. Pension	Non-U.S. Pension	Other Benefits	Total	U.S. Pension	Non-U.S. Pension	Other Benefits	Total
Fair value of plan assets	$278.1	$0.9	$7.9	$286.9	$272.9	$1.0	$9.5	$283.4
Projected benefit obligation	339.9	78.0	143.4	561.3	324.1	87.5	134.5	546.1
Funded status	$(61.8)	$(77.1)	$(135.5)	$(274.4)	$(51.2)	$(86.5)	$(125.0)	$(262.7)

The funded status of our U.S. pension plans declined by $10.6 during 2015 primarily due to our assumption of two plans in connection with our fourth quarter 2015 acquisition of Wolverine. In addition, lower than expected asset returns reduced the funded status but were offset by a change in the discount rate and discretionary company contributions. Our non-U.S. pension plans, which are typically not funded due to local regulations, had an improvement in funded status of $9.4 during 2015 due to an increase in the discount rate used to measure the benefit obligation.

While the Company has significant discretion in making voluntary contributions, the Employee Retirement Income Security Act of 1974, and applicable Internal Revenue Code regulations mandate minimum funding thresholds. Failure to satisfy the minimum funding thresholds could result in restrictions on our ability to amend a plan or make benefit payments. In general, certain benefit restrictions apply when the Adjusted Funding Target Attainment Percentage (AFTAP) of a plan is less than 80%. When the AFTAP is between 80% and 60%, there is a restriction on plan amendments and a partial restriction on accelerated benefit payments (i.e., lump sum payments cannot exceed 50% of the value of the participants total benefit). Full benefit restrictions apply if the plan’s AFTAP falls below 60%. As of December 31, 2015, the funding percentages of all ITT U.S. Qualified pension plans exceeded 80% as calculated using the AFTAP approach.

While we make contributions to our postretirement benefit plans when considered necessary or advantageous to do so, the minimum funding requirements established by local government funding or taxing authorities, or established by other agreements, may influence future contributions. Funding requirements under IRS rules are a major consideration in making contributions to our U.S. pension plans. Future minimum funding requirements will depend primarily on the return on plan assets and discount rate, both determined using AFTAP guidelines. Depending on these factors, and the resulting funded status of our U.S. pension plans, the level of future minimum contributions could be material. During 2015 and 2014, we contributed $12.4 and $4.4 to our global pension plans, respectively. The 2015 contribution included a $7.5 discretionary contribution to our U.S. pension plans. We currently estimate that the 2016 contributions to our global pension plans will be approximately $5.0.

The funded status of our other employee-related defined benefit plans declined $10.5 during 2015 primarily due to our assumption of the Wolverine other employee-related defined benefit plan. We contributed $6.2 and $8.2 to our other employee-related defined benefit plans during 2015 and 2014. We currently estimate that the 2016 contributions to our other employee-related defined benefit plans will be approximately $10.0. See Note 15, Postretirement Benefit Plans, for additional financial information related to our postretirement obligations.

Capital Resources

Long-term debt is generally defined as any debt with an original maturity greater than 12 months. As of December 31, 2015, we have sources of long- and short-term funding including access to the capital markets through a commercial paper program and available unused credit lines of $350, as well as general market access to longer-term markets. Our commercial paper program is supported by the 2014 Revolving Credit Agreement and our policy is to maintain unused committed bank lines of credit in an amount greater than outstanding commercial paper balances.

The table below provides long-term debt outstanding and capital lease obligations at December 31, 2015 and 2014.

	2015	2014
Current portion of long-term debt and capital leases	$1.2	$1.5
Non-current portion of long-term debt and capital leases	2.8	7.0
Total long-term debt and capital leases	$4.0	$8.5

Contractual Obligations

ITT’s commitment to make future payments under long-term contractual obligations was as follows, as of December 31, 2015:

	Payments Due By Period				
Contractual Obligations	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Long-term debt, including interest and capital leases	$4.7	$1.4	$1.6	$0.9	$0.8
Operating leases	156.9	21.7	35.9	26.8	72.5
Purchase obligations[(a)]	64.2	63.1	0.9	0.2	—
Other long-term obligations[(b)]	116.9	16.2	31.1	30.7	38.9
Total	$342.7	$102.4	$69.5	$58.6	$112.2

In addition to the amounts presented in the table above, we have recorded liabilities for pending asbestos claims and asbestos claims estimated to be filed over the next 10 years and uncertain tax positions of $1,042.8 and $51.7, respectively, in our Consolidated Balance Sheet at December 31, 2015. These amounts have been excluded from the contractual obligations table due to an inability to reasonably estimate the timing of payments in individual years. In addition, while we make contributions to our postretirement benefit plans when considered necessary or advantageous to do so, the minimum funding requirements established by local government funding or taxing authorities, or established by other agreements, may influence future contributions. As such, expected contributions to our postretirement benefit plans have been excluded from the table above.

(a) Represents unconditional purchase agreements that are enforceable and legally binding and that specify all significant terms to purchase goods or services, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Purchase agreements that are cancellable without penalty have been excluded.

(b) Other long-term obligations include amounts recorded on our December 31, 2015 Consolidated Balance Sheet, including estimated environmental payments and employee compensation agreements. We estimate based on historical experience that we will spend between $10 and $15 per year on environmental investigation and remediation, a portion of which we are legally mandated to perform investigation and/or remediation through various orders and agreements with state and federal oversight agencies. At December 31, 2015, our recorded environmental liability was $82.6.

Off-Balance Sheet Arrangements

Off-balance sheet arrangements represent transactions, agreements or other contractual arrangements with unconsolidated entities, where an obligation or contingent interest exists. Our off-balance sheet arrangements, as of December 31, 2015, consist of indemnities related to acquisition and disposition agreements and certain third-party guarantees.

Indemnities

Since ITT’s incorporation in 1920, we have acquired and disposed of numerous entities. The related acquisition and disposition agreements contain various representation and warranty clauses and may provide indemnities for a misrepresentation or breach of the representations and warranties by either party. The indemnities address a variety of subjects; the term and monetary amounts of each such indemnity are defined in the specific agreements and may be affected by various conditions and external factors. Many of the indemnities have expired either by operation of law or as a result of the terms of the agreement. We do not have a liability recorded for these expired indemnifications and are not aware of any claims or other information that would give rise to material payments under such indemnities.

As part of the 2011 spin-off, ITT agreed to provide certain indemnifications and cross-indemnifications among ITT, Exelis and Xylem, subject to limited exceptions with respect to employee claims. The indemnifications address a variety of subjects, including asserted and unasserted product liability matters (e.g., asbestos claims, product warranties) which relate to products manufactured, repaired and/or sold prior to the date of the 2011 spin-off. These indemnifications last indefinitely and are not affected by Harris' acquisition of Exelis. In addition, ITT, Exelis and Xylem agreed to certain cross-indemnifications with respect to other liabilities and obligations. ITT expects Exelis and Xylem to fully perform under the terms of the Distribution Agreement and therefore has not recorded a liability for matters for which we have been indemnified. In addition, both Exelis and Xylem have made asbestos indemnity claims that could give rise to material payments under the indemnity provided by ITT; such claims are included in our estimate of asbestos liabilities.

Guarantees

We have $167.1 of guarantees, letters of credit and similar arrangements outstanding at December 31, 2015, primarily pertaining to commercial or performance guarantees and insurance matters. We have not recorded any material loss contingencies under these guarantees, letters of credit and similar arrangements as of December 31, 2015 as the likelihood of nonperformance by the underlying obligors is considered remote. From time to time, we may provide certain third-party guarantees that may be affected by various conditions and external factors, some of which could require that payments be made under such guarantees. We do not consider the maximum exposure or current recorded liabilities under our third-party guarantees to be material either individually or in the aggregate. We do not believe such payments would have a material adverse impact on our financial statements.

KEY PERFORMANCE INDICATORS AND NON-GAAP MEASURES

Management reviews key performance indicators including revenue, segment operating income and margins, earnings per share, orders growth, and backlog, among others. In addition, we consider certain supplemental measures to be useful to management and investors when evaluating our operating performance for the periods presented. These supplemental measures provide a tool for evaluating our on-going 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, dividends, acquisitions and share repurchases. These metrics, however, are not measures of financial performance under accounting principles generally accepted in the United States of America (GAAP) and should not be considered a substitute for measures determined in accordance with GAAP. Our non-GAAP measures exclude from reported results those items that management believes are not indicative of our ongoing performance and reflect how management evaluates our operating results and trends. We consider the following non-GAAP measures, which may not be comparable to similarly titled measures reported by other companies, to be key performance indicators:

- "organic revenue" and "organic orders" are defined as revenue and orders, excluding the impacts of foreign currency fluctuations and 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.

Reconciliations of organic revenue for the years ended December 31, 2015 and 2014 are provided below.

	Industrial Process	Motion Technologies	Interconnect Solutions	Control Technologies	Eliminations	Total ITT
2015 Revenue	$1,113.8	$767.2	$328.1	$281.2	$(4.7)	$2,485.6
(Acquisitions)/divestitures, net	(0.1)	(34.9)	—	(22.7)	—	(57.7)
Foreign currency translation	65.0	106.8	20.3	1.7	—	193.8
2015 Organic revenue	$1,178.7	$839.1	$348.4	$260.2	$(4.7)	$2,621.7
Organic (decline)/growth	(2.4)%	9.1%	(11.3)%	(10.4)%		(1.2)%
2014 Revenue	$1,208.3	$769.4	$392.8	$290.5	$(6.4)	$2,654.6
(Acquisitions)/divestitures, net	(3.0)	—	—	—	—	(3.0)
Foreign currency translation	20.6	(3.4)	1.0	0.5	—	18.7
2014 Organic revenue	$1,225.9	$766.0	$393.8	$291.0	$(6.4)	$2,670.3
Organic growth/(decline)	10.7%	6.1%	(0.4)%	4.6%		6.9%

Reconciliations of organic orders for the years ended December 31, 2015 and 2014 are provided below.

	Industrial Process	Motion Technologies	Interconnect Solutions	Control Technologies	Eliminations	Total ITT
2015 Orders	$936.7	$780.0	$324.3	$294.3	$(4.7)	$2,330.6
(Acquisitions)/divestitures, net	(0.1)	(40.1)	—	(27.2)	—	(67.4)
Foreign currency translation	57.8	110.0	20.0	1.8	—	189.6
2015 Organic orders	$994.4	$849.9	$344.3	$268.9	$(4.7)	$2,452.8
Organic (decline)/growth	(18.1)%	6.6%	(11.4)%	(7.0)%		(8.6)%
2014 Orders	$1,214.2	$797.0	$388.4	$289.2	$(5.8)	$2,683.0
(Acquisitions)/divestitures, net	(3.0)	—	—	—	—	(3.0)
Foreign currency translation	20.7	(3.3)	0.7	0.6	—	18.7
2014 Organic orders	$1,231.9	$793.7	$389.1	$289.8	$(5.8)	$2,698.7
Organic growth/(decline)	6.0%	6.7%	(2.8)%	5.0%		4.8%

"adjusted segment operating income" is defined as operating income, adjusted to exclude special items that include, but are not limited to, restructuring costs and realignment costs, certain asset impairment charges, repositioning costs, certain acquisition-related expenses, and other 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.

Reconciliations of segment operating income to adjusted segment operating income for the years ended December 31, 2015, 2014 and 2013 are provided in the tables below.

Year Ended December 31, 2015	Industrial Process	Motion Technologies	Interconnect Solutions	Control Technologies	Total Segment
Segment operating income	$141.2	$126.4	$12.2	$42.4	$322.2
Restructuring costs	12.2	—	6.3	5.3	23.8
Acquisition-related expenses	—	13.1	—	1.4	14.5
Other unusual or infrequent items[(a)]	(7.5)	—	0.4	0.8	(6.3)
Adjusted segment operating income	$145.9	$139.5	$18.9	$49.9	$354.2
Year Ended December 31, 2014					
Segment operating income	$123.9	$130.9	$22.2	$63.5	$340.5
Restructuring costs	4.2	2.1	20.5	—	26.8
Other unusual or infrequent items[(b)]	2.3	—	9.5	—	11.8
Adjusted segment operating income	$130.4	$133.0	$52.2	$63.5	$379.1
Year Ended December 31, 2013					
Segment operating income	$112.0	$100.3	$14.2	$55.3	$281.8
Restructuring costs	4.5	5.1	17.2	0.4	27.2
Bornemann acquisition-related expenses	8.6	—	—	—	8.6
Other unusual or infrequent items[(c)]	3.2	1.9	—	1.1	6.2
Adjusted segment operating income	$128.3	$107.3	$31.4	$56.8	$323.8

(a) The adjustments for unusual or infrequent items during 2015 primarily reflect the reversal of a customer-related liability related to the 2012 acquisition of Bornemann.

(b) The adjustments for unusual or infrequent items during 2014 include costs associated with an action to move certain production lines from one location to another existing lower cost manufacturing site, enterprise resource planning (ERP) global template design costs, and foreign exchange-related impacts associated with our operations in Venezuela.

(c) The adjustments for unusual or infrequent items during 2013 primarily consist of costs to exit transition services agreements, IT infrastructure modifications, and other various actions, pursuant to the 2011 spin-off, referred to as Repositioning Costs.

- "adjusted income from continuing operations" and "adjusted income from continuing operations per diluted share" are defined as income from continuing operations attributable to ITT Corporation and income from continuing operations attributable to ITT Corporation per diluted share, adjusted to exclude special items that include, but are not limited to, asbestos-related costs, repositioning costs, restructuring and realignment costs, certain asset impairment charges, certain acquisition-related expenses, income tax settlements or adjustments, and other 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. A reconciliation of adjusted income from continuing operations, including adjusted earnings per diluted share, to income from continuing operations and income from continuing operations per diluted share for the years ended December 31, 2015, 2014 and 2013 are provided in the table below.

	2015	2014	2013
Income from continuing operations attributable to ITT Corporation	$312.4	$188.4	$487.7
Restructuring costs, net of tax benefit of $5.5, $8.6, and $6.2, respectively	18.5	19.5	22.2
Repositioning costs, net of tax benefit of $0.1, $2.5, and $8.9, respectively	0.1	6.4	16.3
Net asbestos-related costs, net of tax (expense) benefit of $(33.8), $1.4, and $11.5, respectively	(57.6)	2.5	21.3
Tax-related special items[(a)]	(37.1)	3.8	(363.7)
Other unusual or infrequent items, net of tax of benefit of $4.0, $3.9, and $0.5, respectively[(b)]	(4.6)	8.2	2.5
Adjusted income from continuing operations	$231.7	$228.8	$186.3
Income from continuing operations attributable to ITT Corporation per diluted share	$3.44	$2.03	$5.28
Adjusted income from continuing operations per diluted share	$2.55	$2.47	$2.02

(a) The following table details significant components of the tax-related special items. See Note 5, "Income Taxes," to our Consolidated Financial Statements for further information.

	2015	2014	2013
Change in uncertain tax positions	$(15.1)	$0.4	$(0.4)
Charge on undistributed foreign earnings	(7.4)	0.8	11.0
Change in deferred tax asset valuation allowance	(7.3)	2.5	(375.3)
Impacts of tax audit closure	(7.0)	0.7	1.4
Other	(0.3)	(0.6)	(0.4)
Net tax-related special items	$(37.1)	$3.8	$(363.7)

(b) Other unusual or infrequent non-operating items, net of tax, for 2015 reflect a benefit from the reversal of a customer-related liability related to the acquisition of Bornemann and the reversal of accrued interest associated with a change in uncertain tax positions, partially offset by costs associated with the acquisitions of Wolverine and Hartzell.

Other unusual or infrequent non-operating items, net of tax, for 2014 include costs associated with an action to move certain production lines from one location to another existing lower cost manufacturing site, the Venezuela currency devaluation, and ERP global template design costs.

Other unusual or infrequent non-operating items, net of tax, for 2013 include Bornemann integration-related expenses of $5.7, partially offset by a reduction of accrued interest due to tax audits of $3.2.

- "adjusted free cash flow" is defined as net cash provided by operating activities less capital expenditures, adjusted for cash payments for restructuring and realignment actions, repositioning costs, net asbestos cash flows and other significant items that impact current results which management views as unrelated to the Company's ongoing operations and performance. Due to other financial obligations and commitments, including asbestos, the entire free cash flow may not be available for discretionary purposes. A reconciliation of adjusted free cash flow is provided below.
- "adjusted free cash flow conversion" is defined as adjusted free cash flow divided by adjusted income from continuing operations.

	2015	2014	2013
Net cash from continuing operations	$229.7	$244.7	$226.6
Capital expenditures[a]	(86.3)	(114.5)	(118.1)
Restructuring cash payments	24.4	18.6	17.1
Net asbestos cash flows	24.6	3.9	25.4
Other cash payments[b]	7.2	20.3	30.6
Adjusted free cash flow	$199.6	$173.0	$181.6
Adjusted income from continuing operations	231.7	228.8	186.3
Adjusted free cash flow conversion	86.1 %	75.6 %	97.5 %

(a) Capital expenditures represent capital expenditures as reported in the Consolidated Statement of Cash Flows, less capital expenditures associated with repositioning activities of $0.4, $4.3 and $4.8 for the years ended December 31, 2015, 2014, and 2013, respectively.

(b) Other cash payments during 2015 include discretionary pension contributions, net of tax. Other cash payments during 2014 include payments associated with an action to move certain production lines from one location to another existing lower cost manufacturing site and develop an ERP global template design. Other cash payments during 2013 primarily reflect payments associated with repositioning activities.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements and related disclosures in accordance with GAAP requires us to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant accounting policies used in the preparation of the financial statements are discussed in Note 1, "Description of Business, Basis of Presentation and Summary of Significant Accounting Policies," to the Consolidated Financial Statements. An accounting policy is deemed critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes to the estimate that are reasonably possible could materially affect the financial statements. Senior management has discussed the development, selection and disclosure of these estimates with the Audit Committee of ITT’s Board of Directors.

The accounting estimates and assumptions discussed below are those that we consider most critical to fully understanding our financial statements and evaluating our results as they are inherently uncertain, involve the most subjective or complex judgments, include areas where different estimates reasonably could have been used, and the use of an alternative estimate that is reasonably possible could materially affect the financial statements. We base our estimates on historical experience and other data and assumptions believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Management believes that the accounting estimates employed and the resulting balances reported in the Consolidated Financial Statements are reasonable; however, actual results could differ materially from our estimates and assumptions.

Asbestos Matters

ITT, including its subsidiary Goulds Pumps, Inc., has been sued along with many other companies in product liability lawsuits alleging personal injury due to asbestos exposure. These claims allege that certain products sold by us or our subsidiaries prior to 1985 contained a part manufactured by a third party (e.g., a gasket) that contained asbestos. To the extent that these third-party parts may have contained asbestos, it was encapsulated in the gasket (or other) material and was non-friable. In certain other cases, it is alleged that former ITT companies were distributors for other manufacturers' products that may have contained asbestos.

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. The methodology used to project future asbestos costs is based largely on the Company's experience in a reference period, including the last few years, for claims filed, settled and dismissed, and is supplemented by management's expectations of the future. This experience is compared to the results of previously conducted epidemiological studies by estimating the number of individuals likely to develop asbestos-related diseases. Those studies were undertaken in connection with an independent analysis of the population of U.S. workers across eleven different industry and occupation categories believed to have been exposed to asbestos. Using information for the industry and occupation categories relevant to the Company, an estimate is developed of the number of claims estimated to be filed against the Company over the next 10 years, as well as the aggregate settlement costs that would be incurred to resolve both pending and estimated future claims based on the average settlement costs by disease during the reference period. In addition, the estimate is augmented for the costs of defending asbestos claims in the tort system using a forecast based on recent experience, as well as agreements with the Company's external defense counsel. The asbestos liability has not been discounted to present value due to the inability to reliably forecast the timing of future cash flows. The Company retains a consulting firm to assist management in estimating our potential exposure to pending asbestos claims and for claims estimated to be filed over the next 10 years. The methodology to project future asbestos costs is one in which the underlying assumptions are separately assessed for their reasonableness and then each is used as an input to the liability estimate. Our assessment of the underlying assumptions concludes on one value for each assumption.

The liability estimate is most sensitive to assumptions surrounding mesothelioma and lung cancer claims, as together, the estimated costs to resolve pending and estimated future mesothelioma and lung cancer claims represent approximately 95% of the estimated asbestos exposure, but only 25% of pending claims. The assumptions related to mesothelioma and lung cancer that are most significant include the number of new claims forecast to be filed against the Company in the future, the projected average settlement costs (including the rate of inflation assumed), the percentage of claims against the Company that are dismissed without a settlement payment, and the cost to defend against filed claims.

These assumptions are interdependent, and no one factor predominates in estimating the asbestos liability. While there are other potential inputs to the model used to estimate our asbestos exposures for pending and estimated future claims, our methodology relies on the best input available in the circumstances for each individual assumption and, due to the interdependencies, does not create a range of reasonably possible outcomes. Projecting future asbestos costs is subject to numerous variables and uncertainties that are inherently difficult to predict. In addition to the uncertainties surrounding the key assumptions, additional uncertainty related to asbestos claims arises from the long latency period prior to the manifestation of an asbestos-related disease, changes in available medical treatments and changes in medical costs, changes in plaintiff behavior resulting from bankruptcies of other companies that are potential defendants or co-defendants, uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, and the impact of potential legislative or judicial changes.

The forecast period used to estimate our potential exposure to pending and projected asbestos claims is a judgment based on a number of factors, including the number and type of claims filed, recent experience with pending claims activity and whether that experience is expected to continue into the future, the jurisdictions where claims are filed, the effect of any legislative or judicial developments, and the likelihood of any comprehensive asbestos legislation at the federal level. These factors have both positive and negative effects on the dynamics of asbestos litigation and, accordingly, on our estimate of the asbestos exposure. Developments related to asbestos tend to be long-cycle, changing over multi-year periods. We closely monitor these and other factors and periodically assess whether an

alternative forecast period is appropriate.

We record a corresponding asbestos-related asset that represents our best estimate of probable recoveries related to the recorded asbestos liability. In developing this estimate, the Company considers coverage-in-place and other settlement agreements with its insurers, as well as a number of additional factors, including expected levels of future cost recovery, the financial viability of the insurance companies, the method by which losses will be allocated to the various insurance policies and the years covered by those policies, the extent to which settlement and defense costs

will be reimbursed by the insurance policies, and interpretation of the various policy and contract terms and limits and their interrelationships. The asbestos-related asset has not been discounted to present value, consistent with the asbestos liability as the timing of the insurance recoveries, including those under coverage-in-place and other settlement agreements, is dependent on the timing of payments of the asbestos liability.

The Company retains a consulting firm to assist management in estimating probable recoveries for pending asbestos claims and for claims estimated to be filed over the next 10 years based on the analysis of policy terms, the likelihood of recovery provided by external legal counsel assuming the continued viability of those insurance carriers that are currently solvent, incorporating risk mitigation judgments where policy terms or other factors are not certain, and allocating asbestos settlement and defense costs between our insurers.

Based on the estimated undiscounted asbestos liability as of December 31, 2015 (for claims filed or estimated to be filed over the next 10 years), we have estimated that we will be able to recover approximately 40% of asbestos indemnity and defense costs from our insurers. However, 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 lag time between the date a claim is filed and when it is resolved. Actual insurance reimbursements may vary significantly from period to period and the anticipated recovery rate is expected to decline over time due exhaustion of policies and the insolvency of certain insurers. In the 10th year of our estimate, our insurance recoveries are currently projected to be approximately 15%. Future recovery rates may be impacted by other factors, such as future insurance settlements, unforeseen insolvencies and judicial determinations relevant to our coverage program, which are difficult to predict and subject to a high degree of uncertainty.

Our estimated asbestos liability and related receivables are based on management’s best estimate of future events largely based on past experience; however, past experience may not prove a reliable predictor of the future. Future events affecting the key assumptions and other variables for either the asbestos liability or the related receivables could cause actual costs and recoveries to be materially higher or lower than currently estimated. For example, a significant upward or downward trend in the number of claims filed, depending on the nature of the alleged injury, the jurisdiction where filed and the quality of the product identification could change the estimated liability, as would substantial adverse verdicts at trial that withstand appeal. A legislative solution, structured settlement transaction, or significant change in relevant case law could also change the estimated liability. Further, the bankruptcy of an insurer or settlements with our insurers, whether through coverage-in-place agreements or policy buyouts, could change the estimated amount of recoveries.

Furthermore, any predictions with respect to the variables impacting our estimate of the asbestos liability and related asset are subject to even greater uncertainty as the projection period lengthens. In light of the uncertainties and variables 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 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 accrual or receivable has been recorded for any costs which may be incurred for claims asserted subsequent to 2025.

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 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.

Revenue Recognition
Revenue is derived from the sale of products and services to customers. We recognize revenue when persuasive evidence of an arrangement exists, the sales price is fixed or determinable, collectability is reasonably assured and delivery has occurred. For product sales, other than long-term construction and production-type contracts (referred to as design and build arrangements), we recognize revenue at the time title and risks and rewards of ownership pass to the customer, which is generally when products are shipped, and the contractual terms have been fulfilled. Certain contracts with customers require delivery, installation, testing, certification or other acceptance provisions to be satisfied before revenue is recognized. In instances where contractual terms include a provision for customer acceptance, revenue is recognized when either (i) we have previously demonstrated that the product meets the specified criteria based on either seller or customer-specified objective criteria or (ii) on formal acceptance received from the customer where the product has not been previously demonstrated to meet customer-specified objective criteria.
We recognize revenue for certain long-term design and build projects using the percentage-of-completion method, based upon the percentage of costs incurred to total projected costs. Revenue and profit recognized under the percentage-of-completion 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.
We recognize revenue on smaller design and build projects, including those of short-term duration, using the completed contract method. Provisions for estimated losses, if any, on uncompleted design and build arrangements, are recognized in the period in which such losses are determined. Due to the long-term nature of the contracts, 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.

Income Taxes

Deferred income tax assets and liabilities are determined based on the estimated future tax effects of differences between the financial reporting and tax bases of assets and liabilities, applying currently enacted tax rates in effect for the year in which we expect the differences will reverse. We periodically assess the likelihood that we will be able to recover our deferred tax assets and reflect any changes to our estimate of the amount we are more likely than not to realize as a valuation allowance, with a corresponding adjustment to earnings or other comprehensive income (loss), as appropriate. The ultimate realization of deferred tax assets depends on the generation of future taxable income (including the reversals of deferred tax liabilities) during the periods in which those deferred tax assets will become deductible.

The Company assesses all available positive and negative evidence regarding the realizability of its deferred tax assets. Significant judgment is required in assessing the need for any valuation allowance recorded against deferred tax assets. In assessing the need for a valuation allowance, we consider all available evidence, both positive and negative, including the future reversal of existing taxable temporary differences, taxable income in carryback periods, prudent and feasible tax planning strategies, estimated future taxable income, and whether we have a recent history of losses. The valuation allowance can be affected by changes to tax regulations, interpretations and rulings, changes to enacted statutory tax rates, and changes to future taxable income estimates.

Our effective tax rate reflects the impact of certain undistributed foreign earnings for which we have not provided U.S. taxes because we plan to reinvest such earnings indefinitely outside of the U.S. We plan foreign earnings remittance amounts based on projected cash flow needs, as well as the working capital and long-term investment requirements of our foreign subsidiaries and our domestic operations. Based on these assumptions, we estimate the amount we will distribute to the U.S. and accrue U.S. federal taxes on these planned foreign remittance amounts. Material changes in our estimates of cash, working capital and long-term investment requirements in the various jurisdictions in which we do business could impact our effective tax rate. Our provision for income taxes could be adversely impacted by changes in our geographic mix of earnings or changes in the enacted tax rates in the jurisdictions in which we conduct our business.

The calculation of our deferred and other tax balances involves significant management judgment when dealing with uncertainties in the application of complex tax regulations and rulings in a multitude of taxing jurisdictions across our global operations. The Company is routinely audited by U.S. federal, state and foreign tax authorities, the results of which could result in proposed assessments against the Company. We recognize potential liabilities and record tax liabilities for anticipated tax audit issues based on our estimate of whether, and to the extent to which, additional taxes will be due. Furthermore, we recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position in consideration of applicable tax statutes and related interpretations and precedents and the expected outcome of the proceedings (or negotiations) with the taxing authorities. Tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized on ultimate settlement.

We adjust our liability for uncertain tax positions in light of changing facts and circumstances; however, the ultimate resolution of a tax examination may differ from the amounts recorded in the financial statements for a number of reasons, including the Company’s decision to settle rather than litigate a matter, relevant legal precedent related to similar matters, and the Company’s success in supporting its filing positions with the tax authorities. If our estimate of tax liabilities proves different than the ultimate outcome, such differences will affect the provision for income taxes in the period in which such determination is made.

Postretirement Plans

ITT sponsors numerous defined benefit pension and other postretirement benefit plans for employees around the world (collectively, postretirement benefit plans). Postretirement benefit obligations for domestic plans are generally determined on a flat dollar benefit formula and years of service. Foreign plan benefit obligations are primarily determined based on participant years of service, future compensation, and age at retirement or termination. The determination of projected benefit obligations and the recognition of expenses related to postretirement benefit plans are dependent on various assumptions that are judgmental and developed in consultation with our actuaries and other advisors. The assumptions involved in the measurement of our postretirement benefit plan obligations and net periodic postretirement costs primarily relate to discount rates, long-term expected rates of return on plan assets, and mortality and termination rates. Actual results that differ from our assumptions are accumulated and are amortized over the estimated future working life, or remaining lifetime, of the plan participants depending on the nature of the retirement plan. See Note 15, Postretirement Benefit Plans, to the Consolidated Financial Statements for detailed information regarding our postretirement plan assumptions.

Assumption Sensitivity

We estimate that every twenty-five basis point change in the discount rate impacts net periodic postretirement costs by approximately $0.4 and the funded status of our postretirement benefit plans by approximately $15.3. We estimate that every twenty-five basis point change in the expected rate of return on plan assets impacts net periodic postretirement costs by approximately $0.7.

Goodwill and Other Intangible Assets

We review goodwill and indefinite-lived intangible assets for impairment annually and whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. We also review the carrying value of our finite-lived intangible assets for potential impairment when impairment indicators arise. We conduct our annual impairment tests as of the first day of the fourth quarter. When reviewing for impairment, we may opt to make an initial qualitative evaluation, which considers present events and circumstances, to determine the likelihood of impairment. Our decision to perform a qualitative impairment assessment for an individual reporting unit in a given year is influenced by a number of factors, including the significance of the excess of the reporting unit's estimated fair value over carrying value at the last quantitative assessment date, changes in macroeconomic, industry and reporting-unit specific conditions and the amount of time in between quantitative fair value measurements. If the likelihood of impairment is not considered to be more likely than not, then no further testing is performed.

In cases when we opt not to perform a qualitative evaluation or the qualitative evaluation indicates that the likelihood of impairment is more likely than not, we then perform a two-step impairment test for goodwill. In the first step, we compare the estimated fair value of each reporting unit to its carrying value. If the estimated fair value of the reporting unit exceeds the carrying value of the net assets assigned to that reporting unit, goodwill is not impaired and we are not required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeds its fair value, then we must perform the second step of the impairment test in order to measure the impairment loss to be recorded, if any. If the carrying value of a reporting unit’s goodwill exceeds its implied fair value, then we record an impairment loss equal to the difference. In our annual impairment test for indefinite-lived intangible assets, we compare the fair value of those assets to their carrying value. We recognize an impairment loss when the estimated fair value of the indefinite-lived intangible asset is less than its carrying value.

We estimate the fair value of our reporting units using an income approach. Under the income approach, we calculate fair value based on the present value of estimated future cash flows. We estimate the fair value of our indefinite-lived intangible assets using the relief from royalty method. The relief from royalty method estimates the portion of a company’s earnings attributable to an intellectual property asset based on an assumed royalty rate that the company would have paid had the asset not been owned.

Determining the fair value of a reporting unit or an indefinite-lived intangible asset is judgmental in nature and involves the use of significant estimates and assumptions, particularly related to future operating results and cash flows. These estimates and assumptions include, but are not limited to, revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, assumed royalty rates, future economic and market conditions and the identification of appropriate market comparable data. In addition, the identification of reporting units and the allocation of assets and liabilities to the reporting units when determining the carrying value of each reporting unit also requires judgment. Goodwill is tested for impairment at the reporting unit level, which, based on the applicable accounting guidance, is either the operating segment or one level below (e.g., the divisions of our Control Technology segment). The fair value of our reporting units and indefinite-lived intangible assets are based on estimates and assumptions that are believed to be reasonable. Significant changes to these estimates and assumptions could adversely impact our conclusions. Actual future results may differ from those estimates. Further, had different reporting units been identified or had different valuation techniques or assumptions been utilized, the results of our impairment tests could have resulted in an impairment loss, which could have been material.

In 2015, a qualitative assessment was performed for all reporting units and it was determined that it was not more likely than not that the fair value of each reporting unit was less than its carrying amount.

Environmental Liabilities

We are subject to various federal, state, local and foreign environmental laws and regulations that require environmental assessment or remediation efforts. Accruals for environmental exposures are recorded on a site-by-site basis when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based on current law and existing technologies. Significant judgment is required to determine both the likelihood of a loss and the estimated amount of loss. Engineering studies, probability techniques, historical experience and other factors are used to identify and evaluate remediation alternatives and their related costs in estimating our reserve for environmental liabilities. Our environmental reserve of $82.6 at December 31, 2015, represents management's estimate of undiscounted costs expected to be incurred related to environmental assessment or remediation efforts, as well as related legal fees, without regard to potential recoveries from insurance companies or other third parties. Our estimated liability is reduced to reflect the participation of other potentially responsible parties in those instances where it is probable that such parties are legally responsible and financially capable of paying their respective share of the relevant costs. Our environmental accruals are reviewed and adjusted for progress of investigation and remediation efforts and as additional technical or legal information become available, such as the impact of negotiations with regulators and other potentially responsible parties, settlements, rulings, advice of legal counsel, and other current information.

We closely monitor our environmental responsibilities, together with trends in the environmental laws. Environmental remediation reserves are subject to numerous inherent uncertainties that affect our ability to estimate our share of the costs. Such uncertainties involve incomplete information regarding particular sites and other potentially responsible parties, uncertainty regarding the nature and extent of contamination at each site, the extent of remediation required under existing regulations, our share of any remediation liability, if any, widely varying cost estimates associated with potential alternative remedial approaches, the length of time required to remediate a particular site, the potential effects of continuing improvements in remediation technology, and changes in environmental standards and regulatory requirements. While environmental laws and regulations are subject to change, the nature of such change is inherently unpredictable and the timing of potential changes is uncertain. The effect of legislative or regulatory changes on environmental standards could be material to the Company's financial statements. Additionally, violations by us of such laws and regulations, discovery of previously unknown or more extensive contamination, litigation involving environmental impacts, our inability to recover costs associated with any such developments, or financial insolvency of other potentially responsible parties could have a material adverse effect on our financial statements. Although it is not possible to predict with certainty the ultimate costs of environmental remediation, the reasonably possible high-end range of our estimated environmental liability at December 31, 2015 was $140.6.

Recent Accounting Pronouncements

See Note 2, "Recent Accounting Pronouncements," in the Notes to the Consolidated Financial Statements for a complete discussion of recent accounting pronouncements.

55

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a result of our global operating and financing activities, we are exposed to market risks from changes in foreign currency exchange rates, interest rates, and commodity prices, which may adversely affect our operating results and financial position. The impact from changes in market conditions is generally minimized through our normal operating and financing activities. However, we may use derivative instruments, primarily forward contracts, interest rate swaps and futures contracts, to manage some of these exposures. We do not use derivative financial instruments for trading or other speculative purposes. To minimize the risk of counterparty non-performance, derivative instruments are entered into with major financial institutions and there is no significant concentration with any one counterparty. A summary of our accounting policies for derivatives is included in Note 1, "Description of Business, Basis of Presentation and Summary of Significant Accounting Policies," to the Consolidated Financial Statements.

Foreign Currency Exchange Rate Exposures

Our foreign currency exchange rate risk relates to receipts from customers, payments to suppliers and intercompany transactions denominated in foreign currencies. Our principal currency exposures relate to the Euro, Chinese renminbi, Czech koruna, South Korean won, and British pound. Based on a sensitivity analysis at December 31, 2015, a hypothetical 10% change in the foreign currency exchange rates for the year ended December 31, 2015 would have resulted in translation impact to our pre-tax earnings of approximately $20, due primarily to the Euro. This calculation assumes that all currencies change in the same direction and proportion relative to the U.S. dollar and that there are no indirect effects, such as changes in non-U.S. dollar sales volumes or prices. This calculation does not take into account the impact of the foreign currency forward exchange contracts discussed above.

Interest Rate Exposures

As of December 31, 2015, our outstanding variable rate debt was $244.5. We estimate that a hypothetical increase in interest rates of 100 basis points would result in approximately $2.5 of additional annual interest expense based on current borrowing levels.

As of December 31, 2015, we had one interest rate swap outstanding with an aggregate notional amount of $1.6 and a fair value of $0.2. These interest rate swap agreements modify our exposure to interest rate risk by converting a portion of the floating-rate debt to a fixed rate. Changes in the fair value of the interest rate swaps are recorded in earnings as the interest rate swaps do not qualify for hedge accounting.

Commodity Price Exposures

Portions of our business are exposed to volatility in the prices of certain commodities, such as steel, gold, copper, nickel, iron, aluminum and tin, as well as specialty alloys, including titanium. Our primary exposure to commodity price volatility resides with the use of these materials in purchased component parts. We generally maintain long-term fixed price contracts on raw materials and component parts; however, we are prone to exposure as these contracts expire. We evaluate hedging opportunities to mitigate or minimize the risk of operating margin erosion resulting from the volatility of commodity prices. We estimate that a hypothetical 10% adverse movement in prices for raw metal commodities would not be material to the financial statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Index to Consolidated Financial Statements herein.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Attached as exhibits to the Form 10-K are certifications of the Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), which are required in accordance with Rule 13a-14 under the Exchange Act, as amended.

(a) Evaluation of Disclosure Controls and Procedures

The Company, with the participation of various levels of management, including the CEO and CFO, conducted an evaluation of effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of December 31, 2015. 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 are effective.

The Company's Disclosure Committee has the responsibility of considering and evaluating the materiality of information and reviewing disclosure obligations on a timely basis. The Disclosure Committee meets regularly and assists the CEO and the CFO in designing, establishing, reviewing and evaluating the Company's disclosure controls and procedures.

(b) Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, completely, accurately and fairly reflect the transactions and dispositions of the Company's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America; (iii) provide reasonable assurance that Company receipts and expenditures are made only in accordance with the authorization of management and the directors of the Company, and (iv) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the Consolidated Financial Statements. Internal control over financial reporting includes the controls themselves, monitoring and internal auditing practices and actions taken to correct any identified deficiencies.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2015. The Company adopted the updated internal control framework released by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The framework is referred to as the COSO 2013 Internal Control Framework (COSO 2013), and is a replacement of the 1992 "Internal Control - Integrated Framework" issued previously by COSO and utilized by most companies, including ITT, up to December 31, 2013. Management's assessment under COSO 2013 included an evaluation of the design of the Company's internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of our Board of Directors.

For purposes of evaluating internal controls over financial reporting, management determined that the internal controls of Wolverine Automotive Holdings Inc., the parent company of Wolverine Advanced Materials LLC (Wolverine), which the Company acquired on October 5, 2015, would be excluded from the internal control assessment as of December 31, 2015, due to the timing of the closing of the acquisition and as permitted by the rules and regulations of the U.S. Securities and Exchange Commission. For the year ended December 31, 2015, Wolverine constituted 9.0% of total assets and 1.4% of total revenues of the Company.

Based on this assessment, management determined that, as of December 31, 2015, the Company maintained effective internal control over financial reporting.

The Company's management, including the CEO and the CFO, does not expect that our internal controls over financial reporting, because of inherent limitations, will prevent or detect all errors and all fraud. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may be inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's assessment, included herein, should be read in conjunction with the certifications and the report issued by Deloitte & Touche LLP (Deloitte & Touche), an independent registered public accounting firm, as stated in their

report, which appears subsequent to Item 9B in this Annual Report on Form 10-K.

(c) Changes in Internal Control over Financial Reporting

During the three months ended December 31, 2015, no change occurred in our internal controls over financial reporting that materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B. 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, codified as Section 13(r) of the Exchange Act, which requires a reporting company to disclose in its annual and quarterly reports whether it or any of its affiliates have knowingly engaged in specified activities or transactions relating to Iran, including activities conducted outside of the United States by non-U.S. affiliates in compliance with local law.

In its 2012 Annual Report, ITT described its acquisition of all the shares of 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 OFAC. 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 performance bond in either 2015, 2014 or 2013, however, Bornemann did pay fees of approximately 11 thousand Euros in 2015 and 2014 and fees of approximately 43 thousand Euros in 2013 to the German financial institution which is maintaining the performance bond.

In connection with certain activities that could not be finalized on or before March 8, 2013, ITT received a Special License from OFAC in June 2014 in order to conclude a settlement with an agent associated with Bornemann’s Iranian activities. The settlement agreement has been finalized and payments totaling Euro 770 thousand were made to the agent in 2014.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
ITT Corporation
White Plains, New York

We have audited the internal control over financial reporting of ITT Corporation and subsidiaries (the "Company") as of December 31, 2015, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Wolverine Automotive Holdings Inc. ("Wolverine"), the parent company of Wolverine Advanced Materials LLC, which was acquired on October 5, 2015 and whose financial statements constitute 9.0% of total assets and 1.4% of revenues of the consolidated financial statement amounts as of and for the year ended December 31, 2015. Accordingly, our audit did not include the internal control over financial reporting at Wolverine. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2015 of the Company and our report dated February 19, 2016 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP
Stamford, Connecticut
February 19, 2016

59

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this Item 10 is incorporated by reference from the information provided under the sections entitled “Information about Voting,” "Proposals to be voted on at the Annual Meeting-Item 1. Election of Directors," "Corporate Governance and Related Matters-Board and Committee Membership-Audit Committee," "Section 16(a) Beneficial Ownership Reporting Compliance," and "Audit Committee Report" in our Proxy Statement for the 2016 Annual Meeting of Shareholders (2016 Proxy Statement).

Information required by this Item 10 with respect to executive officers of the Company is contained under the heading "Executive Officers of the Company" in Part I of this Form 10-K.

ITT has adopted corporate governance principles and charters for each of its standing committees. The principles address director qualification standards, election and selection of an independent presiding director, as well as responsibilities, access to management and independent advisors, compensation, orientation and continuing education, management succession principles and board and committee self-evaluation. The corporate governance principles and charters are available on the Company’s website at www.itt.com/investors/governance/. A copy of the corporate governance principles and charters is also available to any shareholder who requests a copy from the Company’s secretary.

ITT has also adopted a written code of ethics, the "Code of Conduct," which is applicable to all directors, employees and officers (including the Company’s principal executive officer, principal financial officer, principal accounting officer or controller, or person performing similar functions). The Company’s Code of Conduct is available on our website at www.itt.com. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of our Code of Conduct by posting such information on our website at www.itt.com.

Pursuant to New York Stock Exchange (NYSE) Listing Company Manual Section 303A.12(a), the Company submitted a Section 12(a) CEO Certification to the NYSE in 2015. The Company also filed with the SEC, as exhibits to the Company’s current Annual Report on Form 10-K, the certifications required under Section 302 of the Sarbanes-Oxley Act for its Chief Executive Officer and Chief Financial Officer.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this Item 11 is incorporated by reference to the discussion under the headings "2015 Non-Management Director Compensation," "Compensation Tables," "Compensation Discussion and Analysis," "Compensation and Personnel Committee Report" and "Corporate Governance and Related Matters-Compensation Committee Interlocks and Insider Participation" in our 2016 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this Item 12 is incorporated by reference to the discussion under the caption "Stock Ownership of Directors, Executive Officers, and Certain Shareholders" "Section 16(a) Beneficial Ownership Reporting Compliance" and "Equity Compensation Plan Information" in our 2016 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference to the discussions under the captions "Corporate Governance and Related Matters-Policies for Approving Related Party Transactions" and "Corporate Governance and Related Matters-Director Independence," in our 2016 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information about the fees for 2015 and 2014 for professional services rendered by our independent registered public accounting firm is incorporated by reference to the discussion under the heading "Proposal 2. Ratification of Appointment of the Independent Registered Public Accounting Firm" of our 2016 Proxy Statement. Our Audit Committee’s policy on pre-approval of audit and permissible non-audit services of our independent registered public accounting firm is also incorporated by reference to the discussion under the heading "Proposal 2. Ratification of Appointment of the Independent Registered Public Accounting Firm" of our 2016 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as a part of this report:

1. See Index to Consolidated Financial Statements appearing on page 62 for a list of the financial statements filed as a part of this report.

2. See Exhibit Index beginning on pages II-3 for a list of the exhibits filed or incorporated herein as a part of this report.

(b) Financial Statement Schedules are omitted because of the absence of the conditions under which they are required or because the required information is included in the Consolidated Financial Statements filed as part of this report.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

ITEM	PAGE
Report of Independent Registered Public Accounting Firm	63
Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013	64
Consolidated Statements of Comprehensive Income for the years ended December 31, 2015, 2014 and 2013	65
Consolidated Balance Sheets as of December 31, 2015 and 2014	66
Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013	67
Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2015, 2014 and 2013	68
Notes to Consolidated Financial Statements:	69
Note 1 – Description of Business, Basis of Presentation and Summary of Significant Accounting Policies	69
Note 2 – Recent Accounting Pronouncements	76
Note 3 – Segment Information	77
Note 4 – Restructuring Actions	79
Note 5 – Income Taxes	81
Note 6 – Earnings Per Share Data	85
Note 7 – Receivables, Net	86
Note 8 – Inventories, Net	86
Note 9 – Other Current and Non-Current Assets	87
Note 10 – Plant, Property and Equipment, Net	87
Note 11 – Goodwill and Other Intangible Assets, Net	88
Note 12 – Accrued Liabilities and Other Non-Current Liabilities	89
Note 13 – Leases and Rentals	90
Note 14 – Debt	90
Note 15 – Postretirement Benefit Plans	91
Note 16 – Long-Term Incentive Employee Compensation	98
Note 17 – Capital Stock	101
Note 18 – Commitments and Contingencies	102
Note 19 – Guarantees, Indemnities and Warranties	107
Note 20 – Discontinued Operations	107
Note 21 – Acquisitions	108
Supplemental Financial Data:	
Selected Quarterly Financial Data (Unaudited)	109

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
ITT Corporation
White Plains, New York

We have audited the accompanying consolidated balance sheets of ITT Corporation and subsidiaries (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, cash flows, and shareholders' equity for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of ITT Corporation and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 19, 2016 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP
Stamford, Connecticut

February 19, 2016

CONSOLIDATED STATEMENTS OF OPERATIONS (IN MILLIONS, EXCEPT PER SHARE AMOUNTS) YEARS ENDED DECEMBER 31	2015	2014	2013
Revenue	$2,485.6	$2,654.6	$2,496.9
Costs of revenue	1,676.5	1,788.2	1,697.1
Gross profit	809.1	866.4	799.8
Sales and marketing expenses	183.2	219.4	216.2
General and administrative expenses	258.3	300.1	299.9
Research and development expenses	78.9	76.6	67.3
Asbestos-related (benefit) costs, net	(91.4)	3.9	32.8
Operating income	380.1	266.4	183.6
Interest and non-operating (income) expenses, net	(2.2)	4.4	3.1
Income from continuing operations before income tax	382.3	262.0	180.5
Income tax expense (benefit)	70.1	71.3	(309.6)
Income from continuing operations	312.2	190.7	490.1
Income (loss) from discontinued operations, including tax benefit of $24.5, $4.8, and $0.2, respectively	39.4	(3.9)	0.8
Net income	351.6	186.8	490.9
Less: (Loss) income attributable to noncontrolling interests	(0.2)	2.3	2.4
Net income attributable to ITT Corporation	$351.8	$184.5	$488.5
Amounts attributable to ITT Corporation:			
Income from continuing operations, net of tax	$312.4	$188.4	$487.7
Income (loss) from discontinued operations, net of tax	39.4	(3.9)	0.8
Net income	$351.8	$184.5	$488.5
Earnings (loss) per share attributable to ITT Corporation:			
Basic Earnings Per Share:			
Continuing operations	$3.48	$2.06	$5.36
Discontinued operations	0.44	(0.04)	0.01
Net income	$3.92	$2.02	$5.37
Diluted Earnings Per Share:			
Continuing operations	$3.44	$2.03	$5.28
Discontinued operations	0.44	(0.04)	0.01
Net income	$3.88	$1.99	$5.29
Weighted average common shares – basic	89.8	91.5	91.0
Weighted average common shares – diluted	90.7	92.8	92.3
Cash dividends declared per common share	$0.4732	$0.44	$0.40

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (IN MILLIONS) YEARS ENDED DECEMBER 31	2015	2014	2013
Net income	$351.6	$186.8	$490.9
Other comprehensive (loss) income:			
Net foreign currency translation adjustment	(93.4)	(95.9)	10.9
Net change in postretirement benefit plans, net of tax impacts of $9.8, $2.6, and $(38.8), respectively	(9.5)	(15.0)	66.3
Other comprehensive (loss) income	(102.9)	(110.9)	77.2
Comprehensive income	248.7	75.9	568.1
Less: Comprehensive (loss) income attributable to noncontrolling interests	(0.2)	2.3	2.4
Comprehensive income attributable to ITT Corporation	$248.9	$73.6	$565.7
Disclosure of reclassification adjustments and other adjustments to postretirement benefit plans			
Reclassification adjustments:			
Amortization of prior service (benefit) costs, net of tax expense (benefit) of $3.8, $2.2, and $(0.1), respectively (See Note 15)	(6.2)	(3.8)	0.3
Amortization of net actuarial loss, net of tax benefit of $(4.5), $(3.1), and $(4.8), respectively (See Note 15)	8.6	6.3	8.5
Gain on plan curtailment, net of tax expense of $1.6, $0.0, and $0.0, respectively	(2.6)	—	—
Other adjustments:			
Prior service (cost) credit, net of tax benefit (expense) of $0.7, $(19.7), and $(7.1), respectively	(1.3)	34.5	11.9
Net actuarial (loss) gain, net of tax benefit (expense) of $8.2, $23.2, and $(26.8), respectively	(10.5)	(53.8)	46.1
Unrealized change from foreign currency translation	2.5	1.8	(0.5)
Net change in postretirement benefit plans, net of tax	$(9.5)	$(15.0)	$66.3

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

65

CONSOLIDATED BALANCE SHEETS (IN MILLIONS, EXCEPT PER SHARE AMOUNTS) DECEMBER 31	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	$415.7	$584.0
Receivables, net	584.9	500.1
Inventories, net	292.7	302.3
Other current assets	204.4	249.8
Total current assets	1,497.7	1,636.2
Plant, property and equipment, net	443.5	443.9
Goodwill	778.3	632.1
Other intangible assets, net	187.2	91.4
Asbestos-related assets	337.5	374.0
Deferred income taxes	326.1	304.1
Other non-current assets	153.3	149.8
Total non-current assets	2,225.9	1,995.3
Total assets	$3,723.6	$3,631.5
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term loans and current maturities of long-term debt	$245.7	$1.5
Accounts payable	314.7	309.6
Accrued liabilities	392.7	464.3
Total current liabilities	953.1	775.4
Asbestos-related liabilities	954.8	1,116.6
Postretirement benefits	260.4	249.7
Other non-current liabilities	189.9	269.5
Total non-current liabilities	1,405.1	1,635.8
Total liabilities	2,358.2	2,411.2
Shareholders' Equity:		
Common stock:		
Authorized - 250 shares, $1 par value per share (104.5 and 104.3 shares issued, respectively)		
Outstanding - 89.5 and 91.0 shares, respectively	89.5	91.0
Retained earnings	1,696.7	1,445.1
Accumulated other comprehensive loss:		
Postretirement benefit plans	(153.7)	(144.2)
Cumulative translation adjustments	(270.1)	(176.7)
Unrealized loss on investment securities	(0.3)	(0.3)
Total ITT Corporation shareholders' equity	1,362.1	1,214.9
Noncontrolling interests	3.3	5.4
Total shareholders' equity	1,365.4	1,220.3
Total liabilities and shareholders' equity	$3,723.6	$3,631.5

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (IN MILLIONS) YEARS ENDED DECEMBER 31	2015	2014	2013
Operating Activities			
Net income	$351.6	$186.8	$490.9
Less: Income (loss) from discontinued operations	39.4	(3.9)	0.8
Less: (Loss) income attributable to noncontrolling interests	(0.2)	2.3	2.4
Income from continuing operations attributable to ITT Corporation	312.4	188.4	487.7
Adjustments to income from continuing operations			
Depreciation and amortization	90.0	88.3	86.9
Equity-based compensation	15.7	14.0	13.1
Asbestos-related (benefit) costs, net	(91.4)	3.9	32.8
Deferred income taxes	25.6	(0.2)	(364.0)
Asbestos-related payments, net	(24.6)	(3.9)	(25.4)
Contributions to postretirement plans	(18.6)	(12.6)	(11.9)
Changes in assets and liabilities:			
Change in receivables	(72.0)	(45.1)	(60.7)
Change in inventories	31.5	(3.1)	(10.7)
Change in accounts payable	11.0	(5.8)	4.5
Change in accrued expenses	(45.8)	(5.2)	35.6
Change in accrued income taxes	(7.4)	(10.4)	28.6
Other, net	3.3	36.4	10.1
Net Cash – Operating activities	229.7	244.7	226.6
Investing Activities			
Capital expenditures	(86.7)	(118.8)	(122.9)
Acquisitions, net of cash acquired	(351.0)	(2.8)	0.7
Purchases of investments	(140.1)	(165.4)	(240.2)
Maturities of investments	78.5	269.0	168.2
Proceeds from sale of businesses and other assets	9.5	3.7	2.3
Proceeds from insurance recovery	4.2	—	—
Other, net	0.1	(0.2)	3.1
Net Cash – Investing activities	(485.5)	(14.5)	(188.8)
Financing Activities			
Commercial paper, net borrowings (repayments)	94.5	(38.0)	25.4
Short-term revolving loans, borrowings	200.0	—	—
Short-term revolving loans, repayments	(50.0)	—	—
Long-term debt, repaid	(3.6)	(1.7)	(6.4)
Repurchase of common stock	(84.0)	(60.2)	(87.9)
Dividends paid	(42.8)	(40.7)	(36.4)
Proceeds from issuance of common stock	6.2	15.1	34.8
Excess tax benefit from equity compensation activity	3.4	10.4	8.7
Other, net	(3.3)	(1.5)	3.5
Net Cash – Financing activities	120.4	(116.6)	(58.3)
Exchange rate effects on cash and cash equivalents	(31.6)	(31.2)	(0.4)
Net Cash – Discontinued operations	(1.3)	(5.7)	(16.3)
Net change in cash and cash equivalents	(168.3)	76.7	(37.2)
Cash and cash equivalents – beginning of year	584.0	507.3	544.5
Cash and Cash Equivalents – End of Period	$415.7	$584.0	$507.3
Supplemental Cash Flow Disclosures			
Cash paid (received) during the year for:			

Interest	$4.3	$1.1	$0.9
Income taxes, net of refunds received	48.5	70.0	21.9

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(IN MILLIONS)	SHARES			DOLLARS		
YEARS ENDED DECEMBER 31	2015	2014	2013	2015	2014	2013
Common Stock						
Common stock, beginning balance	91.0	91.0	91.9	$91.0	$91.0	$91.9
Activity from stock incentive plans	0.6	1.4	2.3	0.6	1.4	2.3
Share repurchases	(2.1)	(1.4)	(3.2)	(2.1)	(1.4)	(3.2)
Common stock, ending balance	89.5	91.0	91.0	$89.5	$91.0	$91.0
Retained Earnings						
Retained earnings, beginning balance				$1,445.1	$1,320.3	$898.8
Net income attributable to ITT Corporation				351.8	184.5	488.5
Dividends declared				(42.8)	(40.6)	(36.7)
Activity from stock incentive plans				24.5	38.2	54.4
Share repurchases				(81.9)	(58.8)	(84.7)
Purchase of noncontrolling interest				—	1.5	—
Retained earnings, ending balance				$1,696.7	$1,445.1	$1,320.3
Accumulated Other Comprehensive Loss						
Postretirement benefit plans, beginning balance				$(144.2)	$(129.2)	$(195.5)
Net change in postretirement benefit plans				(9.5)	(15.0)	66.3
Postretirement benefit plans, ending balance				$(153.7)	$(144.2)	$(129.2)
Cumulative translation adjustment, beginning balance				$(176.7)	$(80.8)	$(91.7)
Net cumulative translation adjustment				(93.4)	(95.9)	10.9
Cumulative translation adjustments, ending balance				$(270.1)	$(176.7)	$(80.8)
Unrealized (loss) gain on investment securities, beginning balance				$(0.3)	$(0.3)	$(0.3)
Unrealized (loss) gain on investment securities, ending balance				$(0.3)	$(0.3)	$(0.3)
Total accumulated other comprehensive loss				$(424.1)	$(321.2)	$(210.3)
Noncontrolling Interests						
Noncontrolling interests, beginning balance				$5.4	$5.9	$—
(Loss) income attributable to noncontrolling interests				(0.2)	2.3	2.4
Dividend to noncontrolling interest shareholders				(3.3)	—	—
Noncontrolling interest acquired				1.4	—	—
Purchase of noncontrolling interests				—	(2.9)	—
Reclassification of noncontrolling interests				—	—	3.9
Other				—	0.1	(0.4)
Noncontrolling interests, ending balance				$3.3	$5.4	$5.9
Total Shareholders' Equity						
Total shareholders' equity, beginning balance				$1,220.3	$1,206.9	$703.2
Net change in common stock				(1.5)	—	(0.9)
Net change in retained earnings				251.6	124.8	421.5
Net change in accumulated other comprehensive loss				(102.9)	(110.9)	77.2
Net change in noncontrolling interests				(2.1)	(0.5)	5.9
Total shareholders' equity, ending balance				$1,365.4	$1,220.3	$1,206.9

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

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

NOTE 1

DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

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

On October 31, 2011, ITT completed the tax-free spin-off of its Defense and Information Solutions business, Exelis Inc. (Exelis), and its water-related businesses, Xylem Inc. (Xylem) by way of a distribution of all of the issued and outstanding shares of Exelis common stock and Xylem common stock, on a pro rata basis, to ITT shareholders of record on October 17, 2011. This transaction is referred to in this Report as the “2011 spin-off.” On May 29, 2015, Harris Corporation acquired Exelis.

Basis of Presentation

The Consolidated Financial Statements and Notes thereto were prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

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 and recoveries from insurers, allowance for doubtful accounts and inventory valuation. Actual results could differ from these estimates.

Certain prior year amounts have been reclassified to conform to the current year presentation.

Significant Accounting Policies

Principles of Consolidation

Our consolidated financial statements include the accounts of all majority-owned subsidiaries. ITT consolidates companies in which it has a controlling financial interest or when ITT is considered the primary beneficiary of a variable interest entity. We account for investments in companies over which we have the ability to exercise significant influence, but do not hold a controlling interest under the equity method, and we record our proportionate share of income or losses in the Consolidated Statements of Operations. The results of companies acquired or disposed of during the fiscal year are included in the Consolidated Financial Statements from the effective date of acquisition or up to the date of disposal or distribution. All intercompany transactions have been eliminated.

Revenue Recognition

Revenue is derived from the sale of products and services to customers. The following revenue recognition policies describe the manner in which we account for different classes of revenue transactions.

Revenue is recognized when persuasive evidence of an arrangement exists, the sales price is fixed or determinable, collectability is reasonably assured and delivery has occurred or services have been rendered. For product sales, other than long-term construction and production-type contracts (referred to as design and build arrangements), we recognize revenue at the time title and risks and rewards of ownership pass to the customer, which is generally when products are shipped, and the contractual terms have been fulfilled. Certain contracts with customers require delivery, installation, testing, certification or other acceptance provisions to be satisfied before revenue is recognized. In instances where contractual terms include a provision for customer acceptance, revenue is recognized when either (i) we have previously demonstrated that the product meets the specified criteria based on either seller or customer-specified objective criteria or (ii) on formal acceptance received from the customer where the product has not been previously demonstrated to meet customer-specified objective criteria.

We recognize revenue on product sales to channel partners, including resellers, distributors or value-added solution providers at the time of sale when the channel partners have economic substance apart from ITT and ITT has completed its obligations related to the sale. Revenue on service and repair contracts is recognized after services have been agreed to by the customer and rendered or over the service period.

For multiple deliverable arrangements, we recognize revenue based on the relative selling price if the deliverable has stand-alone value to the customer and, in arrangements that include a general right of return relative to the delivered element, performance of the undelivered element is considered probable and substantially in the Company’s control. The selling price for a deliverable is based on vendor-specific objective evidence of selling price (VSOE), if available, third-party evidence of selling price (TPE), if VSOE is not available, or best estimated selling price (BESP), if neither VSOE nor TPE is available.

The deliverables in our arrangements with multiple elements include various products and may include related services, such as installation and start-up services. We allocate arrangement consideration based on the relative selling prices of the separate units of accounting determined in accordance with the hierarchy described above. For deliverables that are sold separately, we establish VSOE based on the price when the deliverable is sold separately. We establish TPE, generally for services, based on prices similarly situated customers pay for similar services from third party vendors. For those deliverables for which we are unable to establish VSOE or TPE, we estimate the selling price considering various factors including market and pricing trends, geography, product customization, and profit objectives. Revenue for multiple element arrangements is recognized when the appropriate revenue recognition criteria for the individual deliverable have been satisfied.

We recognize revenue for certain long-term design and build projects using the percentage-of-completion method, based upon the percentage of costs incurred to total projected costs. Revenue and profit recognized under the percentage-of-completion method are based on management’s estimates. Amounts invoiced to customers in excess of revenue recognized are recorded as deferred revenue, until the revenue recognition criteria are satisfied. Revenue that is earned and recognized in excess of amounts invoiced is recorded as a component of receivables, net. During the performance of long-term sales contracts, estimated final contract prices and costs are reviewed quarterly and revisions are made as required and recorded in income in the period in which they are determined.

We apply the completed-contract method of accounting for smaller design and build contracts, including those of short-term duration. Amounts invoiced to customers in excess of revenue recognized are recorded as a reduction of inventory to the extent project costs have accumulated within inventory or as deferred revenue, within accrued liabilities, until the revenue recognition criteria are satisfied. Our results of operations and financial position would not vary materially had we used the percentage-of-completion method for these types of contracts.

Provisions for estimated losses on uncompleted design and build arrangements are recognized in the period in which such losses are determined. Provisions for estimated losses are recorded as a component of costs of revenue.

We record a reduction in revenue at the time of sale for estimated product returns, rebates and other allowances, based on historical experience and known trends.

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.

70

Shipping and Handling Costs

Shipping and handling costs are recorded as a component of costs of revenue.

Product Warranties

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. Accruals for estimated expenses related to product warranties are made at the time revenue is recognized and are recorded as a component of costs of revenue. We estimate the liability for warranty claims based on our standard warranties, the historical frequency of claims and the cost to replace or repair our products under warranty. Factors that influence our warranty liability include the number of units sold, the length of warranty term, historical and anticipated rates of warranty claims and the cost per claim.

Asbestos-Related Liabilities and Assets

ITT has been named as a defendant in numerous product liability lawsuits alleging personal injury due to asbestos exposure. We accrue the estimated value of pending claims and unasserted claims estimated to be filed over the next 10 years, including legal fees, on an undiscounted basis, due to the inability to reliably forecast the timing of future cash flows. Assumptions utilized in estimating the liability for both pending and unasserted claims include: disease type, average settlement costs, percentage of claims settled or dismissed, the number of claims estimated to be filed against the Company in the future and the costs to defend such claims.

The Company has also recorded an asbestos-related asset, composed of insurance receivables. The asbestos-related asset represents our best estimate of probable recoveries from third parties for pending claims, as well as unasserted claims estimated to be filed over the next 10 years. In developing this estimate, the Company considers coverage-in-place and other settlement agreements with its insurers, as well as a review of expected levels of future cost recovery, the financial viability of the insurance companies, the method by which losses will be allocated to the various insurance policies and the years covered by those policies, and interpretation of the various policy and contract terms and limits and their interrelationships. Consistent with the asbestos liability, the asbestos-related asset has not been discounted to present value due to the inability to reliably forecast the timing of future cash flows. Under coverage-in-place agreements, an insurer's policies remain in force and the insurer undertakes to provide coverage for the Company's pending and future asbestos claims on specified terms and conditions. Insurance payments under coverage-in-place agreements are made to the Company as asbestos claims are settled or adjudicated. The Company's buyout agreements provide an agreed upon amount of available coverage for future asbestos claims under the subject policies to be paid to a Qualified Settlement Fund (QSF) on a specific schedule as agreed upon by the Company and its insurer. However, assets in the QSF are only available and distributed when qualifying asbestos expenditures are submitted for reimbursement as defined in the QSF agreement. Therefore, recovery of insurance reimbursements under these types of agreements is dependent on the timing of the payment of the liability and, consistent with the asbestos liability, have not been discounted to present value.

In the third quarter each year we conduct an asbestos remeasurement with the assistance of outside consultants to review and update, as appropriate, the underlying assumptions used to estimate our asbestos liability and related assets, including a reassessment of the time horizon over which a reasonable estimate of unasserted claims can be projected. In addition, as part of our ongoing review of our net asbestos exposure, each quarter we assess the most recent data available for the key inputs and assumptions, comparing the data to the expectations on which the most recent annual liability and asset estimates were based. Provided the quarterly review does not indicate a more detailed evaluation of our asbestos exposure is required, each quarter we record a net asbestos expense to maintain a rolling 10-year time horizon.

Postretirement Benefit Plans

ITT sponsors pension and other employee-related defined benefit plans (collectively, postretirement benefit plans) for employees around the world. Postretirement benefit obligations are generally determined, where applicable, based on participant years of service, future compensation, and age at retirement or termination. The determination of projected benefit obligations and the recognition of expenses related to postretirement benefit plans are dependent on various assumptions that are judgmental. The assumptions involved in the measurement of our postretirement benefit plan obligations and net periodic postretirement costs primarily relate to discount rates, long-term expected rates of return on plan assets, mortality and termination rates, and other factors. Management develops each assumption using relevant Company experience in conjunction with market-related data for each individual country in which such plans exist. Actual results that differ from our assumptions are accumulated and are amortized over the estimated future working life, or remaining lifetime, of the plan participants depending on the nature of the retirement plan. For the recognition of net periodic postretirement cost, the calculation of the long-term expected return on plan assets is generally derived using a market-related value of plan assets based on yearly average asset values at the measurement date over the last 5 years.

The fair value of plan assets is estimated based on market prices or estimated fair value at the measurement date.

The funded status of each plan is recorded on our balance sheet. Actuarial gains and losses and prior service costs or credits that have not yet been recognized through net income are recorded in accumulated other comprehensive income within shareholders' equity, net of taxes, until they are amortized as a component of net periodic postretirement cost.

Research & Development

Research and development activities are charged to expense as incurred.

Income Taxes

We determine the provision for income taxes using the asset and liability approach. Under this approach, deferred income tax assets and liabilities are determined based on the estimated future tax effects of differences between the financial reporting and tax bases of assets and liabilities, applying currently enacted tax rates in effect for the year in which we expect the differences will reverse. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income (including the reversals of deferred tax liabilities) during the periods in which those deferred tax assets will become deductible.

We record a valuation allowance against our deferred tax assets when it is more likely than not that all or a portion of the deferred tax assets will not be realized. In assessing the need for a valuation allowance, the Company considers all available positive and negative evidence regarding the realizability of its deferred tax assets, including the future reversal of existing taxable temporary differences, taxable income in carryback periods, prudent and feasible tax planning strategies, estimated future taxable income, and whether we have a recent history of losses. The valuation allowance can be affected by changes to tax regulations, interpretations and rulings, changes to enacted statutory tax rates, and changes to future taxable income estimates.

We have not provided deferred tax liabilities for the impact of U.S. income taxes on undistributed foreign earnings which we plan to reinvest indefinitely outside the U.S. We plan foreign earnings remittance amounts based on projected cash flow needs, as well as the working capital and long-term investment requirements of foreign subsidiaries and our domestic operations.

Furthermore, we recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position in consideration of applicable tax statutes and related interpretations and precedents and the expected outcome of the proceedings (or negotiations) with the taxing authorities. Tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized on ultimate settlement.

Earnings Per Share
Basic earnings per common share considers the weighted average number of common shares outstanding. Diluted earnings per share considers the outstanding shares utilized in the basic earnings per share calculation as well as the dilutive effect of outstanding stock options and restricted stock that do not contain rights to nonforfeitable dividends. Diluted shares outstanding include the dilutive effect of in-the-money options, unvested restricted stock units and unvested performance stock units. The dilutive effect of such equity awards is calculated based on the average share price for each reporting period using the treasury stock method. Common stock equivalents are excluded from the computation of earnings per share if they have an anti-dilutive effect.
Cash and Cash Equivalents
ITT considers all highly liquid investments purchased with an original maturity or remaining maturity at the time of purchase of three months or less to be cash equivalents. Cash equivalents primarily include fixed-maturity time deposits and money market investments. We record the fixed maturity time deposits at amortized cost and accrue interest during the maturity period.
Concentrations of Credit Risk
Financial instruments that potentially subject ITT to significant concentrations of credit risk consist principally of cash and cash equivalents, accounts receivable from trade customers, investments and derivatives. We maintain cash and cash equivalents with various financial institutions located in different geographical regions, and our policy is designed to limit exposure to any individual counterparty. As part of our risk management processes, we perform periodic evaluations of the relative credit standing of the financial institutions. We have not sustained any material credit losses during the previous three years from financial instruments held at financial institutions.
Credit risk with respect to accounts receivable is generally diversified due to the large number of entities comprising ITT's customer base and their dispersion across many different industries and geographic regions. However, our largest customer represents approximately 10% of the December 31, 2015 outstanding trade accounts receivable balance. ITT performs ongoing credit evaluations of the financial condition of its third-party distributors, resellers and other customers and requires collateral, such as letters of credit and bank guarantees, in certain circumstances.
Allowance for Doubtful Accounts
We determine our allowance for doubtful accounts using a combination of factors to reduce our trade receivables balances to their estimated net realizable amount. We maintain an allowance for doubtful accounts based on a variety of factors including the length of time receivables are past due, macroeconomic trends and conditions, significant one-time events, historical experience and the financial condition of our customers. We record a specific reserve for individual accounts when we become aware of specific customer circumstances, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position. The past due or delinquency status of a receivable is based on the contractual payment terms of the receivable. If circumstances related to the specific customer change, we adjust estimates of the recoverability of receivables as appropriate.
Inventories
Inventories, which include the costs of material, labor and overhead, are stated at the lower of cost or market, with cost generally computed on a first-in, first-out (FIFO) basis. Estimated losses from obsolete and slow-moving inventories are recorded to reduce inventory values to their estimated net realizable value and are charged to cost of sales. At the point of loss recognition, a new cost basis for that inventory is established and subsequent changes in facts and circumstances do not result in a recovery in carrying value. Inventories valued under the last-in, first-out (LIFO) method represent 13.2% and 15.1% of total 2015 and 2014 inventories, respectively. We have a LIFO reserve of $8.3 and $9.3 recorded as of December 31, 2015 and 2014, respectively.
Cost of sales is generally reported using standard cost techniques with full overhead absorption that approximates actual cost.

Plant, Property and Equipment
Plant, property and equipment, including capitalized interest applicable to major project expenditures, are recorded at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows: buildings and improvements – five to 40 years, machinery and equipment – two to 10 years, furniture and office equipment – three to seven years, and other – five to 40 years. Leasehold improvements are depreciated over the life of the lease or the asset, whichever is shorter. Fully depreciated assets are retained in property and accumulated depreciation accounts until disposal. Repairs and maintenance costs are expensed as incurred.
The Company enters into operating and capital leases for the use of premises and equipment. Rent expense related to operating lease agreements are recorded on a straight line basis, considering lease incentives and escalating rental payments.
Capitalized Internal Use Software
Costs incurred in the preliminary project stage of developing or acquiring internal use software are expensed as incurred. After the preliminary project stage is completed, management has approved the project and it is probable that the project will be completed and the software will be used for its intended purpose, ITT capitalizes certain internal and external costs incurred to acquire or create internal use software, principally related to software coding, designing system interfaces and installation and testing of the software. ITT amortizes capitalized internal use software costs using the straight-line method over the estimated useful life of the software, generally from three to seven years.
Investments
As of December 31, 2015 and 2014, we held investments in time deposits with a cost of $64.9 and $5.4, respectively, having an original maturity exceeding three months at the time of purchase. These investments mature within four months of the balance sheet date and have been presented in other current assets as short-term investments on the Consolidated Balance Sheet. These investments have been classified as held-to-maturity and are recorded at amortized cost, which approximates fair value at December 31, 2015 and 2014. We did not realize any gains or losses from the maturity of our investments during 2015 or 2014. Interest income recognized from these investments during 2015 or 2014 was not material to our results of operations.
Investments in corporate-owned life insurance (COLI) policies are recorded at their cash surrender values as of the balance sheet date. The Company's investments in COLI policies are included in other non-current assets in the consolidated balance sheets and were $92.9 and $93.0 at December 31, 2015 and 2014, respectively. Changes in the cash surrender value during the period generally reflect gains or losses in the fair value of assets, premium payments, and policy redemptions. Gains from COLI investments of $3.6, $4.6, and $3.7 were recorded within operating expenses during years ended December 31, 2015, 2014 and 2013, respectively. These investments were made with the intention of utilizing them as a long-term funding source for deferred compensation obligations, which as of December 31, 2015 and 2014 were approximately $13.0 and $14.4, respectively, however, the COLI policies do not represent a committed funding source for these obligations and as such they are subject to claims from creditors, and we can designate them for another purpose at any time.
Long-Lived Asset Impairment
Long-lived assets, including intangible assets with finite lives and capitalized internal use software, are tested for impairment whenever events or changes in circumstances indicate their carrying value may not be recoverable. We assess the recoverability of long-lived assets based on the undiscounted future cash flow the assets are expected to generate and recognize an impairment loss when estimated undiscounted future cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset, if any, are less than the carrying value of the asset. When an impairment is identified, we reduce the carrying amount of the asset to its estimated fair value based on a discounted cash flow approach or, when available and appropriate, to comparable market values.

Goodwill and Intangible Assets

Goodwill represents purchase consideration paid in a business combination that exceeds the values assigned to the net assets of the acquired business. Intangible assets include customer relationships, proprietary technology, trademarks, patents and other intangible assets. Intangible assets with a finite life are generally amortized on a straight-line basis over an estimated economic useful life, which generally ranges from 10-20 years, and are tested for impairment if indicators of impairment are identified. Certain of our intangible assets have an indefinite life, namely certain brands and trademarks.

Goodwill and indefinite-lived intangible assets are not amortized, but rather are tested for impairment annually (or more frequently if impairment indicators arise, such as changes to the reporting unit structure, significant adverse changes in the business climate or an adverse action or assessment by a regulator). We conduct our annual impairment testing on the first day of the fourth fiscal quarter. An initial qualitative evaluation is performed which considers present events and circumstances, to determine the likelihood of impairment. If the likelihood of impairment is not considered to be more likely than not, then no further testing is performed. If it is considered to be more likely than not that the asset is impaired, then a two-step quantitative impairment test is performed. If the carrying value of the reporting unit exceeds its estimated fair value, then the second step of the impairment test is performed in order to measure the impairment loss to be recorded, if any. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then we record an impairment loss equal to the difference. For indefinite-lived intangibles, if it is considered to be more likely than not that the asset is impaired, we compare the fair value of those assets to their carrying value. We recognize an impairment loss when the estimated fair value of the indefinite-lived intangible asset is less than its carrying value.

We estimate the fair value of our reporting units using an income approach. Under the income approach, we estimate fair value based on the present value of estimated future cash flows. We estimate the fair value of our indefinite-lived intangible assets using the relief from royalty method. The relief from royalty method estimates the portion of a company's earnings attributable to an intellectual property asset based on an assumed royalty rate that the company would have paid had the asset not been owned.

Business Combinations

ITT allocates the purchase price of its acquisitions to the tangible and intangible assets acquired, liabilities assumed, and non-controlling interests in the acquiree based on their estimated fair value at the acquisition date. Changes to acquisition date fair values prior to the expiration of the measurement period, a period not to exceed 12 months from date of acquisition, are recorded as an adjustment to the associated goodwill. Changes to acquisition date fair values after expiration of the measurement period are recorded in earnings. The excess of the acquisition price over those estimated fair values is recorded as goodwill. Acquisition-related expenses are expensed as incurred and the costs associated with restructuring actions initiated after the acquisition are recognized separately from the business combination.

Commitments and Contingencies

We record accruals for commitments and loss contingencies for those which are both probable and the amount can be reasonably estimated. In addition, legal fees are accrued for cases where a loss is probable and the related fees can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount of loss. We review these accruals quarterly and adjust the accruals to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and other current information.

Environmental-Related Liabilities and Assets

Accruals for environmental matters are recorded on a site-by-site basis when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based on current law and existing technologies. Our estimated liability is reduced to reflect the participation of other potentially responsible parties in those instances where it is probable that such parties are legally responsible and financially capable of paying their respective shares of the relevant costs. Accruals for environmental liabilities are primarily included in other non-current liabilities at undiscounted amounts and exclude claims for recoveries from insurance companies or other third parties.

The Company records an asset related to its environmental exposures for insurance and other third parties. The environmental-related asset represents our best estimate of probable recoveries from third parties for costs incurred in past periods, as well as costs estimated to be incurred in future periods.

Environmental costs and related recoveries are recorded within general and administrative expenses in the Consolidated Statements of Operations.

Foreign Currency Translation

The national currencies of our foreign subsidiaries are generally the functional currencies. Balance sheet accounts are translated at the exchange rate in effect at the end of each period, except for equity which is translated at historical rates; income statement accounts are translated at the average rates of exchange prevailing during the period. Gains and losses resulting from foreign currency translation are reflected in the cumulative translation adjustments component of shareholders’ equity.

For foreign subsidiaries that do not use the local currency as their functional currency, foreign currency assets and liabilities are remeasured to the foreign subsidiary’s functional currency using end of period exchange rates, except for nonmonetary balance sheet accounts, which are remeasured at historical exchange rates.

For transactions denominated in other than the functional currency, revenue and expenses are remeasured at average exchange rates in effect during the reporting period in which the transactions occurred, except for expenses related to nonmonetary assets and liabilities. Transaction gains or losses from foreign currency remeasurement are reported in general and administrative expenses.

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.

Recently Adopted Accounting Pronouncements

In November 2015, the Financial Accounting Standards Board (FASB) issued guidance to simplify the presentation and reduce cost and complexity around deferred tax assets (DTAs) and deferred tax liabilities (DTLs). The new guidance requires entities to present DTAs and DTLs as noncurrent in the balance sheet as opposed to the previous guidance which required entities to separately present DTAs and DTLs as current and noncurrent in the balance sheet. The requirement to net DTAs and DTLs by tax jurisdiction is unchanged. ITT has elected to adopt this accounting pronouncement as of December 31, 2015 on a prospective basis. The adoption of this amendment did not have a material impact to ITT's financial statements.

In September 2015, the FASB issued guidance simplifying the accounting for measurement-period adjustments. This guidance replaces the requirement that an acquirer in a business combination account for measurement period adjustments retrospectively with a requirement that an acquirer recognize adjustments to the provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The acquirer is required to record, in the same period’s financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The pronouncement is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. The guidance is to be applied prospectively to adjustments to provisional amounts that occur after the effective date of the guidance, but early adoption is permitted. The adoption of this amendment did not have a material impact to ITT's financial statements. The effects on future periods will depend upon the nature and significance of future acquisitions.

In April 2014, the FASB issued guidance that raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and other disposals that do not meet the definition of a discontinued operation. The new guidance defines a discontinued operation as a disposal of a component or group of components that is disposed of or is classified as held for sale and represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. The adoption of these amendments on January 1, 2015 did not have a material impact to ITT's financial statements. The effects on future periods will depend upon the nature and significance of future disposals.

Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB amended the existing accounting standards for revenue recognition. The amendments are based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of

revenue and cash flows arising from an entity’s contracts with customers. The new guidance will be effective for the Company beginning in its first quarter of 2018. The amendments may be applied retrospectively to each prior period presented or with the cumulative effect recognized as of the date of initial application. ITT is currently evaluating the impact of these amendments and the transition alternatives on ITT's financial statements.

NOTE 3
SEGMENT INFORMATION

The Company's segments are reported on the same basis used internally for evaluating performance and for allocating resources. Our four reportable segments are referred to as: Industrial Process, Motion Technologies, Interconnect Solutions and 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.

Interconnect Solutions manufactures and designs a wide range of highly engineered harsh environment connector solutions that make it possible to transfer signal and power between electronic devices which service global customers for the aerospace and defense, industrial and transportation, oil and gas, and medical markets.

Control Technologies manufactures specialized equipment, including actuation, fuel management, noise and energy absorption, and environmental control system components, for the aerospace and defense, and industrial 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 and certain property, plant and equipment.

	Revenue			Operating Income (Loss)			Operating Margin		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Industrial Process	$1,113.8	$1,208.3	$1,107.4	$141.2	$123.9	$112.0	12.7 %	10.3 %	10.1 %
Motion Technologies	767.2	769.4	721.8	126.4	130.9	100.3	16.5 %	17.0 %	13.9 %
Interconnect Solutions	328.1	392.8	395.5	12.2	22.2	14.2	3.7 %	5.7 %	3.6 %
Control Technologies	281.2	290.5	278.2	42.4	63.5	55.3	15.1 %	21.9 %	19.9 %
Total segment results	2,490.3	2,661.0	2,502.9	322.2	340.5	281.8	13.0 %	12.8 %	11.3 %
Asbestos-related benefit (costs), net	—	—	—	91.4	(3.9)	(32.8)	—	—	—
Eliminations / Other corporate costs	(4.7)	(6.4)	(6.0)	(33.5)	(70.2)	(65.4)	—	—	—
Total Eliminations / Corporate and Other costs	(4.7)	(6.4)	(6.0)	57.9	(74.1)	(98.2)	—	—	—
Total	$2,485.6	$2,654.6	$2,496.9	$380.1	$266.4	$183.6	15.3 %	10.0 %	7.4 %

	Assets		Capital Expenditures			Depreciation and Amortization		
	2015	2014	2015	2014	2013	2015	2014	2013
Industrial Process	$1,097.5	$1,152.3	$20.4	$40.4	$63.0	$27.9	$29.1	$31.0
Motion Technologies	779.8	450.1	39.3	49.2	31.7	32.4	30.3	29.6
Interconnect Solutions	303.2	365.4	17.6	20.2	15.6	10.8	12.8	10.6
Control Technologies	370.6	334.1	6.1	3.8	5.7	12.6	10.0	10.0
Corporate and Other	1,172.5	1,329.6	3.3	5.2	6.9	6.3	6.1	5.7
Total	$3,723.6	$3,631.5	$86.7	$118.8	$122.9	$90.0	$88.3	$86.9

Geographic Information	Revenue[a] 2015	2014	2013
United States	$941.1	$927.0	$896.2
Germany	290.7	303.3	266.7
Other developed markets	476.8	588.3	583.4
Other emerging growth markets	777.0	836.0	750.6
Total	$2,485.6	$2,654.6	$2,496.9

(a) Revenue to external customers is attributed to individual regions based upon the destination of product or service delivery.

Geographic Information	Plant, Property & Equipment, Net 2015	2014
United States	$192.0	$169.4
Italy	81.6	89.3
Germany	36.8	44.9
South Korea	32.6	37.1
China	37.2	36.1
Other developed markets	22.2	20.9
Other emerging growth markets	41.1	46.2
Total	$443.5	$443.9

The following table provides revenue by product category, net of intercompany balances.

	2015	2014	2013
Pumps and complementary products	$1,025.9	$1,112.3	$1,010.8
Pump support and maintenance services	87.8	96.0	96.6
Brake component products	656.7	647.9	619.6
Shock absorber equipment	110.2	121.3	102.0
Connectors equipment	327.9	392.3	394.9
CT Aerospace products	210.7	199.5	192.6
CT Industrial products	66.4	85.3	80.4
Total	$2,485.6	$2,654.6	$2,496.9

During 2015, 2014, and 2013, a single customer accounted for 9.1%, 9.2%, and 10.1% of consolidated ITT revenue, respectively.

NOTE 4
RESTRUCTURING ACTIONS

We have initiated various restructuring actions throughout the business during the past three years. Discussion of certain individually significant actions is provided below. Other less significant restructuring actions initiated during 2014 and 2013 include reduction in force initiatives and geographic sales presence realignment. Restructuring costs are included as a component of general and administrative expense in our Consolidated Income Statements. Restructuring costs incurred during each of the previous three years ended are presented in the table below.

	2015	2014	2013
By component:			
Severance costs	$21.7	$23.2	$22.3
Asset write-offs	1.0	1.5	3.9
Other restructuring costs	1.3	3.4	2.2
Total restructuring costs	$24.0	$28.1	$28.4
By segment:			
Industrial Process	$12.2	$4.2	$4.5
Motion Technologies	—	2.1	5.1
Interconnect Solutions	6.3	20.5	17.2
Control Technologies	5.3	—	0.4
Corporate and Other	0.2	1.3	1.2

In the fourth quarter of 2015, we initiated a restructuring action at our Control Technologies segment to relocate the operations of two facilities to a lower-cost location. The total restructuring costs of this action is estimated to be approximately $7, primarily related to employee severance. During 2015, we recognized $4.5 related to this action and anticipate that the action will be completed in early 2017.

The following table displays a rollforward of the restructuring accruals, presented on our Consolidated Balance Sheet within accrued liabilities, for each of the previous two years ended December 31st.

	2015	2014
Restructuring accruals - beginning balance	$21.9	$14.7
Restructuring costs	24.0	28.1
Cash payments	(24.4)	(18.6)
Asset write-offs	(1.0)	(1.5)
Foreign exchange translation and other	(0.5)	(0.8)
Restructuring accrual - ending balance	$20.0	$21.9
By accrual type:		
Severance accrual	$19.6	$19.6
Facility carrying and other costs accrual	0.4	2.3

2015 Industrial Process Restructuring Actions

In March 2015, we announced a series of restructuring actions in the Company's Industrial Process segment related to a strategic reorganization of the business and to achieve efficiencies and reduce the overall cost structure. The Company expects to incur restructuring costs, principally involuntary severance costs, of approximately $16 related to this action. The costs incurred during 2015 primarily relate to employee severance for approximately 200 planned headcount reductions. We expect to incur remaining restructuring costs of approximately $4 related to this action in the first half of 2016. The following table provides a rollforward of the restructuring accruals associated with the 2015 Industrial Process restructuring actions.

	2015
Restructuring accruals - beginning balance	$—
Restructuring costs	12.2
Cash payments	(6.1)
Asset write-offs	(1.0)
Foreign exchange translation	(0.2)
Restructuring accruals - ending balance	$4.9

2013 - 2015 Interconnect Solutions Restructuring Actions

Beginning in 2013, we initiated comprehensive restructuring actions to improve the overall cost structure of our Interconnect Solutions segment. In 2013, these actions included headcount reductions for approximately 500 employees and the transition of certain production lines from one location to another existing lower cost manufacturing site. The total cost recognized for these actions was $38.4. In May 2015, we initiated a subsequent action to better align the segment with current market conditions. Under this action, the Company recognized total costs of $6.5, principally involuntary severance for approximately 100 employees. Both actions were substantially completed in 2015. The timing of payments related to the remaining accrual for these actions is expected to be approximately $5 in both 2016 and 2017.

The following table provides a rollforward of the restructuring accrual associated with the Interconnect Solutions turnaround activities.

	2015	2014
Restructuring accruals - beginning balance	$17.1	$8.0
Restructuring costs	6.3	20.5
Cash payments	(13.8)	(9.9)
Asset Write-Offs	—	(1.3)
Foreign exchange translation	(0.2)	(0.2)
Restructuring accruals - ending balance	$9.4	$17.1

NOTE 5
INCOME TAXES

For each of the years ended December 31, 2015, 2014, and 2013 the tax data related to continuing operations is as follows:

	2015	2014	2013
Income components:			
United States	$159.3	$44.5	$28.5
International	223.0	217.5	152.0
Income from continuing operations before income tax	382.3	262.0	180.5
Income tax expense (benefit) components:			
Current income tax expense (benefit):			
United States – federal	(8.5)	16.2	10.6
United States – state and local	0.1	0.7	4.2
International	52.9	54.6	39.6
Total current income tax expense	44.5	71.5	54.4
Deferred income tax expense (benefit) components:			
United States – federal	31.9	(0.6)	(331.2)
United States – state and local	6.0	5.1	(36.7)
International	(12.3)	(4.7)	3.9
Total deferred income tax (benefit) expense	25.6	(0.2)	(364.0)
Income tax expense (benefit)	$70.1	$71.3	$(309.6)
Effective income tax rate	18.3%	27.2%	(171.5)%

A reconciliation of the income tax expense (benefit) for continuing operations from the U.S. statutory income tax rate to the effective income tax rate is as follows for each of the years ended December 31, 2015, 2014, and 2013:

	2015	2014	2013
Tax provision at U.S. statutory rate	35.0%	35.0%	35.0%
Tax exempt interest	(6.7)%	(10.3)%	(17.5)%
U.S. tax on foreign earnings	3.8%	9.3%	(0.7)%
Valuation allowance on deferred tax assets	2.1%	8.6%	(191.1)%
Tax on undistributed foreign earnings	(5.6)%	(8.1)%	6.1%
Foreign tax rate differential	(3.6)%	(6.2)%	(4.8)%
State and local income tax	1.0%	1.6%	0.6%
Other adjustments	(0.6)%	(1.3)%	(0.6)%
Foreign tax holiday	(1.1)%	(1.3)%	(1.0)%
U.S. permanent items	(1.0)%	(1.0)%	(1.3)%
Audit settlements & unrecognized tax benefits	(5.0)%	0.9%	3.8%
Effective income tax rate	18.3%	27.2%	(171.5)%

Our effective tax rate in 2015 includes tax benefits for previously unrecognized tax positions of approximately $13.0 due to the completion of tax examinations and lapses in the statute of limitations.

During 2015, the Company settled the U.S. income tax audit for tax years 2009 to 2011. The Company recorded a tax benefit of $18.0 in continuing operations, which includes a net tax benefit of $8.0 from favorable audit adjustments and $10.0 from the recognition of previously unrecognized tax benefits. In addition, this U.S. income tax audit resulted in a tax benefit of $20.9 related to discontinued operations, which includes net tax expense of $17.4 from unfavorable audit adjustments and a tax benefit of $38.3 from the recognition of previously unrecognized tax positions. In accordance with the existing Tax Matters Agreement with Exelis and Xylem, the Company is entitled to reimbursement for a portion of the tax liability and has recorded a receivable of $1.6 and $13.2 in continuing and discontinued operations, respectively.

As a result of investment opportunities and other factors, and their impact on the Company's expected liquidity, certain earnings generated in Hong Kong, Japan, Luxembourg, and South Korea may be repatriated in the future and are therefore not considered to be indefinitely reinvested outside of the U.S. In 2015, the Company repatriated certain foreign earnings and subsequently reversed the deferred tax liability on the undistributed foreign earnings by $21.5. We have not provided for deferred taxes on the remaining excess of financial reporting over tax bases of investments in foreign subsidiaries in the amount of $809.7 because we plan to reinvest such earnings indefinitely outside of the U.S. While the amount of U.S. federal income taxes, if such earnings are distributed in the future, cannot be determined, such taxes may be reduced by tax credits and other tax deductions. As of December 31, 2015, the amount of cash, cash equivalents and marketable securities held by foreign subsidiaries was $432.7. Our intent is to permanently reinvest these funds outside of the U.S., and current plans do not anticipate that we will need funds generated from foreign operations to fund our domestic operations. In the event funds from foreign operations are needed to fund operations in the U.S. and if U.S. tax has not already been previously provided, we would be required to accrue and pay additional U.S. taxes to repatriate these funds.

We operate under a tax holiday in South Korea, which is effective until December 31, 2019. The tax holiday is conditional upon our meeting certain earnings thresholds. The impact of this holiday decreased foreign taxes by $4.1, or $0.05, per diluted share in 2015.

Deferred tax assets and liabilities include the following:

	2015	2014
Deferred Tax Assets:		
Accruals	$88.0	$69.0
Asbestos	228.7	272.6
Employee benefits	110.4	109.4
Credit carryforwards	34.5	29.3
Loss carryforwards	125.1	128.0
Other	15.5	36.0
Gross deferred tax assets	602.2	644.3
Less: Valuation allowance	135.7	147.1
Net deferred tax assets	$466.5	$497.2
Deferred Tax Liabilities:		
Undistributed earnings	$(39.6)	$(61.2)
Intangibles	(70.8)	(58.7)
Accelerated depreciation	(31.0)	(26.0)
Investment	(0.5)	(0.4)
Total deferred tax liabilities	$(141.9)	$(146.3)
Net deferred tax assets	$324.6	$350.9

Deferred taxes are presented in the Consolidated Balance Sheets as follows:

	2015	2014
Current assets	$—	$56.2
Non-current assets	326.1	304.1
Other non-current liabilities	(1.5)	(9.4)
Net deferred tax assets	$324.6	$350.9

On December 31, 2015, we adopted new FASB guidance related to simplifying the presentation of deferred income taxes on the balance sheet. We have elected to apply the guidance prospectively, resulting in the classification of all deferred tax assets and liabilities as non-current as of December 31, 2015. Prior periods were not retrospectively adjusted.

The table included below provides a rollforward of our valuation allowance on net deferred income tax assets from December 31, 2012 to December 31, 2015.

	Federal	State	Foreign	Total
DTA valuation allowance - December 31, 2012	$352.8	$122.4	$61.5	$536.7
Change in assessment	(339.6)	(35.0)	3.7	(370.9)
Current year operations	(13.2)	(42.7)	25.4	(30.5)
DTA valuation allowance - December 31, 2013	—	44.7	90.6	135.3
Change in assessment	—	—	2.5	2.5
Current year operations	—	0.3	9.0	9.3
DTA valuation allowance - December 31, 2014	—	45.0	102.1	147.1
Change in assessment	—	—	(7.4)	(7.4)
Current year operations	—	(3.5)	(0.5)	(4.0)
DTA valuation allowance - December 31, 2015	$—	$41.5	$94.2	$135.7

In the third quarter of 2013, the Company moved from a three-year adjusted cumulative domestic pretax loss position to a three-year adjusted cumulative domestic pretax income position. In measuring adjusted cumulative pretax income (loss), the Company adjusted pretax U.S. income (loss) for nonrecurring items and recurring permanent differences. The recurring permanent differences included excess stock option deductions which represented the amount of tax deductions in excess of book deductions, ultimately reducing book income on the tax return, and foreign earnings, the indefinite reinvestment of which was not asserted, and was not expected to be asserted in the foreseeable future, and dividends paid or expected to be paid. Each of these items was recurring in nature and representative of our book taxable income. In addition, we included adjustments for certain non-recurring costs directly attributable to the 2011 spin-off as these were not indicative of future taxable income. The three-year cumulative income position was strong positive evidence in evaluating the realizability of our deferred tax assets as of September 30, 2013. However, the Company considered all available evidence, both positive and negative, in its evaluation to reverse the valuation allowance at that time, including future earnings, industry trends, and certain contingencies, such as asbestos-related costs. Further, we considered future reversals of existing taxable temporary differences as a source of income available to recover a portion of existing deferred tax assets, future taxable income exclusive of reversing taxable temporary differences and carryforwards, and available tax-planning strategies in assessing the realizability of the deferred tax assets. Based on positive evidence, including the three-year cumulative positive income and the absence of any significant negative evidence, management determined that it was more likely than not that the Company's U.S. deferred tax assets would be realized except for certain deferred tax assets attributable to state net operating losses and tax credits.

During the current year, after considering all available evidence, including cumulative income and the absence of any significant negative evidence, the Company released the valuation allowance against certain foreign net deferred tax assets in China. The Company continues to maintain a valuation allowance against certain deferred tax assets attributable to state net operating losses and tax credits and certain foreign net deferred tax assets primarily in Luxembourg, Germany and India which are not expected to be realized. Overall, the current year decrease in the valuation allowance of $11.4 is primarily attributable to the release of valuation allowance in China.

We have the following tax attributes available for utilization at December 31, 2015:

Attribute	Amount	First Year of Expiration
U.S. federal net operating losses	$1.4	12/31/2024
U.S. state net operating losses	$1,313.5	12/31/2016
U.S. federal tax credits	$28.6	12/31/2021
U.S. state tax credits	$5.8	12/31/2027
Foreign net operating losses	$296.2	12/31/2016

We have approximately $191.9 of net operating loss carryforwards in Luxembourg as of December 31, 2015 that do not expire.

Shareholders’ equity at December 31, 2015 and 2014 includes excess income tax benefits related to stock-based compensation in 2015 and 2014 of approximately $3.4 and $10.4, respectively.

83

Uncertain Tax Positions

We recognize income tax benefits from uncertain tax positions only if, based on the technical merits of the position, it is more likely than not that the tax position will be sustained on examination by the taxing authorities. The tax benefits recognized in the Consolidated Financial Statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

A reconciliation of the beginning and ending amount of unrecognized tax benefits for each of the years ended December 31, 2015, 2014, and 2013 is as follows:

	2015	2014	2013
Unrecognized tax benefits – January 1	$160.1	$161.2	$208.8
Additions for:			
Prior year tax positions	1.8	2.4	1.6
Current year tax positions	3.4	2.8	8.0
Assumed in Acquisition	1.9	—	—
Reductions for:			
Prior year tax positions	(56.6)	(2.8)	(55.4)
Settlements	(19.0)	(1.0)	(1.0)
Expiration of Statute of Limitations	(4.0)	(2.5)	(0.8)
Unrecognized tax benefits – December 31	$87.6	$160.1	$161.2

As of December 31, 2015, $38.2 and $3.7 of the unrecognized tax benefits would affect the effective tax rate for continuing operations and discontinued operations respectively, if realized. 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, China, Germany, Hong Kong, Italy, Korea, Mexico, the U.S. and Venezuela.

The calculation of our tax liability for unrecognized tax benefits includes dealing with 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 our current estimate of the unrecognized tax benefit. Over the next twelve 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. The settlement of any future examinations could result in changes in the amounts attributable to the Company under its existing Tax Matters Agreement with Exelis and Xylem.

The following table summarizes the earliest open tax years by major jurisdiction as of December 31, 2015:

Jurisdiction	Earliest Open Year
China	2010
Czech	2013
Germany	2008
Italy	2005
Korea	2008
Luxembourg	2011
Mexico	2010
United States	2012

We classify interest relating to tax matters as a component of interest expense and tax penalties as a component of income tax expense in our Consolidated Statements of Operations. During 2015 and 2014, we recognized a net interest benefit of $5.7 and net interest expense of $0.8, respectively, related to tax matters. We had $9.8 and $19.4 of interest expense accrued from continuing and discontinued operations related to tax matters as of December 31, 2015 and 2014, respectively.

Tax Matters Agreement

On October 25, 2011, we entered into a Tax Matters Agreement with Exelis and Xylem that governs the respective rights, responsibilities and obligations of the companies after the 2011 spin-off with respect to tax liabilities and benefits, tax attributes, tax contests and other tax sharing regarding U.S. Federal, state, local and foreign income taxes, other tax matters and related tax returns. Exelis and Xylem have liability with ITT to the U.S. Internal Revenue Service (IRS) for the consolidated U.S. Federal income taxes of the ITT consolidated group relating to the taxable periods in which Exelis and Xylem were part of that group. During 2015, the Company settled the U.S. income tax audit for tax years 2009 to 2011. Pursuant to the Tax Matters Agreement, the Company is entitled to reimbursement for a portion of the tax liability and has recorded an aggregate receivable of $14.8 from Exelis and Xylem as of December 31, 2015. The settlement of future examinations in state or foreign jurisdictions could result in changes in amounts attributable to us through the Tax Matters Agreement entered into with Exelis and Xylem. Currently we cannot reasonably estimate the amount of such changes.

NOTE 6

EARNINGS PER SHARE DATA

The following table provides a reconciliation of the data used in the calculation of basic and diluted common shares outstanding for the three years ended December 31, 2015, 2014 and 2013.

	2015	2014	2013
Weighted average common shares outstanding	89.8	91.5	90.9
Add: Weighted average restricted stock awards outstanding[a]	—	—	0.1
Basic weighted average common shares outstanding	89.8	91.5	91.0
Add: Dilutive impact of outstanding equity awards	0.9	1.3	1.3
Diluted weighted average common shares outstanding	90.7	92.8	92.3

(a) Restricted stock awards containing rights to non-forfeitable dividends which participate in undistributed earnings with common shareholders are considered participating securities for purposes of computing earnings per share.

The following table provides the number of shares underlying stock options excluded from the computation of diluted earnings per share for the three years ended December 31, 2015, 2014 and 2013 because they were anti-dilutive.

	2015	2014	2013
Anti-dilutive stock options	0.4	0.2	0.2
Average exercise price	$42.50	$43.51	$26.83
Year(s) of expiration	2024 - 2025	2024	2023

In addition, 0.1 of outstanding employee ROIC awards (see Note 16, Long-Term Incentive Employee Compensation, for additional information on ROIC awards) were excluded from the computation of diluted earnings per share for the year ended December 31, 2015, as the performance period related to ROIC awards has not been achieved.

NOTE 7
RECEIVABLES, NET

	2015	2014
Trade accounts receivable	$554.0	$476.8
Notes receivable	3.9	6.1
Other	43.1	30.5
Receivables, gross	601.0	513.4
Less: allowance for doubtful accounts	16.1	13.3
Receivables, net	$584.9	$500.1

The following table displays a rollforward of the allowance for doubtful accounts for the years ended December 31, 2015, 2014, and 2013.

	2015	2014	2013
Allowance for doubtful accounts – January 1	$13.3	$12.6	$12.9
Charges to income	3.6	4.0	1.8
Write-offs	(0.8)	(1.6)	(1.7)
Foreign currency and other	—	(1.7)	(0.4)
Allowance for doubtful accounts – December 31	$16.1	$13.3	$12.6

NOTE 8
INVENTORIES, NET

	2015	2014
Finished goods	$60.9	$70.5
Work in process	56.0	59.9
Raw materials	162.9	148.5
Inventoried costs related to long-term contracts	43.0	61.4
Total inventory before progress payments	322.8	340.3
Less – progress payments	(30.1)	(38.0)
Inventories, net	$292.7	$302.3

NOTE 9
OTHER CURRENT AND NON-CURRENT ASSETS

	2015	2014
Asbestos-related current assets	$74.5	$102.4
Current deferred income taxes[(a)]	—	56.2
Short-term investments	64.9	5.4
Prepaid income tax	14.3	25.9
Other	50.7	59.9
Other current assets	$204.4	$249.8
Other employee benefit-related assets	$92.9	$93.0
Capitalized software costs	28.2	26.8
Environmental related assets	10.8	7.7
Equity method investments	5.6	3.9
Other	15.8	18.4
Other non-current assets	$153.3	$149.8

(a) In the fourth quarter of 2015, we adopted a new accounting pronouncement related to the balance sheet presentation of deferred income taxes. We have applied the provisions of the guidance on a prospective basis. Refer to Note 2, Recent Accounting Pronouncements for further information.

NOTE 10
PLANT, PROPERTY AND EQUIPMENT, NET

	2015	2014
Land and improvements	$25.4	$24.0
Machinery and equipment	909.3	870.3
Buildings and improvements	242.0	228.8
Furniture, fixtures and office equipment	66.3	65.8
Construction work in progress	42.3	44.5
Other	6.7	7.8
Plant, property and equipment, gross	1,292.0	1,241.2
Less: accumulated depreciation	(848.5)	(797.3)
Plant, property and equipment, net	$443.5	$443.9

Depreciation expense of $70.7, $72.9 and $63.4 was recognized in 2015, 2014 and 2013, respectively.

NOTE 11
GOODWILL AND OTHER INTANGIBLE ASSETS, NET
Goodwill
Changes in the carrying amount of goodwill for the years ended December 31, 2015 and 2014 by segment are as follows:

	Industrial Process	Motion Technologies	Interconnect Solutions	Control Technologies	Total
Goodwill - December 31, 2013	$351.0	$49.8	$73.9	$185.1	$659.8
Goodwill acquired	1.2	—	—	—	1.2
Foreign currency	(20.3)	(5.9)	(2.7)	—	(28.9)
Goodwill - December 31, 2014	$331.9	$43.9	$71.2	$185.1	$632.1
Goodwill acquired	—	161.6	—	13.3	174.9
Allocated to divestiture	—	—	—	(2.7)	(2.7)
Foreign currency	(19.3)	(4.5)	(2.2)	—	(26.0)
Goodwill - December 31, 2015	$312.6	$201.0	$69.0	$195.7	$778.3

Goodwill acquired during 2015 relates to the Wolverine acquisition at Motion Technologies and the Hartzell Aerospace acquisition at Control Technologies. See Note 21, "Acquisitions", for further information. Goodwill of $2.7 was written-off during the second quarter of 2015 in connection with the sale of an industrial product line within our Control Technologies segment. The sale of this product line resulted in a net gain of $0.1, which included the allocation of goodwill.
Based on the results of our annual impairment test, we determined that no impairment of goodwill existed as of the measurement date in 2015 or 2014. However, future goodwill impairment tests could result in a charge to earnings. We will continue to evaluate goodwill on an annual basis as of the beginning of our fourth fiscal quarter and whenever events and changes in circumstances indicate there may be a potential impairment.
Other Intangible Assets
Information regarding our other intangible assets is as follows:

	December 31, 2015			December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Intangibles	Gross Carrying Amount	Accumulated Amortization	Net Intangibles
Customer relationships	$157.4	$(45.3)	$112.1	$83.1	$(38.3)	$44.8
Proprietary technology	54.9	(12.7)	42.2	28.1	(9.9)	18.2
Patents and other	8.6	(6.6)	2.0	15.2	(13.1)	2.1
Finite-lived intangible total	220.9	(64.6)	156.3	126.4	(61.3)	65.1
Indefinite-lived intangibles	30.9	—	30.9	26.3	—	26.3
Other Intangible Assets	$251.8	$(64.6)	$187.2	$152.7	$(61.3)	$91.4

Indefinite-lived intangibles primarily consist of brands and trademarks.
During 2015 we recognized an impairment loss of $1.8, within general and administrative expenses, for various identified intangibles within our Control Technologies segment. The impairment loss resulted from the expected decline of a non-core product line related to a customer settlement. There was no impairment of intangible assets in 2014.
Customer relationships, proprietary technology and patents and other intangible assets are amortized over weighted average lives of approximately 12.3 years, 12.9 years and 9.5 years, respectively.

The preliminary fair value of intangible assets and their respective weighted average lives with respect to the acquisition of Wolverine and Hartzell Aerospace during 2015 are as follows:

	Hartzell Aerospace		Wolverine	
	Fair Value Acquired	Useful Life (in Years)	Fair Value Acquired	Useful Life (in Years)
Customer relationships	$16.9	20	$62.0	8
Proprietary technology	9.6	20	20.0	10
Backlog	1.9	1	—	—
Brand and trademarks	0.2	1	—	—
Indefinite-lived trade name	—	—	7.0	—
Total	$28.6		$89.0	

Amortization expense related to intangible assets for 2015, 2014 and 2013 was $14.0, $11.1 and $17.6, respectively. Estimated amortization expense for each of the five succeeding years is as follows:

Year	Estimated Amortization Expense
2016	$20.2
2017	18.6
2018	17.4
2019	17.2
2020	17.2
Thereafter	65.7

NOTE 12

ACCRUED LIABILITIES AND OTHER NON-CURRENT LIABILITIES

	2015	2014
Compensation and other employee-related benefits	$138.6	$176.5
Asbestos-related liability	88.0	106.6
Customer-related liabilities	38.0	41.3
Environmental and other legal matters	24.0	31.6
Accrued warranty costs	21.7	29.4
Accrued income taxes and other tax-related liabilities	30.9	28.0
Other accrued liabilities	51.5	50.9
Accrued and other current liabilities	$392.7	$464.3
Deferred income taxes and other tax-related accruals	$44.5	$112.2
Environmental liabilities	72.0	80.2
Compensation and other employee-related benefits	35.6	38.6
Other	37.8	38.5
Other non-current liabilities	$189.9	$269.5

NOTE 13
LEASES AND RENTALS

ITT leases certain offices, manufacturing buildings, land, machinery, automobiles, computers and other equipment. The majority of leases expire at various dates through 2027 and may include renewal and payment escalation clauses. ITT often pays maintenance, insurance and tax expense related to leased assets. Rental expenses under operating leases were $18.6, $18.7 and $14.7 for 2015, 2014 and 2013, respectively. Future minimum operating lease payments under non-cancellable operating leases with an initial term in excess of one year as of December 31, 2015 are shown below.

2016	$21.7
2017	18.2
2018	17.6
2019	14.9
2020	11.9
2021 and thereafter	72.6
Total minimum lease payments	$156.9

NOTE 14
DEBT

	2015	2014
Commercial Paper	$94.5	$—
Short-term loans	150.0	—
Current maturities of long-term debt	0.7	1.1
Current capital leases	0.5	0.4
Short-term loans and current maturities of long-term debt	245.7	1.5
Non-current maturities of long-term debt	2.3	6.0
Non-current capital leases	0.5	1.0
Long-term debt and capital leases	2.8	7.0
Total debt and capital leases	$248.5	$8.5

Commercial Paper

Commercial paper outstanding as of December 31, 2015 was $94.5, with an associated weighted average interest rate of 1.04% and maturity terms less than one month from the date of issuance. There was no commercial paper outstanding as of December 31, 2014.

Short-term Loans

On November 25, 2014, we entered into a competitive advance and revolving credit facility agreement (2014 Revolving Credit Agreement) with a consortium of third party lenders including JP Morgan Chase Bank, N.A., as administrative agent, and Citibank, N.A. as syndication agent. Upon its effectiveness, this agreement replaced our existing $500 four-year revolving credit facility due October 2015. The 2014 Revolving Credit Agreement provides for a five-year maturity with a one-year extension option upon satisfaction of certain conditions, and comprises an aggregate principal amount of up to $500 of (i) revolving extensions of credit (the revolving loans) outstanding at any time, (ii) competitive advance borrowing option which will be provided on an uncommitted competitive advance basis through an auction mechanism (the competitive advances), and (iii) letters of credit in a face amount up to $100 at any time outstanding. Subject to certain conditions, we are permitted to terminate permanently the total commitments and reduce commitments in minimum amounts of $10. We are also permitted, subject to certain conditions, to request that lenders increase the commitments under the facility by up to $200 for a maximum aggregate principal amount of $700. Borrowings under the credit facility are available in U.S. dollars, Euro or Sterling.

At our election, the interest rate per annum applicable to the competitive advances will be obtained from bids in accordance with competitive auction procedures. At our election, interest rate per annum applicable to the revolving loans will be based on either (i) a Eurodollar rate determined by reference to LIBOR, adjusted for statutory reserve requirements, plus an applicable margin or (ii) a fluctuating rate of interest determined by reference to the greatest of (a) the prime rate of JPMorgan Chase Bank, N.A., (b) the federal funds effective rate plus one-half of 1% or (c) the 1-month LIBOR rate, adjusted for statutory reserve requirements, plus 1%, in each case, plus an applicable margin. As of December 31, 2015, we had $150 outstanding under the credit facility, with an associated interest rate of 1.55%.
The credit facility contains customary affirmative and negative covenants that, among other things, will limit or restrict our ability to: incur additional debt or issue guarantees; create liens; enter into certain sale and lease-back transactions; merge or consolidate with another person; sell, transfer, lease or otherwise dispose of assets; liquidate or dissolve; and enter into restrictive covenants. Additionally, the 2014 Revolving Credit Agreement requires us not to permit the ratio of consolidated total indebtedness to consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) (leverage ratio) to exceed 3.00 to 1.00 at any time, or the ratio of consolidated EBITDA to consolidated interest expense (interest coverage ratio) to be less than 3.00 to 1.00. At December 31, 2015, 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 credit facility.

NOTE 15

POSTRETIREMENT BENEFIT PLANS

Defined Contribution Plans

Substantially all of ITT’s U.S. and certain international employees are eligible to participate in a defined contribution plan. ITT sponsors numerous defined contribution savings plans, which allow employees to contribute a portion of their pre-tax and/or after-tax income in accordance with specified guidelines. Several of the plans require us to match a percentage of the employee contributions up to certain limits. Company contributions charged to income amounted to $18.4, $17.3, and $15.3 for 2015, 2014 and 2013, respectively.
The ITT Stock Fund, an investment option under the ITT Corporation Retirement Savings Plan, is considered an employee stock ownership plan and, as a result, participants in the ITT Stock Fund may receive dividends in cash or may reinvest such dividends into the ITT Stock Fund. The ITT Stock Fund held approximately 0.2 shares of ITT common stock at December 31, 2015.

Defined Benefit Plans

ITT sponsors several defined benefit pension plans which have approximately 2,200 active participants; however, most of these plans have been closed to new participants for several years. As of December 31, 2015, of our total projected benefit obligation, the ITT Industrial Process Pension Plan represented 35%, the ITT Consolidated Hourly Pension Plan represented 35%, other U.S. plans represented 11% and international pension plans represented 19%. The U.S. plans are generally for hourly employees with a flat dollar benefit formula based on years of service. International plan benefits are primarily determined based on participant years of service, future compensation, and age at retirement or termination.
ITT also provides health care and life insurance benefits for eligible U.S. employees upon retirement. In some cases, the plan is still open to certain union employees, but for the majority of our businesses these plans are closed to new participants. The majority of the liability pertains to retirees with postretirement medical insurance.

Balance Sheet Information

Amounts recognized as assets or liabilities in the Consolidated Balance Sheets for postretirement benefit plans reflect the funded status. The following table provides a summary of the funded status of our postretirement benefit plans and the presentation of the funded status within our Consolidated Balance Sheet as of December 31, 2015 and 2014.

	2015			2014		
	Pension	Other Benefits	Total	Pension	Other Benefits	Total
Fair value of plan assets	$279.0	$7.9	$286.9	$273.9	$9.5	$283.4
Projected benefit obligation	417.9	143.4	561.3	411.6	134.5	546.1
Funded status	$(138.9)	$(135.5)	$(274.4)	$(137.7)	$(125.0)	$(262.7)
Amounts reported within:						
Accrued liabilities	(4.3)	(9.7)	(14.0)	(4.4)	(8.6)	(13.0)
Non-current liabilities	(134.6)	(125.8)	(260.4)	(133.3)	(116.4)	(249.7)

A portion of our projected benefit obligation includes amounts that have not yet been recognized as expense in our results of operations. Such amounts are recorded within accumulated other comprehensive loss until they are amortized as a component of net periodic postretirement cost. The following table provides a summary of amounts recorded within accumulated other comprehensive loss at December 31, 2015 and 2014.

	2015			2014		
	Pension	Other Benefits	Total	Pension	Other Benefits	Total
Net actuarial loss	$168.9	$66.6	$235.5	$169.1	$63.0	$232.1
Prior service cost (benefit)	5.6	(57.4)	(51.8)	6.6	(74.2)	(67.6)
Total	$174.5	$9.2	$183.7	$175.7	$(11.2)	$164.5

The following table provides a rollforward of the projected benefit obligations for our U.S. and international pension plans and our other employee-related defined benefit plans for the years ended December 31, 2015 and 2014.

	2015				2014			
	U.S.	Int'l	Other Benefits	Total	U.S.	Int'l	Other Benefits	Total
Change in benefit obligation								
Benefit obligation – January 1	$324.1	$87.5	$134.5	$546.1	$281.2	$84.8	$166.6	$532.6
Service cost	3.5	1.5	0.9	5.9	3.2	1.6	1.5	6.3
Interest cost	13.0	1.5	5.0	19.5	13.1	2.4	7.4	22.9
Amendments[a]	—	—	—	—	4.5	—	(58.7)	(54.2)
Actuarial (gain) loss	(14.9)	(2.9)	7.0	(10.8)	39.0	13.7	25.9	78.6
Benefits and expenses paid	(18.5)	(2.7)	(7.9)	(29.1)	(16.9)	(3.0)	(8.2)	(28.1)
Acquired	32.7	2.8	1.9	37.4	—	—	—	—
Settlement	—	(1.1)	—	(1.1)	—	(1.6)	—	(1.6)
Curtailment	—	—	2.0	2.0	—	—	—	—
Foreign currency translation	—	(8.6)	—	(8.6)	—	(10.4)	—	(10.4)
Benefit obligation – December 31	$339.9	$78.0	$143.4	$561.3	$324.1	$87.5	$134.5	$546.1

(a) During 2014, management approved changes to certain other employee-related defined benefit plans, reducing certain retiree medical benefits, resulting in a decrease to ITT's other employee-related defined benefit liability of $58.7.

The following table provides a rollforward of our U.S. and international pension plan and other employee-related defined benefit plan assets and the funded status as of and for the years ended December 31, 2015 and 2014.

	2015				2014			
	U.S.	Int’l	Other Benefits	Total	U.S.	Int’l	Other Benefits	Total
Change in plan assets								
Plan assets – January 1	$272.9	$1.0	$9.5	$283.4	$266.8	$2.0	$9.2	$278.0
Actual return on plan assets	(8.0)	—	0.1	(7.9)	22.1	0.1	0.3	22.5
Employer contributions	8.6	3.8	6.2	18.6	0.9	3.5	8.2	12.6
Benefits and expenses paid	(18.5)	(2.7)	(7.9)	(29.1)	(16.9)	(3.0)	(8.2)	(28.1)
Acquired	23.1	—	—	23.1	—	—	—	—
Settlement	—	(1.1)	—	(1.1)	—	(1.6)	—	(1.6)
Foreign currency translation	—	(0.1)	—	(0.1)	—	—	—	—
Plan assets – December 31	$278.1	$0.9	$7.9	$286.9	$272.9	$1.0	$9.5	$283.4
Funded status at end of year	$(61.8)	$(77.1)	$(135.5)	$(274.4)	$(51.2)	$(86.5)	$(125.0)	$(262.7)

The accumulated benefit obligation for all defined benefit pension plans was $415.4 and $408.3 at December 31, 2015 and 2014, respectively. The following table provides information for pension plans with an accumulated benefit obligation in excess of plan assets.

	2015	2014
Projected benefit obligation	$417.9	$411.6
Accumulated benefit obligation	415.4	408.3
Fair value of plan assets	279.0	273.9

Income Statement Information

The following table provides the components of net periodic postretirement cost and other amounts recognized in other comprehensive loss for each of the years ended December 31, 2015, 2014 and 2013 as they pertain to our defined benefit pension plans.

	2015			2014			2013		
	U.S.	Int’l	Total	U.S.	Int’l	Total	U.S.	Int’l	Total
Net periodic postretirement cost									
Service cost	$3.5	$1.5	$5.0	$3.2	$1.6	$4.8	$4.9	$1.7	$6.6
Interest cost	13.0	1.5	14.5	13.1	2.4	15.5	12.1	2.5	14.6
Expected return on plan assets	(20.8)	—	(20.8)	(20.0)	(0.1)	(20.1)	(19.5)	(0.1)	(19.6)
Amortization of net actuarial loss (gain)	7.5	1.0	8.5	5.8	0.4	6.2	8.3	0.6	8.9
Amortization of prior service cost	1.0	—	1.0	0.6	—	0.6	0.8	—	0.8
Net periodic postretirement cost	4.2	4.0	8.2	2.7	4.3	7.0	6.6	4.7	11.3
Effect of settlement, curtailment, or special termination benefit	—	0.1	0.1	—	0.4	0.4	1.2	—	1.2
Total net periodic postretirement cost	4.2	4.1	8.3	2.7	4.7	7.4	7.8	4.7	12.5
Other changes in plan assets and benefit obligations recognized in other comprehensive loss									
Net actuarial loss (gain)	13.9	(2.9)	11.0	37.0	13.7	50.7	(40.0)	(1.8)	(41.8)
Prior service cost	—	—	—	4.5	—	4.5	—	—	—
Amortization of net actuarial (loss) gain	(7.5)	(1.1)	(8.6)	(5.8)	(0.9)	(6.7)	(8.3)	(0.6)	(8.9)
Amortization of prior service cost	(1.0)	—	(1.0)	(0.6)	—	(0.6)	(0.8)	—	(0.8)

Foreign currency translation	—	(2.5)	(2.5)	—	(1.8)	(1.8)	—	0.5	0.5
Total change recognized in other comprehensive loss	5.4	(6.5)	(1.1)	35.1	11.0	46.1	(49.1)	(1.9)	(51.0)
Total impact from net periodic postretirement cost and changes in other comprehensive loss	$9.6	$(2.4)	$7.2	$37.8	$15.7	$53.5	$(41.3)	$2.8	$(38.5)

93

The following table provides the components of net periodic postretirement cost and other amounts recognized in other comprehensive loss for each of the years ended December 31, 2015, 2014 and 2013 as they pertain to other employee-related defined benefit plans.

	2015	2014	2013
Net periodic postretirement cost			
Service cost	$0.9	$1.5	$2.9
Interest cost	5.0	7.4	8.3
Expected return on plan assets	(0.9)	(0.7)	(0.6)
Amortization of net actuarial loss	4.6	2.7	4.3
Amortization of prior service credit	(11.0)	(6.6)	(0.4)
Net periodic postretirement (benefit) cost	(1.4)	4.3	14.5
Gain due to curtailment[(a)]	(4.2)	—	—
Total net periodic postretirement (benefit) cost	(5.6)	4.3	14.5
Other changes in plan assets and benefit obligations recognized in other comprehensive loss			
Net actuarial (gain) loss	7.7	26.3	(31.1)
Prior service credit	—	(58.7)	(19.0)
Amortization of net actuarial loss	(4.6)	(2.7)	(4.3)
Amortization of prior service credit	11.0	6.6	0.4
Acceleration of prior service costs	6.2	—	—
Total changes recognized in other comprehensive loss	20.3	(28.5)	(54.0)
Total impact from net periodic postretirement cost and changes in other comprehensive loss	$14.7	$(24.2)	$(39.5)

(a) During 2015, we recognized a benefit of $4.2 from a curtailment gain related to a reduction in force in our ICS segment.

The following table provides the estimated net actuarial loss and prior service cost that is expected to be amortized from accumulated other comprehensive loss into net periodic postretirement cost during 2016.

	Pension	Other Benefits	Total
Net actuarial loss	$7.4	$4.9	$12.3
Prior service cost (credit)	0.9	(6.5)	(5.6)
Total	$8.3	$(1.6)	$6.7

Postretirement Plan Assumptions

The determination of projected benefit obligations and the recognition of expenses related to postretirement benefit plans are dependent on various assumptions that are judgmental and developed in consultation with external advisors. Management develops each assumption using relevant Company experience in conjunction with market-related data for each individual country in which such plans exist. Assumptions are reviewed annually and adjusted as necessary. The actuarial assumptions are based on the provisions of the applicable accounting pronouncements, review of various market data and discussion with our external advisors. Changes in these assumptions could materially affect our financial statements.

The following table provides the weighted-average assumptions used to determine projected benefit obligations and net periodic postretirement cost, as they pertain to our U.S. and non-U.S. defined benefit pension plans and other employee-related defined benefit plans.

	2015			2014		
	U.S.	Int'l	Other Benefits	U.S.	Int'l	Other Benefits
Obligation Assumptions:						
Discount rate	4.3 %	2.3 %	4.1 %	4.0 %	1.9 %	3.8 %
Rate of future compensation increase	N/A	3.4 %	N/A	N/A	3.3 %	N/A
Cost Assumptions:						
Discount rate	4.0 %	1.9 %	3.8 %	4.8 %	3.2 %	4.7 %
Expected return on plan assets	8.0 %	4.8 %	8.0 %	8.0 %	4.7 %	8.0 %

The assumed discount rates reflect our expectation of the present value of expected future cash payments for benefits at the measurement date. We base the discount rate assumption on investment yields of high-quality fixed income securities at the measurement date during the expected benefits payment period. Effective December 31, 2015, the Company elected to utilize a yield curve rather than a single weighted discount rate in determining liabilities and future service cost and interest cost associated with plan liabilities for the pension and other employee-related defined benefit plans in the U.S.

The rate of future compensation increase assumption for foreign plans reflects our long-term actual experience and future and near-term outlook. The rate of future compensation increase assumption is not applicable for U.S. plans because the benefit formula is based on a years of service approach.

The expected long-term rate of return on assets reflects the expected returns for each major asset class in which the plans invest, the weight of each asset class in the target mix, the correlations among asset classes, and their expected volatilities. Our expected return on plan assets is estimated by evaluating both historical returns and estimates of future returns based on our target asset allocation. Specifically, we estimate future returns based on independent estimates of asset class returns weighted by the target investment allocation.

The chart below shows actual returns compared to the expected long-term returns for our postretirement plans that were utilized in the calculation of the net periodic postretirement cost for each respective year.

	2015	2014	2013
Expected rate of return on plan assets	8.0 %	8.0 %	8.0 %
Actual rate of return on plan assets	(2.8)%	8.6 %	14.2 %

For the recognition of net periodic postretirement cost, the calculation of the expected return on plan assets is generally derived using a market-related value of plan assets based on average asset values at the measurement date over the last five years. The use of fair value, rather than a market-related value, of plan assets could materially affect net periodic postretirement cost.

During 2014, the Company adopted a revised mortality table, to reflect improved mortality, which increased the Company's projected benefit obligation by approximately $19 for its US pension and other employee related benefit plans.

The assumed rate of future increases in the per capita cost of health care (the health care trend rate) is 8.5% for pre-age 65 retirees and 6.5% for post-age 65 retirees for 2016, decreasing ratably to 4.5% in 2024. Increasing the health care trend rates by one percent per year would have the effect of increasing the benefit obligation by $6.6 and the aggregate annual service and interest cost components by $0.2. A decrease of one percent in the health care trend rate would reduce the benefit obligation by $5.6 and the aggregate annual service and interest cost components by $0.2. To the extent that actual experience differs from these assumptions, the effect will be amortized over the average future working life or life expectancy of the plan participants.

Investment Policy

The investment strategy for managing worldwide postretirement benefit plan assets is to seek an optimal rate of return relative to an appropriate level of risk for each plan. Investment strategies vary by plan, depending on the specific characteristics of the plan, such as plan size and design, funded status, liability profile and legal requirements. During 2015, our investment policy was updated to reduce risk by increasing the target allocation in fixed income by approximately 15% with a corresponding decrease in allocations to equity investments. This shift in the target asset allocation is expected to reduce our rate of return on plan assets and result in higher 2016 net periodic pension costs by approximately $2.0.

Substantially all of the postretirement benefit plan assets are managed on a commingled basis in a master investment trust. With respect to the master investment trust, the Company allows itself broad discretion to invest tactically to respond to changing market conditions, while staying reasonably within the target asset allocation ranges prescribed by its investment guidelines. In making these asset allocation decisions, the Company takes into account recent and expected returns and volatility of returns for each asset class, the expected correlation of returns among the different investments, as well as anticipated funding and cash flows. To enhance returns and mitigate risk, the Company diversifies its investments by strategy, asset class, geography and sector.

The following table provides the allocation of postretirement benefit plan assets by asset category, as of December 31, 2015 and 2014, and the related targeted asset allocation ranges by asset category.

	2015		2014		Target Allocation Range
U.S. equities	31	%	36	%	30-40 %
International equities	24	%	29	%	20-40 %
Fixed income	43	%	35	%	25-45 %
Cash and other	2	%	—	%	0-5 %

Fair Value of Plan Assets

In measuring plan assets at fair value, a fair value hierarchy is applied which categorizes and prioritizes the inputs used to estimate fair value into three levels. The fair value hierarchy is based on maximizing the use of observable inputs and minimizing the use of unobservable inputs when measuring fair value. Classification within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement. The three levels of the fair value hierarchy are defined as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices (in non-active markets or in active markets for similar assets or liabilities), inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 inputs are unobservable inputs for the assets or liabilities.

In certain instances, fair value is estimated using quoted market prices obtained from external pricing services. In obtaining such data from the pricing service, the Company has evaluated the methodologies used to develop the estimate of fair value in order to assess whether such valuations are representative of fair value, including net asset value (NAV). Additionally, in certain circumstances, the Company may adjust NAV reported by an asset manager when sufficient evidence indicates NAV is not representative of fair value.

The following is a description of the valuation methodologies and inputs used to measure fair value for major categories of investments.

- Equities – Open ended mutual funds, collective trusts and commingled funds are measured at NAV. These funds are classified within either Level 1 or 2 of the fair value hierarchy.
- Fixed income – U.S. government securities are generally valued using quoted prices of securities with similar characteristics. Corporate bonds and notes are generally valued by using pricing models (e.g., discounted cash flows), quoted prices of securities with similar characteristics or broker quotes. Fixed income securities are classified in Level 1 or 2 of the fair value hierarchy.

The following table provides the fair value of plan assets held by our postretirement benefit plans, at December 31, 2015 and 2014, by asset class.

	Pension			Other Benefits	
2015	Total	Level 2	Level 3	Total	Level 1
Equities:					
U.S.	$85.8	$85.8	$—	$2.6	$2.6
International	46.3	46.3	—	1.9	1.9
Emerging Markets	18.9	18.9	—	0.8	0.8
Fixed income	121.1	121.1	—	2.6	2.6
Cash and other[(a)]	6.9	2.9	4.0	—	—
Total	$279.0	$275.0	$4.0	$7.9	$7.9

(a) Pension plan assets as of December 31, 2015 include an investment in a hedge fund acquired from Wolverine. The hedge fund is valued using broker quotes and classified within Level 3 of the fair value hierarchy due to the significance of unobservable inputs involved in the broker quote.

	Pension		Other Benefits	
2014	Total	Level 2	Total	Level 1
Equities:				
U.S.	$97.6	$97.6	$2.8	$2.8
International	53.0	53.0	1.9	1.9
Emerging Markets	24.9	24.9	0.9	0.9
Fixed income	97.1	97.1	2.8	2.8
Cash and other	1.3	1.3	1.1	1.1
Total	$273.9	$273.9	$9.5	$9.5

Contributions

While we make contributions to our postretirement benefit plans when considered necessary or advantageous to do so, the minimum funding requirements established by local government funding or taxing authorities, or established by other agreements, may influence future contributions. Funding requirements under IRS rules are a major consideration in making contributions to our post-retirement plans. In addition, we fund certain of our international pension plans in countries where funding is allowable and tax-efficient. During 2015 and 2014, we contributed $12.4 and $4.4 to our global pension plans, respectively. The 2015 contribution included a $7.5 discretionary contribution to our U.S. pension plans. We anticipate making contributions to our global pension plans of $5.0 during 2016.

We contributed $6.2 and $8.2 to our other employee-related defined benefit plans during both 2015 and 2014, respectively. We currently estimate that the 2016 contributions to our other employee-related defined benefit plans will be approximately $10.0.

Estimated Future Benefit Payments

The following table provides the projected timing of payments for benefits earned to date and the expectation that certain future service will be earned by current active employees for our pension and other employee-related benefit plans.

	U.S. Pension	Int'l Pension	Other Benefits
2016	$19.7	$3.5	$9.7
2017	20.2	3.2	9.4
2018	20.7	3.4	9.2
2019	21.1	3.3	8.8
2020	21.4	4.0	10.6
2021 - 2025	108.0	16.8	45.8

NOTE 16

LONG-TERM INCENTIVE EMPLOYEE COMPENSATION

The 2011 Omnibus Incentive Plan (2011 Incentive Plan) was approved by shareholders and established in May of 2011 to provide for the awarding of options on common shares and full value restricted common shares or units to employees and non-employee directors. The number of shares initially available for issuance to participants under the 2011 Incentive Plan was 4.6. The 2011 Incentive Plan replaced the ITT Amended and Restated 2003 Equity Incentive Plan (2003 Incentive Plan) on a prospective basis and no future grants will be made under the 2003 Incentive Plan. However, any shares remaining available for issuance under the 2003 Incentive Plan became available for grant under the 2011 Incentive Plan as of the date the 2011 Incentive Plan was approved by shareholders. As of December 31, 2015, 39.3 shares were available for future grants under the 2011 Incentive Plan. ITT makes shares available for the exercise of stock options or vesting of restricted shares or units by purchasing shares in the open market or by issuing shares from treasury stock.

Our long-term incentive plan (LTIP) is comprised of three components: non-qualified stock options (NQOs), restricted stock units (RSUs), and a Performance Unit awards (PSUs). The majority of RSUs settle in shares; however RSUs granted to international employees are settled in cash. We account for NQOs, equity-settled RSUs, and PSUs as equity-based compensation awards and cash-settled RSUs are accounted for as liability-based awards. PSUs are based on both a relative total shareholder return (TSR) metric as well as a return on invested capital (ROIC) metric, equally weighted, providing a balance between relative and absolute long-term performance. PSUs settle in shares, dependent upon performance, following a three-year performance period to further align payouts with stock price performance. PSUs are accounted for as two distinct awards, an ROIC award and a TSR award.

LTIP costs are primarily recorded within general and administrative expenses, at fair value over the requisite service period (typically three years) on a straight-line basis and are reduced by an estimated forfeiture rate. These costs impacted our consolidated results of operations as follows:

	2015	2014	2013
Share-based compensation expense, equity-based awards	$15.7	$14.0	$13.3
Share-based compensation expense, liability-based awards	1.1	3.1	3.8
Total share-based compensation expense in operating income	$16.8	$17.1	$17.1

At December 31, 2015, there was $21.3 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 1.9 years. Additionally, unrecognized compensation cost related to liability-based awards was $2.0, which is expected to be recognized ratably over a weighted-average period of 1.9 years.

Non-Qualified Stock Options

Options generally vest over or at the conclusion of a three-year period and are exercisable in seven or ten-year periods, except in certain instances of death, retirement or disability. Options granted between 2004 and 2009 were awarded with a contractual term of seven years. Options granted prior to 2004 and after 2009 were awarded with a contractual term of ten years. The exercise price per share is the fair market value of the underlying common stock on the date each option is granted.

A summary of the status of our NQOs as of December 31, 2015, 2014 and 2013 and changes during the years then ended is presented below.

	2015		2014		2013	
Stock Options	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding – January 1	1.9	$24.20	2.7	$20.46	4.3	$18.46
Granted	0.2	41.52	0.2	43.52	0.4	26.82
Exercised	(0.3)	19.87	(0.8)	17.67	(1.9)	17.37
Cancelled or expired	(0.1)	35.95	(0.2)	24.46	(0.1)	16.15
Outstanding – December 31	1.7	$27.10	1.9	$24.20	2.7	$20.46
Options exercisable – December 31	1.1	$21.75	1.1	$20.26	1.5	$18.34

The aggregate intrinsic value of options exercised (which is the amount by which the stock price exceeded the exercise price of the options on the date of exercise) during 2015, 2014 and 2013 was $6.6, $22.5 and $26.3, respectively.

The amount of cash received from the exercise of stock options was $6.2, $15.1 and $34.8 for 2015, 2014 and 2013, respectively. The income tax benefit realized during 2015, 2014 and 2013 associated with stock option exercises and lapses of restricted stock was $6.3, $15.1 and $13.4, respectively. We classify the cash flows attributable to excess tax benefits arising from stock option exercises and restricted stock lapses as a financing activity. Excess tax benefits arising from stock option exercises and restricted stock lapses were $3.4, $10.4 and $8.7 for 2015, 2014 and 2013, respectively.

The following table summarizes information about ITT's stock options at December 31, 2015:

	Options Outstanding			Options Exercisable		
Exercise Prices	Number	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value	Number	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
$12.39	0.1	0.2	$ 0.6	0.1	0.2	$ 0.6
$19.97	0.1	4.2	1.3	0.1	4.2	1.3
$20.28	0.4	5.9	7.1	0.4	5.9	7.1
$21.53	0.2	5.2	3.7	0.2	5.2	3.7
$22.80	0.3	6.2	3.6	0.2	6.2	3.6
$26.76	0.2	7.2	2.4	0.1	7.2	0.5
$41.52	0.2	9.2	—	—	—	—
$43.52	0.2	8.2	—	—	—	—
	1.7	6.5	$ 18.7	1.1	5.7	$ 16.8

The aggregate intrinsic value in the preceding table represents the total pre-tax intrinsic value, based on ITT's closing stock price of $36.32 as of December 31, 2015, which would have been received by the option holders had all option holders exercised their options as of that date. There was 0.4 options "out-of-the-money" as of December 31, 2015.

As of December 31, 2015, the total number of stock options expected to vest (including those that have already vested) was 1.7. These stock options have a weighted-average exercise price of $26.79, an aggregate intrinsic value of $18.7 and a weighted-average remaining contractual life of 6.5 years.
The fair value of each option grant was estimated on the date of grant using the binomial lattice pricing model which incorporates multiple and variable assumptions over time, including assumptions such as employee exercise patterns, stock price volatility and changes in dividends. The following are weighted-average assumptions for 2015, 2014 and 2013:

	2015		2014		2013	
Dividend yield	1.1	%	1.0	%	1.5	%
Expected volatility	29.4	%	29.6	%	29.9	%
Expected life (in years)	5.8		5.8		6.4	
Risk-free rates	1.7	%	1.8	%	1.1	%
Weighted-average grant date fair value	$11.23		$11.93		$6.62	

Expected volatilities for option grants were based on a peer average of historical and implied volatility. ITT uses historical data to estimate option exercise and employee termination behavior within the valuation model. The expected life assumption represents an estimate of the period of time options are expected to remain outstanding. The expected life provided above represents the weighted average of expected behavior for two separate groups of employees who have historically exhibited different behavior. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of option grant.
Restricted Stock Units and Performance Units
The fair value of equity-settled restricted stock units is determined using the closing price of the Company’s common stock on date of grant. The fair value of cash-settled RSUs is remeasured using the closing price of the Company's common stock at the end of each reporting period. Recipients do not have voting rights and do not receive cash dividends during the restriction period. Dividend equivalents on RSUs, which are subject to forfeiture, are accrued and paid in cash upon vesting of the RSU, which typically occurs three years from the date of grant. If an employee retires or is terminated other than for cause, a pro rata portion of the RSU may vest.
The fair value of the ROIC awards was based on the closing price of ITT common stock on the date of grant less the present value of expected dividend payments during the vesting period. A dividend yield of 1.1% was assumed based on ITT's annualized dividend payment of $0.4732 per share and the February 25, 2015 closing stock price of $41.52. The fair value of the ROIC award is fixed on the grant date; however, a probability assessment is performed each reporting period to estimate the likelihood of achieving the ROIC targets and the amount of compensation to be recognized. The ROIC award payout is subject to a payout factor which includes a maximum and minimum payout.
The fair value of the TSR award was measured using a Monte Carlo simulation on the date of grant, measuring potential total shareholder return for ITT relative to the other companies in the S&P 400 Capital Goods Index (the TSR Performance Group). The expected volatility of ITT's stock price was based on the historical volatility of a peer group while expected volatility for the other companies in the TSR Performance Group was based on their own stock price history. All volatility and correlation measures were based on three years of daily historical price data through March 4, 2014, corresponding to the three-year performance period of the award. The TSR award payout is subject to a multiplier which includes a maximum and minimum payout. As the grant date occurs after the beginning of the performance period, actual TSR performance between the beginning of the performance period (December average closing stock price) and the grant date was reflected in the valuation. A dividend yield of 1.1% was assumed based on ITT's annualized dividend payment of $0.4732 per share and the February 25, 2015 closing stock price of $41.52.

The table below provides a rollforward of outstanding RSUs, PSUs, and RSAs for each of the years ended December 31, 2015, 2014 and 2013.

	2015		2014		2013	
Restricted Stock and Performance Units	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Outstanding – January 1	1.1	$ 31.70	1.3	$ 24.17	1.2	$ 21.06
Granted	0.5	41.34	0.4	43.88	0.6	28.16
Performance adjustment[(a)]	0.1	29.59	—	—	—	—
Lapsed	(0.3)	24.09	(0.5)	21.62	(0.4)	20.25
Canceled	(0.1)	35.89	(0.1)	27.33	(0.1)	22.68
Outstanding – December 31	1.3	$ 36.56	1.1	$ 31.70	1.3	$ 24.17
Vested pending issuance	0.3	$ 29.59	—	$—	—	$—

(a) Represents the adjustment to the number of shares to be issued above target for performance results achieved relative to PSUs granted in 2013 that vested on December 31, 2015.

The table below provides the number of the outstanding equity settled RSUs, cash settled RSUs, and PSUs as of December 31, 2015, 2014 and 2013.

	2015	2014	2013
Equity settled RSUs	0.7	0.7	1.0
Cash settled RSUs	0.1	0.1	0.1
PSU awards	0.5	0.3	0.2

As of December 31, 2015, the total number of RSUs and PSUs expected to vest (including those that have already vested) was 0.8 and 0.5, respectively. The number of PSUs expected to vest is based on current performance estimates.

NOTE 17

CAPITAL STOCK

ITT has authority to issue an aggregate of 300 shares of capital stock, of which 250 shares have been designated as Common Stock having a par value of $1 per share and 50 shares have been designated as Preferred Stock not having any par or stated value. There was no Preferred Stock outstanding as of December 31, 2015 and 2014.

The stockholders of ITT common stock are entitled to receive dividends when and as declared by ITT’s Board of Directors. Dividends are paid quarterly. Dividends declared were $0.4732, $0.44 and $0.40 per common share in 2015, 2014, and 2013, respectively.

On October 27, 2006, a three-year $1 billion share repurchase program (2006 Share Repurchase Program) was approved by our Board of Directors. On December 16, 2008, the provisions of the share repurchase program were modified by our Board of Directors to replace the original three-year term with an indefinite term. During 2015, 2014, and 2013, we repurchased 2.0 shares, 1.1 shares, and 3.1 shares of common stock for $80.0, $50.0 and $85.2, respectively. Through December 2015, we had repurchased 18.4 shares for $759.3, including commissions, under the $1 billion share repurchase program.

Separate from the 2006 Share Repurchase Program, the Company repurchased 0.1 shares, 0.2 shares, and 0.1 shares for an aggregate price of $4.0, $10.2, and $2.7, during 2015, 2014 and 2013, respectively, in settlement of employee tax withholding obligations due upon the vesting of restricted stock or stock units.

We make shares available for the exercise of stock options and vesting of restricted stock by purchasing shares in the open market or by issuing shares from treasury stock. During 2015, 2014, and 2013, we issued 0.6 shares, 1.4 shares, and 2.3 shares, respectively, related to equity compensation arrangements. As of December 31, 2015 and 2014, 15.0 shares and 13.3 shares of Common Stock were held in our treasury account, respectively.

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, sometimes related to 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 any material adverse impact on our financial statements, unless otherwise noted below.

Asbestos Matters

ITT, including its subsidiary Goulds Pumps, Inc., has 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 us or 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 December 31, 2015, there were 37 thousand pending active claims against ITT, including Goulds Pumps, 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:

(in thousands)	2015	2014	2013
Pending claims – Beginning	62	79	96
New claims	4	4	5
Settlements	(1)	(2)	(3)
Dismissals	(28)	(19)	(19)
Pending claims – Ending	37	62	79
Pending inactive claims[(a)]	—	13	13
Pending active claims	37	49	66

(a) Inactive claims represent pending claims in Mississippi filed in 2004 or prior, which have been excluded from our asbestos measurement because the plaintiffs cannot demonstrate a significant compensable loss. As of December 31, 2015, all inactive claims have been dismissed.

Frequently, plaintiffs are unable to identify any ITT or Goulds Pumps product as a source of asbestos exposure. Our experience to date is that a majority of resolved claims are dismissed without any payment from the Company. 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, as well as the number of open claims, can fluctuate significantly from period to period. ITT expects more asbestos-related suits will be filed in the future, and ITT will aggressively defend or seek a reasonable resolution, as appropriate.

Estimating the Liability and Related Asset

The Company records an asbestos liability, including legal fees, for costs estimated to be incurred to resolve all pending claims, as well as unasserted claims estimated to be filed against the Company over the next ten years. The asbestos liability has not been discounted to present value due to an inability to reliably forecast the timing of future cash flows. The methodology used to estimate our asbestos liability for pending claims and claims estimated to be filed over the next 10 years relies on and includes the following:

- interpretation of a widely accepted forecast of the population likely to have been exposed to asbestos in the workplace;
- widely accepted epidemiological studies estimating the number of people likely to develop mesothelioma and lung cancer from exposure to asbestos;
- the Company's historical experience with the filing of non-malignant claims against it and the historical relationship between non-malignant and malignant claims filed against the Company;
- analysis of the number of likely asbestos personal injury claims to be filed against the Company based on such epidemiological and historical data and the Company's recent claims experience;
- analysis of the Company's pending cases, by disease type;
- analysis of the Company's recent experience to determine the average settlement value of claims, by disease type;
- analysis of the Company's recent experience in the ratio of settled claims to total resolved claims, by disease type;
- analysis of the Company's defense costs in relation to its indemnity costs and agreements in place with external counsel;
- adjustment for inflation in the average settlement value of claims and defense costs estimated to be paid in the future; and
- analysis of the Company's recent experience with regard to the length of time to resolve asbestos claims.

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 of the 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, the Company is unable to estimate the maximum potential exposure to pending claims and claims estimated to be filed over the next 10 years.

The forecast period used to estimate our potential liability to pending and projected asbestos claims is a judgment based on a number of factors, including the number and type of claims filed, recent experience with pending claims activity and whether that experience is expected to continue into the future, the jurisdictions where claims are filed, the effect of any legislative or judicial developments, and the likelihood of any comprehensive asbestos legislation at the federal level. These factors have both positive and negative effects on the dynamics of asbestos litigation in the tort system and, accordingly, our estimate of the asbestos exposure. Developments related to asbestos tend to be long-cycle, changing over multi-year periods. Accordingly, we monitor these and other factors and periodically assess whether an alternative forecast period is appropriate.

The Company retains a consulting firm to assist management in estimating the potential liability for pending asbestos claims and for claims estimated to be filed over the next 10 years based on the methodology described above. Our methodology determines a point estimate based on our assessment of the value of each underlying assumption, rather than a range of reasonably possible outcomes. Projecting future asbestos costs is subject to numerous variables and uncertainties that are inherently difficult to predict. In addition to the uncertainties surrounding the key assumptions discussed above, additional uncertainty related to asbestos claims and estimated costs arises from the long latency period prior to the manifestation of an asbestos-related disease, changes in available medical treatments and changes in medical costs, changes in plaintiff behavior resulting from bankruptcies of other companies that are or could be co-defendants, uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, and the impact of potential legislative or judicial changes. At December 31, 2015, approximately 28% of the recorded asbestos liability relates to pending claims, with the remainder relating to claims estimated to be filed over the next 10 years.

We record a corresponding undiscounted asbestos-related asset that represents our best estimate of probable recoveries from our insurers for the estimated asbestos liabilities. In developing this estimate, the Company considers coverage-in-place and other agreements with its insurers, as well as a number of additional factors. These additional factors reviewed include the financial viability of our insurance carriers and any related solvency issues, the method by which losses will be allocated to the various insurance policies and the years covered by those policies, the extent to which settlement and defense costs will be reimbursed by the insurance policies and interpretation of the various policy and contract terms and limits and their interrelationships, and various judicial determinations relevant to our insurance programs. The timing and amount of reimbursements will vary due to a time lag between when ITT pays an amount to defend or settle a claim and when a reimbursement is received from an insurer, differing policy terms and certain gaps in our insurance coverage as a result of uninsured periods, insurer insolvencies, and prior insurance settlements. Approximately 83% of our estimated receivables are due from insurers that had credit ratings of A- or better from A.M. Best as of December 31, 2015.

In addition, the Company retains an insurance consulting firm to assist management in estimating probable recoveries for pending asbestos claims and for claims estimated to be filed over the next 10 years based on the analysis of policy terms, the likelihood of recovery provided by external legal counsel, and incorporating risk mitigation judgments where policy terms or other factors are not certain. The aggregate amount of insurance available to the Company for asbestos-related claims was acquired over many years and from many different carriers. Amounts deemed not recoverable generally are due from insurers that are insolvent, or result from disagreements with the insurers over policy terms, coverage limits or coverage disputes. Such limitations in our insurance coverage are expected to result in projected payments to claimants substantially exceeding the probable insurance recovery.

The Company has negotiated with certain of its insurers to reimburse the Company for a portion of its indemnity and defense costs through "coverage-in-place" agreements or policy buyout agreements. The agreements are designed to facilitate the collection of ITT’s insurance portfolio, to mitigate issues that insurers may raise regarding their responsibility to respond to claims, and to promote an orderly exhaustion of the policies. As of December 31, 2015, approximately 53% of our asbestos-related assets were related to coverage-in-place agreements and buyout agreements with insurers.

After reviewing our portfolio of insurance policies, with consideration given to applicable deductibles, retentions and policy limits, the solvency and historical payment experience of various insurance carriers, existing insurance settlements, and the advice of outside counsel with respect to the applicable insurance coverage law relating to the terms and conditions of its insurance policies, ITT believes that its recorded receivable for insurance recoveries is probable of collection.

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 uncertainties and variables 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 could be material to the financial statements, 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.

Settlement Agreements

During 2015, ITT entered into settlement agreements with insurers to settle responsibility for certain insured claims through a series of payments into a Qualified Settlement Fund (QSF) to be paid over the next three years, resulting in a benefit of $8.9. During 2014, ITT executed a final settlement agreement with an insurer to settle responsibility for multiple insurance claims, resulting in a one-time lump sum payment to a QSF of $2.2 in 2015. During 2013, ITT executed a final settlement agreement (the 2013 Settlement) with an insurer to settle responsibility for multiple categories of insured claims, including pending and future product liability claims. Under the terms of the 2013 Settlement, the insurer agreed to a specified series of payments into a QSF over the course of the next five years, resulting in a one-time benefit of $31.0.

Defense Cost Adjustment

During 2015, the Company changed its asbestos defense strategy to retain a single firm to defend the Company in asbestos litigation. This long-term strategy streamlines the Company's management of cases and significantly reduces defense costs. Our agreement with the defense firm is currently limited to a certain set of claims and the remaining claims are expected to be transitioned to the firm within the next four years. Based on the terms of the agreement, the Company adjusted its asbestos liability and related assets and recognized a net benefit of $100.7 in 2015 for the revised estimate of the cost to defend pending claims and claims expected to be filed over the next 10 years.

Income Statement Charges

The table below summarizes the total net asbestos charge for the years ended December 31, 2015, 2014 and 2013.

	2015	2014	2013
Asbestos provision	$63.0	$64.9	$63.3
Defense cost adjustment	(100.7)	—	—
Asbestos remeasurement, net	(44.8)	(58.8)	0.5
Settlement agreements	(8.9)	(2.2)	(31.0)
Net asbestos (benefit) charge, net	(91.4)	3.9	32.8

Changes in Financial Position

The following table provides a rollforward of the estimated asbestos liability and related assets for the years ended December 31, 2015 and 2014.

	2015			2014		
	Liability	Asset	Net	Liability	Asset	Net
Balance as of January 1	$1,223.2	$476.4	$746.8	$1,264.7	$517.8	$746.9
Changes in estimate	(103.6)	(21.1)	(82.5)	32.4	26.3	6.1
Settlement agreements	—	8.9	(8.9)	—	2.2	(2.2)
Net cash activity and other	(76.8)	(52.2)	(24.6)	(73.9)	(69.9)	(4.0)
Balance as of December 31	$1,042.8	$412.0	$630.8	$1,223.2	$476.4	$746.8
Current portion	88.0	74.5		106.6	102.4	
Noncurrent portion	954.8	337.5		1,116.6	374.0	

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 and/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 and/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 and/or remediation. These sites include instances where we have been identified as a potentially responsible party under federal and state environmental laws and regulations.

Accruals for environmental matters are recorded on a site-by-site basis when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Environmental-related assets represent estimated recoveries from insurance providers and other third parties.

The following table provides a rollforward of the estimated environmental liability and related assets for the years ended December 31, 2015 and 2014.

	2015			2014		
	Liability	Asset	Net	Liability	Asset	Net
Balance as of January 1	$89.9	$7.7	$82.2	$94.6	$11.7	$82.9
Changes in estimates for pre-existing accruals[a]:						
Pre-existing accrual additions	11.0	6.7	4.3	11.2	(3.7)	14.9
Pre-existing accrual reversals	(5.6)	(0.9)	(4.7)	(2.9)	—	(2.9)
Accruals added during the period for new matters	—	—	—	0.1	—	0.1
Net cash activity	(12.1)	(0.7)	(11.4)	(12.6)	(0.3)	(12.3)
Foreign currency	(0.6)	—	(0.6)	(0.5)	—	(0.5)
Balance as of December 31	$82.6	$12.8	$69.8	$89.9	$7.7	$82.2

(a) Changes in estimates for pre-existing accruals includes environmental-related costs of $0.1 and $2.7 reported within results of discontinued operations for the years ended December 31, 2015 and 2014, respectively.

In the fourth quarter of 2015, ITT entered into a settlement agreement with one of our insurance providers whereby the provider agreed to pay the net present value of the remaining limits of the policy amounting to approximately $34. Based on the terms of the agreement, substantially all of the settlement amount, which is expected to be received during the first quarter of 2016, will be deposited into a QSF which can be drawn upon only to pay future environmental expenses associated with remediation sites covered under the policy. As a result of the settlement agreement, we recorded income of $6.3 representing a previously established reserve for this insurance asset.

The following table illustrates the reasonably possible high range of estimated liability, and number of active sites for environmental matters.

	2015	2014
High end range	$140.6	$160.3
Number of active environmental investigation and remediation sites	49	54

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 has received a civil subpoena from the Department of Defense, Office of the Inspector General requesting documents pertaining to certain products manufactured by the Company’s Interconnect Solutions segment that are purchased or used by the U.S. government. The Company is cooperating with the request. The Company is unable to estimate the timing or outcome of the matter.

NOTE 19
GUARANTEES, INDEMNITIES AND WARRANTIES
Indemnities
Since ITT's incorporation in 1920, we have acquired and disposed of numerous entities. The related acquisition and disposition agreements contain various representation and warranty clauses and may provide indemnities for a misrepresentation or breach of the representations and warranties by either party. The indemnities address a variety of subjects; the term and monetary amounts of each such indemnity are defined in the specific agreements and may be affected by various conditions and external factors. Many of the indemnities have expired either by operation of law or as a result of the terms of the agreement. We do not have a liability recorded for these expired indemnifications and are not aware of any claims or other information that would give rise to material payments under such indemnities.
As part of the 2011 spin-off, ITT agreed to provide certain indemnifications and cross-indemnifications among ITT, Exelis and Xylem, subject to limited exceptions with respect to certain employee claims and other liabilities and obligations. The indemnifications address a variety of subjects, including asserted and unasserted product liability matters (e.g., asbestos claims, product warranties) which relate to products manufactured, repaired and/or sold prior to the 2011 spin-off. These indemnifications last indefinitely and are not affected by Harris' acquisition of Exelis. ITT expects Exelis and Xylem to fully perform under the terms of the Distribution Agreement and therefore has not recorded a liability for matters for which we have been indemnified. In addition, both Exelis and Xylem have made asbestos indemnity claims that could give rise to material payments under the indemnity provided by ITT; such claims are included in our estimate of asbestos liabilities.
Guarantees
We have $167.1 of guarantees, letters of credit and similar arrangements outstanding at December 31, 2015, primarily pertaining to commercial or performance guarantees and insurance matters. We have not recorded any material loss contingencies under these guarantees, letters of credit and similar arrangements as of December 31, 2015 as the likelihood of nonperformance by ITT is considered remote. From time to time, we may provide certain third-party guarantees that may be affected by various conditions and external factors, some of which could require that payments be made under such guarantees. We do not consider the maximum exposure or current recorded liabilities under our third-party guarantees to be material either individually or in the aggregate. We do not believe such payments would have a material adverse impact on our financial statements.
Warranties
ITT warrants numerous products, the terms of which vary widely. In general, ITT warrants its products against defect and specific non-performance. In certain markets, such as automotive, aerospace and rail, liability for product defects could extend beyond the selling price of the product and could be significant if the defect interrupts production or results in a recall. The table included below provides changes in the product warranty accrual for December 31, 2015 and 2014.

	2015	2014
Warranty accrual – January 1	$29.4	$28.6
Warranty expense	5.6	14.7
Payments	(12.3)	(12.2)
Foreign currency and other	0.8	(1.7)
Warranty accrual – December 31	$23.5	$29.4

NOTE 20
DISCONTINUED OPERATIONS
Results from discontinued operations reflect a gain of $39.4 for the year ended December 31, 2015, principally related to the settlement of the U.S. income tax audit during the third quarter of 2015. This includes a tax benefit of $38.3 from the recognition of previously unrecognized tax positions, related net interest income of $3.2, and a $13.2 receivable due from Exelis and Xylem, partially offset by net tax expense of $17.4 from unfavorable audit adjustments. Results from discontinued operations reflect a loss of $3.9 for the year ended December 31, 2014, primarily related to a settlement payment to a former ITT entity.

NOTE 21
ACQUISITIONS
Wolverine Automotive Holdings
On October 5, 2015, we completed the acquisition of Wolverine Automotive Holdings Inc., the parent company of Wolverine Advanced Materials LLC (Wolverine). Wolverine is a manufacturer of customized technologies for automotive braking systems and specialized sealing solutions for harsh operating environments across a range of industries. The purchase price of $298.1 net of cash acquired, which is subject to a post-closing working capital adjustment, was funded through a combination of cash and a $200 borrowing from our revolving credit facility. Wolverine has approximately 500 employees globally and reported 2014 revenues of $154, including $17 of sales to ITT.
The allocation of the purchase price is based on the fair value of assets acquired, liabilities assumed and non-controlling interests in Wolverine as of October 5, 2015. Our assessment of fair value is preliminary, and may be adjusted for information that is currently not available to us, primarily related to the valuation of intangible assets, postretirement obligations, environmental liabilities, deferred tax matters, real estate, and residual goodwill. The purchase price allocation presented below represents the effect of recording preliminary estimates for the fair value of assets acquired, liabilities assumed, and non-controlling interests in Wolverine and related deferred income taxes. We expect to obtain the information necessary to finalize the fair value of the net assets acquired at the acquisition date during the measurement period. Changes to the preliminary estimates of the fair value of the net assets acquired during the measurement period will be recorded as adjustments to those assets and liabilities with a corresponding adjustment to goodwill.
The goodwill of $161.6 is not deductible for income tax purposes. All of the goodwill has been assigned to the Motion Technologies segment. Other intangibles acquired include existing customer relationships, proprietary technology, and trade names.
Hartzell Aerospace
On March 31, 2015, we completed the acquisition of Hartzell Aerospace for a purchase price of $52.9 that was funded through additional commercial paper borrowings. Hartzell Aerospace, which reported 2014 revenues of $34, designs and manufactures products to support aerospace applications, featuring a differentiated portfolio of environmental control system components and an established aftermarket business. The acquisition is being reported within the Control Technologies segment and complements the ITT aerospace growth platform, with customer and sales channel alignment and key high-growth and next-generation platform expansion opportunities.
The allocation of the purchase price is based on the fair value of assets acquired and liabilities assumed as of the acquisition date. The excess of the purchase price over the estimated fair value of net assets acquired of $13.3 was recorded as goodwill (which is expected to be deductible for income tax purposes). All of the goodwill has been assigned to the Control Technologies segment.
Allocation of Purchase Price for Wolverine and Hartzell Aerospace

	Wolverine	Hartzell
Cash	$8.5	$—
Receivables	31.6	5.3
Inventory	34.4	4.8
Plant, property and equipment	22.8	2.6
Goodwill	161.6	13.3
Other intangible assets	89.0	28.6
Other assets	3.4	0.9
Accounts payable and accrued liabilities	(21.3)	(2.6)
Postretirement liabilities	(14.6)	—
Other liabilities	(8.8)	—
Net assets acquired	$306.6	$52.9

Pro forma results of operations have not been presented because the acquisitions were not deemed material, either individually or in the aggregate, at the acquisition date.

SUPPLEMENTAL FINANCIAL DATA
SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	2015 Quarters				2014 Quarters			
	Fourth	Third	Second	First	Fourth	Third	Second	First
Revenue	$666.8	$601.9	$628.2	$588.7	$660.0	$657.1	$663.0	$674.5
Gross profit	201.3	194.9	213.9	199.0	216.9	219.9	214.8	214.8
Income from continuing operations attributable to ITT Corporation	36.6	96.5	140.6	38.7	33.4	80.6	41.2	33.2
Income (loss) from discontinued operations	0.1	34.2	1.7	3.4	0.3	(0.3)	(2.9)	(1.0)
Net income attributable to ITT Corporation	36.7	130.7	142.3	42.1	33.7	80.3	38.3	32.2
Basic earnings (loss) per share attributable to ITT Corporation:								
Continuing operations	$0.40	$1.08	$1.57	$0.42	$0.37	$0.88	$0.45	$0.36
Discontinued operations	0.01	0.38	0.02	0.04	—	—	(0.03)	(0.01)
Net income	$0.41	$1.46	$1.59	$0.46	$0.37	$0.88	$0.42	$0.35
Diluted earnings (loss) per share attributable to ITT Corporation:								
Continuing operations	$0.40	$1.07	$1.56	$0.42	$0.36	$0.87	$0.44	$0.36
Discontinued operations	0.01	0.38	0.02	0.04	—	(0.01)	(0.03)	(0.01)
Net income	$0.41	$1.45	$1.58	$0.46	$0.36	$0.86	$0.41	$0.35
Common stock price per share:								
High	$40.52	$42.43	$43.96	$42.97	$45.34	$49.42	$48.24	$44.87
Low	$32.70	$32.86	$39.01	$35.30	$36.74	$44.93	$41.48	$37.87
Close	$36.32	$33.43	$41.84	$39.91	$40.46	$44.94	$48.10	$42.76
Dividends per share	$0.1183	$0.1183	$0.1183	$0.1183	$0.11	$0.11	$0.11	$0.11

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 Corporation
	(Registrant)
By:	/S/ STEVEN C. GIULIANO
	Steven C. Giuliano
	Vice President and Chief Accounting Officer
	(Principal accounting officer)
	February 19, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/S/ DENISE L. RAMOS Denise L. Ramos (Principal executive officer)	Chief Executive Officer, President and Director	February 19, 2016
/S/ THOMAS M. SCALERA Thomas M. Scalera (Principal financial officer)	Senior Vice President and Chief Financial Officer	February 19, 2016
/S/ STEVEN C. GIULIANO Steven C. Giuliano (Principal accounting officer)	Vice President and Chief Accounting Officer	February 19, 2016
/S/ ORLANDO D. ASHFORD Orlando D. Ashford	Director	February 19, 2016
/S/ G. PETER D'ALOIA G. Peter D'Aloia	Director	February 19, 2016
/S/ GERAUD DARNIS Geraud Darnis	Director	February 19, 2016
/S/ DONALD DEFOSSET, JR. Donald DeFosset, Jr.	Director	February 19, 2016
/S/ CHRISTINA A. GOLD Christina A. Gold	Director	February 19, 2016
/S/ RICHARD P. LAVIN Richard P. Lavin	Director	February 19, 2016
/S/ FRANK T. MACINNIS Frank T. MacInnis	Director	February 19, 2016
/S/ REBECCA A. MCDONALD Rebecca A. McDonald	Director	February 19, 2016
/S/ TIMOTHY H. POWERS Timothy H. Powers	Director	February 19, 2016

EXHIBIT INDEX

Exhibit Number	Description	Location
3.1	ITT Corporation’s Articles of Amendment and Restated Articles of Incorporation, effective as of October 31, 2011	Incorporated by reference to Exhibit 3.1 of ITT Corporation’s Form 10-K for the year ended December 31, 2013 (File No. 001-05672).
3.2	Amended and Restated By-laws of ITT	Incorporated by reference to Exhibit 3.1 of ITT Corporation’s Form 8-K Current Report dated October 5, 2011 (File No. 001-05672).
10.1	Distribution Agreement, dated as of October 25, 2011, among ITT Corporation, Xylem Inc. and Exelis Inc.	Incorporated by reference to Exhibit 10.1 of ITT Corporation’s Form 10-Q for the quarter ended September 30, 2011 (File No. 001-05672).
10.2	Benefits and Compensation Matters Agreement, dated as of October 25, 2011, among ITT Corporation, Xylem Inc. and Exelis Inc.	Incorporated by reference to Exhibit 10.2 of ITT Corporation’s Form 10-Q for the quarter ended September 30, 2011 (File No. 001-05672).
10.3	First Amendment to Benefits and Compensation Matters Agreement	Incorporated by reference as Exhibit 10.1 of ITT Corporation’s Form 10-Q for the quarter ended June 30, 2013
10.4	Tax Matters Agreement, dated as of October 25, 2011, among ITT Corporation, Xylem Inc. and Exelis Inc.	Incorporated by reference to Exhibit 10.3 of ITT Corporation’s Form 10-Q for the quarter ended September 30, 2011 (File No. 001-05672).
10.5	Master Transition Services Agreement, dated as of October 25, 2011, among ITT Corporation, Xylem Inc. and Exelis Inc.	Incorporated by reference to Exhibit 10.4 of ITT Corporation’s Form 10-Q for the quarter ended September 30, 2011 (File No. 001-05672).
10.6	ITT Transitional Trademark License Agreement - Exelis, dated as of October 25, 2011, between ITT Manufacturing Enterprises LLC and Exelis Inc.	Incorporated by reference to Exhibit 10.5 of ITT Corporation’s Form 10-Q for the quarter ended September 30, 2011 (File No. 001-05672).
10.7	Master Lease Agreement and Master Sublease Agreement, dated as of October 25, 2011 and September 30, 2011, respectively	Incorporated by reference to Exhibit 10.6 of ITT Corporation’s Form 10-Q for the quarter ended September 30, 2011 (File No. 001-05672).
10.8	Five Year Competitive Advance and Revolving Credit Facility Agreement, dated as of November 25, 2014 among ITT Corporation and Other Parties Signatory Thereto	Incorporated by reference to Exhibit 10.1 of ITT Corporation’s Form 8-K dated November 25, 2014 (File No. 001-05672).
10.9*		

	Indenture between ITT Corporation and Union Bank N.A., as Trustee dated May 1, 2009	Incorporated by reference to Exhibit 4.3 of ITT Corporation's Form S-3 dated September 18, 2015 (File No. 001-05672).
10.10*	ITT Retirement Savings Plan for Salaried Employees (effective January 1, 2016)	Filed herewith.
10.11*	ITT Corporation Senior Executive Change in Control Severance Pay Plan amended and restated as of January 1, 2015 (formerly known as the ITT Corporation Special Senior Executive Severance Pay Plan)	Incorporated by reference to Exhibit 10.10 of ITT Corporation's Form 10-K for the year ended December 31, 2014 (File No. 001-05672).
10.12*	ITT Corporation Senior Executive Severance Pay Plan amended and restated effective as of January 1, 2015 (formerly known as the ITT Industries, Inc. Senior Executive Severance Pay Plan, dated December 20, 1995, amended and restated as of December 31, 2008 and July 1, 2013)	Incorporated by reference to Exhibit 10.11 of ITT Corporation's Form 10-K for the year ended December 31, 2014 (File No. 001-05672).
10.13*	ITT Corporation Change in Control Severance Plan amended and restated as of January 1, 2015 (formerly known as ITT Corporation Enhanced Severance Pay Plan (amended and restated as of July 13, 2004).	Incorporated by reference to Exhibit 10.12 of ITT Corporation's Form 10-K for the year ended December 31, 2014 (File No. 001-05672).
10.14*	ITT Deferred Compensation Plan (Effective as of January 1, 1995 as amended and restated as of October 31, 2011)	Incorporated by reference to Exhibit 4.5 of ITT Corporation's Registration Statement on Form S-8 as filed on October 28, 2011 (File No. 001-05672).

Exhibit Number	Description	Location
10.15*	ITT Corporation Deferred Compensation Plan for Non-Employee Directors	Incorporated by reference to Exhibit 10.48 of ITT Corporation's Form 10-Q for the quarter ended September 30, 2008 (File No. 001-05672).
10.16*	ITT Excess Savings Plan amended and restated effective December 31, 2008	Incorporated by reference to Exhibit 10.17 of ITT Corporation's Form 10-K for the year ended December 31, 2008 (File No. 001-05672).
10.17*	Non-Employee Director Compensation Summary	Incorporated by reference to Exhibit 10.16 of ITT Corporation's Form 10-K for the year ended December 31, 2014 (File No. 001-05672).
10.18*	2011 Omnibus Incentive Plan	Incorporated by reference to Exhibit 4.3 of ITT Corporation's Registration Statement on Form S-8 as filed on October 28, 2011 (File No. 001-05672).
10.19*	ITT 1997 Annual Incentive Plan (amended and restated as of July 13, 2004) formerly known as ITT Industries 1997 Annual Incentive Plan (amended and restated as of July 13, 2004)	Incorporated by reference to Exhibit 10.13 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (File No. 001-05672).
10.20*	ITT 2003 Equity Incentive Plan, amended and restated as of February 15, 2008 and approved by shareholders on May 13, 2008 (previously amended and restated as of July 13, 2004 and subsequently amended as of December 18, 2006) and previously known as ITT Industries, Inc. 2003 Equity Incentive Plan	Incorporated by reference to Exhibit 10.5 of ITT Corporation's Form 10-Q for the quarter ended June 30, 2008 (File No. 001-05672).
10.21*	ITT Corporation Form of 2015 Performance Unit Award Agreement	Incorporated by reference to Exhibit 10.1 of ITT Corporation's Form 10-Q for the quarter ended March 31, 2015 (File No. 001-05672).
10.22*	ITT Corporation Form of 2015 Non-Qualified Stock Option Award Agreement	Incorporated by reference to Exhibit 10.2 of ITT Corporation's Form 10-Q for the quarter ended March 31, 2015 (File No. 001-05672).
10.23*	ITT Corporation Form of 2015 Restricted Stock Unit Agreement	Incorporated by reference to Exhibit 10.3 of ITT Corporation's Form 10-Q for the quarter ended March 31, 2015 (File No. 001-05672).
10.24*	ITT Corporation Form of 2014 Performance Unit Award Agreement	Incorporated by reference to Exhibit 10.1 of ITT Corporation's Form 10-Q for the quarter ended March 31, 2014 (File No. 001-05672).
10.25*	ITT Corporation Form of 2014 Non-Qualified Stock Option Award Agreement	Incorporated by reference to Exhibit 10.2 of ITT Corporation's Form 10-Q for the quarter ended March 31, 2014 (File No. 001-05672).

10.26*	ITT Corporation Form of 2014 Restricted Stock Unit Award Agreement	Incorporated by reference to Exhibit 10.3 of ITT Corporation's Form 10-Q for the quarter ended March 31, 2014 (File No. 001-05672).
10.27*	ITT Corporation Form of 2013 Performance Unit Award Agreement	Incorporated by reference to Exhibit 10.01 of ITT Corporation's Form 10-Q for the quarter ended March 31, 2013 (File No. 001-05672).
10.28*	ITT Corporation Form of 2013 Non-Qualified Stock Option Award Agreement (Band A)	Incorporated by reference to Exhibit 10.01 of ITT Corporation's Form 10-Q for the quarter ended March 31, 2013 (File No. 001-05672).
10.29*	ITT Corporation Form of 2013 Restricted Stock Unit Agreement	Incorporated by reference to Exhibit 10.01 of ITT Corporation's Form 10-Q for the quarter ended March 31, 2013 (File No. 001-05672).
10.30*	ITT Corporation Form of 2013 Restricted Stock Unit Agreement (Cash Settled)	Incorporated by reference to Exhibit 10.01 of ITT Corporation's Form 10-Q for the quarter ended March 31, 2013 (File No. 001-05672).
10.31*	Employment Agreement dated as of October 4, 2011 and effective as of October 31, 2011 between ITT Corporation and Denise L. Ramos.	Incorporated by reference to Exhibit 10.1 of ITT Corporation's Form 8-K/A dated October 17, 2011 (File No. 001-05672).

Exhibit Number	Description	Location
10.32	Form of indemnification agreement with directors and officers	Incorporated by reference to Exhibit 10.1 to ITT Corporation's Form 10-Q for the quarter ended September 30, 2014 (File No. 001-05672).
21	Subsidiaries of the Registrant	Filed herewith.
23.1	Consent of Deloitte & Touche LLP	Filed herewith.
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	Filed herewith.
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	Filed herewith.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	This Exhibit is intended to be furnished in accordance with Regulation S-K Item 601(b) (32) (ii) and shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934 or incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference.
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	This Exhibit is intended to be furnished in accordance with Regulation S-K Item 601(b) (32) (ii) and shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934 or incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference.
101	The following materials from ITT Corporation's Annual Report on Form 10-K for the year ended December 31, 2015, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statements of Operations, (ii) Consolidated Statements of Comprehensive Income (Loss), (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Changes in Shareholders' Equity and (vi) Notes to Consolidated Financial Statements	Submitted electronically with this report.

*Management compensatory plan
**

The registrant has requested confidential treatment with respect to portions of this exhibit. Those portions have been omitted from the exhibit and filed separately with the U.S. Securities and Exchange Commission.

ll-5