ITT Inc.
Form 10-Q
August 04, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
(Mark One)

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

For the quarterly period ended June 30, 2016

or

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

For the transition period from to

Commission File Number: 001-05672

ITT INC.

State of Indiana	81-1197930
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

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

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

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

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 o Non-accelerated filer o Smaller reporting company o
(Do not check if a smaller reporting company)

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

As of August 3, 2016, there were outstanding 89.6 million shares of common stock ($1 par value per share) of the registrant.

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FORWARD-LOOKING AND CAUTIONARY STATEMENTS

Some of the information included herein includes forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about the business and future financial results of the industry in which we operate, and other legal, regulatory and economic developments. These forward-looking statements include, but are not limited to, future strategic plans and other statements that describe the company’s business strategy, outlook, objectives, plans, intentions or goals, and any discussion of future 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 result or will be achieved or accomplished. More information on factors that could cause actual results or events to differ materially from those anticipated is included in our reports filed with the U.S. Securities and Exchange Commission (the SEC), including our Annual Report on Form 10-K for the year ended December 31, 2015 (particularly under the caption "Risk Factors"), our Quarterly Reports on Form 10-Q (including Part II, Item 1A, "Risk Factors," of this Quarterly Report on Form 10-Q) and other documents we file from time to time with the SEC.

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

WHERE YOU CAN FIND MORE INFORMATION

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

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

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

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED CONDENSED INCOME STATEMENTS (UNAUDITED)
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	Three Months		Six Months	
For the Periods Ended June 30	2016	2015	2016	2015
Revenue	$626.2	$628.2	$1,235.3	$1,216.9
Costs of revenue	420.6	414.3	834.4	804.0
Gross profit	205.6	213.9	400.9	412.9
General and administrative expenses	74.0	66.5	143.0	126.6
Sales and marketing expenses	46.0	48.8	89.3	96.1
Research and development expenses	21.1	18.9	40.3	37.2
Asbestos-related costs (benefit), net	15.0	(84.8)	27.8	(69.4)
Operating income	49.5	164.5	100.5	222.4
Interest and non-operating (income) expenses, net	(0.5)	0.3	1.2	1.5
Income from continuing operations before income tax expense	50.0	164.2	99.3	220.9
Income tax expense	17.5	23.5	29.2	41.6
Income from continuing operations	32.5	140.7	70.1	179.3
Income from discontinued operations, including tax (expense) benefit of $(0.1), $0.5, $0.2 and $4.0, respectively	0.5	1.7	0.2	5.1
Net income	33.0	142.4	70.3	184.4
Less: Income attributable to noncontrolling interests	0.2	0.1	0.1	—
Net income attributable to ITT Inc.	$32.8	$142.3	$70.2	$184.4
Amounts attributable to ITT Inc.:				
Income from continuing operations, net of tax	$32.3	$140.6	$70.0	$179.3
Income from discontinued operations, net of tax	0.5	1.7	0.2	5.1
Net income	$32.8	$142.3	$70.2	$184.4
Earnings (loss) per share attributable to ITT Inc.:				
Basic:				
Continuing operations	$0.36	$1.57	$0.78	$1.99
Discontinued operations	—	0.02	—	0.06
Net income	$0.36	$1.59	$0.78	$2.05
Diluted:				
Continuing operations	$0.36	$1.56	$0.78	$1.97
Discontinued operations	—	0.02	—	0.06
Net income	$0.36	$1.58	$0.78	$2.03
Weighted average common shares – basic	89.8	89.3	89.7	90.0
Weighted average common shares – diluted	90.4	90.2	90.4	91.0
Cash dividends declared per common share	$0.124	$0.1183	$0.248	$0.2366

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

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(IN MILLIONS)

	Three Months		Six Months	
For the Periods Ended June 30	2016	2015	2016	2015
Net income	$33.0	$142.4	$70.3	$184.4
Other comprehensive (loss) income:				
Net foreign currency translation adjustment	(14.4)	13.1	12.8	(47.8)
Net change in postretirement benefit plans, net of tax impacts of $0.5, $0.1, $1.1 and $0.4, respectively	1.2	0.6	2.3	1.1
Other comprehensive (loss) income	(13.2)	13.7	15.1	(46.7)
Comprehensive income	19.8	156.1	85.4	137.7
Less: Comprehensive income attributable to noncontrolling interests	0.2	0.1	0.1	—
Comprehensive income attributable to ITT Inc.	$19.6	$156.0	$85.3	$137.7
Disclosure of reclassification and other adjustments to postretirement benefit plans				
Reclassification adjustments (see Note 14):				
Amortization of prior service benefit, net of tax expense of $(0.5), $(0.9), $(1.0) and $(1.8), respectively	$(0.9)	$(1.6)	$(1.8)	$(3.2)
Amortization of net actuarial loss, net of tax benefits of $1.0, $1.0, $2.1 and $2.2, respectively	2.1	2.2	4.1	4.3
Net change in postretirement benefit plans, net of tax	$1.2	$0.6	$2.3	$1.1

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

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

	June 30, 2016 (Unaudited)	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 433.3	$ 415.7
Receivables, net	625.1	584.9
Inventories, net	299.3	292.7
Other current assets	170.1	204.4
Total current assets	1,527.8	1,497.7
Plant, property and equipment, net	437.9	443.5
Goodwill	788.3	778.3
Other intangible assets, net	171.8	187.2
Asbestos-related assets	316.4	337.5
Deferred income taxes	326.2	326.1
Other non-current assets	181.9	153.3
Total non-current assets	2,222.5	2,225.9
Total assets	$ 3,750.3	$ 3,723.6
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term loans and current maturities of long-term debt	$ 219.0	$ 245.7
Accounts payable	310.0	314.7
Accrued liabilities	387.3	392.7
Total current liabilities	916.3	953.1
Asbestos-related liabilities	950.6	954.8
Postretirement benefits	257.3	260.4
Other non-current liabilities	209.3	189.9
Total non-current liabilities	1,417.2	1,405.1
Total liabilities	2,333.5	2,358.2
Shareholders' equity:		
Common stock:		
Authorized – 250.0 shares, $1 par value per share (89.6 and 104.5 shares issued, respectively)		
Outstanding – 89.6 shares and 89.5 shares, respectively	89.6	89.5
Retained earnings	1,734.6	1,696.7
Total accumulated other comprehensive loss	(409.0)	(424.1)
Total ITT Inc. shareholders' equity	1,415.2	1,362.1
Noncontrolling interests	1.6	3.3
Total shareholders' equity	1,416.8	1,365.4
Total liabilities and shareholders' equity	$ 3,750.3	$ 3,723.6

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

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)
(IN MILLIONS)

For the Six Months Ended June 30	2016	2015
Operating Activities		
Net income	$70.3	$184.4
Less: Income from discontinued operations	0.2	5.1
Less: Income attributable to noncontrolling interests	0.1	—
Income from continuing operations attributable to ITT Inc.	70.0	179.3
Adjustments to income from continuing operations:		
Depreciation and amortization	51.1	41.9
Stock-based compensation	5.9	6.9
Asbestos-related costs (benefit), net	27.8	(69.4)
Asbestos-related payments, net	(11.5)	(6.5)
Changes in assets and liabilities:		
Change in receivables	(45.6)	(71.8)
Change in inventories	(3.7)	2.0
Change in accounts payable	(4.3)	4.5
Change in accrued expenses	(28.1)	(19.6)
Change in accrued and deferred income taxes	9.7	30.4
Other, net	0.3	(8.2)
Net Cash – Operating activities	71.6	89.5
Investing Activities		
Capital expenditures	(46.1)	(46.0)
Acquisitions, net of cash acquired	(0.2)	(53.5)
Purchases of investments	(60.6)	(73.0)
Maturities of investments	108.7	20.6
Proceeds from sale of businesses and other assets	1.2	8.9
Proceeds from insurance recovery	—	2.5
Other, net	0.2	0.3
Net Cash – Investing activities	3.2	(140.2)
Financing Activities		
Commercial paper, net borrowings	23.5	68.7
Short-term revolving loans, borrowings	27.7	—
Short-term revolving loans, repayments	(78.3)	—
Long-term debt, repayments	(0.6)	(1.9)
Repurchase of common stock	(27.5)	(83.7)
Proceeds from issuance of common stock	8.8	5.3
Dividends paid	(22.5)	(11.0)
Excess tax benefit from equity compensation activity	3.4	3.0
Other, net	(2.3)	—
Net Cash – Financing activities	(67.8)	(19.6)
Exchange rate effects on cash and cash equivalents	4.0	(14.0)
Net Cash – Operating activities of discontinued operations	6.6	(2.3)
Net change in cash and cash equivalents	17.6	(86.6)
Cash and cash equivalents – beginning of year	415.7	584.0
Cash and cash equivalents – end of period	$433.3	$497.4
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for:		
Interest	$2.4	$0.5
Income taxes, net of refunds received	$15.2	$6.7

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

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

	Three Months		Six Months	
For the Periods Ended June 30	2016	2015	2016	2015
Common Stock				
Common stock, beginning balance	$90.0	$89.2	$89.5	$91.0
Activity from stock incentive plans	0.2	0.2	0.9	0.5
Share repurchases	(0.6)	—	(0.8)	(2.1)
Common stock, ending balance	89.6	89.4	89.6	89.4
Retained Earnings				
Retained earnings, beginning balance	1,727.2	1,401.7	1,696.7	1,445.1
Net income attributable to ITT Inc.	32.8	142.3	70.2	184.4
Dividends declared	(11.3)	(11.0)	(22.4)	(21.5)
Activity from stock incentive plans	5.9	8.0	17.2	14.5
Share repurchases	(20.0)	(0.1)	(26.7)	(81.6)
Purchase of noncontrolling interest	—	—	(0.4)	—
Retained earnings, ending balance	1,734.6	1,540.9	1,734.6	1,540.9
Accumulated Other Comprehensive Loss				
Postretirement benefit plans, beginning balance	(152.6)	(143.7)	(153.7)	(144.2)
Net change in postretirement benefit plans	1.2	0.6	2.3	1.1
Postretirement benefit plans, ending balance	(151.4)	(143.1)	(151.4)	(143.1)
Cumulative translation adjustment, beginning balance	(242.9)	(237.6)	(270.1)	(176.7)
Net cumulative translation adjustment	(14.4)	13.1	12.8	(47.8)
Cumulative translation adjustment, ending balance	(257.3)	(224.5)	(257.3)	(224.5)
Unrealized loss on investment securities, beginning balance	(0.3)	(0.3)	(0.3)	(0.3)
Unrealized loss on investment securities, ending balance	(0.3)	(0.3)	(0.3)	(0.3)
Total accumulated other comprehensive loss	(409.0)	(367.9)	(409.0)	(367.9)
Noncontrolling interests				
Noncontrolling interests, beginning balance	1.5	5.3	3.3	5.4
Income attributable to noncontrolling interests	0.2	0.1	0.1	—
Dividend to noncontrolling interest shareholders	—	—	(1.9)	—
Other	(0.1)	—	0.1	—
Noncontrolling interests, ending balance	1.6	5.4	1.6	5.4
Total Shareholders' Equity				
Total shareholders' equity, beginning balance	1,422.9	1,114.6	1,365.4	1,220.3
Net change in common stock	(0.4)	0.2	0.1	(1.6)
Net change in retained earnings	7.4	139.2	37.9	95.8
Net change in accumulated other comprehensive loss	(13.2)	13.7	15.1	(46.7)
Net change in noncontrolling interests	0.1	0.1	(1.7)	—
Total shareholders' equity, ending balance	$1,416.8	$1,267.8	$1,416.8	$1,267.8

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

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

NOTE 1

DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of Business

ITT Inc. 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 Inc. and its subsidiaries. ITT operates through four segments: Industrial Process, consisting of industrial pumping and complementary equipment; Motion Technologies, consisting of friction and shock and 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 May 16, 2016, we consummated a corporate reorganization into a holding company structure. As a result of the reorganization ITT Inc., an Indiana corporation that was previously a wholly owned subsidiary of ITT Corporation, became the publicly traded holding company of ITT Corporation and its subsidiaries and the successor issuer to ITT Corporation under Rule 12g-3(a) under the Securities Exchange Act of 1934 (Exchange Act). As the successor issuer, ITT Inc. common stock was deemed to be registered under Section 12(b) of the Exchange Act and ITT Inc. succeeded to ITT Corporation’s obligation to file reports, proxy statements and other information required by the Exchange Act with the SEC. For additional information regarding the holding company reorganization, please refer to our Current Report on Form 8-K that we filed with the SEC on May 16, 2016.

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 business, 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 unaudited consolidated condensed financial statements have been prepared pursuant to the rules and regulations of the SEC and, in the opinion of management, reflect all adjustments (which include normal recurring adjustments) necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted pursuant to such SEC rules. We believe that the disclosures made are adequate to make the information presented not misleading. We consistently applied the accounting policies described in ITT's Annual Report on Form 10-K for the year ended December 31, 2015 (2015 Annual Report) in preparing these unaudited financial statements. These financial statements should be read in conjunction with the financial statements and notes thereto included in our 2015 Annual Report.

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

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

NOTE 2
RECENT ACCOUNTING PRONOUNCEMENTS
The Company considers the applicability and impact of all accounting standard updates (ASUs). ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial position or results of operations.
Accounting Pronouncements Not Yet Adopted
In March 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-09 to simplify several aspects of the accounting for employee share-based payment transactions standard, including the classification of excess tax benefits and deficiencies and the accounting for employee forfeitures. The guidance is effective for the Company beginning in the first quarter of 2017. The updates to the accounting standard include the following:

- Excess tax benefits and deficiencies will no longer be recognized as a change in additional paid-in-capital in the equity section of the balance sheet, instead they are to be recognized in the income statement as a tax expense or benefit. In the statement of cash flows, excess tax benefits and deficiencies will no longer be classified as a financing activity, instead they will be classified as an operating activity.
- Entities will have the option to continue to reduce share-based compensation expense during the vesting period of outstanding awards for estimated future employee forfeitures or they may elect to recognize the impact of forfeitures as they actually occur.
- The ASU also provides new guidance to other areas of the standard including minimum statutory tax withholding rules and the calculation of diluted common shares outstanding.

The updates are to be applied using a modified retrospective approach as a cumulative adjustment to retained earnings and early adoption is permitted. We have yet to finalize the evaluation of the potential impact of this ASU on our financial statements, however we do not expect these changes to have a material impact.
In February 2016, the FASB issued ASU 2016-02 impacting the accounting for leases intended to increase transparency and comparability of organizations by requiring balance sheet presentation of leased assets and increased financial statement disclosure of leasing arrangements. The revised standard will require entities to recognize a liability for its lease obligations and a corresponding asset representing the right to use the underlying asset over the lease term. Lease obligations are to be measured at the present value of lease payments and accounted for using the effective interest method. The accounting for the leased asset will differ slightly depending on whether the agreement is deemed to be a financing or operating lease. For finance leases, the leased asset is depreciated on a straight-line basis and recorded separately from the interest expense in the income statement resulting in higher expense in the earlier part of the lease term. For operating leases, the depreciation and interest expense components are combined, recognized evenly over the term of the lease, and presented as a reduction to operating income. The ASU requires that assets and liabilities be presented or disclosed separately and classified appropriately as current and noncurrent. The ASU further requires additional disclosure of certain qualitative and quantitative information related to lease agreements. The new standard is effective for the Company beginning in the first quarter 2019 and early adoption is permitted. We are currently evaluating the impact of these amendments on our financial statements.
In May 2014, the FASB issued ASU 2014-09 amending 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. We are currently evaluating the impact of these amendments and the transition alternatives on our 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 assets and certain property, plant and equipment.

	Revenue		Operating Income (Loss)		Operating Margin	
For the Three Months Ended June 30	2016	2015	2016	2015	2016	2015
Industrial Process	$214.2	$287.5	$6.3	$41.5	2.9 %	14.4 %
Motion Technologies	259.6	184.4	48.9	37.0	18.8 %	20.1 %
Interconnect Solutions	78.8	82.7	4.8	(0.8)	6.1 %	(1.0)%
Control Technologies	74.8	74.5	12.0	12.2	16.0 %	16.4 %
Total segment results	627.4	629.1	72.0	89.9	11.5 %	14.3 %
Asbestos-related (costs) benefit, net	—	—	(15.0)	84.8	—	—
Eliminations / Other corporate costs	(1.2)	(0.9)	(7.5)	(10.2)	—	—
Total Eliminations / Corporate and Other costs	(1.2)	(0.9)	(22.5)	74.6	—	—
Total	$626.2	$628.2	$49.5	$164.5	7.9 %	26.2 %

	Revenue		Operating Income (Loss)		Operating Margin	
For the Six Months Ended June 30	2016	2015	2016	2015	2016	2015
Industrial Process	$423.0	$543.1	$15.3	$61.9	3.6 %	11.4 %
Motion Technologies	516.6	375.6	99.6	78.0	19.3 %	20.8 %
Interconnect Solutions	151.2	160.2	6.8	4.0	4.5 %	2.5 %
Control Technologies	146.7	140.3	22.4	26.5	15.3 %	18.9 %
Total segment results	1,237.5	1,219.2	144.1	170.4	11.7 %	14.0 %
Asbestos-related (costs) benefit, net	—	—	(27.8)	69.4	—	—
Eliminations / Other corporate costs	(2.2)	(2.3)	(15.8)	(17.4)	—	—
Total Eliminations / Corporate and Other costs	(2.2)	(2.3)	(43.6)	52.0	—	—
Total	$1,235.3	$1,216.9	$100.5	$222.4	8.1 %	18.3 %

For the Six Months Ended June 30	Total Assets 2016	Total Assets 2015[a]	Capital Expenditures 2016	Capital Expenditures 2015	Depreciation & Amortization 2016	Depreciation & Amortization 2015
Industrial Process	$1,071.9	$1,097.5	$11.2	$9.1	$14.3	$14.2
Motion Technologies	837.3	779.8	29.3	19.9	21.2	13.8
Interconnect Solutions	315.3	303.2	2.5	12.0	6.0	4.7
Control Technologies	380.2	370.6	2.9	3.1	6.4	5.9
Corporate and Other	1,145.6	1,172.5	0.2	1.9	3.2	3.3
Total	$3,750.3	$3,723.6	$46.1	$46.0	$51.1	$41.9

(a) Amounts reflect balances as of December 31, 2015.

NOTE 4

RESTRUCTURING ACTIONS

The table below summarizes the restructuring costs presented within general and administrative expenses in our Consolidated Condensed Income Statements for the three and six months ended June 30, 2016 and 2015.

For the Periods Ended June 30	Three Months 2016	Three Months 2015	Six Months 2016	Six Months 2015
Severance costs	$13.8	$6.2	$18.9	$15.1
Asset write-offs	—	—	0.2	—
Other restructuring costs	0.5	0.5	0.7	0.9
Total restructuring costs	$14.3	$6.7	$19.8	$16.0
By segment:				
Industrial Process	$13.8	$1.1	$17.0	$10.0
Motion Technologies	—	—	1.4	—
Interconnect Solutions	—	5.5	—	5.3
Control Technologies	—	—	0.9	0.5
Corporate and Other	0.5	0.1	0.5	0.2

The following table displays a rollforward of the restructuring accruals, presented on our Consolidated Condensed Balance Sheet within accrued liabilities, for the six months ended June 30, 2016 and 2015.

For the Periods Ended June 30	2016	2015
Restructuring accruals - beginning balance	$20.0	$21.9
Restructuring costs	19.8	16.0
Cash payments	(15.5)	(13.1)
Asset write-offs	(0.2)	—
Foreign exchange translation and other	0.1	(0.3)
Restructuring accrual - ending balance	$24.2	$24.5
By accrual type:		
Severance accrual	$23.9	$23.3
Facility carrying and other costs accrual	0.3	1.2

We have initiated various restructuring activities throughout our businesses during the past two years, of which only those noted below are considered to be individually significant. Other less significant restructuring actions taken during 2016 and 2015 included various reduction in force initiatives and the consolidation of two sites within our Control Technologies segment to an existing lower cost location.

Industrial Process Restructuring Actions

Beginning in early 2015, we have been executing a series of restructuring actions focused on achieving efficiencies and reducing the overall cost structure of the Industrial Process segment. During the first six months of 2016, we continued to progress these objectives and we recognized $17.0 of restructuring costs primarily related to severance for approximately 350 employees. During 2015, we recognized restructuring costs of $12.2 for these actions, with $10.0 recognized during the first half of 2015. Total restructuring costs under these actions through June 30, 2016 are $29.2 mainly related to severance for approximately 550 employees. These actions are expected to be substantially complete during the next six months. However, we will be continuing to monitor and evaluate the need for any additional restructuring actions.

The following table provides a rollforward of the restructuring accruals associated with the Industrial Process restructuring actions.

For the Six Months Ended June 30	2016	2015
Restructuring accruals - beginning balance	$4.9	$—
Restructuring costs	17.0	10.0
Cash payments	(8.0)	(2.0)
Asset write-offs	(0.2)	—
Foreign exchange translation	0.3	—
Restructuring accruals - ending balance	$14.0	$8.0

Interconnect Solutions Restructuring Actions

Beginning in 2013, we initiated a series of restructuring actions to improve the overall cost structure of our ICS segment. These actions included headcount reductions of approximately 500 employees and the transition of certain production lines from one location to another existing lower cost manufacturing site. Payments related to these actions have been substantially completed.

In May 2015, we initiated a separate restructuring action designed to further reduce the cost structure of the ICS segment primarily through additional headcount reductions of approximately 100 employees, for which the Company recognized costs of $6.5 during 2015. Payments related to the remaining accrual for this action are expected to be substantially completed in 2016.

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

For the Six Months Ended June 30	2016	2015
Restructuring accruals - beginning balance	$9.4	$17.1
Restructuring costs	—	5.3
Cash payments	(5.9)	(7.3)
Foreign exchange translation	—	(0.2)
Restructuring accruals - ending balance	$3.5	$14.9

NOTE 5
INCOME TAXES

For the three months ended June 30, 2016 and 2015, the Company recognized income tax expense of $17.5 and $23.5 with an effective tax rate of 35.0% and 14.3%, respectively. For the six months ended June 30, 2016 and 2015, the Company recognized income tax expense of $29.2 and $41.6 with an effective tax rate of 29.4% and 18.8%, respectively. The higher effective tax rate in 2016 compared to 2015 was due to tax benefits recorded in the second quarter of 2015 for the reduction in a deferred tax liability on foreign earnings which are not considered indefinitely reinvested, releases of valuation allowances and uncertain tax positions. The Company continues to benefit from earnings eligible for a tax holiday in South Korea, as well as a larger mix of earnings in non-U.S. jurisdictions with favorable tax rates.

The Company operates in various tax jurisdictions and is subject to examination by tax authorities in these jurisdictions. The Company is currently under examination in several jurisdictions including Canada, Germany, Hong Kong, Italy, Mexico, 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 $18 due to changes in audit status, expiration of statutes of limitations and other events. In addition, the settlement of any future examinations relating to the 2011 and prior tax years could result in changes in amounts attributable to the Company under its existing Tax Matters Agreement with Exelis and Xylem.

NOTE 6
EARNINGS PER SHARE DATA

The following table provides a reconciliation of the data used in the calculation of basic and diluted earnings per share from continuing operations attributable to ITT for the three and six months ended June 30, 2016 and 2015.

	Three Months		Six Months	
For the Periods Ended June 30	2016	2015	2016	2015
Basic weighted average common shares outstanding	89.8	89.3	89.7	90.0
Add: Dilutive impact of outstanding equity awards	0.6	0.9	0.7	1.0
Diluted weighted average common shares outstanding	90.4	90.2	90.4	91.0

The following table provides the number of shares underlying stock options excluded from the computation of diluted earnings per share for the three and six months ended June 30, 2016 and 2015 because they were anti-dilutive.

	Three Months		Six Months	
For the Periods Ended June 30	2016	2015	2016	2015
Anti-dilutive stock options	0.8	0.4	0.7	0.4
Weighted average exercise price per share	$38.02	$42.42	$38.74	$42.61
Year(s) of expiration	2024 - 2026	2024 - 2025	2024 - 2026	2024 - 2025

In addition, 0.2 of outstanding return on invested capital (ROIC) awards were excluded from the computation of diluted earnings per share for the three and six months ended June 30, 2016 and 2015 respectively, as the necessary performance conditions had not yet been satisfied.

NOTE 7

RECEIVABLES, NET

	June 30, 2016	December 31, 2015
Trade accounts receivable	$601.4	$ 554.0
Notes receivable	2.5	3.9
Other	37.3	43.1
Receivables, gross	641.2	601.0
Less: Allowance for doubtful accounts	(16.1)	(16.1)
Receivables, net	$625.1	$ 584.9

NOTE 8

INVENTORIES, NET

	June 30, 2016	December 31, 2015
Finished goods	$49.5	$ 60.9
Work in process	61.0	56.0
Raw materials	170.4	162.9
Inventoried costs related to long-term contracts	44.1	43.0
Total inventory before progress payments	325.0	322.8
Less: Progress payments	(25.7)	(30.1)
Inventories, net	$299.3	$ 292.7

NOTE 9

OTHER CURRENT AND NON-CURRENT ASSETS

	June 30, 2016	December 31, 2015
Asbestos-related assets	$74.5	$ 74.5
Short-term investments	20.1	64.9
Prepaid income taxes	26.6	14.3
Other	48.9	50.7
Other current assets	$170.1	$ 204.4
Other employee benefit-related assets	$95.1	$ 92.9
Environmental-related assets[(a)]	34.2	10.8
Capitalized software costs	32.5	28.2
Other	20.1	21.4
Other non-current assets	$181.9	$ 153.3

(a) Environmental-related assets increased $23.4 primarily related to a settlement agreement and establishment of a Qualified Settlement Fund (QSF), which can be drawn upon to pay certain future environmental expenses associated with environmental remediation sites covered under the settlement agreement. See Note 17, Commitments and Contingencies, to the Consolidated Condensed Financial Statements for further information on environmental-related matters.

NOTE 10

PLANT, PROPERTY AND EQUIPMENT, NET

	June 30, 2016	December 31, 2015
Land and improvements	$28.4	$ 25.4
Machinery and equipment	923.8	909.3
Buildings and improvements	244.2	242.0
Furniture, fixtures and office equipment	69.2	66.3
Construction work in progress	32.0	42.3
Other	5.1	6.7
Plant, property and equipment, gross	1,302.7	1,292.0
Less: Accumulated depreciation	(864.8)	(848.5)
Plant, property and equipment, net	$437.9	$ 443.5

Depreciation expense of $19.3 and $37.4 and $16.5 and $34.0 was recognized in the three and six months ended June 30, 2016 and 2015, respectively.