

Key Performance Indicators and Non-GAAP Measures

Management reviews key performance indicators including revenue, segment operating income and margins, earnings per share, order growth, and backlog, among others. In addition, we consider certain measures to be useful to management and investors when evaluating our operating performance for the periods presented. These measures provide a tool for evaluating our ongoing operations and management of assets from period to period. This information can assist investors in assessing our financial performance and measures our ability to generate capital for deployment among competing strategic alternatives and initiatives, including, but not limited to, dividends, acquisitions and share repurchases. These metrics, however, are not measures of financial performance under GAAP and should not be considered a substitute for measures determined in accordance with GAAP. We consider the following non-GAAP measures, which may not be comparable to similarly titled measures reported by other companies, to be key performance indicators for purposes of our reconciliation tables.

Organic Revenues and **Organic Orders** are defined as revenues and orders, excluding the impact 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 the current and prior periods.

Adjusted Operating Income, **Adjusted Segment Operating Income** and **Adjusted Segment Operating Margin** are defined as total operating income and segment operating income, adjusted to exclude special items that include but are not limited to, restructuring 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 the current results, which management views as unrelated to the Company's ongoing operations and performance. Adjusted segment operating margin is defined as adjusted segment operating income divided by total revenue.

Adjusted Income from Continuing Operations, **Adjusted EPS** and **Adjusted EPS Guidance** 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 and infrequent non-operating items. Special items represent significant charges or credits on an after-tax basis, that impact current results.

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, net asbestos cash flows, repositioning costs and other significant items that impact current results which management believes are not related to our ongoing operations and performance. Due to other financial obligations and commitments, the entire free cash flow may not be available for discretionary purposes.



ITT Corporation Non-GAAP Reconciliation
Reported vs. Organic Revenue / Order Growth
Fourth Quarter 2015 & 2014
(In Millions)

	(As Reported - GAAP)				(As Adjusted - Organic)			
	(A)		(B)		(C)	(D)	(E) = B-C-D	(F) = E / A
	3M 2015	3M 2014	Change 2015 vs. 2014	% Change 2015 vs. 2014	Acquisition / Divestitures 3M 2015	FX Impact 3M 2015	Change Adj. 2015 vs. 2014	% Change Adj. 2015 vs. 2014
Revenues								
ITT Corporation - Consolidated	666.8	660.0	6.8	1.0%	41.8	(40.1)	5.1	0.8%
Industrial Process	300.1	340.7	(40.6)	(11.9%)	0.0	(19.8)	(20.8)	(6.1%)
Motion Technologies	211.7	156.6	55.1	35.2%	34.9	(16.9)	37.1	23.7%
Interconnect Solutions	85.1	90.7	(5.6)	(6.2%)	0.0	(3.1)	(2.5)	(2.8%)
Control Technologies	71.1	73.2	(2.1)	(2.9%)	6.9	(0.2)	(8.8)	(12.0%)
Orders								
Total Segment Orders	606.3	622.2	(15.9)	(2.6%)	51.7	(31.2)	(36.4)	(5.9%)
Industrial Process	233.7	300.4	(66.7)	(22.2%)	0.0	(11.1)	(55.6)	(18.5%)
Motion Technologies	218.7	159.6	59.1	37.0%	40.1	(16.7)	35.7	22.4%
Interconnect Solutions	74.7	93.8	(19.1)	(20.4%)	0.0	(3.0)	(16.1)	(17.2%)
Control Technologies	80.2	69.9	10.3	14.7%	11.6	(0.2)	(1.1)	(1.6%)

Note: Excludes intercompany eliminations
Immaterial differences due to rounding



ITT Corporation Non-GAAP Reconciliation
Reported vs. Organic Revenue / Order Growth
Full Year 2015 & 2014
(In Millions)

	(As Reported - GAAP)				(As Adjusted - Organic)					
	(A)		(B)		(C)		(D)		(E) = B-C-D	(F) = E / A
	12M 2015	12M 2014	Change 2015 vs. 2014	% Change 2015 vs. 2014	Acquisition / Divestitures 12M 2015	FX Impact 12M 2015	Change Adj. 2015 vs. 2014	% Change Adj. 2015 vs. 2014		
Revenues										
ITT Corporation - Consolidated	2,485.6	2,654.6	(169.0)	(6.4%)	57.7	(193.8)	(32.9)		(1.2%)	
Industrial Process	1,113.8	1,208.3	(94.5)	(7.8%)	0.1	(65.0)	(29.6)		(2.4%)	
Motion Technologies	767.2	769.4	(2.2)	(0.3%)	34.9	(106.8)	69.7		9.1%	
Interconnect Solutions	328.1	392.8	(64.7)	(16.5%)	0.0	(20.3)	(44.4)		(11.3%)	
Control Technologies	281.2	290.5	(9.3)	(3.2%)	22.7	(1.7)	(30.3)		(10.4%)	
Orders										
Total Segment Orders	2,330.6	2,683.0	(352.4)	(13.1%)	67.4	(189.6)	(230.2)		(8.6%)	
Industrial Process	936.7	1,214.2	(277.5)	(22.9%)	0.1	(57.8)	(219.8)		(18.1%)	
Motion Technologies	780.0	797.0	(17.0)	(2.1%)	40.1	(110.0)	52.9		6.6%	
Interconnect Solutions	324.3	388.4	(64.1)	(16.5%)	0.0	(20.0)	(44.1)		(11.4%)	
Control Technologies	294.3	289.2	5.1	1.8%	27.2	(1.8)	(20.3)		(7.0%)	

Note: Excludes intercompany eliminations
Immaterial differences due to rounding



ITT Corporation Non-GAAP Reconciliation
Reported vs Adjusted Segment Operating Income & Operating Margin
Fourth Quarter 2015 & 2014
(In Millions)

	3M 2015	3M 2015	3M 2015	3M 2014	3M 2014	3M 2014	% Change	% Change
	<u>As Reported</u>	<u>Special Items</u>	<u>As Adjusted</u>	<u>As Reported</u>	<u>Special Items</u>	<u>As Adjusted</u>	<u>As Reported</u>	<u>As Adjusted</u>
							<u>2015 vs. 2014</u>	<u>2015 vs. 2014</u>
Revenue:								
Industrial Process	300.1		300.1	340.7		340.7	(11.9%)	(11.9%)
Motion Technologies	211.7		211.7	156.6		156.6	35.2%	35.2%
Interconnect Solutions	85.1		85.1	90.7		90.7	(6.2%)	(6.2%)
Control Technologies	71.1		71.1	73.2		73.2	(2.9%)	(2.9%)
Intersegment eliminations	<u>(1.2)</u>		<u>(1.2)</u>	<u>(1.2)</u>		<u>(1.2)</u>		
Total Revenue	<u>666.8</u>		<u>666.8</u>	<u>660.0</u>		<u>660.0</u>	<u>1.0%</u>	<u>1.0%</u>
Operating Margin:								
Industrial Process	15.1%	(180) BP	13.3%	12.7%	70 BP	13.4%	240 BP	(10) BP
Motion Technologies	7.3%	520 BP	12.5%	12.5%	110 BP	13.6%	(520) BP	(110) BP
Interconnect Solutions	5.4%	20 BP	5.6%	1.9%	1,030 BP	12.2%	350 BP	(660) BP
Control Technologies	<u>2.7%</u>	<u>810 BP</u>	<u>10.8%</u>	<u>22.0%</u>	<u>- BP</u>	<u>22.0%</u>	<u>(1,930) BP</u>	<u>(1,120) BP</u>
Total Operating Segments	<u>10.1%</u>	<u>170 BP</u>	<u>11.8%</u>	<u>12.2%</u>	<u>210 BP</u>	<u>14.3%</u>	<u>(210) BP</u>	<u>(250) BP</u>
Income (loss):								
Industrial Process	45.3	(5.5)	39.8	43.2	2.4	45.6	4.9%	(12.7%)
Motion Technologies	15.4	11.0	26.4	19.5	1.8	21.3	(21.0%)	23.9%
Interconnect Solutions	4.6	0.2	4.8	1.7	9.4	11.1	170.6%	(56.8%)
Control Technologies	<u>1.9</u>	<u>5.8</u>	<u>7.7</u>	<u>16.1</u>	<u>-</u>	<u>16.1</u>	<u>(88.2%)</u>	<u>(52.2%)</u>
Total Segment Operating Income	<u>67.2</u>	<u>11.5</u>	<u>78.7</u>	<u>80.5</u>	<u>13.6</u>	<u>94.1</u>	<u>(16.5%)</u>	<u>(16.4%)</u>

Note: Immaterial differences due to rounding.

Special items include, but are not limited to, restructuring and realignment costs, certain asset impairment charges, repositioning costs, certain acquisition-related expenses, and other unusual or infrequent operating items.



ITT Corporation Non-GAAP Reconciliation
Reported vs Adjusted Segment Operating Income & Operating Margin
Full Year 2015 & 2014
(In Millions)

	12M 2015	12M 2015	12M 2015	12M 2014	12M 2014	12M 2014	% Change	% Change
	<u>As Reported</u>	<u>Special Items</u>	<u>As Adjusted</u>	<u>As Reported</u>	<u>Special Items</u>	<u>As Adjusted</u>	<u>As Reported</u> 2015 vs. 2014	<u>As Adjusted</u> 2015 vs. 2014
Revenue:								
Industrial Process	1,113.8		1,113.8	1,208.3		1,208.3	(7.8%)	(7.8%)
Motion Technologies	767.2		767.2	769.4		769.4	(0.3%)	(0.3%)
Interconnect Solutions	328.1		328.1	392.8		392.8	(16.5%)	(16.5%)
Control Technologies	281.2		281.2	290.5		290.5	(3.2%)	(3.2%)
Intersegment eliminations	(4.7)		(4.7)	(6.4)		(6.4)		
Total Revenue	2,485.6		2,485.6	2,654.6		2,654.6	(6.4%)	(6.4%)
Operating Margin:								
Industrial Process	12.7%	40 BP	13.1%	10.3%	50 BP	10.8%	240 BP	230 BP
Motion Technologies	16.5%	170 BP	18.2%	17.0%	30 BP	17.3%	(50) BP	90 BP
Interconnect Solutions	3.7%	210 BP	5.8%	5.7%	760 BP	13.3%	(200) BP	(750) BP
Control Technologies	15.1%	260 BP	17.7%	21.9%	- BP	21.9%	(680) BP	(420) BP
Total Operating Segments	13.0%	130 BP	14.3%	12.8%	150 BP	14.3%	20 BP	- BP
Income (loss):								
Industrial Process	141.2	4.7	145.9	123.9	6.5	130.4	14.0%	11.9%
Motion Technologies	126.4	13.1	139.5	130.9	2.1	133.0	(3.4%)	4.9%
Interconnect Solutions	12.2	6.7	18.9	22.2	30.0	52.2	(45.0%)	(63.8%)
Control Technologies	42.4	7.5	49.9	63.5	-	63.5	(33.2%)	(21.4%)
Total Segment Operating Income	322.2	32.0	354.2	340.5	38.6	379.1	(5.4%)	(6.6%)

Note: Immaterial differences due to rounding.

Special items include, but are not limited to, restructuring and realignment costs, certain asset impairment charges, repositioning costs, certain acquisition-related expenses, and other unusual or infrequent operating items.



ITT Corporation Non-GAAP Reconciliation
Reported vs. Adjusted Income from Continuing Operations & Adjusted EPS
Fourth Quarter 2015 & 2014
(In Millions, except per share amounts)

	Q4 2015 As Reported	Non-GAAP Adjustments	Q4 2015 As Adjusted	Q4 2014 As Reported	Non-GAAP Adjustments	Q4 2014 As Adjusted	2015 vs. 2014 As Adjusted	Percent Change 2015 vs. 2014 As Adjusted
Segment Operating Income	67.2	11.5 #A	78.7	80.5	13.6 #A	94.1		
Corporate (Expense)	(13.4)	6.3 #B	(7.1)	(36.6)	17.4 #B	(19.2)		
Operating Income	53.8	17.8	71.6	43.9	31.0	74.9		
Interest Income (Expense)	0.2	(1.0) #C	(0.8)	(0.7)	-	(0.7)		
Other Income (Expense)	(0.5)	-	(0.5)	(1.4)	-	(1.4)		
Income from Continuing Operations before Tax	53.5	16.8	70.3	41.8	31.0	72.8		
Income Tax Benefit (Expense)	(17.1)	(0.7) #D	(17.8)	(7.9)	(10.1) #D	(18.0)		
Income from Continuing Operations	36.4	16.1	52.5	33.9	20.9	54.8		
Less: Non Controlling Interest	(0.2)	-	(0.2)	0.5	-	0.5		
Income from Continuing Operations - ITT Corporation	36.6	16.1	52.7	33.4	20.9	54.3		
EPS from Continuing Operations	0.40	0.18	0.58	0.36	0.23	0.59	(0.01)	(1.7%)

Note: Amounts may not calculate due to rounding.

#A - 2015 segment operating income includes restructuring and realignment costs (\$7.0M), and costs related to a 2015 acquisition (\$11.5M), offset by adjustment to reserves established in purchase accounting for the Bomemann acquisition (\$6.7M) and other (\$0.3M).

#A - 2014 segment operating income includes restructuring and realignment costs (\$10.9M) and certain costs associated with the Venezuela currency devaluation (\$2.7M).

#B - 2015 corporate (expense) includes income of (\$3.2M) related to an environmental insurance receivable offset by (\$1.2M) franchise tax audit and net asbestos related expense of (\$8.3M).
Note: (\$8.3M) net asbestos related expense includes adjustment to maintain 10 year accrual (\$16.0M), and (\$7.7M) favorable settlement agreement.

#B - 2014 corporate (expense) includes repositioning, re-alignment and restructuring costs (\$2.7M); net asbestos related expense (\$14.7M).
Note: (\$14.7M) net asbestos related expense includes (\$16.9M) adjustment to maintain 10 year accrual and (\$2.2M) favorable settlement agreement.

#C - 2015 interest income related to update in uncertain tax position principally due to favorable resolution of IRS Audit.

#D - 2015 includes various tax-related special items including tax expense related to change in valuation allowance (\$7.2M) and tax on undistributed foreign earnings (\$3.4M), offset by the tax benefit of other operating special items (\$9.9M).

#D - 2014 includes various tax-related special items including tax benefit resulting from decrease in tax liability for undistributed foreign earnings (\$2.6M) and tax benefit for operating special items (\$9.5M).



ITT Corporation Non-GAAP Reconciliation
Reported vs. Adjusted Income from Continuing Operations & Adjusted EPS
Full Year 2015 & 2014

(In Millions, except per share amounts)

	FY 2015 As Reported	Non-GAAP Adjustments	FY 2015 As Adjusted	FY 2014 As Reported	Non-GAAP Adjustments	FY 2014 As Adjusted	2015 vs. 2014 As Adjusted	Percent Change 2015 vs. 2014 As Adjusted
Segment Operating Income	322.2	32.0 #A	354.2	340.5	38.6 #A	379.1		
Corporate (Expense)	57.9	(93.0) #B	(35.1)	(74.1)	14.4 #B	(59.7)		
Operating Income	380.1	(61.0)	319.1	266.4	53.0	319.4		
Interest Income (Expense)	2.5	(5.2) #C	(2.7)	(1.5)	-	(1.5)		
Other Income (Expense)	(0.3)	(1.6) #D	(1.9)	(2.9)	-	(2.9)		
Income from Continuing Operations before Tax	382.3	(67.8)	314.5	262.0	53.0	315.0		
Income Tax Benefit (Expense)	(70.1)	(12.9) #E	(83.0)	(71.3)	(12.6) #E	(83.9)		
Income from Continuing Operations	312.2	(80.7)	231.5	190.7	40.4	231.1		
Less: Non Controlling Interest	(0.2)	-	(0.2)	2.3	-	2.3		
Income from Continuing Operations - ITT Corporation	312.4	(80.7)	231.7	188.4	40.4	228.8		
EPS from Continuing Operations	3.44	(0.89)	2.55	2.03	0.44	2.47	0.08	3.2%

Note: Amounts may not calculate due to rounding.

#A - 2015 segment operating income includes restructuring and realignment costs (\$26.2M), and costs related to 2015 acquisitions (\$14.5M), offset by adjustment to reserves established in purchase accounting for the Bornemann acquisition (\$6.7M) and contract loss in Venezuela (\$2.0M).

#A - 2014 segment operating income includes restructuring and realignment costs (\$35.9M) and certain costs associated with the Venezuela currency devaluation (\$2.7M).

#B - 2015 corporate income includes repositioning and restructuring costs (\$0.4M), franchise tax audit (\$1.2M) offset by income of (\$3.2M) related to an environmental insurance receivable and net asbestos related income of (\$91.4M).
 Note: (\$91.4M) net asbestos related income includes (\$100.7M) for favorable defense counsel realignment and (\$44.8M) for the annual measurement, (\$8.9M) for a favorable settlement agreement and (\$63.0M) asbestos related expense.

#B - 2014 corporate (expense) includes repositioning, realignment and restructuring costs (\$10.5M); net asbestos related expense (\$3.9M).
 Note: (\$3.9M) net asbestos related expense includes (\$64.9M) adjustment to maintain 10-year accrual, (\$58.8M) remeasurement income and (\$2.2M) favorable settlement agreement.

#C - 2015 interest income for change in uncertain tax position principally due to favorable resolution of IRS Audit

#D - 2015 other income related to recognition of receivable entitled under the Tax Matters Agreement.

#E - 2015 includes various tax-related special items including tax benefit related to change in uncertain tax positions (\$15.1M), audit settlements (\$7.0M), release of valuation allowance (\$7.3M), tax benefit resulting from decrease in tax liability for undistributed foreign earnings (\$7.4M), offset by the tax expense of other operating special items (\$24.3M).

#E - 2014 includes various tax-related special items including tax expense related to change in valuation allowance (\$2.5M), state tax rate changes (\$2.5M), offset by the tax benefit resulting from the tax-basis step-up in Italy (\$2.2M) and tax benefit of other operating special items (\$16.4M).



ITT Corporation Non-GAAP Reconciliation
Net Cash - Operating Activities vs. Adjusted Free Cash Flow Conversion
Full Year 2015 & 2014
(In Millions)

	<u>12M 2015</u>	<u>12M 2014</u>
Net Cash - Operating Activities	229.7	244.7
Capital Expenditures	86.7	118.8
Free Cash Flow	143.0	125.9
Repositioning & Realignment Related Cash Payments, including Capex	2.9	24.6
Restructuring Cash Payments	24.4	18.6
Asbestos Cash Payments, net	24.6	3.9
Discretionary Pension Contributions, net of tax	4.7	-
Adjusted Free Cash Flow	199.6	173.0
Income from Continuing Operations - ITT Corporation	312.4	188.4
Special Items	(80.7)	40.4
Income from Continuing Operations - ITT Corporation, Excluding Special Items	231.7	228.8
Adjusted Free Cash Flow Conversion	86.1%	75.6%



**ITT Corporation Non-GAAP Reconciliation
GAAP vs. Adjusted EPS Guidance
Full Year 2016**

	2016 Full-Year Guidance	
	Low	High
EPS from Continuing Operations - GAAP	\$ 1.72	\$ 2.11
Estimated Asbestos Costs to Maintain 10-Year Accrual, Net of Tax	0.45	0.41
	\$ 2.17	\$ 2.52
Estimated Restructuring and Realignment Costs, Net of Tax	0.25	0.16
EPS from Continuing Operations - Adjusted	\$ 2.42	\$ 2.68

