

**CONSOLIDATED STATEMENTS OF OPERATIONS**(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)  
YEARS ENDED DECEMBER 31

	2014	2013	2012
Revenue	\$ 2,654.6	\$ 2,496.9	\$ 2,227.8
Costs of revenue	1,788.2	1,697.1	1,547.6
Gross profit	866.4	799.8	680.2
Sales and marketing expenses	219.4	216.2	180.4
General and administrative expenses	300.1	299.9	234.7
Research and development expenses	76.6	67.3	62.7
Asbestos-related costs, net	3.9	32.8	50.9
Operating income	266.4	183.6	151.5
Interest expense	4.0	6.3	0.1
Interest income	2.5	5.0	2.8
Miscellaneous expense (income), net	2.9	1.8	5.1
Income from continuing operations before income tax	262.0	180.5	149.1
Income tax expense (benefit)	71.3	(309.6)	39.6
Income from continuing operations	190.7	490.1	109.5
(Loss) income from discontinued operations, including tax benefit of \$4.8, \$0.2, and \$5.9, respectively	(3.9)	0.8	15.9
Net income	186.8	490.9	125.4
Less: Income attributable to noncontrolling interests	2.3	2.4	—
Net income attributable to ITT Corporation	\$ 184.5	\$ 488.5	\$ 125.4
<b>Amounts attributable to ITT Corporation:</b>			
Income from continuing operations, net of tax	\$ 188.4	\$ 487.7	\$ 109.5
(Loss) income from discontinued operations, net of tax	(3.9)	0.8	15.9
Net income	\$ 184.5	\$ 488.5	\$ 125.4
<b>Earnings (loss) per share attributable to ITT Corporation:</b>			
<b>Basic Earnings Per Share:</b>			
Continuing operations	\$ 2.06	\$ 5.36	\$ 1.18
Discontinued operations	(0.04)	0.01	0.17
Net income	\$ 2.02	\$ 5.37	\$ 1.35
<b>Diluted Earnings Per Share:</b>			
Continuing operations	\$ 2.03	\$ 5.28	\$ 1.16
Discontinued operations	(0.04)	0.01	0.17
Net income	\$ 1.99	\$ 5.29	\$ 1.33
Weighted average common shares – basic	91.5	91.0	93.0
Weighted average common shares – diluted	92.8	92.3	94.1
Cash dividends declared per common share	\$ 0.44	\$ 0.40	\$ 0.364

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	2014	2013	2012
Net income	\$ 186.8	\$ 490.9	\$ 125.4
Other comprehensive income (loss):			
Net foreign currency translation adjustment	(95.9)	10.9	4.7
Net change in postretirement benefit plans, net of tax impacts of \$2.6, (\$38.8), and \$0, respectively	(15.0)	66.3	(42.3)
Net change in unrealized loss on investment securities, net of tax impacts of \$0, \$0, and \$1.0, respectively	—	—	1.0
Other comprehensive (loss) income	(110.9)	77.2	(36.6)
Comprehensive income	75.9	568.1	88.8
Less: Comprehensive income attributable to noncontrolling interests	2.3	2.4	—
Comprehensive income attributable to ITT Corporation	\$ 73.6	\$ 565.7	\$ 88.8
<b>Disclosure of reclassification adjustments and other adjustments to postretirement benefit plans</b>			
Reclassification adjustments:			
Amortization of prior service (benefit) costs, net of tax expense (benefit) of \$2.2, \$(0.1), and \$0, respectively (See Note 15)	\$ (3.8)	\$ 0.3	\$ 0.8
Amortization of net actuarial loss, net of tax benefit of \$(3.1), \$(4.8), and \$0, respectively (See Note 15)	6.3	8.5	10.9
Other adjustments:			
Prior service credit, net of tax expense of \$(19.7), \$(7.1), and \$0, respectively	34.5	11.9	3.1
Net actuarial (loss) gain, net of tax benefit (expense) of \$23.2, \$(26.8), and \$0, respectively	(53.8)	46.1	(56.7)
Unrealized change from foreign currency translation	1.8	(0.5)	(0.4)
Net change in postretirement benefit plans, net of tax	\$ (15.0)	\$ 66.3	\$ (42.3)
<b>Disclosure of reclassification adjustments and other adjustments to unrealized loss on investment securities</b>			
Reclassification adjustments:			
Realized losses arising during the period, net of tax expense of \$0, \$0, and \$1.0, respectively	\$ —	\$ —	\$ 1.0
Net change in unrealized loss on investment securities, net of tax	\$ —	\$ —	\$ 1.0

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

**CONSOLIDATED BALANCE SHEETS**(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)  
DECEMBER 31

	2014	2013
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 584.0	\$ 507.3
Receivables, net	500.1	496.7
Inventories, net	302.3	315.9
Other current assets	249.8	345.6
<b>Total current assets</b>	<b>1,636.2</b>	<b>1,665.5</b>
Plant, property and equipment, net	443.9	426.2
Goodwill	632.1	659.8
Other intangible assets, net	91.4	106.9
Asbestos-related assets	374.0	433.3
Deferred income taxes	304.1	303.6
Other non-current assets	149.8	144.9
<b>Total non-current assets</b>	<b>1,995.3</b>	<b>2,074.7</b>
<b>Total assets</b>	<b>\$ 3,631.5</b>	<b>\$ 3,740.2</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 309.6	\$ 332.7
Accrued liabilities	465.8	499.9
<b>Total current liabilities</b>	<b>775.4</b>	<b>832.6</b>
Asbestos-related liabilities	1,116.6	1,179.6
Postretirement benefits	249.7	243.3
Other non-current liabilities	269.5	277.8
<b>Total non-current liabilities</b>	<b>1,635.8</b>	<b>1,700.7</b>
<b>Total liabilities</b>	<b>2,411.2</b>	<b>2,533.3</b>
Shareholders' Equity:		
Common stock:		
Authorized – 250 shares, \$1 par value per share (104.3 and 104.0 shares issued, respectively)		
Outstanding – 91.0 shares	91.0	91.0
Retained earnings	1,445.1	1,320.3
Accumulated other comprehensive loss:		
Postretirement benefit plans	(144.2)	(129.2)
Cumulative translation adjustments	(176.7)	(80.8)
Unrealized loss on investment securities	(0.3)	(0.3)
<b>Total ITT Corporation shareholders' equity</b>	<b>1,214.9</b>	<b>1,201.0</b>
Noncontrolling interests	5.4	5.9
<b>Total shareholders' equity</b>	<b>1,220.3</b>	<b>1,206.9</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 3,631.5</b>	<b>\$ 3,740.2</b>

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	2014	2013	2012
<b>Operating Activities</b>			
Net income	\$ 186.8	\$ 490.9	\$ 125.4
Less: (Loss) income from discontinued operations	(3.9)	0.8	15.9
Less: Income attributable to noncontrolling interests	2.3	2.4	—
Income from continuing operations attributable to ITT Corporation	188.4	487.7	109.5
<b>Adjustments to income from continuing operations</b>			
Depreciation and amortization	88.3	86.9	71.1
Stock-based compensation	14.0	13.1	12.4
Asbestos-related costs, net	3.9	32.8	50.9
Deferred income taxes	(0.2)	(364.0)	34.1
Asbestos-related payments, net	(3.9)	(25.4)	(20.1)
Contributions to postretirement plans	(12.6)	(11.9)	(71.0)
<b>Changes in assets and liabilities (net of acquisitions):</b>			
Change in receivables	(45.1)	(60.7)	(17.7)
Change in inventories	(3.1)	(10.7)	(8.7)
Change in accounts payable	(5.8)	4.5	(4.3)
Change in accrued expenses	(5.2)	35.6	(44.4)
Change in accrued income taxes	(10.4)	28.6	84.1
Other, net	36.4	10.1	51.2
Net Cash – Operating activities	244.7	226.6	247.1
<b>Investing Activities</b>			
Capital expenditures	(118.8)	(122.9)	(83.8)
Purchases of investments	(165.4)	(240.2)	(38.2)
Maturities of investments	269.0	168.2	—
Acquisitions, net of cash acquired	(2.8)	0.7	(193.2)
Proceeds from sale of discontinued operations and other assets	3.7	2.3	39.5
Other, net	(0.2)	3.1	1.0
Net Cash – Investing activities	(14.5)	(188.8)	(274.7)
<b>Financing Activities</b>			
Short-term debt, net	(38.0)	25.4	(24.8)
Long-term debt repaid	(1.7)	(6.4)	(1.0)
Long-term debt issued	—	—	1.3
Proceeds from issuance of common stock	15.1	34.8	58.0
Repurchase of common stock	(60.2)	(87.9)	(116.8)
Excess tax benefit from equity compensation activity	10.4	8.7	6.4
Dividends paid	(40.7)	(36.4)	(34.2)
Other, net	(1.5)	3.5	3.1
Net Cash – Financing activities	(116.6)	(58.3)	(108.0)
Exchange rate effects on cash and cash equivalents	(31.2)	(0.4)	(4.0)
<b>Discontinued operations:</b>			
Operating activities	(5.7)	(16.3)	(3.2)
Investing activities	—	—	(0.1)
Financing activities	—	—	(2.4)
Net Cash – Discontinued operations	(5.7)	(16.3)	(5.7)
Net change in cash and cash equivalents	76.7	(37.2)	(145.3)
Cash and cash equivalents – beginning of year	507.3	544.5	689.8
Cash and Cash Equivalents – End of Period	\$ 584.0	\$ 507.3	\$ 544.5
<b>Supplemental Cash Flow Disclosures</b>			
Cash paid (received) during the year for:			
Interest	\$ 1.1	\$ 0.9	\$ 2.3
Income taxes, net of refunds received	70.0	21.9	(100.9)

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) YEARS ENDED DECEMBER 31	SHARES			DOLLARS		
	2014	2013	2012	2014	2013	2012
<b>Common Stock</b>						
Common stock, beginning balance	91.0	91.9	93.1	\$ 91.0	\$ 91.9	\$ 93.1
Activity from stock incentive plans	1.4	2.3	4.0	1.4	2.3	4.0
Share repurchases	(1.4)	(3.2)	(5.2)	(1.4)	(3.2)	(5.2)
Common stock, ending balance	91.0	91.0	91.9	\$ 91.0	\$ 91.0	\$ 91.9
<b>Retained Earnings</b>						
Retained earnings, beginning balance				\$ 1,320.3	\$ 898.8	\$ 852.6
Net income				184.5	488.5	125.4
Cash dividends declared on common stock				(40.6)	(36.7)	(34.2)
Activity from stock incentive plans				38.2	54.4	74.1
Share repurchases				(58.8)	(84.7)	(111.6)
Purchase of noncontrolling interest				1.5	—	(0.2)
Distribution of Exelis and Xylem				—	—	(7.3)
Retained earnings, ending balance				\$ 1,445.1	\$ 1,320.3	\$ 898.8
<b>Accumulated Other Comprehensive Loss</b>						
Postretirement benefit plans, beginning balance				\$ (129.2)	\$ (195.5)	\$ (153.2)
Net change in postretirement benefit plans				(15.0)	66.3	(42.3)
Postretirement benefit plans, ending balance				\$ (144.2)	\$ (129.2)	\$ (195.5)
Cumulative translation adjustment, beginning balance				\$ (80.8)	\$ (91.7)	\$ (96.4)
Net cumulative translation adjustment				(95.9)	10.9	4.7
Cumulative translation adjustments, ending balance				\$ (176.7)	\$ (80.8)	\$ (91.7)
Unrealized (loss) gain on investment securities, beginning balance				\$ (0.3)	\$ (0.3)	\$ (1.3)
Net change in unrealized gain (loss) on investment securities				—	—	1.0
Unrealized (loss) gain on investment securities, ending balance				\$ (0.3)	\$ (0.3)	\$ (0.3)
Total accumulated other comprehensive loss				\$ (321.2)	\$ (210.3)	\$ (287.5)
<b>Noncontrolling Interests</b>						
Noncontrolling interests, beginning balance				\$ 5.9	\$ —	\$ —
Reclassification of noncontrolling interests				—	3.9	—
Income attributable to noncontrolling interests				2.3	2.4	—
Purchase of noncontrolling interests				(2.9)	—	—
Other				0.1	(0.4)	—
Noncontrolling interests, ending balance				\$ 5.4	\$ 5.9	\$ —
<b>Total Shareholders' Equity</b>						
Total shareholders' equity, beginning balance				\$ 1,206.9	\$ 703.2	\$ 694.8
Net change in common stock				—	(0.9)	(1.2)
Net change in retained earnings				124.8	421.5	46.2
Net change in accumulated other comprehensive loss				(110.9)	77.2	(36.6)
Net change in noncontrolling interests				(0.5)	5.9	—
Total shareholders' equity, ending balance				\$ 1,220.3	\$ 1,206.9	\$ 703.2

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