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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2019

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 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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $1 per share	ITT	New York Stock Exchange

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 ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

☑ Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company

☐ Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of July 31, 2019, there were 88.0 million shares of common stock ($1 par value per share) of the registrant outstanding.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the U.S. Securities and Exchange Commission (the SEC). The SEC maintains a website at www.sec.gov on which you may access our SEC filings. In addition, 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 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 is located at 1133 Westchester Avenue, White Plains, NY 10604 and the telephone number of this location is (914) 641-2000.

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 our business, future financial results and 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 events and 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 our reports filed with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2018 (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 in 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.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	Three Months		Six Months	
For the Periods Ended June 30	**2019**	2018	**2019**	2018
Revenue	**$ 719.9**	$ 696.8	**$ 1,415.4**	$ 1,386.1
Costs of revenue	**487.9**	470.8	**964.6**	935.9
Gross profit	**232.0**	226.0	**450.8**	450.2
General and administrative expenses	**65.7**	63.0	**117.6**	128.1
Sales and marketing expenses	**42.7**	43.4	**82.9**	86.9
Research and development expenses	**25.8**	25.8	**49.3**	50.5
Asbestos-related costs (benefit), net	**11.8**	13.5	**24.4**	(6.2)
Operating income	**86.0**	80.3	**176.6**	190.9
Interest and non-operating (income) expenses, net	**(0.4)**	1.5	**(0.9)**	3.3
Income from continuing operations before income tax expense	**86.4**	78.8	**177.5**	187.6
Income tax expense	**19.3**	8.9	**39.0**	16.5
Income from continuing operations	**67.1**	69.9	**138.5**	171.1
(Loss) income from discontinued operations, net of tax benefit of $0.0, $0.1, $0.0 and $0.0, respectively	**(0.1)**	—	**(0.1)**	0.1
Net income	**67.0**	69.9	**138.4**	171.2
Less: Income attributable to noncontrolling interests	**0.2**	0.2	**0.3**	0.3
Net income attributable to ITT Inc.	**$ 66.8**	$ 69.7	**$ 138.1**	$ 170.9
Amounts attributable to ITT Inc.:				
Income from continuing operations, net of tax	**$ 66.9**	$ 69.7	**$ 138.2**	$ 170.8
(Loss) income from discontinued operations, net of tax	**(0.1)**	—	**(0.1)**	0.1
Net income attributable to ITT Inc.	**$ 66.8**	$ 69.7	**$ 138.1**	$ 170.9
Earnings per share attributable to ITT Inc.:				
Basic:				
Continuing operations	**$ 0.76**	$ 0.80	**$ 1.58**	$ 1.95
Net income	**$ 0.76**	$ 0.80	**$ 1.58**	$ 1.95
Diluted:				
Continuing operations	**$ 0.75**	$ 0.79	**$ 1.56**	$ 1.93
Net income	**$ 0.75**	$ 0.79	**$ 1.56**	$ 1.93
Weighted average common shares – basic	**87.8**	87.5	**87.7**	87.8
Weighted average common shares – diluted	**88.7**	88.4	**88.6**	88.7

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

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

	Three Months		Six Months	
For the Periods Ended June 30	**2019**	2018	**2019**	2018
Net income	**$ 67.0**	$ 69.9	**$ 138.4**	$ 171.2
Other comprehensive income (loss):				
Net foreign currency translation adjustment	**5.3**	(47.1)	**2.9**	(20.6)
Net change in postretirement benefit plans, net of tax benefits of $0.2, $0.4, $0.4 and $0.8, respectively	**0.5**	1.1	**1.1**	2.2
Other comprehensive income (loss)	**5.8**	(46.0)	**4.0**	(18.4)
Comprehensive income	**72.8**	23.9	**142.4**	152.8
Less: Comprehensive income attributable to noncontrolling interests	**0.2**	0.2	**0.3**	0.3
Comprehensive income attributable to ITT Inc.	**$ 72.6**	$ 23.7	**$ 142.1**	$ 152.5
Disclosure of reclassification adjustments to postretirement benefit plans				
Reclassification adjustments (see Note 15):				
Amortization of prior service benefit, net of tax expense of $(0.2), $(0.3), $(0.5) and $(0.5), respectively	**$ (0.9)**	$ (0.8)	**$ (1.7)**	$ (1.7)
Amortization of net actuarial loss, net of tax benefits of $0.4, $0.7, $0.9 and $1.3, respectively	**1.4**	1.9	**2.8**	3.9
Net change in postretirement benefit plans, net of tax	**$ 0.5**	$ 1.1	**$ 1.1**	$ 2.2

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

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

	June 30, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 531.9	$ 561.2
Receivables, net	600.0	540.0
Inventories, net	421.4	380.5
Other current assets	149.1	163.4
Total current assets	1,702.4	1,645.1
Plant, property and equipment, net	534.1	518.8
Goodwill	931.0	875.9
Other intangible assets, net	128.1	136.1
Asbestos-related assets	287.5	309.6
Deferred income taxes	162.9	164.5
Other non-current assets	295.4	196.8
Total non-current assets	2,339.0	2,201.7
Total assets	$ 4,041.4	$ 3,846.8
Liabilities and Shareholders' Equity		
Current liabilities:		
Commercial paper and current maturities of long-term debt	$ 149.4	$ 116.2
Accounts payable	347.4	339.2
Accrued liabilities	395.6	416.7
Total current liabilities	892.4	872.1
Asbestos-related liabilities	763.2	775.1
Postretirement benefits	204.0	208.2
Other non-current liabilities	244.4	166.5
Total non-current liabilities	1,211.6	1,149.8
Total liabilities	2,104.0	2,021.9
Shareholders' equity:		
Common stock:		
Authorized – 250.0 shares, $1 par value per share		
Issued and outstanding – 87.9 shares and 87.6 shares, respectively	87.9	87.6
Retained earnings	2,218.8	2,110.3
Total accumulated other comprehensive loss	(371.5)	(375.5)
Total ITT Inc. shareholders' equity	1,935.2	1,822.4
Noncontrolling interests	2.2	2.5
Total shareholders' equity	1,937.4	1,824.9
Total liabilities and shareholders' equity	$ 4,041.4	$ 3,846.8

The accompanying Notes to the 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		2019		2018
Operating Activities				
Income from continuing operations attributable to ITT Inc.	**$**	**138.2**	$	170.8
Adjustments to income from continuing operations:				
Depreciation and amortization		**53.0**		55.2
Equity-based compensation		**8.4**		10.2
Asbestos-related costs (benefit), net		**24.4**		(6.2)
Other non-cash charges, net		**15.3**		4.3
Asbestos-related payments, net		**(15.8)**		(30.8)
Changes in assets and liabilities:				
Change in receivables		**(52.9)**		(15.2)
Change in inventories		**(27.4)**		(22.8)
Change in accounts payable		**11.4**		(14.2)
Change in accrued expenses		**(28.1)**		(23.0)
Change in income taxes		**3.7**		(11.7)
Other, net		**(29.1)**		2.7
Net Cash – Operating activities		**101.1**		119.3
Investing Activities				
Capital expenditures		**(45.8)**		(46.3)
Acquisitions, net of cash acquired		**(87.3)**		—
Other, net		**0.8**		0.9
Net Cash – Investing activities		**(132.3)**		(45.4)
Financing Activities				
Commercial paper, net borrowings (repayments)		**33.7**		(162.4)
Short-term revolving loans, borrowings		**—**		246.5
Short-term revolving loans, repayments		**—**		(23.5)
Long-term debt, issued		**7.1**		—
Long-term debt, repayments		**(2.0)**		(1.9)
Repurchase of common stock		**(20.0)**		(55.4)
Proceeds from issuance of common stock		**8.3**		4.7
Dividends paid		**(26.1)**		(12.0)
Other, net		**(0.6)**		(0.1)
Net Cash – Financing activities		**0.4**		(4.1)
Exchange rate effects on cash and cash equivalents		**0.6**		(8.6)
Net Cash – Operating activities of discontinued operations		**1.2**		(1.4)
Net change in cash and cash equivalents		**(29.0)**		59.8
Cash and cash equivalents – beginning of year (includes restricted cash of $1.0 and $1.2, respectively)		**562.2**		391.0
Cash and cash equivalents – end of period (includes restricted cash of $1.3 and $1.2, respectively)	**$**	**533.2**	$	450.8
Supplemental Disclosures of Cash Flow Information				
Cash paid during the year for:				
Interest	**$**	**1.7**	$	1.1
Income taxes, net of refunds received	**$**	**33.7**	$	23.2

The accompanying Notes to the 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, EXCEPT PER SHARE AMOUNTS)

	Common Stock (Shares)	Common Stock (Dollars)	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Shareholders' Equity
December 31, 2018	**87.6**	**$ 87.6**	**$ 2,110.3**	**$ (375.5)**	**$ 2.5**	**$ 1,824.9**
Net income	—	—	71.3	—	0.1	71.4
Activity from stock incentive plans	0.6	0.6	8.9	—	—	9.5
Share repurchases	(0.4)	(0.4)	(19.5)	—	—	(19.9)
Dividends declared ($0.147 per share)	—	—	(12.9)	—	—	(12.9)
Total other comprehensive loss, net of tax	—	—	—	(1.8)	—	(1.8)
Other	—	—	—	—	0.1	0.1
March 31, 2019	**87.8**	**$ 87.8**	**$ 2,158.1**	**$ (377.3)**	**$ 2.7**	**$ 1,871.3**
Net income	—	—	66.8	—	0.2	67.0
Activity from stock incentive plans	0.1	0.1	7.1	—	—	7.2
Share repurchases	—	—	(0.1)	—	—	(0.1)
Dividends declared ($0.147 per share)	—	—	(13.1)	—	—	(13.1)
Dividend to noncontrolling interest	—	—	—	—	(0.7)	(0.7)
Total other comprehensive income, net of tax	—	—	—	5.8	—	5.8
June 30, 2019	**87.9**	**$ 87.9**	**$ 2,218.8**	**$ (371.5)**	**$ 2.2**	**$ 1,937.4**

	Common Stock (Shares)	Common Stock (Dollars)	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Shareholders' Equity
December 31, 2017	**88.2**	**$ 88.2**	**$ 1,856.1**	**$ (348.2)**	**$ 1.7**	**$ 1,597.8**
Net income	—	—	101.2	—	0.1	101.3
Activity from stock incentive plans	0.3	0.3	4.7	—	—	5.0
Share repurchases	(1.1)	(1.1)	(54.2)	—	—	(55.3)
Cumulative adjustment for accounting change	—	—	(4.1)	—	—	(4.1)
Dividends declared ($0.134 per share)	—	—	(11.9)	—	—	(11.9)
Total other comprehensive income, net of tax	—	—	—	27.6	—	27.6
Other	—	—	—	—	0.1	0.1
March 31, 2018	**87.4**	**$ 87.4**	**$ 1,891.8**	**$ (320.6)**	**$ 1.9**	**$ 1,660.5**
Net income	—	—	69.7	—	0.2	69.9
Activity from stock incentive plans	0.2	0.2	9.7	—	—	9.9
Share repurchases	—	—	(0.1)	—	—	(0.1)
Dividends declared ($0.134 per share)	—	—	(11.8)	—	—	(11.8)
Total other comprehensive loss, net of tax	—	—	—	(46.0)	—	(46.0)
Other	—	—	—	—	(0.1)	(0.1)
June 30, 2018	**87.6**	**$ 87.6**	**$ 1,959.3**	**$ (366.6)**	**$ 2.0**	**$ 1,682.3**

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

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 transportation, industrial, and oil and gas 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 three segments: Motion Technologies, consisting of friction and shock and vibration equipment; Industrial Process, consisting of industrial flow equipment and services; and Connect & Control Technologies, consisting of electronic connectors, fluid handling, motion control and noise and energy absorption products. Financial information for our segments is presented in Note 3, Segment Information.

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 known adjustments (which consist primarily of normal, recurring accruals, estimates and assumptions) necessary to present fairly the financial position, results of operations, and cash flows for the periods presented. The Consolidated Condensed Balance Sheet as of December 31, 2018, presented herein, has been derived from our audited balance sheet included in our Annual Report on Form 10-K (the 2018 Annual Report) for the year ended December 31, 2018 but does not include all disclosures required by GAAP. We consistently applied the accounting policies described in the 2018 Annual Report in preparing these unaudited financial statements, other than those related to new accounting standards adopted during the period. Refer to Note 2, Recent Accounting Pronouncements for further information. These financial statements should be read in conjunction with the financial statements and notes thereto included in our 2018 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 and assets, 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 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.

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

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 Recently Adopted

Leases (ASU 2016-02)

In February 2016, the Financial Accounting Standards Board (FASB) issued new guidance which updated the accounting for leases in order to increase transparency and comparability of organizations by requiring balance sheet presentation of leased assets and increased financial statement disclosure of leasing arrangements. The new standard requires entities to recognize a liability for their lease obligations and a corresponding right-of-use asset, initially measured at the present value of the lease payments. Subsequent accounting depends on whether the agreement is deemed to be a financing or operating lease. For operating leases, a lessee recognizes its total lease expense as an operating expense over the lease term. For financing leases, a lessee recognizes amortization of the right-of-use asset as an operating expense over the lease term separately from interest on the lease liability. The ASU requires that assets and liabilities be presented and disclosed separately and the liabilities must be classified appropriately as current and noncurrent. The ASU further requires additional disclosure of certain qualitative and quantitative information related to lease agreements. The ASU was effective for the Company beginning on January 1, 2019, at which time we adopted the new standard using the modified retrospective approach as of the date of adoption. The Company elected to not reassess certain lease characteristics including whether expired or certain existing contracts contain leases, the lease classification prior to adoption, and initial direct costs. Upon adoption, we recognized a right-of-use asset of $80.0 (net of deferred rent of $3.4 previously included within Accrued liabilities and Other non-current liabilities) and a lease liability of $83.4 related to existing leases of real estate, vehicles, and other equipment that are classified as operating leases, and have terms greater than 12 months. The right-of-use asset is included within Other non-current assets and the lease liabilities are included within Accrued liabilities and Other non-current liabilities on the Consolidated Balance Sheet. A summary of the impact to our Consolidated Balance Sheet on January 1, 2019 is as follows:

	December 31, 2018	Effect of Change	January 1, 2019
Other non-current assets	$ 196.8	$ 80.0	$ 276.8
Accrued liabilities	416.7	18.7	435.4
Other non-current liabilities	166.5	61.3	227.8

Targeted Improvements to Accounting for Hedging Activities (ASU 2017-12)

In August 2017, the FASB issued amended guidance that simplifies the requirements of hedge accounting. The ASU enables companies to more accurately present the economic effects of risk management activities in the financial statements. The guidance requires the presentation of all items that affect earnings in the same income statement line as the hedged item and is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years with early adoption permitted. The Company adopted the provisions of ASU 2017-12 on January 1, 2019. The adoption did not result in an impact to our financial results since the Company did not have any derivatives outstanding at the time of adoption. As of June 30, 2019, the U.S. dollar equivalent notional value of the Company’s outstanding foreign currency forward contracts designated for hedge accounting was $9.1 and the fair value was nominal.

Reclassification of Certain Tax Effects From Accumulated Other Comprehensive Income (ASU 2018-02)

In February 2018, the FASB issued guidance related to the U.S. Tax Cuts and Jobs Act of 2017 (the Tax Act), which permits an optional reclassification of residual tax effects that are included within accumulated other comprehensive loss, to retained earnings. The reclassification represents the difference between the amount recorded in other comprehensive loss at the historical U.S. federal tax rate at the time the Tax Act became effective, and the amount that would have been recorded at the newly enacted rate. This guidance became effective during the first quarter of 2019, however we did not elect to make the optional reclassification.

Accounting Pronouncements Not Yet Adopted

Measurement of Credit Losses on Financial Instruments (ASU 2016-13)

In June 2016, the FASB issued updated guidance that requires entities to use a current expected credit loss model to measure credit-related impairments for financial instruments held at amortized cost, including trade receivables. The current expected credit loss model is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect collectability. Current expected credit losses, and subsequent adjustments, represent an estimate of lifetime expected credit losses that are recorded as an allowance deducted from the amortized cost of the financial instrument. The updated guidance also amends the other-than-temporary impairment model for available-for-sale debt securities by requiring the recognition of impairments for credit-related losses through an allowance and eliminating the length of time a security has been in an unrealized loss position as a consideration in the determination of whether a credit loss exists. The updated guidance is effective for the Company beginning on January 1, 2020 and will be adopted using a modified retrospective transition approach for the provisions related to application of the current expected credit loss model to financial instruments and using a prospective transition approach for the provisions related to credit losses on available-for-sale debt securities. The Company is currently evaluating the effect of adoption on our financial statements.

NOTE 3
SEGMENT INFORMATION

The Company's segments are reported on the same basis used by our Chief Executive Officer, who is also our chief operating decision maker, for evaluating performance and for allocating resources. Our three reportable segments are referred to as: Motion Technologies, Industrial Process, and Connect & Control Technologies.

Motion Technologies manufactures brake components and specialized sealing solutions, shock absorbers and damping technologies primarily for the global automotive, truck and trailer, bus and rail transportation markets.

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.

Connect & Control Technologies manufactures harsh-environment connector solutions and critical energy absorption and flow control components for the aerospace and defense, general industrial, medical, and oil and gas 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, environmental-related assets, deferred taxes, and certain property, plant and equipment.

	Revenue		Operating Income		Operating Margin	
For the Three Months Ended June 30	**2019**	2018	**2019**	2018	**2019**	2018
Motion Technologies	**$ 317.7**	$ 330.3	**$ 52.0**	$ 55.5	**16.4%**	16.8%
Industrial Process	**232.6**	203.2	**26.0**	23.4	**11.2%**	11.5%
Connect & Control Technologies	**170.2**	164.1	**29.6**	27.3	**17.4%**	16.6%
Total segment results	**720.5**	697.6	**107.6**	106.2	**14.9%**	15.2%
Asbestos-related costs, net	**—**	—	**(11.8)**	(13.5)	**—**	—
Eliminations / Other corporate costs	**(0.6)**	(0.8)	**(9.8)**	(12.4)	**—**	—
Total Eliminations / Corporate and Other costs	**(0.6)**	(0.8)	**(21.6)**	(25.9)	**—**	—
Total	**$ 719.9**	$ 696.8	**$ 86.0**	$ 80.3	**11.9%**	11.5%

	Revenue		Operating Income		Operating Margin	
For the Six Months Ended June 30	**2019**	2018	**2019**	2018	**2019**	2018
Motion Technologies	**$ 632.9**	$ 672.5	**$ 112.9**	$ 117.4	**17.8%**	17.5%
Industrial Process	**448.3**	393.0	**48.2**	40.3	**10.8%**	10.3%
Connect & Control Technologies	**335.2**	322.0	**57.0**	50.3	**17.0%**	15.6%
Total segment results	**1,416.4**	1,387.5	**218.1**	208.0	**15.4%**	15.0%
Asbestos-related (costs) benefit, net	**—**	—	**(24.4)**	6.2	**—**	—
Eliminations / Corporate and other costs	**(1.0)**	(1.4)	**(17.1)**	(23.3)	**—**	—
Total Eliminations / Corporate and Other costs	**(1.0)**	(1.4)	**(41.5)**	(17.1)	**—**	—
Total	**$ 1,415.4**	$ 1,386.1	**$ 176.6**	$ 190.9	**12.5%**	13.8%

For the Six Months Ended June 30	Total Assets		Capital Expenditures		Depreciation & Amortization	
	2019	2018[a]	**2019**	2018	**2019**	2018
Motion Technologies	**$ 1,215.0**	$ 1,147.2	**$ 30.1**	$ 40.0	**$ 28.5**	$ 28.7
Industrial Process	**1,137.6**	1,000.1	**5.6**	1.8	**12.6**	13.7
Connect & Control Technologies	**741.4**	694.0	**8.5**	4.3	**10.3**	10.7
Corporate and Other	**947.4**	1,005.5	**1.6**	0.2	**1.6**	2.1
Total	**$ 4,041.4**	$ 3,846.8	**$ 45.8**	$ 46.3	**$ 53.0**	$ 55.2

(a) Amounts reflect balances as of December 31, 2018.

NOTE 4
REVENUE

The following table represents our revenue disaggregated by end market for the three and six months ended June 30, 2019 and 2018.

For the Three Months Ended June 30, 2019	Motion Technologies	Industrial Process	Connect & Control Technologies	Eliminations	Total
Automotive and rail	$ 312.1	$ —	$ —	$ (0.1)	$ 312.0
Chemical and industrial pumps	—	168.7	—	—	168.7
Aerospace and defense	2.8	—	105.3	—	108.1
Oil and gas	—	63.9	10.1	—	74.0
General industrial	2.8	—	54.8	(0.5)	57.1
Total	$ 317.7	$ 232.6	$ 170.2	$ (0.6)	$ 719.9
For the Six Months Ended June 30, 2019					
Automotive and rail	$ 622.1	$ —	$ —	$ (0.1)	$ 622.0
Chemical and industrial pumps	—	330.2	—	—	330.2
Aerospace and defense	5.1	—	204.8	—	209.9
Oil and gas	—	118.1	18.6	—	136.7
General industrial	5.7	—	111.8	(0.9)	116.6
Total	$ 632.9	$ 448.3	$ 335.2	$ (1.0)	$ 1,415.4

For the Three Months Ended June 30, 2018	Motion Technologies	Industrial Process	Connect & Control Technologies	Eliminations	Total
Automotive and rail	$ 322.5	$ —	$ —	$ (0.1)	$ 322.4
Chemical and industrial pumps	—	153.2	—	—	153.2
Aerospace and defense	2.7	—	96.1	—	98.8
Oil and gas	—	50.0	10.1	—	60.1
General industrial	5.1	—	57.9	(0.7)	62.3
Total	$ 330.3	$ 203.2	$ 164.1	$ (0.8)	$ 696.8
For the Six Months Ended June 30, 2018					
Automotive and rail	$ 661.1	$ —	$ —	$ (0.1)	$ 661.0
Chemical and industrial pumps	—	294.7	—	—	294.7
Aerospace and defense	4.5	—	183.7	—	188.2
Oil and gas	—	98.3	19.1	—	117.4
General industrial	6.9	—	119.2	(1.3)	124.8
Total	$ 672.5	$ 393.0	$ 322.0	$ (1.4)	$ 1,386.1

Contract Assets and Liabilities

Contract assets consist of unbilled amounts where revenue recognized exceeds customer billings. Contract liabilities consist of advance payments and billings in excess of revenue recognized. The following table represents our net contract assets and liabilities as of June 30, 2019 and December 31, 2018.

	June 30, 2019	December 31, 2018	Change
Current contract assets	**$ 28.3**	$ 21.8	29.8 %
Non-current contract assets	**—**	0.7	(100.0)%
Current contract liabilities	**(55.8)**	(61.0)	(8.5)%
Net contract liabilities	**$ (27.5)**	$ (38.5)	(28.6)%

During the three and six months ended June 30, 2019, we recognized revenue of $10.6 and $32.4, related to contract liabilities as of December 31, 2018.

Remaining Performance Obligations

For contracts greater than one year, the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of June 30, 2019 was $65.0. Of this amount, we expect to recognize approximately $26 to $31 of revenue during 2019, and the remainder in 2020.

NOTE 5
INCOME TAXES

	Three Months			Six Months		
For the Periods Ended June 30	**2019**	2018	**Change**	**2019**	2018	Change
Income tax expense	**$ 19.3**	$ 8.9	116.9%	**$ 39.0**	$ 16.5	136.4%
Effective tax rate	**22.3%**	11.3%	1100bp	**22.0%**	8.8%	1320bp

The higher effective tax rate during the second quarter of 2019 was primarily due to an $11.3 reduction of a deferred tax liability in 2018 associated with unremitted foreign earnings. The higher effective tax rate during the year to date period is primarily due to tax benefits of $21.6 in 2018 from German valuation allowance reversals on deferred tax assets and a $4.5 reduction to the provisional one-time tax charge associated with the Tax Act.

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 the Czech Republic, Germany, Hong Kong, India, Italy, Japan, Mexico, the U.S. and Venezuela. The estimated tax liability calculation for unrecognized tax benefits considers uncertainties in the application of complex tax laws and regulations in various tax jurisdictions. Due to the complexity of some of these 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 $14 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 Tax Matters Agreement with Exelis Inc. and Xylem Inc. relating to the Company's 2011 spin-off of those businesses.

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, 2019 and 2018.

	Three Months		Six Months	
For the Periods Ended June 30	**2019**	2018	**2019**	2018
Basic weighted average common shares outstanding	**87.8**	87.5	**87.7**	87.8
Add: Dilutive impact of outstanding equity awards	**0.9**	0.9	**0.9**	0.9
Diluted weighted average common shares outstanding	**88.7**	88.4	**88.6**	88.7

There were no anti-dilutive shares underlying stock options excluded from the computation of diluted earnings per share for the three and six months ended June 30, 2019 and 2018. During the three and six months ended June 30, 2018, 0.1 of outstanding performance stock awards were excluded from the computation of diluted earnings per share as the necessary performance conditions had not yet been satisfied.

NOTE 7
RECEIVABLES, NET

	June 30, 2019	December 31, 2018
Trade accounts receivable	**$ 585.0**	$ 531.7
Notes receivable	**6.6**	3.7
Other	**20.5**	22.9
Receivables, gross	**612.1**	558.3
Less: Allowance for doubtful accounts	**(12.1)**	(18.3)
Receivables, net	**$ 600.0**	$ 540.0

NOTE 8
INVENTORIES, NET

	June 30, 2019	December 31, 2018
Finished goods	**$ 68.3**	$ 64.2
Work in process	**103.2**	83.1
Raw materials	**249.9**	233.2
Inventories, net	**$ 421.4**	$ 380.5

Inventory related to long-term contracts of $45.7 as of December 31, 2018 has been reclassified to the respective inventory categories to conform with the current year presentation.

NOTE 9
OTHER CURRENT AND NON-CURRENT ASSETS

	June 30, 2019	December 31, 2018
Asbestos-related assets	**$ 67.1**	$ 67.1
Advance payments and other prepaid expenses	**37.9**	44.5
Current contract assets	**28.3**	21.8
Prepaid income taxes	**13.5**	19.6
Other	**2.3**	10.4
Other current assets	**$ 149.1**	$ 163.4
Other employee benefit-related assets	**$ 109.8**	$ 104.7
Operating lease right-of-use assets (see Note 2)	**93.6**	—
Capitalized software costs	**32.3**	35.3
Environmental-related assets	**23.6**	23.4
Equity method investments	**8.8**	7.7
Other	**27.3**	25.7
Other non-current assets	**$ 295.4**	$ 196.8

NOTE 10
PLANT, PROPERTY AND EQUIPMENT, NET

	Useful life (in years)	June 30, 2019	December 31, 2018
Machinery and equipment	2 - 10	**$ 1,096.6**	$ 1,056.9
Buildings and improvements	5 - 40	**284.1**	265.3
Furniture, fixtures and office equipment	3 - 7	**81.1**	69.1
Construction work in progress		**65.0**	67.9
Land and improvements		**29.7**	27.8
Other		**10.3**	10.3
Plant, property and equipment, gross		**1,566.8**	1,497.3
Less: Accumulated depreciation		**(1,032.7)**	(978.5)
Plant, property and equipment, net		**$ 534.1**	$ 518.8

Depreciation expense of $20.5 and $21.0, and $40.7 and $41.7 was recognized in the three and six months ended June 30, 2019 and 2018, respectively.

NOTE 11
GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill

The following table provides a rollforward of the carrying amount of goodwill for the six months ended June 30, 2019 by segment.

	Motion Technologies	Industrial Process	Connect & Control Technologies	Total
Goodwill - December 31, 2018	$ 294.5	$ 315.8	$ 265.6	$ 875.9
Acquired	—	54.6	—	54.6
Foreign exchange translation	0.1	0.6	(0.2)	0.5
Goodwill - June 30, 2019	**$ 294.6**	**$ 371.0**	**$ 265.4**	**$ 931.0**

Goodwill acquired is related to our acquisition of Rheinhütte Pumpen Group (Rheinhütte) in the second quarter of 2019, and represents the preliminary calculation of the excess of the purchase price over the net assets acquired, the valuation of which is pending completion. Upon completion of the valuation, goodwill acquired will be adjusted to reflect the final fair value of the net assets acquired. Refer to Note 20, Acquisitions, for additional information.

Other Intangible Assets, Net

Information regarding our other intangible assets is as follows:

	June 30, 2019			December 31, 2018		
	Gross Carrying Amount	**Accumulated Amortization**	**Net Intangibles**	Gross Carrying Amount	Accumulated Amortization	Net Intangibles
Customer relationships	**$ 164.2**	**$ (92.8)**	**$ 71.4**	$ 164.1	$ (86.2)	$ 77.9
Proprietary technology	**53.6**	**(27.2)**	**26.4**	53.7	(25.6)	28.1
Patents and other	**12.8**	**(9.7)**	**3.1**	12.3	(9.4)	2.9
Finite-lived intangible total	**230.6**	**(129.7)**	**100.9**	230.1	(121.2)	108.9
Indefinite-lived intangibles	**27.2**	**—**	**27.2**	27.2	—	27.2
Other intangible assets	**$ 257.8**	**$ (129.7)**	**$ 128.1**	$ 257.3	$ (121.2)	$ 136.1

Amortization expense related to finite-lived intangible assets was $4.0 and $4.3, and $8.0 and $8.9 for the three and six months ended June 30, 2019 and 2018, respectively.

NOTE 12
ACCRUED LIABILITIES AND OTHER NON-CURRENT LIABILITIES

	June 30, 2019	December 31, 2018
Compensation and other employee-related benefits	**$ 136.3**	$ 152.2
Contract liabilities and other customer-related liabilities	**76.6**	82.2
Asbestos-related liability	**72.6**	74.2
Accrued income taxes and other tax-related liabilities	**25.7**	33.7
Operating lease liabilities (see Note 2)	**19.3**	—
Accrued warranty costs	**16.2**	16.2
Environmental liabilities and other legal matters	**15.0**	24.0
Other	**33.9**	34.2
Accrued liabilities	**$ 395.6**	$ 416.7
Environmental liabilities	**$ 56.2**	$ 59.5
Operating lease liabilities (see Note 2)	**78.5**	—
Compensation and other employee-related benefits	**35.1**	34.2
Deferred income taxes and other tax-related accruals	**23.8**	25.0
Other	**50.8**	47.8
Other non-current liabilities	**$ 244.4**	$ 166.5

NOTE 13
LEASES

The Company's lease portfolio primarily relates to real estate, which may be used for manufacturing or non-manufacturing purposes, and contains lease terms generally ranging between one and 18 years. Our lease portfolio also includes vehicles and other equipment such as forklifts. Substantially all of our leases are classified as operating leases. For leases with terms greater than 12 months, we record a right-of-use asset and lease liability equal to the present value of the lease payments. In determining the discount rate used to measure the right-of-use asset and lease liability, we utilize the Company's incremental borrowing rate and consider the term of the lease, as well as the geographic location of the leased asset.

Where options to renew a lease are available, they are included in the lease term and capitalized on the balance sheet to the extent there would be a significant economic penalty not to elect the option. Certain real estate leases are subject to periodic changes in an index or market rate. While lease liabilities are not remeasured as a result of changes to an index or rate, these changes are treated as variable lease payments and recognized in the period in which the obligation for those payments is incurred. Variable lease expense also includes property tax and property insurance costs.

For the three and six months ended June 30, 2019, operating lease costs were $6.7 and $12.3, respectively. Short-term lease costs, variable lease costs, and sublease income are not considered material.

Future operating lease payments under non-cancellable operating leases with an initial term in excess of 12 months as of June 30, 2019 are shown below.

2019	$	11.6
2020		19.5
2021		15.3
2022		12.6
2023		10.0
2024 and thereafter		60.7
Total lease payments		129.7
Less: amount of lease payments representing interest		(31.9)
Present value of future lease payments	$	97.8

Short-term lease liability	$	19.3
Long-term lease liability		78.5
Present value of future lease payments	$	97.8

Future minimum operating lease payments under non-cancellable operating leases with an initial term in excess of 12 months as of December 31, 2018 are shown below.

2019	$	22.2
2020		16.8
2021		12.6
2022		10.2
2023		8.1
2024 and thereafter		46.4
Total minimum lease payments	$	116.3

Our lease portfolio has a weighted average remaining lease term of 13.8 years, and the weighted average discount rate is 3.2%. During the six months ended June 30, 2019, we recognized non-cash right-of-use assets of $22.8 for new leases entered into during the period, primarily related to the lease renewal of a key manufacturing site in our Connect & Control segment. Operating cash outflows from operating leases during the six months ended June 30, 2019 were $10.9.

NOTE 14
DEBT

	June 30, 2019	December 31, 2018
Commercial paper	$ 148.0	$ 114.4
Current maturities of long-term debt and finance leases	1.4	1.8
Commercial paper and current maturities of long-term debt	149.4	116.2
Long-term debt and finance leases	14.3	8.8
Total debt and finance leases	$ 163.7	$ 125.0

Commercial Paper

Commercial paper outstanding as of June 30, 2019 and December 31, 2018 was issued entirely through the Company's euro program and had an associated weighted average interest rate of 0.09% and 0.06%, respectively. The outstanding commercial paper for both periods had maturity terms less than three months from the date of issuance.

Refer to the Liquidity section within "Item 2. Management's Discussion and Analysis," for additional information on our overall funding and liquidity strategy.

NOTE 15
POSTRETIREMENT BENEFIT PLANS

The following table provides the components of net periodic benefit cost for pension plans and other employee-related benefit plans for the three and six months ended June 30, 2019 and 2018.

	2019			2018		
For the Three Months Ended June 30	Pension	Other Benefits	Total	Pension	Other Benefits	Total
Service cost	$ 0.3	$ 0.1	$ 0.4	$ 0.4	$ 0.2	$ 0.6
Interest cost	3.2	1.0	4.2	2.8	1.1	3.9
Expected return on plan assets	(3.4)	—	(3.4)	(3.4)	(0.1)	(3.5)
Amortization of prior service cost (benefit)	0.2	(1.3)	(1.1)	0.2	(1.3)	(1.1)
Amortization of net actuarial loss	1.3	0.5	1.8	1.5	1.1	2.6
Total net periodic benefit cost	$ 1.6	$ 0.3	$ 1.9	$ 1.5	$ 1.0	$ 2.5

	2019			2018		
For the Six Months Ended June 30	Pension	Other Benefits	Total	Pension	Other Benefits	Total
Service cost	$ 0.7	$ 0.3	$ 1.0	$ 0.8	$ 0.4	$ 1.2
Interest cost	6.3	2.0	8.3	5.6	2.2	7.8
Expected return on plan assets	(7.2)	—	(7.2)	(6.8)	(0.2)	(7.0)
Amortization of prior service cost (benefit)	0.4	(2.6)	(2.2)	0.4	(2.6)	(2.2)
Amortization of net actuarial loss	2.6	1.1	3.7	3.0	2.2	5.2
Total net periodic benefit cost	$ 2.8	$ 0.8	$ 3.6	$ 3.0	$ 2.0	$ 5.0

We made contributions to our global postretirement plans of $7.1 and $6.8 during the six months ended June 30, 2019 and 2018, respectively. We expect to make contributions of approximately $7 to $9 during the remainder of 2019, principally related to our other employee-related benefit plans.

Amortization from accumulated other comprehensive income into earnings related to prior service cost and net actuarial loss was $0.5 and $1.1, and $1.1 and $2.2, net of tax, during the three and six months ended June 30, 2019 and 2018, respectively. No other reclassifications from accumulated other comprehensive income into earnings were recognized during any of the presented periods.

NOTE 16
LONG-TERM INCENTIVE EMPLOYEE COMPENSATION

Our long-term incentive plan (LTIP) costs are primarily recorded within general and administrative expenses. The following table provides the components of LTIP costs for the three and six months ended June 30, 2019 and 2018.

	Three Months		Six Months	
For the Periods Ended June 30	**2019**	2018	**2019**	2018
Equity-based awards	**$ 3.9**	$ 5.7	**$ 8.4**	$ 10.2
Liability-based awards	**0.7**	0.7	**1.4**	0.8
Total share-based compensation expense	**$ 4.6**	$ 6.4	**$ 9.8**	$ 11.0

At June 30, 2019, there was $24.4 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 2.1 years. Additionally, unrecognized compensation cost related to liability-based awards was $2.5, which is expected to be recognized ratably over a weighted-average period of 1.7 years.

Year-to-Date 2019 LTIP Activity

The majority of our LTIP awards are granted during the first quarter of each year and vest on the completion of a three-year service period. During the six months ended June 30, 2019, we granted the following LTIP awards as provided in the table below:

	# of Awards Granted	Weighted Average Grant Date Fair Value Per Share
Restricted stock units (RSUs)	0.2	$ 58.35
Performance stock units (PSUs)	0.1	$ 65.28

During the six months ended June 30, 2019 and 2018, 0.3 and 0.2 of non-qualified stock options were exercised resulting in proceeds of $8.3 and $4.7, respectively. During the six months ended June 30, 2019 and 2018, RSUs of 0.2 vested and were issued. During the six months ended June 30, 2019 and 2018, PSUs of 0.2 and 0.1 that vested on December 31, 2018 and 2017, respectively, were issued.

NOTE 17
CAPITAL STOCK

On October 27, 2006, a three-year $1 billion share repurchase program (the Share Repurchase Program) was approved by the Board of Directors. On December 16, 2008, the provisions of the Share Repurchase Program were modified by the Board of Directors to replace the original three-year term with an indefinite term. During the six months ended June 30, 2019 and 2018, we repurchased and retired 0.2 and 1.0 shares of common stock for $10.5 and $50.0, respectively, under this program. To date, the Company has repurchased 22.4 shares for $919.9 under the Share Repurchase Program.

Separate from the Share Repurchase Program, the Company repurchased 0.2 and 0.1 shares during the six months ended June 30, 2019 and 2018, respectively, for an aggregate price of $9.5 and $5.4, respectively, in settlement of employee tax withholding obligations due upon the vesting of RSUs and PSUs.

NOTE 18
ACCUMULATED OTHER COMPREHENSIVE LOSS

	Postretirement Benefit Plans	Cumulative Translation Adjustment	Accumulated Other Comprehensive Loss
December 31, 2018	$ (131.6)	$ (243.9)	$ (375.5)
Net change during period	0.6	(2.4)	(1.8)
March 31, 2019	(131.0)	(246.3)	(377.3)
Net change during period	0.5	5.3	5.8
June 30, 2019	$ (130.5)	$ (241.0)	$ (371.5)

	Postretirement Benefit Plans	Cumulative Translation Adjustment	Accumulated Other Comprehensive Loss
December 31, 2017	$ (137.6)	$ (210.6)	$ (348.2)
Net change during period	1.1	26.5	27.6
March 31, 2018	(136.5)	(184.1)	(320.6)
Net change during period	1.1	(47.1)	(46.0)
June 30, 2018	$ (135.4)	$ (231.2)	$ (366.6)

NOTE 19
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 asbestos and environmental exposures, intellectual property matters, copyright infringement, personal injury claims, employment and employee benefit matters, government contract issues and commercial or contractual disputes and 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 a material adverse impact on our financial statements, unless otherwise noted below.

Asbestos Matters

Subsidiaries of ITT, including ITT LLC and Goulds Pumps LLC, have 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 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 June 30, 2019, there were approximately 24 thousand pending claims against ITT subsidiaries, including Goulds Pumps LLC, 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:

Pending claims – Beginning	24
New claims	2
Settlements	(1)
Dismissals	(1)
Pending claims – Ending	24

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

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

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 variables and uncertainties inherent in the long-term projection of the Company's asbestos exposures, while it is probable that the Company will incur additional costs for asbestos claims filed beyond the next 10 years, which additional costs may be material, 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.

Asbestos-Related Costs, Net

As part of our ongoing review of our net asbestos exposure, each quarter we assess the most recent qualitative and quantitative data available for the key inputs and assumptions, comparing the data to expectations on which the most recent annual liability and asset estimates were calculated. Based on this evaluation, the Company determined that no change in the estimate was warranted for the quarter ended June 30, 2019 other than the incremental accrual to maintain a rolling 10-year forecast period.

The following table provides a rollforward of the estimated asbestos liability and related assets for the six months ended June 30, 2019 and 2018.

	2019			2018		
For the Six Months Ended June 30	**Liability**	**Asset**	**Net**	Liability	Asset	Net
Beginning balance	**$ 849.3**	**$ 376.7**	**$ 472.6**	$ 877.2	$ 368.7	$ 508.5
Asbestos provision[(a)]	**30.6**	**6.2**	**24.4**	32.0	6.1	25.9
Insurance settlement agreement	**—**	**—**	**—**	—	32.1	(32.1)
Net cash activity[(a)]	**(44.1)**	**(28.3)**	**(15.8)**	(50.4)	(19.6)	(30.8)
Ending balance	**$ 835.8**	**$ 354.6**	**$ 481.2**	$ 858.8	$ 387.3	$ 471.5
Current portion	**$ 72.6**	**$ 67.1**		$ 77.2	$ 64.7	
Noncurrent portion	**$ 763.2**	**$ 287.5**		$ 781.6	$ 322.6	

(a) Includes certain administrative costs such as legal-related costs for insurance asset recoveries.

Environmental Matters

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

The following table provides a rollforward of the estimated environmental liability for the six months ended June 30, 2019 and 2018.

For the Six Months Ended June 30	**2019**	2018
Environmental liability - beginning balance	**$ 66.8**	$ 73.9
Change in estimates for pre-existing accruals	**0.3**	3.3
Accruals added during the period for new matters	**—**	2.0
Payments [(a)]	**(3.6)**	(12.2)
Foreign currency	**—**	0.1
Environmental liability - ending balance	**$ 63.5**	$ 67.1

(a) Includes cash payments of $7.9 for the six months ended June 30, 2018 related to the sale of a former operating location.

Environmental-related assets, representing estimated recoveries from insurance providers and other third parties, were $23.6 and $23.3 as of June 30, 2019 and 2018, respectively.

We are currently involved with 30 active environmental investigation and remediation sites. At June 30, 2019, we have estimated the potential high-end liability range of environmental-related matters to be $110.5.

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

In the second quarter of 2019, the Company settled a civil matter with the U.S. Department of Justice (DOJ) related to an investigation that began in 2015 involving certain connector products manufactured by the Company’s Connect & Control Technologies segment that are purchased or used by the U.S. government. The Company paid $11 to DOJ, acting on behalf of the U.S. government, to settle this matter and avoid the expense and uncertainty of litigation. The Company also received a related insurance recovery of $1.

NOTE 20
ACQUISITIONS

Rheinhütte Pumpen Group (Rheinhütte)

On April 30, 2019, we completed the acquisition of 100% of the privately held stock of Rheinhütte for a purchase price of €81 euros, net of cash acquired. The transaction was funded from the Company’s cash and European commercial paper program. The purchase price is subject to change based on customary net working capital adjustments. Rheinhütte, with 2018 revenue of approximately €61.5 euros and approximately 430 employees, has manufacturing locations in Germany and Brazil. Rheinhütte is a designer and manufacturer of highly engineered pumps suited for harsh and corrosive environments for the industrial market. Rheinhütte is reported within the Industrial Process segment.

The purchase price for Rheinhütte was allocated to net tangible assets acquired and liabilities assumed based on their preliminary fair values as of April 30, 2019, with the excess of the purchase price of $54.6 recorded as goodwill. The primary areas of the purchase price allocation that are not yet finalized relate to the valuation of certain tangible and intangible assets, liabilities, income tax, and residual goodwill. We expect to obtain the information necessary to finalize the fair value of the net assets and liabilities during the measurement period, not to exceed one year from the acquisition date. Changes to the preliminary estimates of the fair value during the measurement period will be recorded as adjustments to those assets and liabilities with a corresponding adjustment to goodwill in the period they occur. The goodwill arising from this acquisition is not expected to be deductible for income tax purposes.

Preliminary Allocation of Purchase Price for Rheinhütte

Cash	$	4.7
Receivables		9.7
Inventory		13.3
Plant, property and equipment		21.5
Goodwill		54.6
Other assets		3.2
Accounts payable and accrued liabilities		(6.7)
Other liabilities		(5.3)
Net assets acquired	$	95.0

Pro forma results of operations have not been presented because the acquisition was not deemed material at the acquisition date.

Matrix Composites, Inc. (Matrix)

On July 3, 2019, we completed the acquisition of 100% of the privately held stock of Matrix for a purchase price of $29 funded from the Company’s cash. The purchase price includes an earn-out of $3 and is subject to change based on customary net working capital adjustments. Matrix, a manufacturer of precision composite components within the aerospace and defense market, had 2018 revenue of approximately $12 with growth expected due to a ramp up in production on several next-generation aircraft engine platforms. Matrix has approximately 115 employees and will be reported within the Connect & Control Technologies segment.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

OVERVIEW

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

Our businesses share a common, repeatable operating model centered on our engineering capabilities. Each business applies its technology and engineering expertise to solve our customers' most pressing challenges. 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 assist our customers to 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).

Our product and service offerings are organized into three segments: Motion Technologies, Industrial Process, and Connect & Control Technologies. See Note 3, Segment Information, in this Report for a summary description of each segment. Additional information is also available in our 2018 Annual Report within Part I, Item 1, "Description of Business".

All comparisons included within Management's Discussion and Analysis of Financial Condition and Results of Operations refer to the comparable three and six months ended June 30, 2018, unless stated otherwise.

DISCUSSION OF FINANCIAL RESULTS
Three and Six Months Ended June 30

	Three Months			Six Months		
	2019	2018	Change	**2019**	2018	Change
Revenue	**$ 719.9**	$ 696.8	3.3%	**$ 1,415.4**	$ 1,386.1	2.1%
Gross profit	**232.0**	226.0	2.7%	**450.8**	450.2	0.1%
Gross margin	**32.2%**	32.4%	(20)bp	**31.8%**	32.5%	(70)bp
Operating expenses	**146.0**	145.7	0.2%	**274.2**	259.3	5.7%
Operating expense to revenue ratio	**20.3%**	20.9%	(60)bp	**19.4%**	18.7%	70bp
Operating income	**86.0**	80.3	7.1%	**176.6**	190.9	(7.5%)
Operating margin	**11.9%**	11.5%	40bp	**12.5%**	13.8%	(130)bp
Interest and non-operating (income) expenses, net	**(0.4)**	1.5	(126.7%)	**(0.9)**	3.3	(127.3%)
Income tax expense	**19.3**	8.9	116.9%	**39.0**	16.5	136.4%
Effective tax rate	**22.3%**	11.3%	1,100bp	**22.0%**	8.8%	1,320bp
Income from continuing operations attributable to ITT Inc.	**66.9**	69.7	(4.0%)	**138.2**	170.8	(19.1%)
Net income attributable to ITT Inc.	**66.8**	69.7	(4.2%)	**138.1**	170.9	(19.2%)

Executive Summary

In the second quarter of 2019, ITT delivered top-line growth and increased operating margin despite an increasingly challenging economic environment. Our results reflect our continued focus on operational excellence and cost reduction actions, which will help us win share in key global end markets and combat future market uncertainty.

Summary of Key Performance Indicators for the Second Quarter of 2019

Revenue	Orders	Segment Operating Income	Segment Operating Margin	EPS	Operating Cash Flow
$720	$693	$108	14.9%	$0.75	$101
3% Increase	7% Decrease	1% Increase	30bp Decrease	5% Decrease	15% Decrease
Organic Revenue	**Organic Orders**	**Adjusted Segment Operating Income**	**Adjusted Segment Operating Margin**	**Adjusted EPS**	**Adjusted Free Cash Flow**
$735	$706	$116	16.1%	$0.93	$82
5% Increase	5% Decrease	7% Increase	60bp Increase	13% Increase	10% Decrease

Further details related to these results are contained elsewhere in the Discussion of Financial Results section. Refer to the section titled "Key Performance Indicators and Non-GAAP Measures" for a definition and reconciliations between GAAP and non-GAAP metrics.

Our second quarter 2019 results include:

- Revenue of $719.9 increased $23.1, or 3.3%. Excluding an unfavorable foreign currency impact of $22.7 and revenue of $7.9 from our second quarter acquisition of Rheinhütte, organic revenue increased 5.4% driven by share gains and growth across all three segments. The strength of our diversified portfolio powered our growth as oil and gas grew 29%, industrial grew 5%, and transportation grew 3%.

- Orders of $692.8 decreased $48.9, or 6.6%. Excluding unfavorable foreign currency of $23.0, and orders of $10.2 from the Rheinhütte acquisition, organic orders decreased 4.9% driven mainly by a 27% decline in oil and gas due to project delays and a large prior year upstream oil and gas pump project. Industrial orders declined 6% on project and short-cycle demand weakness. Transportation orders were flat as 39% growth in rail was offset by global automotive.

- Operating income of $86.0 increased $5.7, or 7.1%, driven by a reduction in corporate costs of $4.3 as well as segment operating income growth of $1.4, or 1.3%. The increase in segment operating income was driven by sales volume leverage, continued productivity and supply chain initiatives, and cost containment actions. These were partially offset by higher commodity costs and tariffs, as well as strategic investments, unfavorable product mix and $7 of foreign currency impacts. Segment operating income was additionally impacted by $6 of acquisition, restructuring, and legal costs.

- Income from continuing operations of $0.75 per diluted share decreased $0.04, primarily due to favorable prior year tax items, partially offset by improvements in operating income and a reduction in interest and non-operating expense. Adjusted income from continuing operations was $0.93 per diluted share, reflecting a $0.11, or 13.4% increase from the prior year.

In terms of capital deployment, in July we completed the acquisition of Matrix Composites Inc. (Matrix), a manufacturer of precision composites in the aerospace and defense market, with growth expected from a ramp up in production on several next-generation aircraft engine platforms. This recent acquisition coupled with Rheinhütte in April, illustrate the disciplined, close-to-core, and strategic acquisitions that we will continue to make going forward. Additionally, we are investing in a new plating line at CCT that will improve lead times and reduce input costs, and we continue to make progress in the development of the ITT Smart Pad.

REVENUE

The following tables illustrate our revenue derived from each of our segments for the three and six months ended June 30, 2019 and 2018.

For the Three Months Ended June 30	**2019**	2018	Change	Organic Growth[(a)]
Motion Technologies	**$ 317.7**	$ 330.3	(3.8)%	1.3%
Industrial Process	**232.6**	203.2	14.5 %	12.6%
Connect & Control Technologies	**170.2**	164.1	3.7 %	4.8%
Eliminations	**(0.6)**	(0.8)		
Total Revenue	**$ 719.9**	$ 696.8	3.3 %	5.4%

For the Six Months Ended June 30				
Motion Technologies	**$ 632.9**	$ 672.5	(5.9)%	—%
Industrial Process	**448.3**	393.0	14.1 %	14.1%
Connect & Control Technologies	**335.2**	322.0	4.1 %	5.4%
Eliminations	**(1.0)**	(1.4)		
Total Revenue	**$ 1,415.4**	$ 1,386.1	2.1 %	5.2%

ORDERS

The following tables illustrate our orders derived from each of our segments for the three and six months ended June 30, 2019 and 2018.

For the Three Months Ended June 30	**2019**	2018	Change	Organic Growth (Decline)[(a)]
Motion Technologies	**$ 311.9**	$ 327.6	(4.8)%	0.3 %
Industrial Process	**212.7**	237.4	(10.4)%	(12.8)%
Connect & Control Technologies	**169.5**	177.2	(4.3)%	(3.3)%
Eliminations	**(1.3)**	(0.5)		
Total Orders	**$ 692.8**	$ 741.7	(6.6)%	(4.9)%

For the Six Months Ended June 30				
Motion Technologies	**$ 643.4**	$ 697.5	(7.8)%	(1.7)%
Industrial Process	**431.7**	447.5	(3.5)%	(3.8)%
Connect & Control Technologies	**358.6**	359.0	(0.1)%	1.2 %
Eliminations	**(2.0)**	(1.1)		
Total Orders	**$ 1,431.7**	$ 1,502.9	(4.7)%	(1.7)%

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

Motion Technologies (MT)

MT revenue for the three and six months ended June 30, 2019 decreased $12.6, or 3.8%, and $39.6, or 5.9%, respectively. Excluding the impact of foreign currency translation of $16.8 and $39.3 for the three and six months ended June 30, 2019, respectively, organic revenue increased $4.2 during the second quarter and was flat for the year to date period. The performance was driven by strength in global rail as well as Friction OEM share gains which significantly outpaced the global auto market, offset by a decline in our Wolverine business. KONI & Axtone sales grew 16% and 13%, for the three and six month periods, respectively, on strength in rail in Europe. Friction sales increased 1% in both periods due to market share gains in North America, Europe and China which helped offset contraction in the global auto market and lower aftermarket activity. Wolverine sales decreased 16% in both periods due to weakness in global auto markets and customer share loss.

Orders for the three and six months ended June 30, 2019 decreased $15.7, or 4.8%, and $54.1, or 7.8%. Excluding unfavorable foreign currency translation impacts of $16.6 and $42.1, respectively, organic orders increased $0.9, or 0.3%, during the second quarter of 2019, but decreased $12.0, or 1.7%, during the six months ended June 30, 2019. Excluding a prior year Russian rail order of $14, MT year-to-date organic orders increased $2.0, or 0.3%. In 2019, global rail market share gains were partially offset by weakness in our Wolverine business.

Industrial Process (IP)

IP revenue for the three and six months ended June 30, 2019 increased $29.4, or 14.5%, and $55.3, or 14.1%, respectively, which included incremental revenue of $7.9 from our second quarter acquisition of Rheinhütte, and an unfavorable foreign currency translation impact of $4.2 and $8.0, respectively. Organic revenue for the three and six months ended June 30, 2019 increased $25.7, or 12.6%, and $55.4, or 14.1%, respectively, driven by growth in pump projects and aftermarket parts and service.

During the three and six months ended June 30, 2019, revenue from pump projects increased 51% and 49%, respectively, driven by strength in the chemical and oil and gas markets primarily within North America and Asia. Within our short-cycle business, revenue from aftermarket parts and service increased 11% and 10% for the three and six month periods ended June 30, 2019, respectively, due to higher demand in the Middle East within the oil and gas and chemical markets. During the second quarter of 2019, growth in aftermarket was partially offset by an 8% decline in revenue from baseline pumps.

Orders for the three and six months ended June 30, 2019 decreased $24.7, or 10.4%, and $15.8, or 3.5%, which included incremental orders of $10.2 from our second quarter acquisition of Rheinhütte, and an unfavorable foreign currency translation impact of $4.5 and $9.2, respectively. Organic orders decreased $30.4, or 12.8%, and $16.8, or 3.8%, respectively, for the three and six months ended June 30, 2019 due to pump project declines of 35% and 14%, respectively, driven by project delays and difficult comparisons to the prior year in the oil and gas and petrochemical markets. Orders from our short-cycle business during the second quarter decreased 5% due mainly to weakness in valves. For the year-to-date period orders from our short-cycle business were flat as softness in valve orders was offset by aftermarket parts and service in North America and the Middle East.

The level of order and shipment activity related to project pumps can vary significantly from period to period, which may impact year-over-year comparisons. IP's backlog as of June 30, 2019 was $425.3, a decrease of $18.9, or 4.3%, compared to December 31, 2018.

Connect & Control Technologies (CCT)

CCT revenue for the three and six months ended June 30, 2019 increased $6.1, or 3.7%, and $13.2, or 4.1%, respectively, which included an unfavorable foreign currency translation impact of $1.7 and $4.1, respectively. Organic revenue for the three and six months ended June 30, 2019 increased $7.8, or 4.8%, and $17.3, or 5.4%, respectively, driven by increases of 21% and 15%, respectively, in commercial aerospace from strength in components and connectors. This was partially offset by a decline in revenue from defense components due to prior year programs. In addition, revenue grew 1% in both periods in the industrial market.

Orders for the three months ended June 30, 2019, decreased $7.7, or 4.3%, which included an unfavorable foreign currency translation impact of $1.9. Organic orders decreased $5.8, or 3.3%, due to a 6% decline in orders from the industrial market on weak components and electric vehicle connectors, as well as an 18% decline in the oil and gas market due to a difficult prior year comparison reflecting lower 2019 oil prices. Aerospace and defense orders decreased 1% during the second quarter of 2019 due to timing of rotorcraft and commercial aerospace components, offset by higher environmental control systems and aftermarket.

Orders for the six months ended June 30, 2019 were relatively flat compared to the prior year, which included an unfavorable foreign currency translation impact of $4.7. Organic orders increased $4.3, or 1.2%, due to a 5% increase in the aerospace and defense market driven by several project wins in North America for defense connectors and components. This growth was partially offset by order declines in industrial and oil and gas markets of 4% and 9%, respectively.

On July 11, 2017, the U.S. Defense Logistics Agency, Land and Maritime (DLA) issued a notice that it had removed certain of our military-specification connector products from the Qualified Products List (QPL). Annual sales of these military-specification connectors were estimated to range from $8 to $10 prior to the removal of these products from the QPL. The Company is making progress as the status of certain of these products has been restored on the QPL and we expect that the majority of these products will be restored by the end of 2019.

GROSS PROFIT

Gross profit for the three months ended June 30, 2019 and 2018 was $232.0 and $226.0, reflecting a gross margin of 32.2% and 32.4%, respectively. Gross profit for the six months ended June 30, 2019 and 2018 was $450.8 and $450.2, reflecting a gross margin of 31.8% and 32.5%, respectively. The declines in gross margin were primarily due to higher commodity costs and tariffs, unfavorable foreign currency and product mix. These were partially offset by sales volume leverage and price, as well as manufacturing and supply chain productivity improvements across all segments.

OTHER

Tariffs

In 2018, the U.S. government announced tariffs on certain imported goods, and began renegotiating existing trade terms with China, Europe and other countries. These tariffs have negatively impacted the price of certain parts and materials we utilize to manufacture finished products we sell. Since announced, we have been managing the impacts of these tariffs and will attempt to mitigate the impact of higher input costs through pricing and supply chain actions, efficient utilization of our global manufacturing footprint, and supplier negotiations and diversification strategies. Tariffs and related impacts remain highly uncertain due to the current dynamic landscape and ongoing negotiations. Therefore, we are unable to estimate the ultimate outcome tariffs will have on our results of operations, financial position and cash flows.

OPERATING EXPENSES

	Three Months			Six Months		
For the Periods Ended June 30	**2019**	2018	Change	**2019**	2018	Change
General and administrative expenses	**$ 65.7**	$ 63.0	4.3 %	**$ 117.6**	$ 128.1	(8.2)%
Sales and marketing expenses	**42.7**	43.4	(1.6)%	**82.9**	86.9	(4.6)%
Research and development expenses	**25.8**	25.8	— %	**49.3**	50.5	(2.4)%
Asbestos-related costs (benefit), net	**11.8**	13.5	(12.6)%	**24.4**	(6.2)	493.5 %
Total operating expenses	**$ 146.0**	$ 145.7	0.2 %	**$ 274.2**	$ 259.3	5.7 %
Total Operating Expenses By Segment:						
Motion Technologies	**$ 44.2**	$ 45.7	(3.3)%	**$ 80.0**	$ 91.3	(12.4)%
Industrial Process	**46.7**	40.4	15.6 %	**86.4**	83.2	3.8 %
Connect & Control Technologies	**33.5**	33.6	(0.3)%	**66.3**	67.6	(1.9)%
Corporate & Other	**21.6**	26.0	(16.9)%	**41.5**	17.2	141.3 %

General and administrative expenses for the three months ended June 30, 2019 increased $2.7. The increase during the period was from higher restructuring costs of $2 as well as an increase in acquisition-related costs of $2.8 primarily from the acquisition of Rheinhütte which was partially offset by benefits from cost reduction actions. General and administrative expenses for the six months ended June 30, 2019 decreased $10.5. In addition to the items mentioned above, the six month period includes additional European investment incentives of $5 and a reduction in legal and environmental costs.

Sales and marketing expenses for the three and six months ended June 30, 2019 decreased $0.7 and $4.0, respectively, due to a reduction in marketing costs of $2.3 and $4.7 and favorable foreign currency impact of $0.9 and $2.2, respectively. These items were partially offset by higher commission costs.

Research and development expenses for the three months ended June 30, 2019 were flat and decreased $1.2, during the six months ended June 30, 2019.

Asbestos-related costs decreased $1.7, and increased $30.6, during the three and six months ended June 30, 2019, respectively. The change for the six months ended June 30, 2019 was primarily due to a $32.1 benefit from an insurance settlement recorded in the first quarter of 2018. See Note 19, Commitments and Contingencies, to the Consolidated Condensed Financial Statements for further information.

OPERATING INCOME

For the Periods Ended June 30	Three Months 2019	Three Months 2018	Three Months Change	Six Months 2019	Six Months 2018	Six Months Change
Motion Technologies	**$ 52.0**	$ 55.5	(6.3)%	**$ 112.9**	$ 117.4	(3.8)%
Industrial Process	**26.0**	23.4	11.1 %	**48.2**	40.3	19.6 %
Connect & Control Technologies	**29.6**	27.3	8.4 %	**57.0**	50.3	13.3 %
Segment operating income	**107.6**	106.2	1.3 %	**218.1**	208.0	4.9 %
Asbestos-related (costs) benefit, net	**(11.8)**	(13.5)	12.6 %	**(24.4)**	6.2	(493.5)%
Other corporate costs	**(9.8)**	(12.4)	21.0 %	**(17.1)**	(23.3)	26.6 %
Total corporate and asbestos-related costs	**(21.6)**	(25.9)	16.6 %	**(41.5)**	(17.1)	(142.7)%
Total operating income	**$ 86.0**	$ 80.3	7.1 %	**$ 176.6**	$ 190.9	(7.5)%
Operating margin:						
Motion Technologies	**16.4%**	16.8%	(40)bp	**17.8%**	17.5%	30bp
Industrial Process	**11.2%**	11.5%	(30)bp	**10.8%**	10.3%	50bp
Connect & Control Technologies	**17.4%**	16.6%	80bp	**17.0%**	15.6%	140bp
Segment operating margin	**14.9%**	15.2%	(30)bp	**15.4%**	15.0%	40bp
Consolidated operating margin	**11.9%**	11.5%	40bp	**12.5%**	13.8%	(130)bp

MT operating income for the three months ended June 30, 2019 decreased $3.5, or 6.3%, and had a margin decline of 40 basis points. Operating income for the six months ended June 30, 2019 decreased $4.5, or 3.8%, and had a margin improvement of 30 basis points. The decrease in operating income for both periods was primarily driven by higher commodity costs and tariffs as well as unfavorable foreign currency impact. This was partially offset by improvements in operating and supply chain productivity which provided a benefit of $9 and $19, respectively, for the quarter and year-to-date periods. In addition, the six months ended June 30, 2019 benefited from European investment incentives of $5.

IP operating income for the three months ended June 30, 2019 increased $2.6, or 11.1%, and had a margin decline of 30 basis points. Operating income for the six months ended June 30, 2019 increased $7.9, or 19.6%, and had a margin improvement of 50 basis points. The increase in operating income in both periods was primarily driven by a benefit of $12 and $23, respectively, from favorable volume, benefits from productivity and supply chain actions, and pricing. This was partially offset by tariffs, higher acquisition costs and unfavorable sales mix.

CCT operating income for the three months ended June 30, 2019 increased $2.3, or 8.4%, and had a margin improvement of 80 basis points. CCT operating income for the six months ended June 30, 2019 increased $6.7, or 13.3%, and had a margin improvement of 140 basis points. The increase was driven by sales volume leverage which provided a benefit of $2 and $7, respectively, and improvements in operating and supply chain productivity. This was partially offset by unfavorable commodity costs, strategic investments and mix.

Other corporate costs for the three and six months ended June 30, 2019 decreased $2.6, or 21.0%, and $6.2, or 26.6%, respectively, compared to the prior year. The decrease was primarily driven by cost reduction actions, as well as lower legal and environmental costs.

INTEREST AND NON-OPERATING INCOME AND EXPENSES, NET

For the Periods Ended June 30	Three Months 2019	Three Months 2018	Three Months Change	Six Months 2019	Six Months 2018	Six Months Change
Interest and non-operating (income) expenses, net	**$ (0.4)**	$ 1.5	(126.7)%	**$ (0.9)**	$ 3.3	(127.3)%

The change during the three and six months ended June 30, 2019 was due to favorable interest rates on commercial paper borrowings, additional interest income earned on time deposits, and lower pension-related expense.

INCOME TAX EXPENSE

	Three Months			Six Months		
For the Periods Ended June 30	**2019**	2018	Change	**2019**	2018	Change
Income tax expense	**$ 19.3**	$ 8.9	116.9%	**$ 39.0**	$ 16.5	136.4%
Effective tax rate	**22.3%**	11.3%	1,100bp	**22.0%**	8.8%	1,320bp

The higher effective tax rate during the second quarter of 2019 was primarily due to an $11.3 reduction of a deferred tax liability in 2018 associated with unremitted foreign earnings. The higher effective tax rate during the year to date period is primarily due to tax benefits of $21.6 in 2018 from German valuation allowance reversals on deferred tax assets and a $4.5 reduction to the provisional one-time tax charge associated with the Tax Act.

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 the Czech Republic, Germany, Hong Kong, India, Italy, Japan, Mexico, the U.S. and Venezuela. The estimated tax liability calculation for unrecognized tax benefits considers uncertainties in the application of complex tax laws and regulations in various tax jurisdictions. Due to the complexity of some of these 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 $14 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 Tax Matters Agreement with Exelis Inc. and Xylem Inc. relating to the Company's 2011 spin-off of those businesses.

LIQUIDITY

Funding and Liquidity Strategy

We monitor our funding needs and design and execute strategies 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 U.S. or European commercial paper markets or our Revolving Credit Agreement.

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 our global liquidity needs in a cost-efficient manner. We plan to transfer cash between certain international subsidiaries and the U.S. and other international subsidiaries when it is cost effective to do so. The passage of the Tax Act provides greater flexibility around our global cash management strategy related to the amount and timing of transfers, and we will continue to support growth and expansion in markets outside of the U.S. through the development of products, increased capital spending, and potential foreign acquisitions. During the year ended December 31, 2018 we had net cash distributions from foreign countries to the U.S. of $318.1. We did not have any distributions from foreign countries to the U.S. during the six months ended June 30, 2019. The timing and amount of any additional future distributions 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 of Directors deems relevant. Therefore, there can be no assurance as to what level of dividends, if any, will be paid in the future. Through the second quarter of 2019, we declared dividends of $0.147 per share for shareholders of record on March 11, 2019 and June 10, 2019, which were paid on March 29, 2019 and June 28, 2019. The dividends declared in the first and second quarter of 2019 were a 9.7% increase from the first and second quarter of 2018.

During the six months ended June 30, 2019 and 2018, we repurchased and retired 0.2 and 1.0 shares of common stock for $10.5 and $50.0, respectively, under our $1 billion share repurchase program. To date, under the program, the Company has repurchased 22.4 shares for $919.9.

Significant factors that affect our overall management of liquidity include our credit ratings, the availability of commercial paper, access to 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.

Commercial Paper

We have access to the commercial paper market through programs in place in the U.S. and Europe to supplement cash flows generated internally and 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 it is cost effective to do so. As of June 30, 2019, we had outstanding commercial paper of $148.0 through our European program, a portion of which was used to acquire Rheinhütte. The average outstanding commercial paper balance during the six months ended June 30, 2019 was $129.2. There have been no other material changes that have impacted our funding and liquidity capabilities since December 31, 2018.

Revolving Credit Agreement

Our $500 revolving credit agreement (the 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 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. The provisions of the Revolving Credit Agreement require that we maintain an interest coverage ratio, as defined therein, of at least 3.0 and a leverage ratio, as defined therein, of not more than 3.0. Our interest coverage ratio and leverage ratio were within the prescribed thresholds as of June 30, 2019, and there were no outstanding borrowings under our Revolving Credit Agreement. In the event of a ratings downgrade 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 Revolving Credit Agreement. The Revolving Credit Agreement matures in November 2021.

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 from continuing operations, as well as net cash from discontinued operations, for the six months ended June 30, 2019 and 2018.

For the Six Months Ended June 30	**2019**	2018
Operating activities	**$ 101.1**	$ 119.3
Investing activities	**(132.3)**	(45.4)
Financing activities	**0.4**	(4.1)
Foreign exchange	**0.6**	(8.6)
Total net cash flow (used in) provided by continuing operations	**(30.2)**	61.2
Net cash provided by (used) in discontinued operations	**1.2**	(1.4)
Net change in cash and cash equivalents	**$ (29.0)**	$ 59.8

Operating Activities

The decrease in net cash provided by operating activities was due to $19.0 in proceeds received in 2018 from an environmental insurance-related settlement. Excluding the settlement proceeds, net cash from operating activities was flat. Segment operating income improvements as well as lower asbestos and environmental payments were offset by higher income tax payments of $10.5 and timing of trade receivable collections. In addition, the Company's settlement of $11 for a civil matter with the DOJ in the second quarter of 2019 was partially offset by proceeds of $9 received during the first quarter of 2019 from an intellectual property settlement.

Investing Activities

The increase in net cash used in investing activities was driven by our acquisition of Rheinhütte for $87.3 in the second quarter of 2019.

Financing Activities

The change in net cash from financing activities was driven by a decline in repurchases of ITT common stock of $35.4, partially offset by a decrease in net borrowings of $19.9 and an increase in dividends paid of $14.1.

Discontinued Operations

The change in net cash used in discontinued operations was primarily driven by a tax-related reimbursement of $1.8 from a former subsidiary and lower payments for environmental remediation activities.

Asbestos

Based on the estimated undiscounted asbestos liability as of June 30, 2019 for claims filed or estimated to be filed over the next 10 years, we have estimated that we will be able to recover approximately 42% 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 approximately 21%. 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.

While there are overall limits on the aggregate amount of insurance available to the Company with respect to asbestos claims, with respect to certain coverage, those overall limits were not reached by the estimated liability recorded by the Company at June 30, 2019.

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 2032.

Although asbestos cash outflows can vary significantly from year to year, our current net cash outflows for defense and indemnity, net of tax benefits, are projected to average $20 to $30 over the next five years and increase to an average of approximately $35 to $45 per year over the remainder of the projection period as certain insurance coverage is exhausted. Net cash outflows for defense and indemnity, net of tax, averaged $21 over the past three annual periods. Total net asbestos cash outflows also include certain administrative costs, such as legal-related costs for insurance recovery strategies not included in the defense and indemnity projections.

In light of the variables and uncertainties inherent in the long-term projection of the Company’s asbestos exposures and potential recoveries, while 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 2029.

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.

KEY PERFORMANCE INDICATORS AND NON-GAAP MEASURES

Management reviews a variety of key performance indicators including revenue, segment operating income and margins, earnings per share, order growth, and backlog, some of which are non-GAAP financial measures. In addition, we consider certain other 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, acquisitions, dividends, and share repurchases. These other 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.

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, 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. Management believes that reporting organic revenue and organic orders provides useful information to investors by helping identify underlying trends in our business and facilitating easier comparisons of our revenue performance with prior and future periods and to our peers. Reconciliations of organic revenue and orders for the three and six months ended June 30, 2019 are provided below.

Three Months Ended June 30	Motion Technologies	Industrial Process	Connect & Control Technologies	Eliminations	Total ITT
2019 Revenue	$ 317.7	$ 232.6	$ 170.2	$ (0.6)	$ 719.9
Acquisitions	—	(7.9)	—	—	(7.9)
Foreign currency translation	16.8	4.2	1.7	—	22.7
2019 Organic revenue	$ 334.5	$ 228.9	$ 171.9	$ (0.6)	$ 734.7
2018 Revenue	$ 330.3	$ 203.2	$ 164.1	$ (0.8)	$ 696.8
Organic growth	4.2	25.7	7.8	0.2	37.9
Percentage change	1.3 %	12.6%	4.8%		5.4%
Six Months Ended June 30					
2019 Revenue	$ 632.9	$ 448.3	$ 335.2	$ (1.0)	$ 1,415.4
Acquisitions	—	(7.9)	—	—	(7.9)
Foreign currency translation	39.3	8.0	4.1	(0.1)	51.3
2019 Organic revenue	$ 672.2	$ 448.4	$ 339.3	$ (1.1)	$ 1,458.8
2018 Revenue	$ 672.5	$ 393.0	$ 322.0	$ (1.4)	$ 1,386.1
Organic growth	(0.3)	55.4	17.3	0.3	72.7
Percentage change	— %	14.1%	5.4%		5.2%

Three Months Ended June 30	Motion Technologies	Industrial Process	Connect & Control Technologies	Eliminations	Total ITT
2019 Orders	$ 311.9	$ 212.7	$ 169.5	$ (1.3)	$ 692.8
Acquisitions	—	(10.2)	—	—	(10.2)
Foreign currency translation	16.6	4.5	1.9	—	23.0
2019 Organic orders	$ 328.5	$ 207.0	$ 171.4	$ (1.3)	$ 705.6
2018 Orders	$ 327.6	$ 237.4	$ 177.2	$ (0.5)	$ 741.7
Organic growth	0.9	(30.4)	(5.8)	(0.8)	(36.1)
Percentage change	0.3 %	(12.8)%	(3.3)%		(4.9)%

Six Months Ended June 30	Motion Technologies	Industrial Process	Connect & Control Technologies	Eliminations	Total ITT
2019 Orders	$ 643.4	$ 431.7	$ 358.6	$ (2.0)	$ 1,431.7
Acquisitions	—	(10.2)	—	—	(10.2)
Foreign currency translation	42.1	9.2	4.7	—	56.0
2019 Organic orders	$ 685.5	$ 430.7	$ 363.3	$ (2.0)	$ 1,477.5
2018 Orders	$ 697.5	$ 447.5	$ 359.0	$ (1.1)	$ 1,502.9
Organic growth	(12.0)	(16.8)	4.3	(0.9)	(25.4)
Percentage change	(1.7)%	(3.8)%	1.2 %		(1.7)%

◎ “Adjusted segment operating income” is defined as operating income, adjusted to exclude special items that include, but are not limited to, restructuring costs, realignment costs, certain asset impairment charges, certain acquisition-related expenses, and unusual or infrequent 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. “Adjusted segment operating margin” is defined as adjusted segment operating income divided by revenue. We believe that adjusted segment operating income and margin are useful to investors and other users of our financial statements in evaluating ongoing operating profitability, as well as in evaluating operating performance in relation to our competitors.

Reconciliations of segment operating income to adjusted segment operating income for the three and six months ended June 30, 2019 and 2018 are provided below.

Three Months Ended June 30, 2019	Motion Technologies	Industrial Process	Connect & Control Technologies	Total Segment
Segment operating income	$ 52.0	$ 26.0	$ 29.6	$ 107.6
Restructuring costs	3.1	0.1	(0.2)	3.0
Acquisition-related expenses	—	2.9	0.8	3.7
Realignment costs and other[(a)]	1.3	—	—	1.3
Adjusted segment operating income	$ 56.4	$ 29.0	$ 30.2	$ 115.6
Adjusted segment operating margin	17.8%	12.5%	17.7%	16.1%

Six Months Ended June 30, 2019	Motion Technologies	Industrial Process	Connect & Control Technologies	Total Segment
Segment operating income	$ 112.9	$ 48.2	$ 57.0	$ 218.1
Restructuring costs	3.8	0.4	(0.1)	4.1
Acquisition-related expenses	—	2.9	0.8	3.7
Realignment costs and other[(a)]	1.3	0.5	0.3	2.1
Adjusted segment operating income	$ 118.0	$ 52.0	$ 58.0	$ 228.0
Adjusted segment operating margin	18.6%	11.6%	17.3%	16.1%

(a) Realignment costs and other includes costs associated with a legal matter at MT, a management reorganization at IP, as well as costs associated with a resolved DOJ civil matter at CCT.

Three Months Ended June 30, 2018	Motion Technologies	Industrial Process	Connect & Control Technologies	Total Segment
Segment operating income	$ 55.5	$ 23.4	$ 27.3	$ 106.2
Restructuring costs	0.9	(0.1)	0.4	1.2
Acquisition-related expenses	0.9	—	—	0.9
Adjusted segment operating income	$ 57.3	$ 23.3	$ 27.7	$ 108.3
Adjusted segment operating margin	17.3%	11.5%	16.9%	15.5%
Six Months Ended June 30, 2018				
Segment operating income	$ 117.4	$ 40.3	$ 50.3	$ 208.0
Restructuring costs	1.3	—	0.8	2.1
Acquisition-related expenses	1.5	—	—	1.5
Adjusted segment operating income	$ 120.2	$ 40.3	$ 51.1	$ 211.6
Adjusted segment operating margin	17.9%	10.3%	15.9%	15.3%

- “Adjusted income from continuing operations” is defined as income from continuing operations attributable to ITT Inc. adjusted to exclude special items that include, but are not limited to, asbestos-related costs, restructuring costs, realignment costs, certain asset impairment charges, certain acquisition-related expenses, income tax settlements or adjustments, and unusual or infrequent 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. The after-tax basis of each special item is determined using the jurisdictional tax rate of where the expense or benefit occurred. “Adjusted income from continuing operations per diluted share” is defined as adjusted income from continuing operations divided by diluted weighted average common shares outstanding. We believe that adjusted income from continuing operations and adjusted income from continuing operations per diluted share are useful to investors and other users of our financial statements in evaluating ongoing operating profitability, as well as in evaluating operating performance in relation to our competitors.

A reconciliation of adjusted income from continuing operations, including adjusted income from continuing operations per diluted share, for the three and six months ended June 30, 2019 and 2018 is provided below.

	Three Months		Six Months	
For the Periods Ended June 30	**2019**	2018	**2019**	2018
Income from continuing operations attributable to ITT Inc.	**$ 66.9**	$ 69.7	**$ 138.2**	$ 170.8
Net asbestos-related costs (benefit) net of tax (benefit) expense of $(2.7),($3.1), $(5.7) and $1.5, respectively	**9.1**	10.4	**18.7**	(4.7)
Tax-related special items[(a)]	**0.6**	(9.0)	**(0.5)**	(27.2)
Restructuring costs, net of tax benefit of $0.9, $0.2 $1.2, and $0.4, respectively	**2.2**	1.0	**3.0**	1.7
Realignment (benefit) costs, net of tax expense (benefit) of $0.0, $0.1, ($0.1), and $0.1, respectively	**—**	(0.2)	**0.5**	(0.2)
Expense (income) related to sale of a former operating location, net of tax expense of $0.1, $0.0, $0.1, and $0.0, respectively	**0.1**	—	**(0.3)**	(0.2)
Acquisition-related costs, net of tax benefit of $0.9, $0.3, $0.9 and $0.4, respectively	**2.8**	0.6	**2.8**	1.1
Other unusual or infrequent items, net of tax benefit of $0.3, $0.0, $0.3 and $0.0, respectively[(b)]	**1.0**	(0.1)	**1.3**	(0.1)
Adjusted income from continuing operations	**$ 82.7**	$ 72.4	**$ 163.7**	$ 141.2
Income from continuing operations attributable to ITT Inc. per diluted share	**$ 0.75**	$ 0.79	**$ 1.56**	$ 1.93
Adjusted income from continuing operations per diluted share	**$ 0.93**	$ 0.82	**$ 1.85**	$ 1.59

(a) Tax-related special items during the three and six months ended June 30, 2019 primarily relate to the favorable valuation allowance impacts, partially offset by tax expense on undistributed foreign earnings. Tax-related special items during the second quarter of 2018 primarily relate to a tax benefit on undistributed foreign earnings. Tax-related special items during the six months ended June 30, 2018 are due to favorable valuation allowance impacts on deferred tax assets in Germany and adjustments to our provisional tax estimate associated with the Tax Act.

(b) Other unusual or infrequent items in 2019 include a legal matter at MT and costs associated with a resolved DOJ civil matter.

- "Adjusted free cash flow" is defined as net cash provided by operating activities less capital expenditures, adjusted for cash payments for restructuring costs, realignment actions, 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 expenses, the entire adjusted free cash flow may not be available for discretionary purposes. "Adjusted free cash flow conversion" is defined as adjusted free cash flow divided by adjusted income from continuing operations. We believe that adjusted free cash flow and adjusted free cash flow conversion provide useful information to investors because they are the additional cash flow metrics used by management to monitor and evaluate cash flows generated by our operations.

A reconciliation of adjusted free cash flow, including adjusted free cash flow conversion for the six months ended June 30, 2019 and 2018 is provided below.

For the Six Months Ended June 30	**2019**	2018
Net cash provided by operating activities	**$ 101.1**	$ 119.3
Capital expenditures	**(45.8)**	(46.3)
Net asbestos cash flows	**15.8**	30.8
Insurance settlement agreement	**—**	(16.9)
Restructuring cash payments	**5.5**	4.2
Legal settlements, net	**4.0**	—
Acquisition and other	**1.5**	(0.1)
Adjusted free cash flow	**$ 82.1**	$ 91.0
Adjusted free cash flow conversion	**50.2%**	64.4%

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 2 to the Consolidated Condensed Financial Statements for information on recent accounting pronouncements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of ITT's financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. ITT believes the most complex and sensitive judgments, because of their significance to the Consolidated Condensed Financial Statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Management's Discussion and Analysis of Financial Condition and Results of Operations in the 2018 Annual Report describes the critical accounting estimates that are used in the preparation of the Consolidated Condensed Financial Statements. Actual results in these areas could differ from management's estimates. There have been no significant changes concerning ITT's critical accounting estimates as described in our 2018 Annual Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has been no material change in the information concerning market risk as stated in our 2018 Annual Report.

ITEM 4. CONTROLS AND PROCEDURES

The Chief Executive Officer and Chief Financial Officer of the Company have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. 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 were effective.

There have been no changes in our internal control over financial reporting during the last fiscal quarter that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. 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 asbestos and environmental exposures, intellectual property matters, copyright infringement, personal injury claims, employment and employee benefit matters, government contract issues and commercial or contractual disputes and acquisitions or divestitures. Descriptions of certain legal proceedings to which the Company is a party are contained in Note 19, Commitments and Contingencies to the Consolidated Condensed Financial Statements included in Part I, Item 1 of this Report and are incorporated by reference herein. Such descriptions include the following recent developments:

Asbestos Proceedings

Subsidiaries of ITT, ITT LLC and Goulds Pumps LLC, are joined as a defendant with numerous other companies in product liability lawsuits alleging personal injury due to asbestos exposure. These claims allege that certain of their products sold 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. Frequently, the plaintiffs are unable to identify any ITT LLC or Goulds Pumps LLC products as a source of asbestos exposure. In addition, a large majority of claims pending against the Company's subsidiaries have been placed on inactive dockets because the plaintiff cannot demonstrate a significant compensable loss. Our experience to date is that a substantial portion of resolved claims have been dismissed without payment by the Company's subsidiaries.

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, a liability for potential future claims beyond the next 10 years is not reasonably estimable due to the variables and uncertainties inherent in the long-term projection of the Company's asbestos exposures and potential recoveries. As of June 30, 2019, we have recorded an undiscounted asbestos-related liability for pending claims and unasserted claims estimated to be filed over the next 10 years of $835.8, including expected legal fees, and an associated asset of $354.6 which represents estimated recoveries from insurers, resulting in a net asbestos exposure of $481.2.

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

Other Matters

The Company received a civil subpoena from the Department of Defense, Office of the Inspector General, in the second quarter of 2015 as part of an investigation led by the Civil Division of the U.S. Department of Justice (DOJ). The subpoena and related investigation involved certain connector products manufactured by the Company's Connect & Control Technologies segment that are purchased or used by the U.S. government. In the second quarter of 2019, the Company settled this matter with the DOJ, acting on behalf of the U.S. government, and paid $11 to avoid the expense and uncertainty of litigation. As part of the settlement, the Company made no admission of wrongdoing. During the second quarter of 2019, the Company also received an insurance recovery of $1 related to this matter.

ITEM 1A. RISK FACTORS

Reference is made to the risk factors set forth in Part I, Item 1A, "Risk Factors," of our 2018 Annual Report, which are incorporated by reference herein. There have been no material changes with regard to the risk factors disclosed in such report.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of equity securities by the issuer and affiliated purchasers

We did not make any open-market share repurchases of our common stock during the quarter ended June 30, 2019. We routinely receive shares of our common stock as payment for the withholding of taxes due on vested restricted stock awards from stock-based compensation program participants.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. 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 which added subsection (r) to Section 13 of the Exchange Act (Section 13(r)). Section 13(r) requires an issuer to disclose in its annual or quarterly reports whether it or any of its affiliates have knowingly engaged in certain activities, transactions or dealings relating to Iran. Disclosure of such activities, transactions or dealings is required even when conducted outside the United States by non-U.S. persons in compliance with applicable law, and whether or not such activities are sanctionable under U.S. law.

In its 2012 Annual Report, ITT described its acquisition of all the shares of Joh. Heinr. Bornemann GmbH (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 by the Office of Foreign Assets Control (the General License). 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 €2.2 euros and €1.5 euros, respectively. Prior to its acquisition by ITT, Bornemann issued a performance bond to its Iranian customer in the amount of €1.3 euros (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 Bond in any subsequent periods through June 30, 2019, however, Bornemann did pay fees of approximately €5 thousand euros during the six months ended June 30, 2019 and approximately €11 thousand euros during 2018 to the German financial institution which is maintaining the Bond.

ITEM 6. EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
(10.1)*	ITT Inc. Board of Directors Annual Board of Directors Compensation
(10.2)*	ITT Senior Executive Severance Plan, amended and restated as of June 17, 2019
(10.3)*	ITT Senior Executive Change in Control Severance Plan, amended and restated as of June 17, 2019
(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
(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
(32.1)	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(32.2)	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(101)	The following materials from ITT Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, formatted in iXBRL (Inline Extensible Business Reporting Language): (i) Consolidated Condensed Statements of Operations, (ii) Consolidated Condensed Statements of Comprehensive Income, (iii) Consolidated Condensed Balance Sheets, (iv) Consolidated Condensed Statements of Cash Flows, (v) Consolidated Condensed Statements of Changes in Shareholders' Equity, and (vi) Notes to Consolidated Condensed Financial Statements

* Management compensatory plan

SIGNATURE

Pursuant to the requirements 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 Inc.

(Registrant)

By: /s/ John Capela

John Capela

Chief Accounting Officer

(Principal accounting officer)

August 2, 2019

EXHIBIT 10.1

ITT Inc.
Board of Directors
Annual Board of Directors Compensation

Annual Retainer (cash)	$100,000 (paid annually)
Committee Chair Annual Retainer	
• Audit Committee	$20,000 (paid annually)
• Compensation Committee	$15,000 (paid annually)
• Nominating and Governance Committee	$15,000 (paid annually)[1]
Non-Executive Chairman Annual Retainer	$125,000 (50% cash; 50% restricted stock units) (paid annually)
Expenses	Reimbursed for travel and director education.
Annual Equity Awards	Annual grant with a present value of $125,000 made on the date of the Annual Meeting of Shareholders (vests one business day prior to subsequent annual meeting). The award is in restricted stock units, valued at the fair market value of the underlying stock on the date of grant. This award may be deferred by prior election. Taxable event occurs on vesting date, unless grant is deferred. The number of shares is rounded up to the nearest share.
New Directors	All annual compensation is pro-rated for new directors.

Compensation is paid on the date of the Annual Shareholder Meeting (unless deferred by prior election).

Retainers earned may be paid, at the election of the Director, in cash or deferred cash. Non-Management Directors may irrevocably elect deferral into an interest-bearing account or an account that tracks an index of the Company’s stock.

All other terms of the Company’s non-employee Director compensation remain as disclosed in the Company’s proxy statement.

Effective as of May 22, 2019

[1] To be paid unless the Chair of this committee is also the Non-Executive Chairmen

EXHIBIT 10.2

ITT Senior Executive Severance Pay Plan
(amended and restated effective June 17, 2019)

1. Purpose

The purpose of this ITT Senior Executive Severance Pay Plan ("Plan") is to assist in occupational transition by providing severance pay for employees covered by this Plan whose employment is terminated under conditions set forth in this Plan. This Plan is being amended and restated as of June 17, 2019. The Plan is intended to be an "employee welfare benefit plan" within the meaning of Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), 29 U.S.C. §1002(1), and 29 C.F.R. §2510.3-2(b). This Plan is sponsored by ITT Inc. ("ITT") and maintained as an unfunded plan for the purpose of providing benefits to a select group of management or highly compensated employees within the meaning of 29 C.F.R. § 2520.104-24.

2. Covered Employees

Covered employees under this Plan ("Executives") are each individual who:

- is a full-time salaried employee of ITT or of any subsidiary company that is wholly owned, directly or indirectly, by ITT (collectively or individually as the context requires, the "Company"),
- is paid under a payroll of the Company, and
- is an executive who, at any time within the two year period immediately preceding the date the Company selects as the Executive's last day of active employment ("Scheduled Termination Date"), meets both of the following criteria: (i) is at the level of Senior Vice President or above and (ii) has been designated by the Board of Directors as an "officer" of the Company for purposes of Section 16 of the Securities Exchange Act of 1934, as amended.

3. Severance Pay Upon Termination of Employment

If the Company terminates an Executive's employment, the Executive shall be provided severance pay in accordance with the terms of this Plan, except where the Executive:

- is terminated for cause,
- accepts employment or refuses comparable employment with a purchaser as provided in Section 8, "Divestiture", or
- voluntarily terminates employment with the Company prior to the Scheduled Termination Date.

No severance pay will be provided under this Plan where the Executive terminates employment by:

- voluntarily resigning,
- voluntarily retiring, or
- failing to return from an approved leave of absence (including a medical leave of absence).

No severance pay will be provided under this Plan upon any termination of employment as a result of the Executive's death or disability.

4. Severance Pay

A. Amount

Severance pay ("Severance Pay") will equal the number of weeks of Base Pay (as defined in Section 4(C)) equal to the sum of: (i) two (2) weeks for each Year of Service (as defined in Section 4(C)), plus (ii) one (1) week for each $10,000 of annual Base Pay. However, the number of weeks shall not be less than twelve (12) nor more than fifty-two (52).

B. Limitation on Severance Pay

In no event shall severance benefits exceed the equivalent of twice the Executive's total annual compensation during the year immediately preceding the Scheduled Termination Date (as determined under 29 C.F.R. § 2510.3-2(b)).

C. Definitions

"Base Pay" shall mean the annual base salary rate payable to the Executive at the Scheduled Termination Date divided by fifty-two (52) weeks (in the case of severance expressed in weeks) or twelve (12) months (in the case of severance expressed in months). Such annual base salary rate shall in no event be less than the highest annual base salary rate paid to the Executive at any time during the twenty-four (24) month period immediately preceding the Scheduled Termination Date.

"Years of Service" shall mean the total number of completed years of employment as a regular employee of the Company. Adjusted service dates will be used for employees who have bridged prior breaks in service, as determined by the Company. The ITT system service date is the date from which employment in the ITT system is recognized for purposes of determining eligibility for vesting under the applicable Company retirement plan covering the Executive on the Scheduled Termination Date.

5. Form of Payment of Severance Pay

Severance Pay shall be paid in the form of periodic payments according to the regular payroll schedule.

Severance Pay will commence within 60 days following the Scheduled Termination Date.

In the event of an Executive's death during the period the Executive is receiving Severance Pay, the amount of Severance Pay remaining shall be paid in a discounted lump sum to the Executive's spouse or to such other beneficiary or beneficiaries designated by the Executive in writing, or, if the Executive is not married and failings such designation, to the estate of the Executive. Any discounted lump sum paid under this Plan shall be equal to the present value of the remaining periodic payments of Severance Pay as determined by ITT using an interest rate equal to the prime rate at Citibank in effect on the date of the Executive's death. Payment shall be made within thirty (30) days of the Executive's death.

If an Executive is receiving Severance Pay, the Executive must continue to be available to render to the Company reasonable assistance, consistent with the level of the Executive's prior position with the Company, at times and locations that are mutually acceptable. In requesting such services, the Company will take into account any other commitments which the Executive may have. After the Scheduled Termination Date and normal wind up of the Executive's former duties, the Executive will not be required to perform any regular services for the Company. In the event the Executive secures other employment during the period the Executive is receiving Severance Pay, the Executive must promptly notify the Company.

Severance Pay will cease if an Executive is rehired by the Company.

6. Benefits During Severance Pay

An Executive who receives Severance Pay shall be eligible for the following benefits: (a) during the 12-month period beginning on the business day after the Scheduled Termination Date, the Company will provide reasonable outplacement assistance and (b) during the six months immediately following the month of the Scheduled Termination Date, the Company will pay the portion of the Executive's premium for medical, dental and vision coverage under the Consolidated Omnibus Budget Reconciliation Act (COBRA), if any, that exceeds the premium the Executive would have paid for such coverage if the Executive's employment had not been terminated.

7. Excluded Executive Compensation Plans, Programs, Arrangements, and Perquisites

After the Scheduled Termination Date, an Executive will not be eligible to participate in any Company tax qualified retirement plans, non-qualified excess or supplemental benefit plans, short-term or long-term disability plans, the Company business travel accident plan or any new employee benefit plan or any improvement to any existing employee benefit plan adopted by the Company after the Scheduled Termination Date. During the period an Executive is receiving Severance Pay, the Executive will not be eligible to accrue any vacation or participate in any (i) bonus program, (ii) special termination programs, (iii) tax or financial advisory services, (iv) new awards under any stock option or stock related plans for executives (provided that the Executive will be eligible to exercise any outstanding stock options in accordance with the terms of any applicable stock option plan), (v) new or revised executive compensation programs that may be introduced after the Scheduled Termination Date and (vi) any other executive compensation program, plan, arrangement, practice, policy or perquisites unless specifically authorized by ITT in writing. The period during which an Executive is receiving Severance Pay does not count as service for the purpose of any ITT long term incentive award program unless otherwise provided in plan documents previously approved by the Board of Directors of ITT (the "Board") or the Compensation and Personnel Committee of the Board (the "Compensation Committee"), or a board of directors or committee of a board of directors of a predecessor to ITT.

8. Divestiture

If an ITT subsidiary or division of ITT or a portion thereof at which an Executive is employed is sold or divested and if (i) the Executive accepts employment or continued employment with the purchaser or (ii) refuses employment or continued employment with the purchaser on terms and conditions substantially comparable to those in effect immediately preceding the sale or divestiture, the Executive shall not be provided Severance Pay under this Plan. The provisions of this Section 8 apply to divestitures accomplished through sales of assets or through sales of corporate entities.

9. Disqualifying Conduct

If during the period an Executive is receiving Severance Pay, the Executive (i) engages in any activity which is inimical to the best interests of the Company; (ii) disparages the Company; (iii) fails to comply with any agreement with the Company (including the Company Confidentiality, Non-Compete, and Intellectual Property Assignment Agreement); (iv) without the Company's prior consent, induces any employees of the Company to leave their Company employment; (v) without the Company's prior consent, engages in, becomes affiliated with, or becomes employed by any business competitive with the Company; or (vi) fails to comply with applicable provisions of the ITT Code of Conduct or applicable ITT Corporate Policies or any applicable ITT subsidiary code or policies, then the Company will have no further obligation to provide Severance Pay to the Executive.

10. Release

The Company shall not be required to make or continue any payments of Severance Pay under this Plan unless the Executive executes and delivers to ITT within 45 days following the Scheduled Termination Date a release, satisfactory to ITT (which includes the Company Confidentiality, Non-Compete, and Intellectual Property Assignment Agreement), in which the Executive discharges and releases the Company and the Company's directors, officers, employees and employee benefit plans from all claims (other than for benefits to which Executive is entitled under any Company employee benefit plan) arising out of Executive's employment or termination of employment.

11. Administration of Plan

This Plan shall be administered by ITT, who shall have the exclusive right to interpret this Plan, adopt any rules and regulations for carrying out this Plan as may be appropriate and decide any and all matters arising under this Plan. Subject to applicable Federal and state law, all interpretations and decisions by ITT shall be final, conclusive and binding on all parties affected thereby.

12. Termination or Amendment

ITT may terminate or amend this Plan ("Plan Change") at any time except that no such Plan Change may reduce or adversely affect Severance Pay for any Executive whose employment terminates within two years after the effective date of such Plan Change provided that the Executive was a covered employee under this Plan on the date of such Plan Change. Such action shall be taken by the Board or the Compensation Committee, or a person or committee delegated by the Board or Compensation Committee.

13. Offset

Any Severance Pay provided to an Executive under this Plan shall be offset in a manner consistent with Section 15 by reducing such Severance Pay by any severance pay, salary continuation, termination pay or similar pay or allowance which Executive receives or is entitled to receive (i) under any other Company plan, policy practice, program, arrangement; (ii) pursuant to any employment agreement or other agreement with the Company; (iii) by virtue of any law, custom or practice. Any Severance Pay provided to an Executive under this Plan shall also be offset by reducing such Severance Pay by any severance pay, salary continuation pay, termination pay or similar pay or allowance received by the Executive as a result of any prior termination of employment with the Company.

Any amounts due under this Plan may be reduced by the Company, in a manner consistent with Section 15, by any amount that the Executive owes to the Company, including under the Company's clawback or recoupment policy, as such policy may be amended from time to time.

Coordination of Severance Pay with any pay or benefits provided by any applicable ITT short-term or long-term disability plan shall be in accordance with the provisions of those plans.

14. Miscellaneous

Except as provided in this Plan, the Executive shall not be entitled to any notice of termination or pay in lieu thereof.

In cases where Severance Pay is provided under this Plan, pay in lieu of any unused current year vacation entitlement will be paid to the Executive in a lump sum.

Benefits under this Plan are paid for entirely by the Company from its general assets. Any payment obligation under this Plan shall be satisfied to the extent of any payment under this Plan made by a subsidiary (direct or indirect) of ITT.

This Plan is not a contract of employment, does not guarantee the Executive employment for any specified period and does not limit the right of the Company to terminate the employment of the Executive at any time.

The section headings contained in this Plan are included solely for convenience of reference and shall not in any way affect the meaning of any provision of this Plan

15. **Section 409A**

This Plan is intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and will be interpreted in a manner intended to comply with Section 409A of the Code. Notwithstanding anything herein to the contrary, (i) if at the time of the Executive's termination of employment with the Company the Executive is a "specified employee" as defined in Section 409A of the Code (and any related regulations or other pronouncements thereunder) and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of employment is necessary in order to prevent any accelerated or additional tax under Section 409A of the Code, then the Company will defer the commencement of the payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided to the Executive) until a date that is six months following the Executive's termination of employment with the Company (or the earliest date as is permitted under Section 409A of the Code), at which point all payments deferred pursuant to this Section 15 shall be paid to the Executive in a lump sum and (ii) if any other payments of money or other benefits due hereunder could cause the application of an accelerated or additional tax under Section 409A of the Code, such payments or other benefits shall be deferred if deferral will make such payment or other benefits compliant under Section 409A of the Code, or otherwise such payment or other benefits shall be restructured, to the extent possible, in a manner, determined by the Company, that does not cause such an accelerated or additional tax. To the extent any reimbursements or in-kind benefits due under this Plan constitute "deferred compensation" under Section 409A of the Code, any such reimbursements or in-kind benefits shall be paid in a manner consistent with Treas. Reg. Section 1.409A-3(i)(1)(iv). Each payment made under this Plan shall be designated as a "separate payment" within the meaning of Section 409A of the Code. All payments to be made upon a termination of employment that constitute deferred compensation under this Plan may only be made upon a "separation from service" as defined under Section 409A of the Code. The Company shall consult with Executives in good faith regarding the implementation of the provisions of this section; provided that neither the Company nor any of its employees or representatives shall have any liability to Executives with respect thereto. Any separation payment that constitutes deferred compensation under Section 409A of the Code, that is conditioned upon a release, and that is due during a sixty-day period immediately following separation from service that spans two calendar years shall be paid in the second of such calendar years.

16. Adoption Date and Amendments

This Plan was initially adopted by a predecessor of ITT Corporation on December 12, 1989 and assumed by ITT Indiana, Inc. (renamed ITT Industries, Inc. and later ITT Corporation) on October 10, 1995. On May 16, 2016, ITT became the successor issuer to ITT Corporation pursuant to Rule 12g-3(a) under the Securities Exchange Act of 1934, as amended, and assumed, amended and restated this Plan as of such date.

17. Claims Procedures

A. Adverse Benefit Determinations

An Executive may contest the determination of eligibility and/or the administration of the benefits by completing and filing a written claim for reconsideration with the Compensation Committee (the "Plan Administrator"). If the Plan Administrator denies a claim in whole or in part, the Plan Administrator will provide notice to the Executive, in writing, within ninety (90) days after the claim is filed, unless the Plan Administrator determines that an extension of time for processing is required. In the event that the Plan Administrator determines that such an extension is required, written notice of the extension shall be furnished to the Executive prior to the termination of the initial ninety-day period. The extension shall not exceed a period of ninety (90) days from the end of the initial period of time and the extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render the benefit decision. The Executive may not file a claim for benefits under the Plan more than one (1) year after the date of termination of employment with the Company.

The written notice of a denial of a claim shall set forth, in a manner calculated to be understood by the Executive:

1. the specific reason or reasons for the denial;
2. reference to the specific Plan provisions on which the denial is based;
3. a description of any additional material or information necessary for the Executive to perfect the claim and an explanation as to why such information is necessary; and
4. an explanation of the Plan's claims procedure and the time limits applicable to such procedures, including a statement of the Executive's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on appeal.

B. Appeal of Adverse Benefit Determinations

An Executive or his or her duly authorized representative shall have an opportunity to appeal a claim denial to the Plan Administrator for a full and fair review. The Executive or duly authorized representative may:

1. request a review upon written notice to the Plan Administrator within sixty (60) days after receipt of a notice of the denial of a claim for benefits;
2. submit written comments, documents, records, and other information relating to the claim for benefits; and
3. examine the Plan and obtain, upon request and without charge, copies of all documents, records, and other information relevant to the claim for benefits.

The Plan Administrator's review shall take into account all comments, documents, records, and other information submitted by the Executive relating to the claim, without regard to whether such information was submitted or considered by the Plan Administrator in the initial benefit determination. A determination on the review by the Plan Administrator will be made not later than sixty (60) days after receipt of a request for review, unless the Plan Administrator determines that an extension of time for processing is required. In the event that the Plan Administrator determines that such an extension is required, written notice of the extension shall be furnished to the Executive prior to the termination of the initial sixty-day period. The extension shall not exceed a period of sixty (60) days from the end of the initial period and the extension notice shall indicate the special circumstances requiring an extension of time and the date on which the Plan Administrator expects to render the determination on review. However, if the Plan Administrator holds regularly scheduled meetings at least quarterly, the Plan Administrator shall instead make a benefit determination no later than the date of the meeting of the Plan Administrator that immediately follows the Plan's receipt of a request for review, unless the request for review is filed within 30 days preceding the date of such meeting. In such case, a benefit determination may be made by no later than the date of the second meeting following the Plan's receipt of the request for review. If special circumstances require a further extension of time for processing, a benefit determination shall be rendered not later than the third meeting following the plan's receipt of the request for review. If such an extension of time for review is required because of special circumstances, the Plan Administrator shall provide the Executive with written notice of the extension, describing the special circumstances and the date as of which the benefit determination will be made, prior to the commencement of the extension.

The written determination of the Plan Administrator shall set forth, in a manner calculated to be understood by the Executive:

1. the specific reason or reasons for the decision;
2. reference to the specific Plan provisions on which the decision is based;
3. the Executive's right to receive, upon request and without charge, reasonable access to, and copies of, all documents, records and other information relevant to the claim for benefits; and
4. a statement of the Executive's right to bring a civil action under Section 502(a) of ERISA.

No person may bring an action for any alleged wrongful denial of Plan benefits in a court of law unless the claims procedures set forth above are exhausted and a final determination is made by the Plan Administrator. If any interested person challenges a decision of the Plan Administrator, a review by the court of law will be limited to the facts, evidence and issues presented to the Plan Administrator during the claims procedure set forth above. Facts and evidence that become known to an interested person after having exhausted the claims procedure must be brought to the attention of the Plan Administrator for reconsideration of the claims determination. Issues not raised with the Plan Administrator will be deemed waived.

EXHIBIT 10.3

ITT Senior Executive Change in Control Severance Pay Plan
(amended and restated as of June 17, 2019)

1. Purpose

The purpose of this ITT Senior Executive Change in Control Severance Pay Plan ("Plan") is to assist in occupational transition by providing Severance Benefits, as defined herein, for employees covered by this Plan whose employment is terminated under conditions set forth in this Plan. This Plan is being amended and restated as of June 17, 2019. The Plan is sponsored by ITT Inc. ("ITT") and maintained as an unfunded plan for the purpose of providing benefits to a select group of management or highly compensated employees within the meaning of 29 C.F.R. § 2520.104-24. The Plan is intended to be an "employee welfare benefit plan" within the meaning of Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), 29 U.S.C. §1002(1) to the extent it satisfies the requirements of 29 C.F.R. §2510.3-2(b).

2. Covered Employees

Covered employees under this Plan ("Special Severance Executives") are full-time salaried employees of ITT and of any subsidiary company that is wholly owned, directly or indirectly, by ITT ("ITT Subsidiary") (with ITT, collectively or individually as the context requires, the "Company") who are in Job Level M7, M6 or M5 (only including M5 employees who are headquarters staff) or were in Job Level M7, M6 or M5 (only including M5 employees who are headquarters staff) at any time within the two year period immediately preceding an Acceleration Event.

"Job Level M7, M6 and M5" shall have the meaning given such terms under the executive classification system of the ITT Human Resources Department as in effect immediately preceding an Acceleration Event. After the occurrence of an Acceleration Event, the terms "ITT", "ITT Subsidiary" and "Company" as used herein shall also include, respectively and as the context requires, any successor company to ITT or any successor company to any ITT Subsidiary and any affiliate of any such successor company.

3. Definitions

An "Acceleration Event" shall occur if:

(i) a report on Schedule 13D shall be filed with the Securities and Exchange Commission pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Act") disclosing that any person (within the meaning of Section 13(d) of the Act), other than ITT or a subsidiary of ITT or any employee benefit plan sponsored by ITT or a subsidiary of ITT, is the beneficial owner directly or indirectly of twenty percent (20%) or more of the outstanding Common Stock $1 par value, of ITT (the "Stock");

(ii) any person (within the meaning of Section 13(d) of the Act), other than ITT or a subsidiary of ITT, or any employee benefit plan sponsored by ITT or a subsidiary of ITT, shall purchase shares pursuant to a tender offer or exchange offer to acquire any Stock of ITT (or securities convertible into Stock) for cash, securities or any other consideration, provided that after consummation of the offer, the person in question is the beneficial owner (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of twenty percent (20%) or more of the outstanding Stock of ITT (calculated as provided in paragraph (d) of Rule 13d-3 under the Act in the case of rights to acquire Stock);

(iii) the consummation of (A) any consolidation, business combination or merger involving ITT, other than a consolidation, business combination or merger involving ITT in which holders of Stock immediately prior to the consolidation, business combination or merger (x) hold fifty percent (50%) or more of the combined voting power of ITT (or the corporation resulting from the merger or consolidation or the parent of such corporation) after the merger and (y) have the same proportionate ownership of common stock of ITT (or the corporation resulting from the merger or consolidation or the parent of such corporation), relative to other holders of Stock immediately prior to the merger, business combination or consolidation, immediately after the merger as immediately before, or (B) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of ITT;

(iv) there shall have been a change in a majority of the members of the Board of Directors of ITT within a 12-month period unless the election or nomination for election by ITT' stockholders of each new director during such 12-month period was approved by the vote of two-thirds of the directors then still in office who (x) were directors at the beginning of such 12-month period or (y) whose nomination for election or election as directors was recommended or approved by a majority of the directors who were directors at the beginning of such 12-month period; or

(v) any person (within the meaning of Section 13(d) of the Act) (other than ITT or any subsidiary of ITT or any employee benefit plan (or related trust) sponsored by ITT or a subsidiary of ITT) becomes the beneficial owner (as such term is defined in Rule 13d-3 under the Act) of twenty percent (20%) or more of the Stock.

"Cause" shall mean action by the Special Severance Executive involving willful malfeasance or gross negligence or the Special Severance Executive's failure to act involving material nonfeasance that would tend to have a materially adverse effect on the Company. No act or omission on the part of the Special Severance Executive shall be considered "willful" unless it is done or omitted in bad faith or without reasonable belief that the action or omission was in the best interests of the Company.

"Good Reason" shall mean:

(i) without the Special Severance Executive's express written consent and excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company or its affiliates within 30 days after receipt of notice thereof given by the Special Severance Executive, (A) a reduction in the Special Severance Executive's annual base compensation (whether or not deferred), (B) the assignment to the Special Severance Executive of any duties inconsistent in any material respect with the Special Severance Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities, or (C) any other action by the Company or its affiliates which results in a material diminution in such position, authority, duties or responsibilities;

(ii) without the Special Severance Executive's express written consent, the Company's requiring the Special Severance Executive's work location to be other than within twenty-five (25) miles of the location where such Special Severance Executive was principally working immediately prior to the Acceleration Event; or

(iii) any failure by the Company to obtain the express written assumption of this Plan from any successor to the Company; provided that "Good Reason" shall cease to exist for an event on the 90th day following the later of its occurrence or the Special Severance Executive's knowledge thereof, unless the Special Severance Executive has given the Company notice thereof prior to such date.

"Potential Acceleration Event" shall mean any execution of an agreement, the commencement of a tender offer or any other transaction or event that if consummated would result in an Acceleration Event.

4. Severance Benefits Upon Termination of Employment

If, a Special Severance Executive's employment with the Company is terminated due to a Qualifying Termination, he or she shall receive the severance benefits set forth in Section 5 hereof ("Severance Benefits"). For purposes hereof, (i) a "Qualifying Termination" shall mean a termination of a Special Severance Executive's employment with the Company either (x) by the Company without Cause (A) within the two (2) year period commencing on the date of the occurrence of an Acceleration Event or (B) prior to the occurrence of an Acceleration Event and either (1) following the public announcement of the transaction or event which ultimately results in such Acceleration Event or (2) at the request of a party to, or participant in, the transaction or event which ultimately results in an Acceleration Event; or (y) by a Special Severance Executive for Good Reason within the two (2) year period commencing with the date of the occurrence of an Acceleration Event and (ii) a determination by a Special Severance Executive that he or she has "Good Reason" hereunder shall be final and binding on the parties hereto unless the Company can establish by a preponderance of the evidence that "Good Reason" does not exist.

5. Severance Benefits

Job Level M7 and M6 Benefits

The following payments and benefits comprise the Severance Benefits for Special Severance Executives (i) in Job Level M7 or M6 at the time of a Qualifying Termination or at any time during the two (2) year period immediately preceding the Acceleration Event or (ii) designated as a covered employee in Job Level M7 or M6 in accordance with Section 2 hereof:

- *Accrued Rights*. The Special Severance Executive's base salary through the date of termination of employment, any annual bonus earned but unpaid as of the date of termination for any previously completed fiscal year, reimbursement for any unreimbursed business expenses properly incurred by the Special Severance Executive in accordance with Company policy prior to the date of the Special Severance Executive's termination of employment and such employee benefits, if any, as to which the Special Severance Executive may be entitled under the employee benefit plans of the Company, including without limitation, the payment of any accrued or unused vacation under the Company's vacation policy.

- *Severance Pay.* The sum of (x) three (3) times the current annual base salary rate paid (whether or not deferred) to the Special Severance Executive at the time of the Special Severance Executive's termination of employment, and (y) three (3) times the greater of (i) the Special Severance Executive's target bonus for the year in which the Acceleration Event occurs, or (ii) the actual bonus that was most recently paid to the Special Severance Executive before his or her termination of employment.

- *Benefits and Perquisites*

    - *COBRA Subsidy*. In the absence of any other determination by the Company, if the Special Severance Executive is enrolled in one of the Company's medical and/or dental or vision plans immediately prior to his or her termination date, the Special Severance Executive will receive a COBRA Subsidy if he or she elects COBRA Continuation Coverage under the plan(s) and signs the Release to receive the severance payments described herein. The COBRA Subsidy is paid as follows: during the first six months of COBRA Continuation Coverage, which begins on the first day of the month following the Special Severance Executive's termination date, the Company will pay the portion of the Special Severance Executive's COBRA premium for the medical, dental and/or vision coverage under COBRA, if any, that exceeds the premium the Special Severance Executive would have paid for such coverage if his or her employment had not been terminated.

      To receive COBRA Continuation Coverage the Special Severance Executive must elect the coverage and pay the required premiums when due. Unless the Company determines otherwise, COBRA premium payments by employees will be on an after tax basis and will be billed by a third party administrator. COBRA Continuation Coverage will be governed by and will terminate in accordance with the provisions of the medical, dental, Flexible Spending Account, vision and/or employee assistance plan, if applicable, in which the Special Severance Executive participates.

    - *Savings Plan Payment.* Payment of a lump sum amount ("Savings Plan Lump Sum Amount") equal to three (3) times the following amount: the highest annual base salary rate determined above under "Severance Pay" times the highest percentage rate of Company Contributions (not to exceed seven percent (7%)) with respect to the Special Severance Executive under the ITT Retirement Savings Plan and/or ITT Supplemental Retirement Savings Plan (or corresponding savings plan arrangements outside the United States) ("Savings Plans") (including matching contributions and core contributions) at any time during the three (3) year period immediately preceding the Special Severance Executive's termination of employment or the three (3) year period immediately preceding the Acceleration Event. This provision shall apply to any Special Severance Executive who is a member of any of the Savings Plans at any time during either such three (3) year period.

    - *Outplacement.* Outplacement services for one (1) year.

Job Level M5 (only including M5 employees who are White Plains Corporate Staff Executives) Benefits

The following payments and benefits comprise the Severance Benefits for Special Severance Executives (i) in Job Level M5 (only including M5 employees who are White Plains Corporate Staff Executives) at the time of a Qualifying Termination or at any time during the two (2) year period immediately preceding the Acceleration Event or (ii) designated as a covered employee in Job Level M5 (only including M5 employees who are White Plains Corporate Staff Executives) in accordance with Section 2 hereof; provided, that a Special Severance Executive who is in Job Level M5 (only including M5 employees who are White Plains Corporate Staff Executives) at the time of a Qualifying Termination but was in Job Level M7 or M6 anytime during the two (2) year period immediately preceding the Acceleration Event shall be entitled to Severance Benefits as a Special Severance Executive in Job Level M7 or M6 and shall not be entitled to the Severance Benefits set forth below:

- *Accrued Rights.* The Special Severance Executive's base salary through the date of termination of employment, any annual bonus earned but unpaid as of the date of termination for any previously completed fiscal year, reimbursement for any unreimbursed business expenses properly incurred by the Special Severance Executive in accordance with Company policy prior to the date of the Special Severance Executive's termination of employment and such employee benefits, if any, as to which the Special Severance Executive may be entitled under the employee benefit plans of the Company, including without limitation, the payment of any accrued or unused vacation under the Company's vacation policy.

- *Severance Pay*. The sum of (x) two (2) times the current annual base salary rate paid (whether or not deferred) to the Special Severance Executive at the Special Severance Executive's termination of employment, and (y) two (2) times the greater of (i) the Special Severance Executive's target bonus for the year in which the Acceleration Event occurs, or (ii) the actual bonus that was most recently paid to the Special Severance Executive before his or her termination of employment.

- *Benefits and Perquisites*.

  - *COBRA Subsidy.* In the absence of any other determination by the Company, if the Special Severance Executive is enrolled in one of the Company's medical and/or dental or vision plans immediately prior to his or her termination date, the Special Severance Executive will receive a COBRA Subsidy if he or she elects COBRA Continuation Coverage under the plan(s) and signs the Release to receive the severance payments described herein. The COBRA Subsidy is paid as follows: during the first six months of COBRA Continuation Coverage, which begins on the first day of the month following the Special Severance Executive's termination date, the Company will pay the portion of the Special Severance Executive's COBRA premium for the medical, dental and/or vision coverage under COBRA, if any, that exceeds the premium the Special Severance Executive would have paid for such coverage if his or her employment had not been terminated.

    To receive COBRA Continuation Coverage the Special Severance Executive must elect the coverage and pay the required premiums when due. Unless the Company determines otherwise, COBRA premium payments by employees will be on an after tax basis and will be billed by a third party administrator. COBRA Continuation Coverage will be governed by and will terminate in accordance with the provisions of the medical, dental, Flexible Spending Account, vision and/or employee assistance plan, if applicable, in which the Special Severance Executive participates.

  - *Savings Plan Payment.* Payment of a lump sum amount ("<u>Savings Plan Lump Sum Amount</u>") equal to two (2) times the following amount: the highest annual base salary rate determined above under "Severance Pay" times the highest percentage rate of Company Contributions (not to exceed seven percent (7%)) with respect to the Special Severance Executive under the ITT Retirement Savings Plan and/or the ITT Supplemental Retirement Savings Plan (or corresponding savings plan arrangements outside the United States) ("<u>Savings Plans</u>") (including matching contributions and core contributions) at any time during either the three (3) year period immediately preceding the Special Severance Executive's termination of employment or the three (3) year period immediately preceding the Acceleration Event. This provision shall apply to any Special Severance Executive who is a member of any of the Savings Plans at any time during either such three (3) year period.

  - *Outplacement.* Outplacement services for one (1) year.

<u>General</u>

With respect to the provision of benefits described above during the above described respective three and two year periods, if, for any reason at any time the Company is unable to treat the Special Severance Executive as being eligible for ongoing participation in any Company employee benefit plans or perquisites in existence immediately prior to the termination of employment of the Special Severance Executive, and if, as a result thereof, the Special Severance Executive does not receive a benefit or perquisite or receives a reduced benefit or perquisite, the Company shall provide a reasonable financial payment to compensate the Special Severance Executive for the loss or reduction of the benefit or perquisite in a manner consistent with Section 15 below.

Release Required

Subject to applicable law, in order to receive any severance pay benefits, the Special Severance Executive must sign and not revoke a waiver/release (the "Release"), in a form provided by the Company, of all claims arising out of the Special Severance Executive's employment relationship with the Company and the termination of that relationship. The Special Severance Executive must also return all Company property in his or her possession, including files, manuals, keys, access cards, credit cards and Company-owned equipment. The Special Severance Executive may also be required, in the discretion of the Company, to reaffirm or agree to the Company's form of confidentiality agreement or any confidentiality, non-competition or non-disparagement agreements previously entered into between the Special Severance Executive and the Company and the Special Severance Executive may be required to agree to such additional terms and conditions related to the termination of his or her employment relationship with the Company that the Company, in its sole discretion, decides to require as a condition of receiving severance payments hereunder.

6. Form of Payment of Severance Pay and Lump Sum Payments

Severance Pay shall be paid in cash, in non-discounted equal periodic installment payments corresponding to the frequency and duration of the severance payments that the Special Severance Executive would have been entitled to receive from the Company as a normal severance benefit in the absence of the occurrence of an Acceleration Event. The Savings Plan Lump Sum Amount shall be paid in cash within thirty (30) calendar days after the date the employment of the Special Severance Executive terminates (subject to the execution of a release, which becomes irrevocable, as described in Section 5). The timing of payments are subject to Section 15.

7. Termination of Employment — Other

The Severance Benefits shall only be payable upon a Special Severance Executive's termination of employment due to a Qualifying Termination; provided, that if, following the occurrence of an Acceleration Event, a Special Severance Executive is terminated due to the Special Severance Executive's death or disability (as defined in the long-term disability plan in which the Special Severance Executive is entitled to participate (whether or not the Special Severance Executive voluntarily participates in such plan)) and, at the time of such termination, the Special Severance Executive had grounds to resign with Good Reason, such termination of employment shall be deemed to be a Qualifying Termination.

8. Administration of Plan

This Plan shall be administered by ITT, who shall have the exclusive right to interpret this Plan, adopt any rules and regulations for carrying out this Plan as may be appropriate and decide any and all matters arising under this Plan, including but not limited to the right to determine appeals. Subject to applicable Federal and state law, all interpretations and decisions by ITT shall be final, conclusive and binding on all parties affected thereby.

Notwithstanding the preceding paragraph, following an Acceleration Event, any controversy or claim arising out of or relating to this Plan, or the breach thereof, shall be settled by arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules and the entire cost thereof shall be borne by the Company. The location of the arbitration proceedings shall be reasonably acceptable to the Special Severance Executive. Judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The Company shall pay all legal fees, costs of litigation, prejudgment interest, and other expenses which are incurred in good faith by the Special Severance Executive as a result of the Company's refusal to provide any of the Severance Benefits to which the Special Severance Executive becomes entitled under this Plan, or as a result of the Company's (or any third party's) contesting the validity, enforceability, or interpretation of this Plan, or as a result of any conflict between the Special Severance Executive and the Company pertaining to this Plan. The Company shall pay such fees and expenses from the general assets of the Company. To the extent required by Labor Department Regulation § 2560.503-1(c)(4), arbitration required under this paragraph shall be conducted as the appeal under the claims procedures described in Section 16, and the Special Severance Executive shall not be precluded from challenging the arbitrator's decision in litigation filed under ERISA or other applicable law.

9. Termination or Amendment

ITT may terminate or amend this Plan ("Plan Change") at any time, except that following the occurrence of (i) an Acceleration Event or (ii) a Potential Acceleration Event, no Plan Change that would adversely affect any Special Severance

Executive may be made without the prior written consent of such Special Severance Executive affected thereby; provided, however, that clause (ii) above shall cease to apply if such Potential Acceleration Event does not result in the occurrence of an Acceleration Event. Such action shall be taken by the Board of Directors of ITT (the "Board") or the Compensation and Personnel Committee of the Board (the "Compensation Committee"), or a person or committee delegated by the Board or Compensation Committee.

10. Offset

Any Severance Benefits provided to a Special Severance Executive under this Plan shall be offset in a manner consistent with Section 15 by reducing (x) any Severance Pay hereunder by any severance pay, salary continuation pay, termination pay or similar pay or allowance and (y) any other Severance Benefits hereunder by corresponding employee benefits, perquisites or outplacement services, which the Special Severance Executive receives or is entitled to receive, (i) under the ITT Senior Executive Severance Pay Plan; (ii) pursuant to any other Company policy, practice, program or arrangement; (iii) pursuant to any Company employment agreement or other agreement with the Company; or (iv) by virtue of any law, custom or practice excluding, however, any unemployment compensation in the United States, unless the Special Severance Executive voluntarily expressly waives (which the Special Severance Executive shall have the exclusive right to do) in writing any such respective entitlement.

Any amounts due under this Plan may be reduced by the Company, in a manner consistent with Section 15, by any amount that the Special Severance Executive owes to the Company, including under the Company's clawback or recoupment policy, as such policy may be amended from time to time.

11. Excise Tax

In the event that it shall be determined that any Payment would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, then the aggregate of all Payments shall be reduced so that the Present Value of the aggregate of all Payments does not exceed the Safe Harbor Amount; provided, however, that no such reduction shall be effected if the Net After-tax Benefit to a Special Severance Executive of receiving all of the Payments exceeds the Net After-tax Benefit to the Special Severance Executive resulting from having such Payments so reduced. In the event a reduction is required pursuant hereto, the order of reduction shall be first all cash payments on a pro rata basis, then any equity compensation on a pro rata basis, and lastly medical, dental and vision coverage.

For purposes of this Section 11, the following terms have the following meanings:

(i) "Net After-tax Benefit" shall mean the Present Value of a Payment net of all federal state and local income, employment and excise taxes imposed on Special Severance Executive with respect thereto, determined by applying the highest marginal rate(s) applicable to an individual for Special Severance Executive's taxable year in which the Change in Control occurs.

(ii) "Payment" means any payment or distribution or provision of benefits by the Company to or for the benefit of Special Severance Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any reductions required by this Section 11.

(iii) "Present Value" shall mean such value determined in accordance with Section 280G(d)(4) of the Code.

(iv) "Safe Harbor Amount" shall be an amount expressed in Present Value which maximizes the aggregate Present Value of Payments without causing any Payment to be subject to excise tax under Section 4999 of the Code or the deduction limitation of Section 280G of the Code.

All determinations required to be made under this Section 11, including whether and when a reduction is required and the amount of such reduction and the assumptions to be utilized in arriving at such determination, shall be made by a nationally recognized accounting firm mutually agreed to by the Special Severance Executive and the Company (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Special Severance Executive within ten (10) business days of the receipt of notice from the Special Severance Executive that there has been a Payment, or such earlier time as is requested by the Company; provided that for purposes of determining the amount of any reduction, the Special Severance Executive shall be deemed to pay federal income tax at the highest marginal rates applicable to individuals in the calendar year in which any such determination of the amount of the reduction is to be made and deemed to pay state and local income taxes at the highest effective rates applicable to individuals in the state or locality of the Special Severance Executive's residence or place of employment, whichever is higher, in the calendar year in which such determination is to be made.

All fees and expenses of the Accounting Firm shall be borne solely by the Company. If the Accounting Firm determines that no excise tax is payable by the Special Severance Executive, it shall so indicate to the Special Severance Executive in writing. Any determination by the Accounting Firm shall be binding upon the Company and the Special Severance Executive.

12. Miscellaneous

The Special Severance Executive shall not be entitled to any notice of termination or pay in lieu thereof.

Severance Benefits under this Plan are paid entirely by the Company from its general assets. Any payment obligation under this Plan shall be satisfied to the extent of any payment under this Plan made by a subsidiary (direct or indirect) of ITT.

This Plan is not a contract of employment, does not guarantee the Special Severance Executive employment for any specified period and does not limit the right of the Company to terminate the employment of the Special Severance Executive at any time.

If a Special Severance Executive should die while any amount is still payable to the Special Severance Executive hereunder had the Special Severance Executive continued to live, all such amounts shall be paid in accordance with this Plan to the Special Severance Executive's designated heirs or, in the absence of such designation, to the Special Severance Executive's estate.

The numbered section headings contained in this Plan are included solely for convenience of reference and shall not in any way affect the meaning of any provision of this Plan.

If, for any reason, any one or more of the provisions or part of a provision contained in this Plan shall be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision or part of a provision of this Plan not held so invalid, illegal or unenforceable, and each other provision or part of a provision shall to the full extent consistent with law remain in full force and effect.

The Plan shall be governed by and construed in accordance with the laws of the State of New York without regard to the conflicts of laws provisions thereof.

The Plan shall be binding on all successors and assigns of the ITT and a Special Severance Executive.

13. Notices

Any notice and all other communication provided for in this Plan shall be in writing and shall be deemed to have been duly given when delivered by hand or overnight courier or three (3) days after it has been mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

If to the Company:

ITT Inc.
1133 Westchester Avenue
White Plains, New York 10604 Attention: General Counsel

If to Special Severance Executive:

To the most recent address of Special Severance Executive set forth in the personnel records of ITT.

14. Adoption Date

This Plan was initially adopted by ITT Corporation on March 10, 1997. On May 16, 2016, ITT became the successor issuer to ITT Corporation pursuant to Rule 12g-3(a) under the Securities Exchange Act of 1934, as amended, and assumed, amended and restated the Plan as of such date.

15. Section 409A

This Plan is intended to comply with Section 409A of the Code and will be interpreted in a manner intended to comply with Section 409A of the Code. Notwithstanding anything herein to the contrary, (i) if at the time of the Special Severance Executive's termination of employment with the Company the Special Severance Executive is a "specified employee" as defined in Section 409A of the Code (and any related regulations or other pronouncements thereunder) and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of employment is necessary in order to prevent any accelerated or additional tax under Section 409A of the Code, then the Company will defer the commencement of the payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided to the Special Severance Executive) until the date that is six months following the Special Severance Executive's termination of employment with the Company (or the earliest date as is permitted under Section 409A of the Code), at which point all payments deferred pursuant to this Section 15 shall be paid to the Special Severance Executive in a lump sum and (ii) if any other payments of money or other benefits due hereunder could cause the application of an accelerated or additional tax under Section 409A of the Code, such payments or other benefits shall be deferred if deferral will make such payment or other benefits compliant under Section 409A of the Code, or otherwise such payment or other benefits shall be restructured, to the extent possible, in a manner, determined by the Company, that does not cause such an accelerated or additional tax. To the extent any reimbursements or in-kind benefits due under this Plan constitute "deferred compensation" under Section 409A of the Code, any such reimbursements or in-kind benefits shall be paid in a manner consistent with Treas. Reg. Section 1.409A-3(i)(1)(iv).

Each payment made under this Plan shall be designated as a "separate payment" within the meaning of Section 409A of the Code. To the extent that any payment under this Plan is subject to Section 409A of the Code and is deemed to be a substitution for any payment under another arrangement, the payment shall be made under this Plan at the same time or under the same schedule as specified under such other arrangement (as determined under Section 409A of the Code). All payments to be made upon a termination of employment that constitute deferred compensation under this Plan may only be made upon a "separation from service" as defined under Section 409A of the Code. In no event may a Special Severance Executive, directly or indirectly, designate the calendar year of payment. Any separation payment that constitutes deferred compensation under Section 409A of the Code, that is conditioned upon a release, and that is due during a sixty-day period immediately following separation from service that spans two calendar years shall be paid in the second of such calendar years. The Company shall consult with Special Severance Executives in good faith regarding the implementation of the provisions of this section; provided that neither the Company nor any of its employees or representatives shall have any liability to Special Severance Executives with respect thereto.

16. Claims Procedures

A. Adverse Benefit Determinations

A Special Severance Executive may contest the determination of eligibility and/or the administration of the benefits by completing and filing a written claim for reconsideration with the Compensation and Personnel Committee of the Board of Directors of ITT (the "Plan Administrator"). If the Plan Administrator denies a claim in whole or in part, the Plan Administrator will provide notice to the Special Severance Executive, in writing, within ninety (90) days after the claim is filed, unless the Plan Administrator determines that an extension of time for processing is required. In the event that the Plan Administrator determines that such an extension is required, written notice of the extension shall be furnished to the Special Severance Executive prior to the termination of the initial ninety-day period. The extension shall not exceed a period of ninety (90) days from the end of the initial period of time and the extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render the benefit decision. The Special Severance Executive may not file a claim for benefits under the Plan more than one (1) year after the date of termination of employment with the Company.

The written notice of a denial of a claim shall set forth, in a manner calculated to be understood by the Special Severance Executive:

1. the specific reason or reasons for the denial;
2. reference to the specific Plan provisions on which the denial is based;
3. a description of any additional material or information necessary for the Special Severance Executive to perfect the claim and an explanation as to why such information is necessary; and
4. an explanation of the Plan's claims procedure and the time limits applicable to such procedures, including a statement of the Special Severance Executive's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on appeal.

B. Appeal of Adverse Benefit Determinations

A Special Severance Executive or his or her duly authorized representative shall have an opportunity to appeal a claim denial to the Plan Administrator for a full and fair review. The Special Severance Executive or duly authorized representative may:

1. request a review upon written notice to the Plan Administrator within sixty (60) days after receipt of a notice of the denial of a claim for benefits;
2. submit written comments, documents, records, and other information relating to the claim for benefits; and
3. examine the Plan and obtain, upon request and without charge, copies of all documents, records, and other information relevant to the claim for benefits.

The Plan Administrator's review shall take into account all comments, documents, records, and other information submitted by the Special Severance Executive relating to the claim, without regard to whether such information was submitted or considered by the Plan Administrator in the initial benefit determination. A determination on the review by the Plan Administrator will be made not later than sixty (60) days after receipt of a request for review, unless the Plan Administrator determines that an extension of time for processing is required. In the event that the Plan Administrator determines that such an extension is required, written notice of the extension shall be furnished to the Special Severance Executive prior to the termination of the initial sixty-day period. The extension shall not exceed a period of sixty (60) days from the end of the initial period and the extension notice shall indicate the special circumstances requiring an extension of time and the date on which the Plan Administrator expects to render the determination on review. However, if the Plan Administrator holds regularly scheduled meetings at least quarterly, the Plan Administrator shall instead make a benefit determination no later than the date of the meeting of the Plan Administrator that immediately follows the Plan's receipt of a request for review, unless the request for review is filed within thirty (30) days preceding the date of such meeting. In such case, a benefit determination may be made by no later than the date of the second meeting following the Plan's receipt of the request for review. If special circumstances require a further extension of time for processing, a benefit determination shall be rendered not later than the third meeting following the plan's receipt of the request for review. If such an extension of time for review is required because of special circumstances, the Plan Administrator shall provide the Special Severance Executive with written notice of the extension, describing the special circumstances and the date as of which the benefit determination will be made, prior to the commencement of the extension.

The written determination of the Plan Administrator shall set forth, in a manner calculated to be understood by the Special Severance Executive:

1. the specific reason or reasons for the decision;
2. reference to the specific Plan provisions on which the decision is based;
3. the Special Severance Executive's right to receive, upon request and without charge, reasonable access to, and copies of, all documents, records and other information relevant to the claim for benefits; and
4. a statement of the Special Severance Executive's right to bring a civil action under Section 502(a) of ERISA.

No person may bring an action for any alleged wrongful denial of Plan benefits in a court of law unless the claims procedures set forth above are exhausted and a final determination is made by the Plan Administrator. If any interested person challenges a decision of the Plan Administrator, a review by the court of law will be limited to the facts, evidence and issues presented to the Plan Administrator during the claims procedure set forth above. Facts and evidence that become known to an interested person after having exhausted the claims procedure must be brought to the attention of the Plan Administrator for reconsideration of the claims determination. Issues not raised with the Plan Administrator will be deemed waived.

EXHIBIT 31.1

CERTIFICATION OF LUCA SAVI PURSUANT TO SEC. 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Luca Savi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 of ITT Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/S/ Luca Savi

Luca Savi
Chief Executive Officer

Date: August 2, 2019

EXHIBIT 31.2

CERTIFICATION OF THOMAS M. SCALERA PURSUANT TO SEC. 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas M. Scalera, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 of ITT Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/S/ Thomas M. Scalera

Thomas M. Scalera
Executive Vice President and
Chief Financial Officer

Date: August 2, 2019

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ITT Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Luca Savi, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ Luca Savi

Luca Savi
Chief Executive Officer

August 2, 2019

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ITT Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Thomas M. Scalera, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ Thomas M. Scalera

Thomas M. Scalera
Executive Vice President and
Chief Financial Officer

August 2, 2019

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.