TRIMAS CORP
Form 4
April 15, 2009

FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
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(Print or Type Responses)

1. Name and Address of Reporting Person *
HEARTLAND INDUSTRIAL ASSOCIATES LLC

(Last) (First) (Middle)

177 BROAD STREET, 10TH FLOOR

(Street)

STAMFORD, CT 06901

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
TRIMAS CORP [TRS]

3. Date of Earliest Transaction (Month/Day/Year)
04/13/2009

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director __X__ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	04/13/2009		P		9,858 (2)	A	$ 1.94 (1)	15,209,133 (5)	I	See Footnote (2)
Common Stock	04/13/2009		P		212 (3)	A	$ 1.94 (1)	15,209,345 (5)	I	See Footnote (3)
Common Stock	04/13/2009		P		530 (4)	A	$ 1.94 (1)	15,209,875 (5)	I	See Footnote (4)
Common Stock	04/14/2009		P		11,160 (2)	A	$ 1.94	15,221,035 (5)	I	See Footnote

							[1]			[2]
Common Stock	04/14/2009		P		240 [3]	A	$ 1.94 [1]	15,221,225 [5]	I	See Footnote [3]
Common Stock	04/14/2009		P		600 [4]	A	$ 1.94 [1]	15,221,875 [5]	I	See Footnote [4]
Common Stock	04/15/2009		P		11,160 [2]	A	$ 2 [1]	15,233,035 [5]	I	See Footnote [2]
Common Stock	04/15/2009		P		240 [3]	A	$ 2 [1]	15,233,275 [5]	I	See Footnote [3]
Common Stock	04/15/2009		P		600 [4]	A	$ 2 [1]	15,233,875 [5]	I	See Footnote [4]

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
		X		

HEARTLAND INDUSTRIAL ASSOCIATES LLC
177 BROAD STREET
10TH FLOOR
STAMFORD, CT 06901

Signatures

/s/ Daniel P. Tredwell, Managing Member	04/15/2009
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The price reported in Column 4 is a weighted average price. These shares were purchased in multiple transactions at prices ranging from $1.84 to $2.02, inclusive. The reporting person undertakes to provide to TriMas Corporation, any security holder of TriMas Corporation, or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares sold at each separate price within the ranges set forth in footnote (1)to this Form 4.

(2) These securities are owned directly by TriMas Investment Fund I, LLC ("TIF I"). Heartland Industrial Associates, L.L.C. ("Heartland"), the Managing Member of TIF I, is an indirect beneficial owner of these securities.

(3) These securities are owned directly by TriMas Investment Fund II, LLC ("TIF II"). Heartland, the Managing Member of TIF II, is an indirect beneficial owner of these securities.

(4) These securities are owned directly by HIP Side-by-Side Partners, L.P.("HIP"). Heartland, the Managing Member of HIP, is an indirect beneficial owner of these securities.

(5) Heartland, TIF I, TIF II and HIP may be deemed to be members of a group for purposes of Section 13(d) of the Securities Exchange Act of 1934.

Remarks:
Signature by Daniel P. Tredwell, as Managing Member of Heartland Industrial Associates, L.L.C., the Managing Member of T

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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(1.0
)%
Control Technologies
69.9

67.6

13.7

14.9

19.6
%

22.0

%
Total segment results
635.6

549.4

77.0

63.2

12.1
%

11.5
%
Asbestos-related benefit (costs), net
—

—

15.4

(12.8
)

—

—

Eliminations / Other corporate costs
(1.6
)

(1.9
)

(15.4
)

(13.7
)

—

—

Total Eliminations / Corporate and Other costs
(1.6
)

(1.9
)

—

(26.5
)

—

—

Total
$
634.0

$
547.5

$
77.0

$
36.7

12.1
%

6.7
%

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	Revenue		Operating Income		Operating Margin	
Nine Months Ended September 30	2013	2012	2013	2012	2013	2012
Industrial Process	$810.5	$699.2	$78.3	$80.1	9.7 %	11.5 %
Motion Technologies	541.4	486.4	81.1	66.1	15.0 %	13.6 %
Interconnect Solutions	295.0	283.6	16.2	6.5	5.5 %	2.3 %
Control Technologies	208.7	209.2	43.5	42.0	20.8 %	20.1 %
Total segment results	1,855.6	1,678.4	219.1	194.7	11.8 %	11.6 %
Asbestos-related costs, net	—	—	(16.5)	(35.1)	—	—
Eliminations / Other corporate costs	(4.2)	(4.9)	(47.0)	(29.2)	—	—
Total Eliminations / Corporate and Other costs	(4.2)	(4.9)	(63.5)	(64.3)	—	—
Total	$1,851.4	$1,673.5	$155.6	$130.4	8.4 %	7.8 %

	Total Assets		Capital Expenditures		Depreciation & Amortization	
Nine Months Ended September 30	2013	2012(a)	2013	2012	2013	2012
Industrial Process	$1,116.6	$1,044.8	$29.6	$14.0	$24.5	$10.4
Motion Technologies	439.1	405.6	13.4	20.1	22.4	20.1
Interconnect Solutions	377.5	362.6	6.6	5.2	7.8	7.4
Control Technologies	347.8	347.0	2.7	2.9	7.4	7.0
Corporate and Other	1,514.3	1,226.1	5.9	1.5	4.4	5.1
Total	$3,795.3	$3,386.1	$58.2	$43.7	$66.5	$50.0

(a) Amounts reflect balances as of December 31, 2012.

Assets of $56.0 and $14.9 as of December 31, 2012 have been reclassified from Motion Technologies and Control Technologies, respectively, to Corporate and Other related to the elimination of investments in ITT subsidiaries.

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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 is a diversified manufacturer of highly engineered critical components and customized technology solutions for growing industrial markets. Building on its heritage of innovation, ITT partners with its customers to deliver enduring solutions to the key industries that underpin our modern way of life. We manufacture components that are integral to the operation of systems and manufacturing processes in the energy, transportation and industrial markets. Our products provide enabling functionality for applications where reliability and performance are critically important to our customers and the users of their products.

Our businesses share a common, repeatable operating model. Each business applies technology and engineering expertise to solve our customers' most pressing challenges. Our applied engineering aptitude provides a superior business fit with our customers given the critical nature of their applications. This in turn provides us with a unique insight to our customer's requirements and enables us to develop solutions to assist our customers achieve their business goals. Our technology and customer intimacy in tandem produce opportunities to capture recurring revenue streams, aftermarket opportunities, and long-lived original equipment manufacturer (OEM) platforms.

Our product and service offerings are organized into four segments: Industrial Process, Motion Technologies, Interconnect Solutions, and Control Technologies. Our segments generally operate within niche positions in large, attractive markets where specialized engineered solutions are required to support large industrial and transportation customer needs.

Industrial Process manufactures engineered fluid process equipment serving a diversified mix of customers in global infrastructure industries such as oil & gas, mining, power generation, chemical and other process markets and is an aftermarket service provider.

Motion Technologies manufactures brake pads, shock absorbers and damping technologies for the global automotive, truck, trailer and public bus and rail transportation markets.

Interconnect Solutions manufactures a wide range of highly specialized connector products that make it possible to transfer signal and power in various electronic devices that are utilized in aerospace, industrial, defense and oil & gas markets.

Control Technologies manufactures specialized equipment, including actuators, valves, switches, vibration isolation devices, custom-energy absorption equipment, and regulators for the aerospace, defense and industrial markets.

Executive Summary

During the third quarter of 2013, we delivered revenue growth of 15.8% and organic revenue growth of 9.1%. The organic revenue growth was primarily driven by share gains in the automotive brake pad markets in China and Western Europe and by global sales of oil and gas pumps. Offsetting this growth were declines from pump equipment destined for the mining market and baseline pumps for industrial markets. Total ITT orders expanded 23.0%, reflecting organic order growth of 10.3%, as well as benefits from our acquisition of Bornemann. The organic order growth during the quarter was primarily driven by increases in global automotive, oil & gas, and connector market activity. While we are encouraged by these order indicators, we remain cautious about the rate and timing of key market recoveries and the weak baseline pump orders.

Consolidated operating income was $77.0 for the quarter, representing a $40.3 or 109.8% increase from the prior year, due to net savings of approximately $14.0 from our Value Based Lean Six Sigma (VBLSS or Lean Transformation), sourcing, and restructuring initiatives and a year-over-year reduction in asbestos-related costs of $28.2 primarily related to a settlement agreement in 2013.

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Income from continuing operations attributable to ITT Corporation during the third quarter of 2013 was $433.0 or $4.71 per diluted share, reflecting an increase of $4.06 per diluted share from the prior year, driven by the release of a valuation allowance on deferred tax assets. Adjusted income from continuing operations, a non-GAAP measure, was $49.9 for the third quarter of 2013, reflecting an increase of $9.2, or 22.6%, compared to the prior year amount. See the "Key Performance Indicators and Non-GAAP Measures" section included within Management's Discussion and Analysis for a reconciliation of the adjusted non-GAAP measures.

During the third quarter of 2013, we deployed capital into the recently completed Industrial Process facility in South Korea and the expansion of our Seneca Falls, New York facility which is anticipated to be completed mid-2014. These expansion projects will allow us to further our production capabilities and global reach within the oil & gas markets.

The new South Korea oil & gas production facility will play a key role in advancing our energy strategy by becoming our Energy Center of Excellence for the Eastern Hemisphere. We have also committed to expanding our Seneca Falls, New York facility, which is our Energy Center of Manufacturing and R&D Excellence for the Western Hemisphere. During the third quarter, we completed an expansion of our research and development and testing capabilities and will be adding capacity and leaning out the existing facility to accommodate larger, more complex industrial pumps and to meet the growing demands of our customers.

We continue to focus on our Lean transformation and have begun implementing plans to reduce waste and streamline operations. We are still in the early stages of our five-year Lean transformation initiative but we are already seeing significant cost saving benefits and improvement on numerous key performance indicators. One such indicator, on-time delivery which helps us deliver a premier customer experience, has improved at a majority of our businesses during the year. At ITT, we are extending the lean concept far beyond manufacturing to deliver a differentiated value to our customers by improving overall service and responsiveness. We have also engaged in sourcing initiatives that have delivered supply chain savings that exceeded our expectations and reflect the increased leverage our global strategic sourcing council has provided.

We are also focused on accelerating the turnaround efforts in certain businesses and we are implementing restructuring actions accordingly. Interconnect Solutions is one of those turnaround businesses, for which we have taken a holistic approach to deliver sustainable performance enhancements to our customers. We have focused on the front end and better coordination of connecting our engineering, marketing and sales directly with our key strategic channel partners and customers. We are also working to better align the manufacturing and overhead cost structure with the future strategy of the business. We are dedicated to reclaiming our leading position with our customers by providing innovative, high quality, reliable, highly engineered harsh environment connectors when the customer needs them. As a result of this focus, our Interconnect Solutions business is delivering preliminary benefits that have expanded their operating margin by 300 basis points from the third quarter of 2012. In addition, this quarter marks the second consecutive quarter that Interconnect Solutions has exceeded the $100 revenue mark.

During the third quarter of 2013, our focus on the premier customer experience drove wins on key strategic contracts including placement on new auto platforms in Europe, China, and North America, as well as our first Japanese automotive platform win in North America. Other key strategic wins in the quarter include:

- Large global oil & gas pump projects
- Connector wins in major geographies and strategic end markets
- Multi-year aerospace interior and isolator orders

Further details related to these results are contained in the Discussion of Financial Results section.

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DISCUSSION OF FINANCIAL RESULTS
Three and Nine Months Ended September 30

	Three Months			Nine Months		
For the Periods Ended September 30	2013	2012	Change	2013	2012	Change
Revenue	$634.0	$547.5	15.8%	$1,851.4	$1,673.5	10.6%
Gross profit	202.9	166.2	22.1%	591.2	506.8	16.7%
Gross margin	32.0 %	30.4 %	160bp	31.9 %	30.3 %	160bp
Operating expenses	125.9	129.5	(2.8%)	435.6	376.4	15.7%
Expense to revenue ratio	19.9 %	23.7 %	(380)bp	23.5 %	22.5 %	100bp
Operating income	77.0	36.7	109.8%	155.6	130.4	19.3%
Operating margin	12.1 %	6.7 %	540bp	8.4 %	7.8 %	60bp
Interest and non-operating (income) expenses, net	(2.3)	(5.0)	(54.0%)	2.6	—	100.0%
Income tax (benefit) expense	(354.4)	(19.0)	1,765.3%	(325.0)	43.0	(855.8%)
Effective tax rate	(446.9)%	(45.6)%	(40,130)bp	(212.4)%	33.0 %	(24,540)bp
Income from continuing operations attributable to ITT Corporation	433.0	60.7	613.3%	476.8	87.4	445.5%
(Loss) income from discontinued operations, net of tax	(2.3)	12.3	(118.7%)	0.5	5.6	(91.1%)
Net income attributable to ITT Corporation	430.7	73.0	490.0%	477.3	93.0	413.2%

REVENUE

Revenue for the three and nine months ended September 30, 2013 increased $86.5 or 15.8%, and $177.9 or 10.6%, respectively, over the prior year, primarily driven by our fourth quarter 2012 acquisition of Bornemann which provided $33.1 and $102.7, respectively. The Industrial Process segment saw revenue gains during both the quarter and year-to-date periods from a global expansion in the oil & gas market. In addition, we experienced growth of $25.7 or 17%, and $55.0 or 11.3%, from our Motion Technologies segment during the three and nine months ended September 30, 2013, respectively. These increases were primarily due to year-over-year volume growth from expanded global brake pad market share. Our Interconnect Solutions segment also generated sales growth of $13.1 or 14.4% and $11.4 or 4.0% during the quarter and year-to-date periods, respectively, with increased sales in all market categories.

The following tables illustrate the year-over-year revenue results from each of our business segments for the three and nine months ended September 30, 2013 and 2012. See below for further discussion of year-over-year revenue activity at the segment level. See the section titled "Key Performance Indicators and Non-GAAP Measures" for a definition and reconciliation of organic revenue growth.

For the Three Months Ended September 30	2013	2012	Change	Organic Growth
Industrial Process	$285.0	$239.9	18.8 %	6.1 %
Motion Technologies	176.8	151.1	17.0 %	12.5 %
Interconnect Solutions	103.9	90.8	14.4 %	14.8 %
Control Technologies	69.9	67.6	3.4 %	3.7 %
Eliminations	(1.6)	(1.9)	(15.8)%	15.8 %
Revenue	$634.0	$547.5	15.8 %	9.1 %

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For the Nine Months Ended September 30	2013	2012	Change	Organic Growth
Industrial Process	$810.5	$699.2	15.9 %	1.6 %
Motion Technologies	541.4	486.4	11.3 %	9.3 %
Interconnect Solutions	295.0	283.6	4.0 %	4.7 %
Control Technologies	208.7	209.2	(0.2)%	0.1 %
Eliminations	(4.2)	(4.9)	(14.3)%	14.3 %
Revenue	$1,851.4	$1,673.5	10.6 %	4.2 %

The following tables illustrate revenue generated within a country or region for the three and nine months ended September 30, 2013 and 2012, and the corresponding percentage change as reported and on an organic growth basis.

For the Three Months Ended September 30	2013	2012	As Reported Change	Organic Growth
United States	$231.1	$217.3	6.4 %	4.0 %
Germany	73.6	45.1	63.2 %	36.2 %
France	35.0	28.7	22.0 %	13.0 %
Other developed markets	109.0	95.6	14.0 %	5.3 %
Total developed markets	448.7	386.7	16.0 %	8.8 %
South and Central America[(a)]	44.9	45.5	(1.3)%	(5.1)%
Eastern Europe and Russia	29.7	23.0	29.1 %	9.3 %
Middle East and Africa	34.1	29.3	16.4 %	14.6 %
China and Hong Kong	33.3	32.1	3.7 %	(0.5)%
Other emerging markets	43.3	30.9	40.1 %	36.7 %
Total emerging markets	185.3	160.8	15.2 %	9.5 %
Revenue	$634.0	$547.5	15.8 %	9.1 %

For the Nine Months Ended September 30	2013	2012	As Reported Change	Organic Growth
United States	$664.8	$648.2	2.6 %	0.6 %
Germany	205.2	162.2	26.5 %	13.2 %
France	108.6	93.3	16.4 %	12.0 %
Other developed markets	334.0	293.4	13.8 %	3.9 %
Total developed markets	1,312.5	1,197.1	9.6 %	4.0 %
South and Central America[(a)]	142.3	146.6	(2.9)%	(14.7)%
Eastern Europe and Russia	94.0	75.1	25.2 %	13.8 %
Middle East and Africa	97.3	85.6	13.7 %	6.7 %
China and Hong Kong	93.5	85.0	10.0 %	3.9 %
Other emerging markets	111.8	84.1	32.9 %	29.0 %
Total emerging markets	538.9	476.4	13.1 %	4.7 %
Revenue	$1,851.4	$1,673.5	10.6 %	4.2 %

(a) Includes Mexico

Industrial Process

Industrial Process revenue for the three and nine months ended September 30, 2013 increased $45.1 or 18.8%, and $111.3 or 15.9%, year-over-year, respectively, primarily related to our fourth quarter 2012 acquisition of Bornemann. This acquisition provided $33.1 and $102.7 of revenue during the respective periods of 2013. Organic revenue increased 6.1% and 1.6% for the respective quarter and year-to-date periods of 2013 primarily due to gains in the global oil & gas market of 50% and 41%, as well as increased shipments of project pumps in the North American chemical market. In addition, organic revenue growth reflected strength in aftermarket sales of

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approximately 18% and 10% for the quarter and year-to-date periods, as compared to the prior year. The growth in these areas during 2013 was partially offset by year-over-year sales weakness in North American baseline pumps as well as lower activity in the mining and general industrial markets.

Orders for the three months ended September 30, 2013 were $329.7 reflecting an increase of $82.2 or 33.2% over the prior year, primarily reflecting Bornemann orders of $68.9. Organic orders increased $17.6 or 7.1% primarily due to solid project orders partially offset by weaker baseline business in North America and lower activity for industrial valves for the mining market. Orders for the nine months ended September 30, 2013 increased $197.0 or 27.3% as compared to the prior year, primarily reflecting Bornemann orders of $160.8. Organic orders increased $38.3 or 5.3% primarily due to an increase in parts orders and increased project business globally, partially offset by lower baseline business orders in North America. Backlog as of September 30, 2013 was $720.7 reflecting an increase of $141.8 or 24.5% over December 31, 2012.

Motion Technologies

Motion Technologies revenue for the three and nine months ended September 30, 2013 increased $25.7 or 17.0% and $55.0 or 11.3%, respectively, compared to the prior year periods, primarily due to strong growth in OEM automotive brake pad volume particularly in Europe and China. Foreign currency translation favorably impacted the quarter and year-to-date revenue growth by $6.8 and $10.0, resulting in organic revenue growth of 12.5% and 9.3%, respectively, over the prior year periods. The growth in Europe was as a result of our increasing number of automotive platform positions and was despite significant macroeconomic challenges. Our growth in China corresponds with our recent investments and strategic focus to gain market share in the region. In addition, sales of aftermarket pad volume increased approximately 28% during the third quarter of 2013 as compared to the prior year and 16% for the nine months of 2013. The quarter and year-to-date growth was partially offset by automotive price declines and lower revenue in the rail market due to the temporary postponement of various rail infrastructure projects in China.

Interconnect Solutions

Interconnect Solutions revenue for the three and nine months ended September 30, 2013 increased by $13.1 or 14.4%, and $11.4 or 4.0%, respectively, compared to the prior year, due to growth in each of our served markets partially benefiting from improving macro-economic conditions affecting the connector industry and by increased operational execution. Our growth in the communications market of 41.3% and 4.5%, respectively, was driven by a recent position win with a major Smartphone manufacturer and a corresponding production ramp-up during the third quarter of 2013. Growth in the aerospace market of 26.4% and 6.9%, respectively, was fueled by strong demand from commercial airline manufacturers. Growth in the defense market of 24.0% and 13.5%, respectively, was driven by benefits from certain U.S. programs unaffected by the U.S. sequestration. Growth in the industrial market of 10.7% and 6.6%, respectively, reflected gains in North America and Europe as well as growth from sales of medical-related connector equipment.

Control Technologies

Control Technologies revenue for the three months ended September 30, 2013 increased by $2.3 or 3.4% and decreased $0.5 or 0.2% for the nine months ended September 30, 2013 as compared to the same prior year periods. The year-over-year results for the three and nine months ended September 30, 2013 reflect growth in our commercial aviation product applications of 31.0% and 22.4%, respectively. Our defense products applications revenue is flat for the quarter, however year-to-date revenue is down approximately 10.7% for the year, mainly due to impacts from the U.S. government sequestration. Revenue from industrial product applications declined approximately 7.0% and 7.9%, for the quarter and year-to-date periods, respectively, primarily driven by a decline in energy absorption equipment sales due to the completion of a large infrastructure project during the prior year. However, excluding the prior year benefit from the infrastructure project, we experienced moderate growth from sales of industrial energy absorption equipment. In addition, the 2013 revenue results were impacted by a decline of $1.7 and $5.1 for the quarter and year-to-date periods, respectively, due to an actuator retrofit program that is nearing its end of life.

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GROSS PROFIT

Gross profit for the three and nine months ended September 30, 2013 was $202.9 and $591.2, an increase of $36.7 and $84.4, respectively, primarily from net savings related to sourcing and VBLSS initiatives and the contributions from our Bornemann acquisition. In addition, increased sales volume provided a benefit of approximately $14.8 and $23.9 for the quarter and year-to-date periods, respectively, which was partially offset by an unfavorable change in sales mix. The table below provides gross profit and gross margin by segment for the three and nine months ended September 30, 2013 and 2012.

	Three Months						Nine Months					
For the Periods Ended September 30	2013		2012		Change		2013		2012		Change	
Industrial Process	$89.9		$75.8		18.6	%	$262.2		$217.1		20.8	%
Motion Technologies	49.3		37.6		31.1	%	146.4		123.5		18.5	%
Interconnect Solutions	34.8		25.4		37.0	%	96.0		82.5		16.4	%
Control Technologies	28.4		27.0		5.2	%	85.4		82.6		3.4	%
Corporate and Other	0.5		0.4		25.0	%	1.2		1.1		9.1	%
Total gross profit	$202.9		$166.2		22.1	%	$591.2		$506.8		16.7	%
Gross margin:												
Industrial Process	31.5	%	31.6	%	(10	)bp	32.4	%	31.0	%	140	bp
Motion Technologies	27.9	%	24.9	%	300	bp	27.0	%	25.4	%	160	bp
Interconnect Solutions	33.5	%	28.0	%	550	bp	32.5	%	29.1	%	340	bp
Control Technologies	40.6	%	39.9	%	70	bp	40.9	%	39.5	%	140	bp
Consolidated	32.0	%	30.4	%	160	bp	31.9	%	30.3	%	160	bp

OPERATING EXPENSES

Operating expenses for the three months ended September 30, 2013 decreased $3.6 compared to the prior year, primarily due to a decline in asbestos-related costs offset by increased costs associated with the Bornemann acquisition. Operating expenses for the nine months ended September 30, 2013 increased $59.2 compared to the prior year, primarily driven by increased costs from the Bornemann business, partially offset by lower asbestos-related costs. The following table provides further information by expense type, as well as a breakdown of operating expense by segment.

	Three Months					Nine Months			
For the Periods Ended September 30	2013		2012	Change		2013	2012	Change	
Sales and marketing expenses	$52.7		$41.6	26.7	%	$162.0	$134.5	20.4	%
General and administrative expenses	72.5		60.0	20.8	%	208.2	159.0	30.9	%
Research and development expenses	16.1		15.1	6.6	%	48.9	47.8	2.3	%
Asbestos-related costs, net	(15.4	)	12.8	(220.3	)%	16.5	35.1	(53.0	)%
Total operating expenses	$125.9		$129.5	(2.8	)%	$435.6	$376.4	15.7	%
By Segment:									
Industrial Process	$62.2		$45.2	37.6	%	$183.9	$137.0	34.2	%
Motion Technologies	24.5		19.0	28.9	%	65.3	57.4	13.8	%
Interconnect Solutions	24.0		26.3	(8.7	)%	79.8	76.0	5.0	%
Control Technologies	14.7		12.1	21.5	%	41.9	40.6	3.2	%
Corporate & Other	0.5		26.9	(98.1	)%	64.7	65.4	(1.1	)%

Sales and marketing expenses for the three and nine months ended September 30, 2013 increased $11.1 and $27.5, respectively, primarily due to costs from the Bornemann business.

General and administrative (G&A) expenses for the three and nine months ended September 30, 2013 increased $12.5 and $49.2, respectively. The increase in G&A expenses for the three and nine month periods is primarily associated with the acquisition of the Bornemann business. In addition, during 2013 we incurred incremental costs to reposition the organization (repositioning costs) following the 2011 spin-offs of Exelis Inc. and Xylem Inc. The

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repositioning costs primarily consist of advisory fees, costs to exit transition services agreements, IT infrastructure modifications, and other actions and resulted in an increase to G&A expenses of $6.5 and $15.3 for the quarter and year-to-date periods of 2013, respectively. The year-to-date period was also unfavorably impacted by higher corporate G&A expenses during the first half of 2013 driven by the 2012 recognition of an insurance-related asset on environmental exposures and higher prior year environmental insurance recoveries as well as higher current year restructuring costs of $4.5, primarily at Motion Technologies and Interconnect Solutions.

The Company expects to incur additional repositioning costs of approximately $5 to $15 during the remainder of 2013 and a total of approximately $10 thereafter. Cash outflows for these repositioning actions are expected to be approximately $12 to $22 during the remainder of 2013 and a total of approximately $10 thereafter.

Asbestos-Related Costs, Net

In the third quarter 2013, we recognized a net asbestos-related benefit of $15.4, as compared to $12.8 of asbestos costs in the prior year, primarily reflecting a $31.0 benefit recognized in connection with a settlement agreement entered into during the third quarter of 2013 compared to a $5.8 benefit due to a settlement in 2012. Additionally, we experienced $2.4 favorability when compared to the prior year in connection with our annual update to the underlying assumptions used in our liability and asset estimates. In the third quarter, we conducted our annual study with the assistance of outside consultants to review and update the underlying assumptions used in our asbestos liability and related asset estimates. During this study, the underlying assumptions were updated based on actual experience since our last annual study, a reassessment of the appropriate reference period of years of experience used in determining each assumption and our expectations regarding future conditions, including inflation. Based on the results of this study, we decreased our estimated undiscounted asbestos liability, including legal fees, by $65.0, reflecting a decrease in costs the company estimates will be incurred to resolve all pending claims, as well as unasserted claims estimated to be filed over the next 10 years.

The decrease in our estimated liability in the third quarter of 2013 is a result of several developments, including an expectation of lower defense costs relative to indemnities paid over the projection period and favorable experience in the ratio of cases dismissed versus settled. These favorable impacts were offset in part by an increase in expected average settlement values.

Further, in the third quarter of 2013 the Company reduced its estimated asbestos-related assets by $65.5, based on the results of this study. The decrease in our asbestos-related assets is primarily the result of the decrease in the estimated liability and changes in other assumptions. These assets comprise an insurance asset, as well as receivables from other responsible parties.

See Note 18, “Commitments and Contingencies,” in our Notes to the Consolidated Condensed Financial Statements for further information on our asbestos-related liabilities and assets.

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OPERATING INCOME

Operating income for the three and nine months ended September 30, 2013 increased $40.3 and $25.2 reflecting an operating margin growth of 540 basis points and 60 basis points, respectively. The following table illustrates the 2013 and 2012 operating income results of our segments, including operating margin results.

	Three Months			Nine Months		
For the Periods Ended September 30	2013	2012	Change	2013	2012	Change
Industrial Process	$27.7	$30.6	(9.5)%	$78.3	$80.1	(2.2)%
Motion Technologies	24.8	18.6	33.3%	81.1	66.1	22.7%
Interconnect Solutions	10.8	(0.9)	(1,300.0)%	16.2	6.5	149.2%
Control Technologies	13.7	14.9	(8.1)%	43.5	42.0	3.6%
Segment operating income	77.0	63.2	21.8%	219.1	194.7	12.5%
Asbestos-related costs, net	15.4	(12.8)	(220.3)%	(16.5)	(35.1)	(53.0)%
Other corporate costs	(15.4)	(13.7)	12.4%	(47.0)	(29.2)	61.0%
Total corporate and other costs	—	(26.5)	(100.0)%	(63.5)	(64.3)	(1.2)%
Total operating income	$77.0	$36.7	109.8%	$155.6	$130.4	19.3%
Operating margin:						
Industrial Process	9.7%	12.8%	(310)bp	9.7%	11.5%	(180)bp
Motion Technologies	14.0%	12.3%	170bp	15.0%	13.6%	140bp
Interconnect Solutions	10.4%	(1.0)%	1,140bp	5.5%	2.3%	320bp
Control Technologies	19.6%	22.0%	(240)bp	20.8%	20.1%	70bp
Segment operating margin	12.1%	11.5%	60bp	11.8%	11.6%	20bp
Consolidated	12.1%	6.7%	540bp	8.4%	7.8%	60bp

Industrial Process

Industrial Process operating income for the three months ended September 30, 2013 decreased $2.9 while operating margin declined 310 basis points to 9.7% as net savings from sourcing and VBLSS cost reduction initiatives were offset by unfavorable sales mix associated with the reduction in North American baseline business as well as negative margin impacts from a challenging project pricing environment. In addition, operating income and margin was unfavorably impacted by higher intangible asset amortization expenses related to the Bornemann acquisition, an increase in bad debt expense and a $2.3 increase in strategic investment costs primarily related to an aftermarket expansion initiative and facility expansions.

Industrial Process operating income for the nine months ended September 30, 2013 decreased $1.8 or 2.2%, while operating margin declined 180 basis points to 9.7%, as favorability from VBLSS and sourcing cost reduction initiatives were offset by a $10.4 increase in amortization expense related to intangible assets acquired during the Bornemann acquisition and other integration costs. In addition, operating income and margin was unfavorably impacted by an increase of $5.1 in strategic investment costs primarily related to facility expansions and an aftermarket expansion initiative.

Motion Technologies

Motion Technologies operating income for the three months ended September 30, 2013 increased $6.2, resulting in a 170 basis point improvement in operating margin. The increase in operating income and margin was primarily due to higher sales volumes providing an increase of $5.4 and net savings from VBLSS, sourcing and restructuring initiatives, which provided an approximate $8.3 improvement to operating income. These benefits were partially offset by an unfavorable third quarter 2013 inventory valuation adjustment and higher bad debt expense, as well as a $1.7 decline from automotive price declines.

Motion Technologies operating income for the nine months ended September 30, 2013 increased $15.0 resulting in a 140 basis point improvement in operating margin. The increase in operating income and margin was primarily due to higher sales volumes providing an increase of $16.2 and net savings from VBLSS, sourcing and restructuring initiatives, which provided an approximate improvement of $14.4 to operating income. These benefits were partially offset by an unfavorable third quarter 2013 inventory valuation adjustment, an increase in warranty and restructuring

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costs, and higher bad debt expense, as well as a $6.1 decline from automotive price declines and unfavorable product mix.

Interconnect Solutions

Interconnect Solutions operating income increased $11.7 for the three months ended September 30, 2013, resulting in operating income of $10.8 and a 1,140 basis point improvement in operating margin. The increase in operating income and operating margin was primarily due to higher sales volumes providing a benefit of $5.3 and a $2.3 benefit from a favorable change in sales mix. In addition, net savings from VBLSS, sourcing, as well as restructuring initiatives, provided a benefit of approximately $1.1 for the quarter.

Interconnect Solutions operating income increased $9.7 for the nine months ended September 30, 2013, resulting in operating income of $16.2 and a 320 basis point increase in operating margin. Operating income was favorably impacted by net saving from VBLSS, sourcing, and restructuring initiatives that provided a total benefit of approximately $10.9. Higher sales volume provided an operating income benefit of $5.4 but had an unfavorable sales mix impact of approximately $2.6. These benefits were partially offset by an increase in restructuring spending of $4.0, as well as an unfavorable impact of $1.1 from foreign currency fluctuations.

Control Technologies

Control Technologies operating income for the three months ended September 30, 2013 declined $1.2, reflecting a 240 basis point decrease in operating margin, as benefits from increased volume, pricing initiatives, and net savings from cost reduction initiatives were more than offset by higher strategic investment related costs, unfavorable sales mix of $0.9, and a pension curtailment charge of $0.5.

Control Technologies operating income for the nine months ended September 30, 2013 increased $1.5, reflecting a 70 basis point improvement in operating margin. The year-over-year increase was primarily driven by net cost reductions from VBLSS, sourcing, and pricing initiatives of approximately $7.5. The benefit of these items to operating income was partially offset by an unfavorable change in sales mix of $4.2, lower sales volumes of $0.8, and a pension curtailment charge of $0.5.

Other Corporate Costs

Other corporate costs increased $1.7 and $17.8 during the three and nine months ended September 30, 2013, respectively, compared to the same prior year periods. The increased expense during the quarter-to-date period was primarily due to the recognition of an additional $3.0 of repositioning costs related to IT infrastructure requirements. The year-over-year increase during the nine month period was primarily due to a prior year benefit recorded related to the recognition of an insurance-related asset on environmental exposures. In addition, the nine month period of 2013 was impacted by higher compensation and benefit related costs which includes higher annual and long-term incentive plan expenses as well as a medical accrual adjustment that was favorable to 2012.

INCOME TAX EXPENSE

For the three months ended September 30, 2013, the Company recognized an income tax benefit of $354.4, representing an effective tax rate of (446.9)% compared to an income tax benefit of $19.0, and an effective tax rate of (45.6)%, for the three months ended September 30, 2012. For the nine months ended September 30, 2013, the Company recognized an income tax benefit of $325.0 representing an effective tax rate of (212.4)% compared to income tax expense of $43.0, and an effective tax rate of 33.0% for the nine months ended September 30, 2012. The significant tax benefit recorded during the three and nine months ended September 30, 2013 was primarily attributable to the release of the valuation allowance on deferred tax assets as discussed below.

The Company recorded a valuation allowance in 2011 on U.S. deferred tax assets. The valuation allowance was recorded as of December 31, 2011, in part, due to a cumulative three-year loss position resulting primarily from a previous asbestos remeasurement charge. This cumulative loss position was considered a significant source of negative evidence and limited our ability to weigh other subjective evidence such as our projections for future growth. During 2012 and through September 30, 2013, the Company generated U.S. income and, as of September 30, 2013, is now in a cumulative three year income position. The Company has evaluated all available positive and negative evidence at the end of the current period. Based on positive evidence, including the three year cumulative positive income and the absence of any significant negative evidence, management believes it is more likely than not that the Company's U.S. deferred tax assets will be realized except for certain deferred tax assets attributable to State net operating losses and tax credits in certain separate return filing jurisdictions. As a

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result, the Company no longer maintains a valuation allowance against its U.S. deferred tax assets, and has recorded a tax benefit of approximately $374.6. The Company continues to maintain a valuation allowance against certain foreign net deferred tax assets, primarily in Luxembourg, Germany and China.

The net amount of the tax liability for unrecognized tax benefits may significantly change within the next 12 months due to changes in audit status, expiration of statutes of limitations and other events which could impact our determination of unrecognized tax benefits. Currently, we cannot reasonably estimate the amount by which our unrecognized tax benefits will change.

The Company operates in various tax jurisdictions and is subject to examination by tax authorities in these jurisdictions. The Company is currently under examination by taxing authorities in the Czech Republic, Germany, Italy, Korea, and the U.S. The settlement of an examination could result in changes in amounts attributable to the Tax Matters Agreement entered into with Xylem, Inc. and Exelis, Inc. Currently, we cannot reasonably estimate the amount of such changes.

INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX

Income from discontinued operations decreased by $14.6 and $5.1 for the three and nine months ended September 30, 2013, respectively, over the same prior year periods. The three and nine month period declines are primarily related to a settlement of legacy receivables and payables with a former ITT entity, resulting in a net cash payment of $15.3, and a net loss of $1.3 compared to the third quarter of 2012 that included a $5.6 benefit from the settlement of an asbestos-related matter. Results of discontinued operations for 2012 also include amounts attributable to our former Shape-Cutting Businesses that were sold during the fourth quarter of 2012, as well as costs to related to the spin-off of Exelis, Inc. and Xylem, Inc.

LIQUIDITY

Funding and Liquidity Strategy

Our funding needs are monitored and strategies are executed to meet overall liquidity requirements, including the management of our capital structure on both a short- and long-term basis. We expect to fund our ongoing working capital, dividends, capital expenditures and financing requirements through cash flows from operations and cash on hand or by accessing the commercial paper market. If our access to the commercial paper market were adversely affected, we believe that alternative sources of liquidity, including our 2011 Revolving Credit Agreement, described below, would be sufficient to meet our short-term funding requirements.

We manage our worldwide cash requirements considering available funds among the many subsidiaries through which we conduct business and the cost effectiveness with which those funds can be accessed. We continue to look for opportunities to access cash balances in excess of local operating requirements to meet global liquidity needs in a cost-efficient manner. A majority of our cash and cash equivalents is held by our international subsidiaries. We have and may continue to transfer cash between certain international subsidiaries and the U.S. and other international subsidiaries when it is cost effective to do so. Our intent is generally to indefinitely reinvest these funds outside of the U.S. consistent with our overall intention to support growth and expand in markets outside the U.S. through the development of products, increase non-U.S. capital spending, and potentially acquire foreign businesses. However, we have determined that certain undistributed foreign earnings generated in Luxembourg, Japan, and South Korea should not be considered permanently reinvested outside of the U.S. Net distributions of foreign earnings from these countries totaled $32.6 for the nine months ended September 30, 2013. The timing and amount of future remittances, if any, remains under evaluation.

The amount and timing of dividends payable on our common stock are within the sole discretion of our Board of Directors and will be based on, and affected by, a number of factors, including our financial position and results of operations, available cash, expected capital spending plans, prevailing business conditions, and other factors the Board deems relevant. Therefore, there can be no assurance as to what level of dividends, if any, will be paid in the future. In the third quarter of 2013, we declared a dividend of $0.10 per share for shareholders of record on August 30, 2013 which was paid on October 1, 2013.

Significant factors that affect our overall management of liquidity include our credit ratings, the adequacy of commercial paper and supporting bank lines of credit, and the ability to attract long-term capital on satisfactory terms. We assess these factors along with current market conditions on a continuous basis, and as a result, may alter the mix of our short- and long-term financing when it is advantageous to do so.

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We access the commercial paper market to supplement the cash flows generated internally to provide additional short-term funding for strategic investments and other funding requirements. We manage our short-term liquidity through the use of our commercial paper program by adjusting the level of commercial paper borrowings as opportunities to deploy additional capital arise and it is cost effective to do so. As of September 30, 2013, we had an outstanding commercial paper balance of $66.0 and averaged an outstanding balance of $58.5 during the third quarter. There have been no material changes that have impacted our funding and liquidity capabilities since December 31, 2012.

Credit Facilities

On October 25, 2011 we entered into a four-year revolving $500 credit agreement (the 2011 Revolving Credit Agreement). The 2011 Revolving Credit Agreement is intended to provide access to additional liquidity and be a source of funding for 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 interest rate for borrowings under the 2011 Revolving Credit Agreement is generally based on the London Interbank Offered Rate (LIBOR), plus a spread, which reflects our debt rating. The provisions of the 2011 Revolving Credit Agreement require that we maintain an interest coverage ratio, as defined, of at least 3.0 times and a leverage ratio, as defined, of not more than 3.0 times. At September 30, 2013, we had no amounts outstanding under the 2011 Revolving Credit Agreement and our interest coverage ratio and leverage ratio were within the prescribed thresholds.

Asbestos

Based on the estimated undiscounted asbestos liability as of September 30, 2013 for claims filed or estimated to be filed over the next 10 years, we have estimated that we will be able to recover 42% of the asbestos indemnity and defense costs from our insurers. Actual insurance reimbursements will vary 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 tenth year of our estimate, our insurance recoveries are currently projected to be 30%. 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.

Further, there is uncertainty in estimating when cash payments related to the recorded asbestos liability will be fully expended and such cash payments will continue for a number of years beyond the next 10 years due to the significant proportion of future claims included in the estimated asbestos liability and the delay between the date a claim is filed and when it is resolved. Subject to these inherent uncertainties, it is expected that cash payments related to pending claims and claims to be filed in the next 10 years, will extend through approximately 2029.

Annual net cash outflows, net of tax benefits, are projected to average $10 to $20 over the next five years, as compared to an average of $9.0 over the past three annual periods, and increase to an average of approximately $35 to $45, over the remainder of the projection period.

In light of the uncertainties and variables inherent in the long-term projection of the Company's asbestos exposures and potential recoveries, although it is probable that the Company will incur additional costs for asbestos claims filed beyond the next 10 years, we do not believe 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 2023.

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 not possible 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.

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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 derived from discontinued operations, for the nine months ended September 30, 2013 and 2012.

For the Nine Months Ended September 30	2013	2012
Operating activities	$98.6	$175.3
Investing activities	(118.8)	(42.5)
Financing activities	(24.2)	(48.8)
Foreign exchange	(1.1)	(8.8)
Total net cash flow from continuing operations	(45.5)	75.2
Net cash from discontinued operations	(18.4)	(3.1)
Net change in cash and cash equivalents	$(63.9)	$72.1

Net cash of $98.6 was provided by operating activities for the nine months ended September 30, 2013, representing a decrease of $76.7 from the prior year, primarily attributable to the collection of a significant 2012 income tax refund which stemmed from an overpayment during 2011. Cash activity related to net income tax payments and refunds resulted in a net year-over-year decline to cash flow from operations of $129.9 when comparing the nine months of 2013 to the similar 2012 period. This unfavorable impact was offset by an increased source of cash from segment operating income after non-cash adjustments of $41.7. Segment working capital impacts also generated a year-over-year improvement to cash flow from operations of $17.5 due to a reduction in inventories, favorable timing of payments to vendors, and higher customer progress payments which were partially offset by an increase in current accounts receivable. In addition, the year-over-year change in net cash from operating activities benefited from lower global pension plan contributions of $32.8 and net asbestos payments of $9.0. However, the year-over-year change was unfavorably impacted by 2012 cash receipts from Xylem and Exelis associated with the 2011 spin-off, as well as, higher 2013 restructuring-related cash payments of $7.4.

Net cash used in investing activities increased by $76.3 in the nine months ended September 30, 2013 as compared to 2012 primarily due to purchases of $62.4, net of maturities, in short-term time deposit investments as well as higher capital expenditures of $14.5 primarily associated with the construction of a new Industrial Process production facility in South Korea and the expansion of its Seneca Falls, New York facility.

Net cash used in financing activities decreased by $24.6 in the nine months ended September 30, 2013 as compared to the prior year primarily due to an increase in net short-term debt borrowings of $55.7. This year-over-year cash inflow benefit was partially offset an $11.0 decline in proceeds associated with employee stock issuance activity (net of excess tax benefits) as well as an $11.0 increase in share repurchases as compared to the prior year.

Net cash used related to discontinued operations for the nine months ended September 30, 2013 is primarily due to the settlement of legacy receivables and payables with a former ITT entity, resulting in a net cash payment by ITT of $15.3.

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Key Performance Indicators and Non-GAAP Measures

Management reviews key performance indicators including revenue, segment operating income and margins, earnings per share, orders growth, and backlog, among others. In addition, we consider certain measures to be useful to management and investors when evaluating our operating performance for the periods presented. These measures provide a tool for evaluating our ongoing operations and management of assets from period to period. This information can assist investors in assessing our financial performance and measures our ability to generate capital for deployment among competing strategic alternatives and initiatives, including, but not limited to, dividends, acquisitions and share repurchases. These metrics, however, are not measures of financial performance under 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 impact of foreign currency fluctuations and contributions from acquisitions and divestitures made during the previous twelve months. Orders are defined as firm orders that have been received, acknowledged and entered into our production systems. Divestitures include sales of insignificant 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 assumes translation at a constant exchange rate for the current and prior periods.

A reconciliation of the year over year change in revenue, including amounts attributable to organic growth, acquisitions and divestitures, and foreign currency, for the three and nine months ended September 30, 2013, is provided below.

Three Months Ended September 30	Industrial Process	Motion Technologies	Interconnect Solutions	Control Technologies	Eliminations	Total ITT	% Change
2012 Revenue	$239.9	$151.1	$90.8	$67.6	$(1.9)	$547.5	
Organic growth	14.6	18.9	13.4	2.5	0.3	49.7	9.1%
Acquisitions/(divestitures), net	33.1	—	—	—	—	33.1	6.0%
Foreign currency translation	(2.6)	6.8	(0.3)	(0.2)	—	3.7	0.7%
Total change in revenue	45.1	25.7	13.1	2.3	0.3	86.5	15.8%
2013 Revenue	$285.0	$176.8	$103.9	$69.9	$(1.6)	$634.0	

Nine Months Ended September 30	Industrial Process	Motion Technologies	Interconnect Solutions	Control Technologies	Eliminations	Total ITT	% Change
2012 Revenue	$699.2	$486.4	$283.6	$209.2	$(4.9)	$1,673.5	
Organic growth	11.3	45.0	13.4	0.2	0.7	70.6	4.2%
Acquisitions/(divestitures), net	102.7	—	—	—	—	102.7	6.1%
Foreign currency translation	(2.7)	10.0	(2.0)	(0.7)	—	4.6	0.3%
Total change in revenue	111.3	55.0	11.4	(0.5)	0.7	177.9	10.6%
2013 Revenue	$810.5	$541.4	$295.0	$208.7	$(4.2)	$1,851.4	

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n “adjusted income from continuing operations” and “adjusted income from continuing operations per diluted share” are defined as income from continuing operations attributable to ITT Corporation and income from continuing operations attributable to ITT Corporation per diluted share, adjusted to exclude special items that include, but are not limited to, asbestos-related costs, transformation costs, repositioning costs, restructuring and asset impairment charges, acquisition-related expenses, income tax settlements or adjustments, and other unusual or infrequent non-operating items. Special items represent significant charges or credits, on an after-tax basis, that impact current results, but may not be related to the Company's ongoing operations and performance. A reconciliation of adjusted income from continuing operations, including adjusted earnings per diluted share, is provided below.

	Three Months		Nine Months	
For the Periods Ended September 30	2013	2012	2013	2012
Income from continuing operations attributable to ITT Corporation	$433.0	$60.7	$476.8	$87.4
Change in tax valuation allowance	(374.6)	0.9	(368.3)	38.8
Net asbestos-related charges, net of tax	(10.8)	8.0	10.0	21.6
Repositioning costs, net of tax	5.6	1.4	12.7	2.8
Restructuring and asset impairment charges, net of tax	1.0	3.2	5.8	4.4
Other tax-related special items[(a)]	(1.4)	(37.0)	1.8	(37.0)
Other special items	(2.9)	3.5	2.3	5.5
Adjusted income from continuing operations	$49.9	$40.7	$141.1	$123.5
Income from continuing operations attributable to ITT Corporation per diluted share	$4.71	$0.65	$5.17	$0.93
Adjusted income from continuing operations per diluted share	$0.54	$0.44	$1.53	$1.31

The special items presented net of tax above include an aggregate net tax expense (benefit) of $0.4, $(7.3), $(21.0) and $(17.7), respectively, in the 2013 and 2012 periods as presented.

(a) Other tax-related special items for the three and nine months ended September 30, 2012 primarily relate benefits from a return to accrual adjustment, a change in uncertain tax positions, and impacts from tax audit closures. See Note 6, “Income Taxes” to our Consolidated Condensed Financial Statements for further information.

n “adjusted free cash flow” is defined as net cash provided by operating activities less capital expenditures, cash payments for transformation costs, repositioning costs, net asbestos cash flows and other significant items that impact current results which management believes are not related to our ongoing operations and performance. Due to other financial obligations and commitments, the entire free cash flow may not be available for discretionary purposes. A reconciliation of adjusted free cash flow is provided below.

Nine Months Ended September 30	2013	2012
Net cash provided by operating activities	$98.6	$175.3
Capital expenditures[(a)]	(54.1)	(41.0)
Transformation cash payments	6.2	44.2
Net asbestos cash flows	19.2	28.2
Discretionary pension contribution, net of tax	—	11.8
Repositioning cash payments	18.9	0.9
Adjusted free cash flow	$88.8	$219.4

(a) Capital expenditures represent capital expenditures as reported in the Consolidated Condensed Statement of Cash Flows, less capital expenditures associated with transformation and repositioning activities. Capital expenditures associated with transformation and repositioning activities were $4.1 and $2.7 during the nine months ended September 30, 2013 and 2012, respectively.

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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 in the 2012 Annual Report describes the critical accounting estimates that are used in 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 2012 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 2012 Annual Report. However, we provide the following as an update to our 10-K disclosure related to the highly inflationary economy of Venezuela:

Effective January 1, 2010, Venezuela was determined to be a highly inflationary economy and we changed the functional currency of our operations in Venezuela to the U.S dollar. On February 8, 2013, Venezuela announced a devaluation of the Bolivar which resulted in our recognition of a $1.2 remeasurement charge. We estimate that an additional adverse movement of a hypothetical 10% in the Venezuelan Bolivar would result in a further remeasurement impact to operating income of approximately $1.0.

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 are 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.

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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 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 18, "Commitments and Contingencies" to the Consolidated Condensed Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q and are incorporated by reference herein. Such descriptions include the following recent developments:

Asbestos Proceedings

ITT, including its subsidiary Goulds Pumps, Inc., has been 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 our 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 or Goulds Pump product as a source of asbestos exposure. In addition, a large majority of claims pending against the Company 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.

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 a number of factors. As of September 30, 2013, we have recorded an undiscounted asbestos-related liability for pending claims and unasserted claims estimated to be filed over the next 10 years of $1,269.9, including expected legal fees, and an associated asset of $533.1 which represents estimated recoveries from insurers, resulting in a net asbestos exposure of $736.8.

ITEM 1A. RISK FACTORS

Reference is made to to the risk factors set forth in Part I, Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, 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

Not applicable.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

(a) See the Exhibit Index for a list of exhibits filed herewith.

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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 Corporation
	(Registrant)
By:	/s/ JANICE M. KLETTNER Janice M. Klettner Vice President and Chief Accounting Officer (Principal accounting officer)

October 31, 2013

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EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION	LOCATION
(10.1)*	ITT Corporation Senior Executive Severance Pay Plan (amended and restated effective as of July 1, 2013)	Filed herewith.
(31.1)	Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith.
(31.2)	Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith.
(32.1)	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	This Exhibit is intended to be furnished in accordance with Regulation S-K Item 601(b) (32) (ii) and shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934 or incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference.
(32.2)	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	This Exhibit is intended to be furnished in accordance with Regulation S-K Item 601(b) (32) (ii) and shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934 or incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference.
(101)	The following materials from ITT Corporation’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Condensed Income Statements, (ii) Consolidated Condensed Statements of Comprehensive Income, (iii) Consolidated Condensed Balance Sheets, (iv) Consolidated Condensed Statements of Cash Flows and (v) Notes to Consolidated Condensed Financial Statements	Submitted electronically with this report.

* Management compensatory plan

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