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Fourth Quarter / Full-Year 2006

Investor Review

February 2, 2007

2006 Highlights

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- **Double-digit organic revenue growth**
- **Segment operating income margin expansion**
 - Traction on operational initiatives:
 - ✓ Lean/Six Sigma
 - ✓ Global Supply Sourcing
 - ✓ Facility Rationalization
- **Portfolio improvements**
- **Dividend increase**
- **Stock repurchase program**

Financial Results – As Adjusted

	4Q05	4Q06	FY05	FY06	
Revenues	\$1,846 +11.1%	\$2,051	\$7,041 +10.9%	\$7,808	<ul style="list-style-type: none"> Organic Growth <ul style="list-style-type: none"> 4Q +8%; FY +10%
Segment Operating Income	\$241 +7.1%	\$258	\$870 +12.0%	\$974	<ul style="list-style-type: none"> Improved margins at commercial businesses
EPS	\$0.70 +4%	\$0.73	\$2.56 +11%	\$2.85	<ul style="list-style-type: none"> Exceeded guidance range Growth rates impacted by Night Vision matter
Free Cash Flow			\$614	\$669	<ul style="list-style-type: none"> FCF conversion - 134% of income from continuing ops.

Note: FCF = Cash from Operations (before pension pre-funding, net of tax) – Capital Expenditures
 Operating Income and EPS reflect continuing operations, exclude one-time items
 For non-GAAP reconciliations, refer to www.itt.com/ir



Earnings Per Share Reconciliation

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	4Q05	4Q06	FY05	FY06
<i>Adjusted EPS</i>	\$ 0.70	\$ 0.73	\$ 2.56	\$ 2.85
Restructuring, Net	(0.05)	(0.07)	(0.20)	(0.19)
Tax Settlements/Other	-	(0.01)	0.44	0.01
<i>EPS from Cont. Ops.</i>	\$ 0.65	\$ 0.65	\$ 2.80	\$ 2.67
Cum. Effect of Acct. Change	(0.04)	-	(0.03)	-
Disc. Ops., Net	<u>(1.06)</u>	<u>0.10</u>	<u>(0.86)</u>	<u>0.43</u>
<i>Reported EPS</i>	\$ (0.45)	\$ 0.75	\$ 1.91	\$ 3.10

Fluid Technology

	Fourth Quarter			Full Year		
	2005	2006	% Chg	2005	2006	% Chg
Revenues	\$749.8	\$838.8	11.9%	\$2,799.1	\$3,070.1	9.7%
Operating Income	\$105.1	\$123.4	17.4%	\$351.2	\$397.3	13.1%
Operating Margin	14.0%	14.7%	+70 b.p.	12.5%	12.9%	+40 b.p.

Financial Highlights

- 4Q Organic revenue growth +6%
 - Wastewater +12%
 - Res & Com Water +11%
 - Industrial Group +8%
 - AWT (22)%
- Margin strength driven by:
 - Operating leverage
 - Traction on operational improvement initiatives

Market/Operational Highlights

- Wastewater growth led by dewatering
- Full-year organic orders +10%
 - Led by Wastewater & Industrial Group
- Driving continued margin expansion

Defense Electronics & Services

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	Fourth Quarter			Full Year		
	<u>2005</u>	<u>2006</u>	<u>% Chg</u>	<u>2005</u>	<u>2006</u>	<u>% Chg</u>
Backlog				\$3,475.1	\$3,880.7	11.7%
Revenues	\$862.3	\$952.3	10.4%	\$3,224.2	\$3,659.3	13.5%
Operating Income	\$104.2	\$97.8	(6.1)%	\$363.7	\$410.6	12.9%
Operating Margin	12.1%	10.3%	(180) b.p.	11.3%	11.2%	(10) b.p.

Financial Highlights

- Strong organic revenue growth
 - 4Q +10%, FY +13%
- Growth led by Tactical Communications & Night Vision
- Strong 4Q operating margin strength offset by Night Vision matter

Market/Operational Highlights

- Full-year order growth up 21%
- Full-year backlog increased 12%
- Balanced order growth across all value centers
 - AES and Electronic Systems each receive >\$100M in 4Q orders

For non-GAAP reconciliations, refer to www.itt.com/ir



Motion & Flow Control

	Fourth Quarter			Full Year		
	<u>2005</u>	<u>2006</u>	<u>% Chg</u>	<u>2005</u>	<u>2006</u>	<u>% Chg</u>
Revenues	\$236.8	\$263.1	11.1%	\$1,030.9	\$1,092.9	6.0%
Operating Income	\$32.1	\$36.6	14.0%	\$155.2	\$166.2	7.1%
Operating Margin	13.6%	13.9%	+30 b.p.	15.1%	15.2%	+10 b.p.

Financial Highlights

- Organic revenue growth:
 - 4Q +6%, FY +6%
 - Friction Materials 4Q +15%
 - Aerospace Controls 4Q +8%
 - Connectors 4Q +3%
- 4Q Margin improvement driven by productivity enhancements

Market Highlights

- Continued share gains in Friction
- Elements of Marine & Leisure market remain challenging
- Full-year organic orders +10%
 - Strong growth by all value centers

2007 Earnings Outlook

<u>Segment</u>	<u>Revenue FY07</u>
Fluid Technology <i>Margin</i>	\$3,215 – 3,245 13.7 – 13.9%
Defense Electronics <i>Margin</i>	\$3,975 – 4,025 11.4 – 11.5%
Motion & Flow Control <i>Margin</i>	\$1,110 – 1,130 15.6 – 16.0%

	<u>1Q07</u>	<u>FY07</u>
Revenue	\$1,895 – 1,935	\$8,285 – 8,375
Segment Operating Margin	11.8 – 12.0%	12.9 – 13.1%
EPS	\$0.67 – 0.69	\$3.30 – 3.38
FCF Conversion	≥ 100% Net Income	

Note: FCF = Cash from Operations (before pension pre-funding, net of tax) – Capital Expenditures
Earnings outlook reflects continuing operations, excludes one-time items





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