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Second Quarter 2007

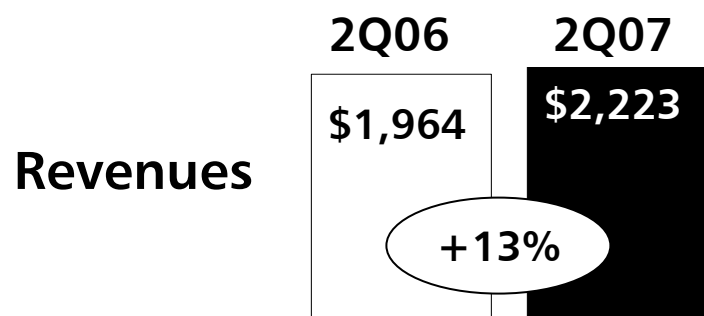
Investor Review

July 27, 2007

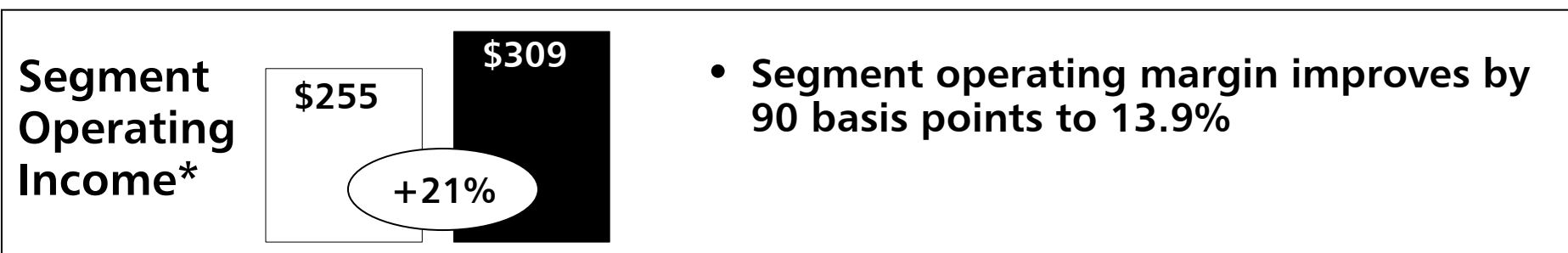
2Q Highlights

- **10.5% organic revenue growth**
 - **Double-digit organic revenue growth in each segment**
- **13.2% organic order growth**
 - **Balanced across end-markets and geographies**
- **Portfolio realignment continues**
 - **Motion & Flow becomes “third leg” with IMC acquisition**
 - **Sale of Switches business closes**

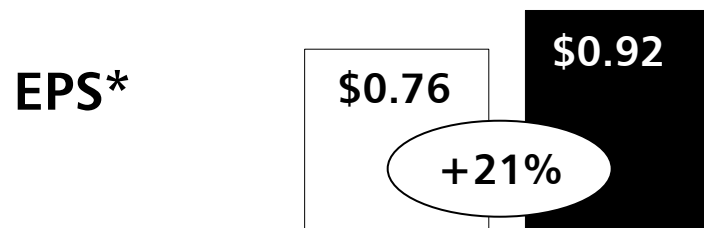
Financial Results



- Organic Growth +10.5%
 - Strong contribution from each segment



- Segment operating margin improves by 90 basis points to 13.9%



- Leveraging top-line growth and productivity improvements deliver a significant increase in earnings



- FCF generation on plan – will achieve full-year target of $\geq 100\%$ of net income

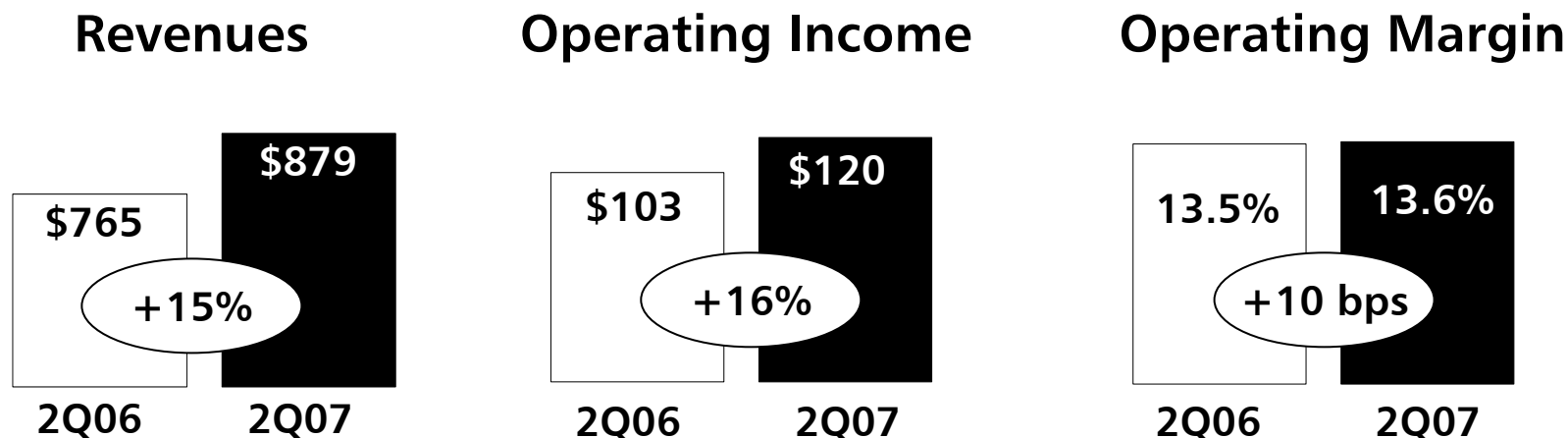
* Segment operating income and EPS exclude restructuring charges. EPS excludes net benefit of tax settlement/other.

** Free Cash Flow = Cash from operations (before discretionary pension contributions net of tax) less capital expenditures.

For non-GAAP reconciliations, refer to slides 8 and 9



Fluid Technology

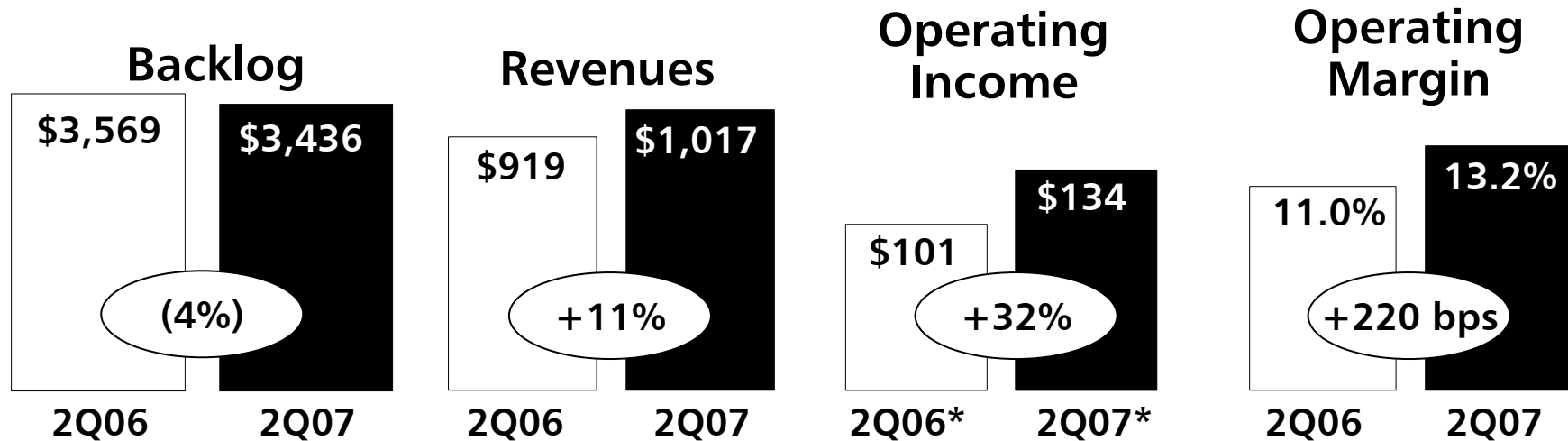


Q2 Highlights

- Organic Revenue Growth +10% driven by strong international sales
 - Water & Wastewater +9%
 - R&CW +4%
 - Industrial Process +21%
- Organic Order Growth +13%
- Productivity improvements on track – offset by FX impact and factory start-up costs
- Flygt and AWT combined to create “Water & Wastewater”
 - Strong Dewatering sales/rentals driven by product innovation
- R&CW – strength in commercial offset by softness in residential
- Industrial Process group experienced strength in chemical, power and general industrial end markets



Defense Electronics & Services



Q2 Highlights

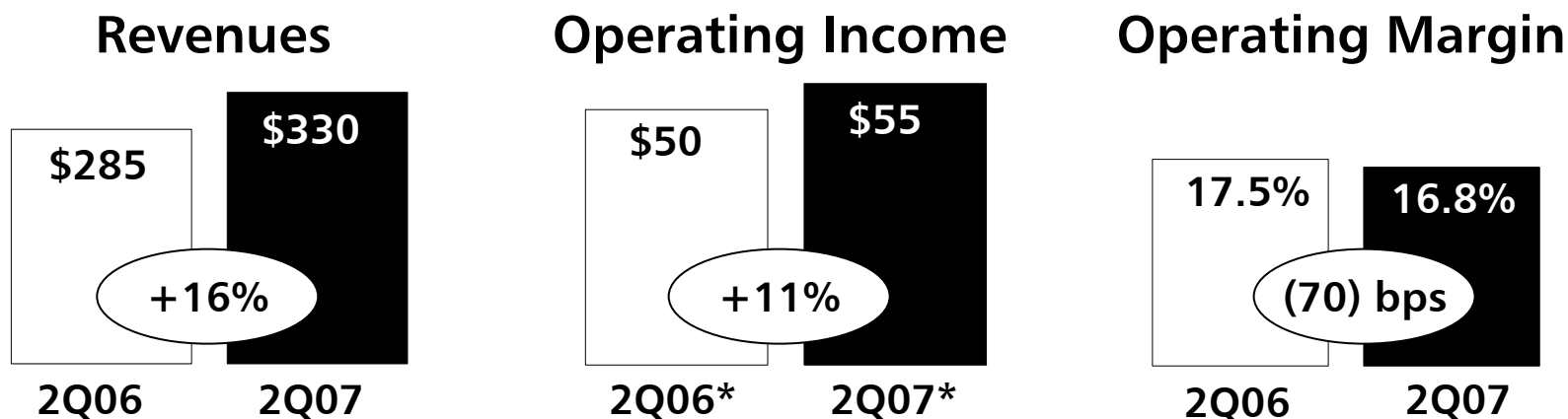
- Revenue surpasses \$1B for the first time
 - Systems +11%
 - Aerospace/Comm. Division +17%
 - Adv. Engineering & Sciences +55%
- Orders increased 17%
 - 2007 year-end backlog expected to be in-line with 2006 year-end level
- Operating income margin strength driven by strong performance in fixed-price contracts; full-year targets raised
- Award of significant IDIQ contract for Systems division
- AES strength driven by Data and Analysis Center for Software contract

* YOY growth rates do not calculate due to rounding



For non-GAAP reconciliation, refer to slide 9

Motion & Flow Control



Q2 Highlights

- Organic Revenue Growth +11%
 - Connectors +12%
 - Marine & Leisure +9%
 - Aerospace Controls +16%
- Organic Order Growth +8%
 - Led by Aerospace Controls
- Asset sales in prior year drove operating margin decline
- Strong North American and Asian Connector market
- Strong international growth in Marine & Leisure
- Aerospace Controls and Friction strength driven by commercial OEM sales
- Strong sales growth within Koni from bus, truck and rail markets



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* YOY growth rates do not calculate due to rounding

For non-GAAP reconciliation, refer to slide 9

2007 Earnings Outlook *(\$ in Millions except EPS)*

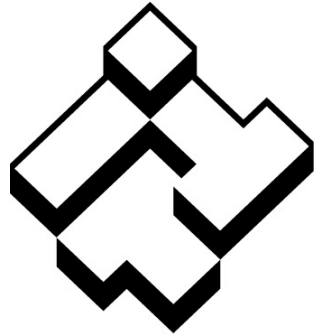
	<u>3Q07</u>	<u>yr/yr Growth*</u>	<u>FY07</u>	<u>yr/yr Growth*</u>
Revenue	\$ 2,100 - \$ 2,165	6.6%	\$ 8,550 - \$ 8,655	10.2%
Segment OI Margin	13.2% - 13.4%	60 bps	13.2% - 13.5%	90 bps
EPS**	\$ 0.88 - \$ 0.90	15.6%	\$ 3.44 - \$ 3.50	21.8%
FCF Conversion	≥ 100% Net Income			

<u>Segment</u>	<u>FY07</u>	<u>yr/yr Growth*</u>
Fluid Technology - Revenue	\$ 3,380 - \$ 3,420	10.7%
OI Margin	13.5% - 13.7%	70 bps
Defense Electronics - Revenue	\$ 3,975 - \$ 4,025	9.3%
OI Margin	12.3% - 12.5%	120 bps
Motion & Flow Control - Revenue	\$ 1,195 - \$ 1,225	10.7%
OI Margin	15.6% - 16.0%	60 bps



* Based on guidance midpoints

** EPS reflects continuing ops, excluding special items and includes expected (\$0.05) impact from IMC acquisition



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Appendix

Non-GAAP Reconciliations - EPS

	2Q06	2Q07
<i>Adjusted EPS from Continuing Ops.</i>	\$ 0.76	\$ 0.92
Restructuring, Net	\$ (0.04)	\$ (0.07)
Tax Settlement/Other	\$ -	\$ 0.23
<i>EPS from Continuing Ops.</i>	<u>\$ 0.72</u>	<u>\$ 1.08</u>
Discontinued Ops.	\$ 0.03	\$ 0.08
<i>Reported EPS</i>	<u>\$ 0.75</u>	<u>\$ 1.16</u>

Non-GAAP Reconciliations – Segment Operating Income

	2Q06	2Q07
Defense Electronics & Services		
<i>Op. Income, as adj</i>	\$ 101.4	\$ 134.1
Restructuring	\$ (0.8)	\$ (4.3)
<i>Op. Income, as reported</i>	\$ 100.6	\$ 129.8
Fluid Technology		
<i>Op. Income, as adj</i>	\$ 103.2	\$ 119.7
Restructuring	\$ (1.9)	\$ (10.2)
<i>Op. Income, as reported</i>	\$ 101.3	\$ 109.5
Motion & Flow Control		
<i>Op. Income, as adj</i>	\$ 49.9	\$ 55.3
Restructuring	\$ (7.4)	\$ (1.3)
<i>Op. Income, as reported</i>	\$ 42.5	\$ 54.0
Combined Segments		
<i>Op. Income, as adj</i>	\$ 254.5	\$ 309.1
Restructuring	\$ (10.1)	\$ (15.8)
<i>Op. Income, as reported</i>	\$ 244.4	\$ 293.3