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Third Quarter 2007

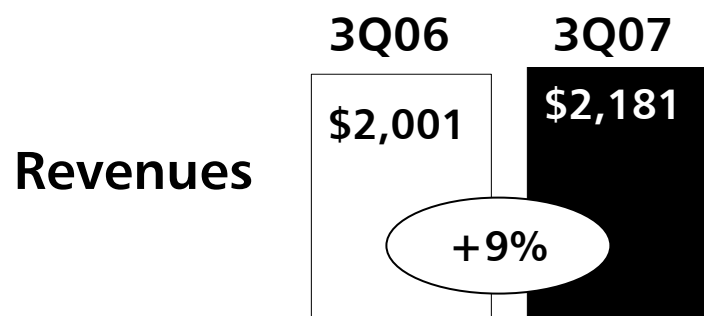
Investor Review

October 26, 2007

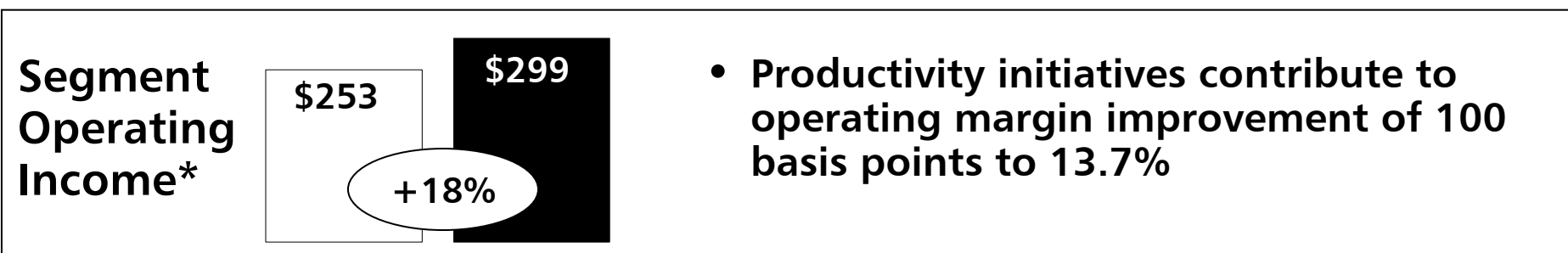
3Q Highlights

- **Portfolio Realignment Continues**
 - **Closing of IMC Acquisition**
 - **Announcement of EDO Acquisition**
 - **Completion of Switches Sale**
- **Revenue Enhanced by Strong International Sales**
- **Strong Segment Margin Performance**
 - **Operational Initiatives Continue**
- **19% EPS Growth**

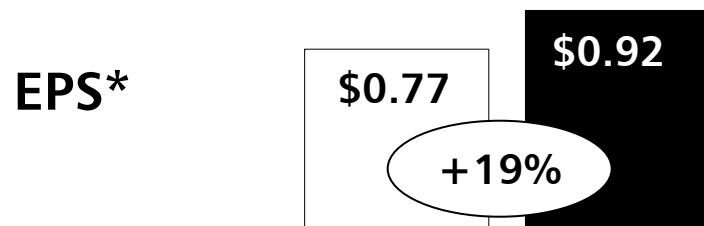
Financial Results



- Organic Growth +6%
 - Balanced across segments and end-markets



- Productivity initiatives contribute to operating margin improvement of 100 basis points to 13.7%



- Top-line growth and lean initiatives deliver a significant increase in earnings



- FCF generation remains 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.

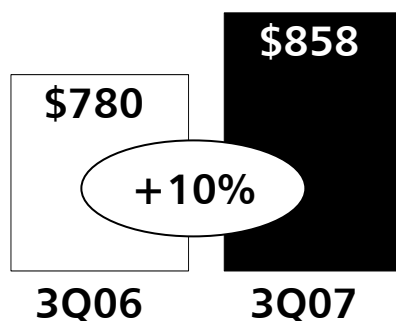
** Free Cash Flow = Cash from operations (before discretionary pension contributions net of tax) less capital expenditures.

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

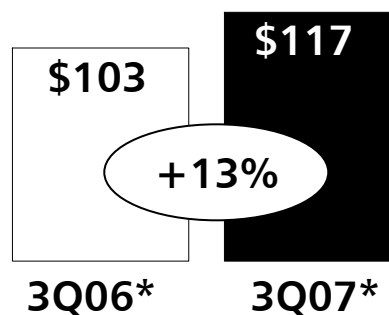


Fluid Technology

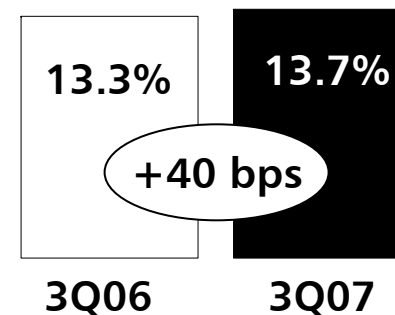
Revenues



Operating Income



Operating Margin



Q3 Highlights

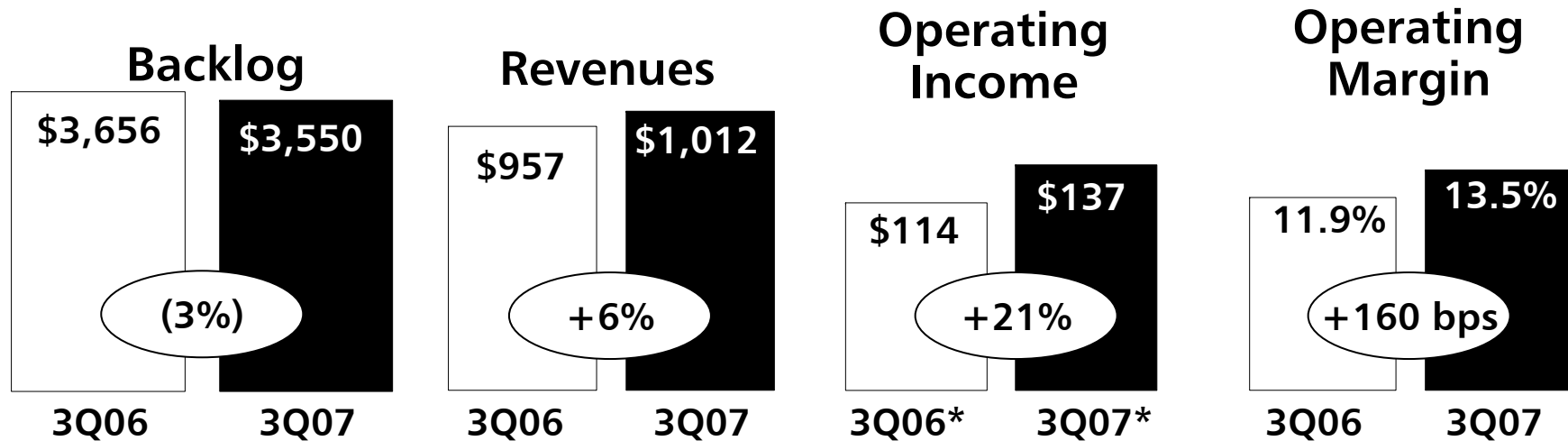
- Organic Revenue Growth +6% driven by strong international sales
 - Industrial Process +17%
 - Residential & Commercial Water +7%
 - Water & Wastewater +2%
- Organic Order Growth +9%
- Volume and productivity improvements partially offset by FX impact
- Water & Wastewater impacted by slowdown in treatment offset by strength in dewatering and large pump sales
- Residential & Commercial Water – excellent commercial growth offsets residential weakness
- Industrial Process experienced growth in project-based business and continued international strength

* YOY growth rates do not calculate due to rounding



For non-GAAP reconciliation, refer to slide 9

Defense Electronics & Services



Q3 Highlights

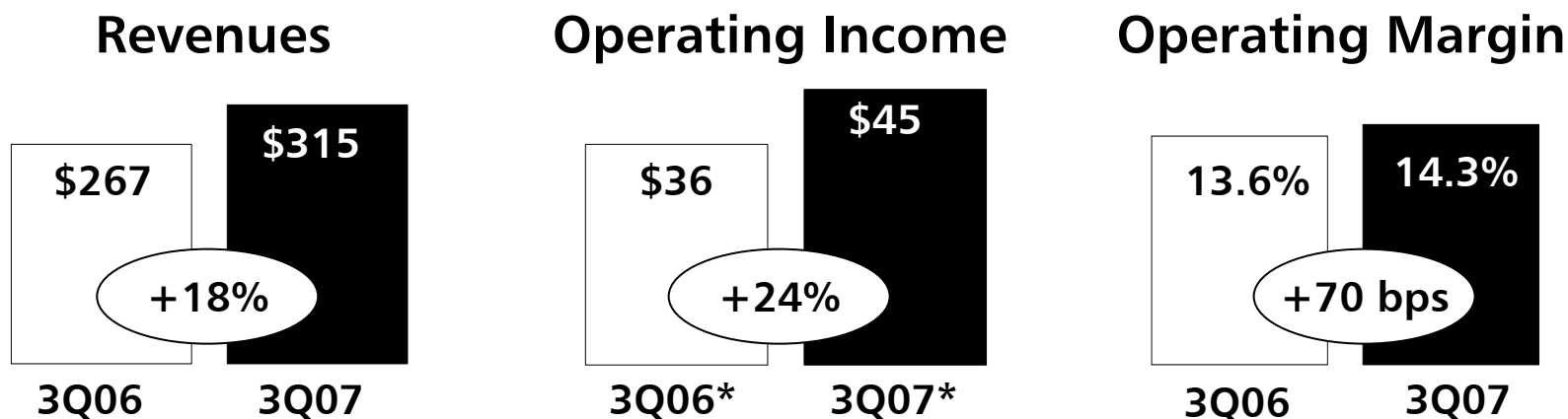
- Revenue growth driven by services businesses
 - Adv. Engineering & Sciences +37%
 - Systems +16%
- Backlog +3% sequentially
 - Expect year-end backlog in line with prior year-end level
- Continued operating margin strength driven by strong performance in fixed-price contracts
- Space Systems market impacted by project delays
- Awarded initial contract for FAA NextGen air traffic control program
 - Project to be led by Adv. Engineering & Sciences division

* YOY growth rates do not calculate due to rounding



For non-GAAP reconciliation, refer to slide 9

Motion & Flow Control



Q3 Highlights

- Organic Revenue Growth +9%
 - Aerospace Controls +26%
 - Friction +14%
 - Marine & Leisure +3%
- Organic Order Growth +13%
 - Led by 20%+ growth at Friction and Koni
- IMC integration underway
- Aerospace benefits from continued strength of commercial OEMs
- Friction growth from continued European platform wins
- Strong international growth in Marine & Leisure offset by softness in U.S. markets
- Koni growth driven by bus, truck and rail



* YOY growth rates do not calculate due to rounding

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For non-GAAP reconciliation, refer to slide 9

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

	4Q07	yr/yr Growth ¹	FY07	yr/yr Growth ¹
Revenue	\$ 2,250 - \$ 2,310	11.1%	\$ 8,730 - \$ 8,775	12.1%
Segment OI Margin	13.1% - 13.3%	60 bps	13.2% - 13.4%	80 bps
EPS ²	\$ 0.90 - \$ 0.93	25.5%	\$ 3.50 - \$ 3.53	23.3%
FCF Conversion	≥ 100% Net Income ³			

<u>Segment</u>	FY07	yr/yr Growth ¹
Fluid Technology - Revenue	\$3,440 - \$3,455	12.3%
OI Margin	13.5% - 13.7%	70 bps
Defense Electronics - Revenue	\$4,020 - \$4,040	10.1%
OI Margin	12.5% - 12.7%	140 bps
Motion & Flow Control - Revenue ⁴	\$1,280 - \$1,300	18.0%
OI Margin ⁴	14.4% - 14.6%	(70 bps)

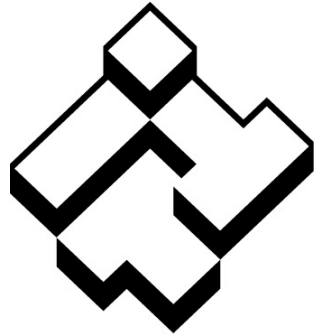
¹ Based on guidance midpoints

² EPS reflects continuing ops, excluding special items

³ Net income reflects continuing ops less tax settlements/other

⁴ Includes impact of IMC results





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Appendix

Non-GAAP Reconciliations - EPS

	3Q06	3Q07
<i>Adjusted EPS from Continuing Ops.</i>	\$ 0.77	\$ 0.92
Restructuring, Net	\$ (0.04)	\$ (0.03)
Tax Settlement/Other	\$ 0.02	\$ 0.03
<i>EPS from Continuing Ops.</i>	<u>\$ 0.75</u>	<u>\$ 0.92</u>
Discontinued Ops.	\$ 0.02	\$ 0.33
<i>Reported EPS</i>	<u>\$ 0.77</u>	<u>\$ 1.25</u>

Non-GAAP Reconciliations – Segment Operating Income

	3Q06	3Q07
Defense Electronics & Services		
<i>Op. Income, as adj</i>	\$ 113.6	\$ 137.0
Restructuring	\$ (1.0)	\$ 0.1
<i>Op. Income, as reported</i>	\$ 112.6	\$ 137.1
Fluid Technology		
<i>Op. Income, as adj</i>	\$ 103.4	\$ 117.3
Restructuring	\$ (5.6)	\$ (6.6)
<i>Op. Income, as reported</i>	\$ 97.8	\$ 110.7
Motion & Flow Control		
<i>Op. Income, as adj</i>	\$ 36.3	\$ 45.0
Restructuring	\$ (2.6)	\$ (0.6)
<i>Op. Income, as reported</i>	\$ 33.7	\$ 44.4
Combined Segments		
<i>Op. Income, as adj</i>	\$ 253.3	\$ 299.3
Restructuring	\$ (9.2)	\$ (7.1)
<i>Op. Income, as reported</i>	\$ 244.1	\$ 292.2