

ITT CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED INCOME STATEMENTS
(In millions, except per share)
(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|-----------------|------------------------------|-----------------|
| | 2008 | 2007 | 2008 | 2007 |
| Sales and revenues | \$3,064.1 | \$2,223.1 | \$5,870.5 | \$4,293.4 |
| Costs of sales and revenues | 2,197.0 | 1,580.7 | 4,242.5 | 3,066.8 |
| Selling, general and administrative expenses..... | 445.8 | 330.9 | 866.4 | 650.9 |
| Research and development expenses..... | 59.2 | 42.8 | 111.8 | 83.1 |
| Restructuring and asset impairment charges, net | 7.3 | 17.5 | 10.9 | 23.9 |
| Total costs and expenses | <u>2,709.3</u> | <u>1,971.9</u> | <u>5,231.6</u> | <u>3,824.7</u> |
| Operating income | 354.8 | 251.2 | 638.9 | 468.7 |
| Interest expense | 31.4 | 19.1 | 72.0 | 42.9 |
| Interest income | 7.9 | 10.2 | 16.3 | 18.4 |
| Miscellaneous expense (income), net..... | <u>3.7</u> | <u>2.1</u> | <u>6.7</u> | <u>6.0</u> |
| Income from continuing operations before income taxes..... | 327.6 | 240.2 | 576.5 | 438.2 |
| Income tax expense..... | <u>103.3</u> | <u>41.0</u> | <u>181.3</u> | <u>102.2</u> |
| Income from continuing operations..... | 224.3 | 199.2 | 395.2 | 336.0 |
| Discontinued operations, net of tax | <u>(3.3)</u> | <u>14.5</u> | <u>(2.3)</u> | <u>17.7</u> |
| Net income | <u>\$ 221.0</u> | <u>\$ 213.7</u> | <u>\$ 392.9</u> | <u>\$ 353.7</u> |
| Earnings Per Share: | | | | |
| Income from continuing operations: | | | | |
| Basic..... | \$ 1.24 | \$ 1.11 | \$ 2.18 | \$ 1.86 |
| Diluted | \$ 1.22 | \$ 1.08 | \$ 2.15 | \$ 1.82 |
| Discontinued operations: | | | | |
| Basic..... | \$ (0.02) | \$ 0.08 | \$ (0.01) | \$ 0.10 |
| Diluted | \$ (0.02) | \$ 0.08 | \$ (0.01) | \$ 0.10 |
| Net income: | | | | |
| Basic..... | \$ 1.22 | \$ 1.19 | \$ 2.17 | \$ 1.96 |
| Diluted | \$ 1.20 | \$ 1.16 | \$ 2.14 | \$ 1.92 |
| Average Common Shares — Basic | 181.0 | 180.3 | 180.9 | 180.9 |
| Average Common Shares — Diluted..... | 184.3 | 183.7 | 184.0 | 184.2 |

ITT CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(In millions)
(Unaudited)

| | June 30, 2008 | December 31, 2007 |
|--|--------------------|----------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 877.7 | \$ 1,840.0 |
| Receivables, net | 2,038.7 | 1,935.0 |
| Inventories, net | 923.4 | 887.6 |
| Deferred income taxes | 104.5 | 105.9 |
| Other current assets | <u>180.2</u> | <u>161.3</u> |
| Total current assets | 4,124.5 | 4,929.8 |
| | | |
| Plant, property and equipment, net | 988.8 | 980.3 |
| Deferred income taxes | 42.0 | 29.7 |
| Goodwill, net | 3,910.4 | 3,829.7 |
| Other intangible assets, net | 668.7 | 733.0 |
| Other assets | <u>1,068.8</u> | <u>1,050.2</u> |
| Total assets | <u>\$ 10,803.2</u> | <u>\$ 11,552.7</u> |
| | | |
| Liabilities and Shareholders' Equity | | |
| Current Liabilities: | | |
| Accounts payable | \$ 1,336.0 | \$ 1,296.8 |
| Accrued expenses | 981.8 | 958.9 |
| Accrued taxes | 62.0 | 40.9 |
| Notes payable and current maturities of long-term debt | 1,799.0 | 3,083.0 |
| Pension and postretirement benefits | 68.5 | 68.5 |
| Deferred income taxes | <u>6.2</u> | <u>8.2</u> |
| Total current liabilities | 4,253.5 | 5,456.3 |
| | | |
| Pension and postretirement benefits | 765.9 | 764.6 |
| Long-term debt | 480.7 | 483.0 |
| Other liabilities | <u>931.3</u> | <u>904.0</u> |
| Total liabilities | 6,431.4 | 7,607.9 |
| | | |
| Shareholders' equity | <u>4,371.8</u> | <u>3,944.8</u> |
| Total liabilities and shareholders' equity | <u>\$ 10,803.2</u> | <u>\$ 11,552.7</u> |

ITT CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

| | Six Months Ended | |
|--|-------------------------|-------------------|
| | June 30, | |
| | 2008 | 2007 |
| Operating Activities | | |
| Net income..... | \$ 392.9 | \$ 353.7 |
| Less: Income from discontinued operations..... | <u>2.3</u> | <u>(17.7)</u> |
| Income from continuing operations..... | 395.2 | 336.0 |
| Adjustments to income from continuing operations: | | |
| Depreciation and amortization..... | 148.6 | 88.8 |
| Stock-based compensation..... | 15.0 | 18.7 |
| Restructuring and asset impairment charges, net..... | 10.9 | 23.9 |
| Payments for restructuring..... | (28.7) | (25.6) |
| Change in receivables..... | (68.4) | (130.6) |
| Change in inventories..... | (15.0) | (29.4) |
| Change in accounts payable and accrued expenses..... | 34.8 | 4.4 |
| Change in accrued and deferred taxes..... | 16.5 | (58.5) |
| Change in other current and non-current assets..... | (29.1) | (82.0) |
| Change in other current and non-current liabilities..... | 5.4 | (11.8) |
| Other, net..... | <u>5.0</u> | <u>5.5</u> |
| Net cash — operating activities..... | <u>490.2</u> | <u>139.4</u> |
| Investing Activities | | |
| Additions to plant, property and equipment..... | (79.4) | (66.3) |
| Acquisitions, net of cash acquired..... | (229.0) | (4.4) |
| Proceeds from sale of assets and businesses..... | 2.3 | 2.6 |
| Other, net..... | <u>(0.9)</u> | <u>0.2</u> |
| Net cash — investing activities..... | <u>(307.0)</u> | <u>(67.9)</u> |
| Financing Activities | | |
| Short-term debt, net..... | (1,143.5) | 353.1 |
| Long-term debt repaid..... | (14.5) | (2.0) |
| Long-term debt issued..... | 0.5 | 0.3 |
| Repurchase of common stock..... | — | (287.6) |
| Proceeds from issuance of common stock..... | 22.0 | 49.0 |
| Dividends paid..... | (57.2) | (45.8) |
| Tax benefit from stock option exercises and restricted stock award lapses..... | 3.5 | 11.0 |
| Other, net..... | <u>(2.7)</u> | <u>—</u> |
| Net cash — financing activities..... | <u>(1,191.9)</u> | <u>78.0</u> |
| Exchange Rate Effects on Cash and Cash Equivalents | 54.8 | 25.3 |
| Net Cash — Discontinued Operations: | | |
| Operating Activities | (8.1) | 4.4 |
| Investing Activities | (0.3) | (2.3) |
| Financing Activities | <u>—</u> | <u>(0.7)</u> |
| Net change in cash and cash equivalents..... | (962.3) | 176.2 |
| Cash and cash equivalents — beginning of year..... | <u>1,840.0</u> | <u>937.1</u> |
| Cash and Cash Equivalents — end of period..... | <u>\$ 877.7</u> | <u>\$ 1,113.3</u> |

**ITT Corporation Non-GAAP Reconciliation
Reported vs. Organic Revenue / Orders Growth
Second Quarter 2008 & 2007**

(\$ Millions)

| | (As Reported - GAAP) | | | | (As Adjusted - Organic) | | | | | | |
|--|-----------------------------|-----------------------------|-------------------------|---------------------------|-----------------------------|---|-------------------------------|-------------------------------------|--------------------------------|--------------------------|----------------------------|
| | Sales & Revenues 3M 2008 | Sales & Revenues 3M 2007 | Change 2008 vs. 2007 | % Change 2008 vs. 2007 | Sales & Revenues 3M 2008 | Acquisition / Other Contribution 3M 2008 | FX Contribution 3M 2008 | Adj. Sales & Revenues 3M 2008 | Sales & Revenues 3M 2007 | Change Adj. 08 vs. 07 | % Change Adj. 08 vs. 07 |
| ITT Corporation - Consolidated | 3,064.1 | 2,223.1 | 841.0 | 37.8% | 3,064.1 | (598.5) | (83.6) | 2,382.0 | 2,223.1 | 158.9 | 7.1% |
| Defense Electronics & Services | 1,599.2 | 1,017.4 | 581.8 | 57.2% | 1,599.2 | (532.5) | 0.1 | 1,066.8 | 1,017.4 | 49.4 | 4.9% |
| Communications Systems | 256.6 | 207.6 | 49.0 | 23.6% | 256.6 | (67.0) | 0.0 | 189.6 | 207.6 | (18.0) | -8.7% |
| Space Systems | 134.5 | 152.7 | (18.2) | -11.9% | 134.5 | 0.0 | (0.2) | 134.3 | 152.7 | (18.4) | -12.0% |
| Advanced Engineering & Sciences | 245.3 | 110.6 | 134.7 | 121.8% | 245.3 | (78.8) | 0.0 | 166.5 | 110.6 | 55.9 | 50.5% |
| Electronic Systems | 419.6 | 97.6 | 322.0 | 329.9% | 419.6 | (317.0) | 0.0 | 102.6 | 97.6 | 5.0 | 5.1% |
| Night Vision | 116.0 | 109.0 | 7.0 | 6.4% | 116.0 | 0.0 | 0.0 | 116.0 | 109.0 | 7.0 | 6.4% |
| Systems | 363.9 | 343.1 | 20.8 | 6.1% | 363.9 | 0.0 | 0.0 | 363.9 | 343.1 | 20.8 | 6.1% |
| Integrated Structures | 34.4 | 0.0 | 34.4 | NA | 34.4 | (34.4) | 0.3 | 0.3 | 0.0 | 0.3 | NA |
| Intell & Info | 38.7 | 0.0 | 38.7 | NA | 38.7 | (38.7) | 0.0 | 0.0 | 0.0 | 0.0 | NA |
| Fluid Technology | 1,025.6 | 879.5 | 146.1 | 16.6% | 1,025.6 | (3.4) | (54.7) | 967.5 | 879.5 | 88.0 | 10.0% |
| Industrial Process | 202.9 | 174.7 | 28.2 | 16.1% | 202.9 | 0.0 | 0.4 | 203.3 | 174.7 | 28.6 | 16.4% |
| Residential and Commercial Water Group | 343.5 | 305.4 | 38.1 | 12.5% | 343.5 | 0.0 | (15.8) | 327.7 | 305.4 | 22.3 | 7.3% |
| Water & WasteWater | 493.5 | 410.6 | 82.9 | 20.2% | 493.5 | (3.4) | (40.5) | 449.6 | 410.6 | 39.0 | 9.5% |
| Motion & Flow Control | 442.5 | 329.5 | 113.0 | 34.3% | 442.5 | (62.6) | (29.2) | 350.7 | 329.5 | 21.2 | 6.4% |
| Aerospace Controls | 29.8 | 25.2 | 4.6 | 18.3% | 29.8 | 0.0 | 0.0 | 29.8 | 25.2 | 4.6 | 18.3% |
| Flow Control | 72.4 | 67.3 | 5.1 | 7.6% | 72.4 | (7.0) | (1.4) | 64.0 | 67.3 | (3.3) | -4.9% |
| Friction Technologies | 133.7 | 99.6 | 34.1 | 34.2% | 133.7 | 0.0 | (17.0) | 116.7 | 99.6 | 17.1 | 17.2% |
| Energy Absorption | 70.9 | 27.7 | 43.2 | 156.0% | 70.9 | (37.2) | (4.6) | 29.1 | 27.7 | 1.4 | 5.1% |
| IMC Controls | 18.7 | 0.0 | 18.7 | NA | 18.7 | (18.4) | (0.3) | 0.0 | 0.0 | 0.0 | NA |
| Interconnect Solutions | 117.1 | 109.7 | 7.4 | 6.7% | 117.1 | 0.0 | (5.9) | 111.2 | 109.7 | 1.5 | 1.4% |
| | Orders | Orders | Change | % Change | Orders | Acquisition | FX | Adj. Orders | Orders | Change | % Change |
| | 3M 2008 | 3M 2007 | 2008 vs. 2007 | 2008 vs. 2007 | 3M 2008 | Contribution | Contribution | 3M 2008 | 3M 2007 | Adj. 08 vs. 07 | Adj. 08 vs. 07 |
| Defense Electronics & Services | 1,220.8 | 742.8 | 478.0 | 64% | 1,220.8 | (283.3) | - | 937.5 | 742.8 | 194.7 | 26.2% |
| Fluid Technology | 1,168.8 | 937.9 | 230.9 | 25% | 1,168.8 | (3.5) | (57.6) | 1,107.7 | 937.9 | 169.8 | 18.1% |
| Motion & Flow Control | 435.8 | 330.6 | 105.2 | 32% | 435.8 | (62.7) | (27.5) | 345.6 | 330.6 | 15.0 | 4.5% |
| Total Segment Orders | 2,822.0 | 2,007.8 | 814.2 | 41% | 2,822.0 | (349.5) | (85.0) | 2,387.5 | 2,007.8 | 379.7 | 18.9% |

Note: Excludes intercompany eliminations.

ITT Corporation
Segment Operating Income & OI Margin
Second Quarter of 2008 & 2007

(\$ Millions)

| | Q2 2008 | Q2 2007 | % |
|--------------------------------|--------------------|--------------------|-----------------------------|
| | <u>As Reported</u> | <u>As Reported</u> | <u>Change 08 vs. 07</u> |
| Sales and Revenues: | | | |
| Defense Electronics & Services | 1,599.2 | 1,017.4 | |
| Fluid Technology | 1,025.6 | 879.5 | |
| Motion & Flow Control | 442.5 | 329.5 | |
| Intersegment eliminations | (3.2) | (3.3) | |
| Total Sales and Revenues | <u>3,064.1</u> | <u>2,223.1</u> | |
| Operating Margin: | | | |
| Defense Electronics & Services | 12.4% | 12.8% | (40) BP |
| Fluid Technology | 13.5% | 12.5% | 100 BP |
| Motion & Flow Control | 16.1% | 16.4% | (30) BP |
| Total Ongoing Segments | 13.4% | 13.2% | 20 BP |
| Income: | | | |
| Defense Electronics & Services | 198.9 | 129.8 | 53.2% |
| Fluid Technology | 138.8 | 109.5 | 26.8% |
| Motion & Flow Control | 71.4 | 54.0 | 32.2% |
| Total Segment Operating Income | <u>409.1</u> | <u>293.3</u> | <u>39.5%</u> |

**ITT Corporation Non-GAAP Reconciliation
Reported vs. Adjusted Net Income & EPS
Second Quarter of 2008 & 2007**

(\$ Millions, except EPS and shares)

| | Q2 2008 As Reported | Q2 2008 Adjustments | Q2 2008 As Adjusted | Q2 2007 As Reported | Q2 2007 Adjustments | Q2 2007 As Adjusted | Change 2008 vs. 2007 As Adjusted | Percent Change 2008 vs. 2007 As Adjusted |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|--|--|
| Segment Operating Income | 409.1 | | 409.1 | 293.3 | | 293.3 | | |
| Interest Income (Expense) | (23.5) | | (23.5) | (8.9) | (7.0) #B | (15.9) | | |
| Other Income (Expense) | (3.7) | | (3.7) | (2.1) | | (2.1) | | |
| Corporate (Expense) | (54.3) | | (54.3) | (42.1) | | (42.1) | | |
| Income from Continuing Operations before Tax | 327.6 | | 327.6 | 240.2 | (7.0) | 233.2 | | |
| Income Tax Expense | (103.3) | (5.3) #A | (108.6) | (41.0) | (34.8) #C | (75.8) | | |
| Total Tax Expense | (103.3) | (5.3) | (108.6) | (41.0) | (34.8) | (75.8) | | |
| Income from Continuing Operations | 224.3 | (5.3) | 219.0 | 199.2 | (41.8) | 157.4 | | |
| Diluted EPS from Continuing Operations | 1.22 | (0.03) | 1.19 | 1.08 | (0.22) | 0.86 | \$0.33 | 38.4% |

#A - Remove Tax Benefit of (\$5.3M).

#B - Remove Interest Adjustment on Tax Audit Settlement of (\$7.0M).

#C - Remove Tax Benefit regarding Audit Settlement of (\$44.3M) and other special items of \$7.0M .

**ITT Corporation Non-GAAP Reconciliation
Cash From Operating Activities vs. Free Cash Flow
Second Quarter of 2008 & 2007**

(\$ Millions)

| | <u>6M 2008</u> | <u>6M 2007</u> |
|--|---------------------|---------------------|
| Net Cash - Operating Activities | 490.2 | 139.4 |
| Capital Expenditures | (79.4) | (66.3) |
| Pension Pre-funding, net of tax | - | 50.0 |
| Free Cash Flow | <u>410.8</u> | <u>123.1</u> |