

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Sales and revenues	\$2,879.3	\$2,181.2	\$8,749.8	\$6,474.6
Costs of sales and revenues	2,068.6	1,540.1	6,311.1	4,606.9
Selling, general and administrative expenses.....	417.0	327.6	1,283.4	978.5
Research and development expenses.....	60.7	46.8	172.5	129.9
Restructuring and asset impairment charges, net	5.0	7.2	15.9	31.1
Total costs and expenses	<u>2,551.3</u>	<u>1,921.7</u>	<u>7,782.9</u>	<u>5,746.4</u>
Operating income	328.0	259.5	966.9	728.2
Interest expense	29.3	25.8	101.3	68.7
Interest income	8.3	12.6	24.6	31.0
Miscellaneous expense (income), net.....	<u>3.9</u>	<u>4.6</u>	<u>10.6</u>	<u>10.6</u>
Income from continuing operations before income taxes.....	303.1	241.7	879.6	679.9
Income tax expense.....	<u>98.6</u>	<u>73.1</u>	<u>279.9</u>	<u>175.3</u>
Income from continuing operations.....	204.5	168.6	599.7	504.6
Discontinued operations, net of tax	<u>11.8</u>	<u>61.5</u>	<u>9.5</u>	<u>79.2</u>
Net income	<u>\$ 216.3</u>	<u>\$ 230.1</u>	<u>\$ 609.2</u>	<u>\$ 583.8</u>
Earnings Per Share:				
Income from continuing operations:				
Basic.....	\$ 1.13	\$ 0.94	\$ 3.32	\$ 2.79
Diluted	\$ 1.11	\$ 0.92	\$ 3.26	\$ 2.74
Discontinued operations:				
Basic.....	\$ 0.07	\$ 0.34	\$ 0.05	\$ 0.44
Diluted	\$ 0.07	\$ 0.33	\$ 0.05	\$ 0.43
Net income:				
Basic.....	\$ 1.20	\$ 1.28	\$ 3.37	\$ 3.23
Diluted	\$ 1.18	\$ 1.25	\$ 3.31	\$ 3.17
Average Common Shares — Basic	180.6	180.2	180.8	180.7
Average Common Shares — Diluted.....	183.8	183.7	183.8	184.0

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

	September 30, 2008	December 31, 2007
Assets		
Current Assets:		
Cash and cash equivalents	\$ 957.3	\$ 1,840.0
Receivables, net	1,921.2	1,935.0
Inventories, net	881.9	887.6
Deferred income taxes	103.0	105.9
Other current assets	<u>157.4</u>	<u>161.3</u>
Total current assets	4,020.8	4,929.8
Plant, property and equipment, net	971.4	980.3
Deferred income taxes	42.9	29.7
Goodwill, net	3,872.2	3,829.7
Other intangible assets, net	647.8	733.0
Other assets	<u>1,081.8</u>	<u>1,050.2</u>
Total assets	<u>\$ 10,636.9</u>	<u>\$ 11,552.7</u>
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	\$ 1,267.3	\$ 1,296.8
Accrued expenses	976.2	958.9
Accrued taxes	76.5	40.9
Notes payable and current maturities of long-term debt	1,662.3	3,083.0
Pension and postretirement benefits	68.5	68.5
Deferred income taxes	<u>8.0</u>	<u>8.2</u>
Total current liabilities	4,058.8	5,456.3
Pension and postretirement benefits	746.5	764.6
Long-term debt	479.1	483.0
Other liabilities	<u>940.2</u>	<u>904.0</u>
Total liabilities	6,224.6	7,607.9
Shareholders' equity	<u>4,412.3</u>	<u>3,944.8</u>
Total liabilities and shareholders' equity	<u>\$ 10,636.9</u>	<u>\$ 11,552.7</u>

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

	Nine Months Ended	
	September 30,	
	2008	2007
Operating Activities		
Net income.....	\$ 609.2	\$ 583.8
Less: Income from discontinued operations.....	(9.5)	(79.2)
Income from continuing operations	599.7	504.6
Adjustments to income from continuing operations:		
Depreciation and amortization	215.8	134.7
Stock-based compensation	23.2	26.6
Restructuring and asset impairment charges, net.....	15.9	31.1
Payments for restructuring	(37.3)	(35.8)
Change in receivables	(16.9)	(116.4)
Change in inventories	1.3	17.7
Change in accounts payable and accrued expenses.....	57.4	70.2
Change in accrued and deferred taxes	48.3	(62.7)
Change in other current and non-current assets.....	(36.6)	(84.9)
Change in other current and non-current liabilities.....	17.7	(1.4)
Other, net.....	7.5	6.4
Net cash — operating activities.....	896.0	490.1
Investing Activities		
Additions to plant, property and equipment.....	(136.6)	(108.2)
Acquisitions, net of cash acquired.....	(241.0)	(395.7)
Proceeds from sale of assets and businesses	11.5	232.4
Other, net.....	3.6	1.5
Net cash — investing activities	(362.5)	(270.0)
Financing Activities		
Short-term debt, net	(1,254.1)	532.8
Long-term debt repaid.....	(15.4)	(7.2)
Long-term debt issued	0.5	0.4
Repurchase of common stock.....	(75.0)	(299.0)
Proceeds from issuance of common stock.....	31.6	55.2
Dividends paid	(89.1)	(71.3)
Tax benefit from stock option exercises and restricted stock award lapses.....	5.7	13.0
Other, net.....	(0.6)	(2.4)
Net cash — financing activities	(1,396.4)	221.5
Exchange Rate Effects on Cash and Cash Equivalents	(12.2)	70.7
Net Cash — Discontinued Operations:		
Operating Activities	(5.7)	(2.7)
Investing Activities	(1.9)	(5.6)
Financing Activities	—	(1.0)
Net change in cash and cash equivalents.....	(882.7)	503.0
Cash and cash equivalents — beginning of year	1,840.0	937.1
Cash and Cash Equivalents — end of period.....	\$ 957.3	\$ 1,440.1

**ITT Corporation Non-GAAP Reconciliation
Reported vs. Organic Revenue / Orders Growth
Third 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	2,879.3	2,181.2	698.1	32.0%	2,879.3	(491.0)	(38.1)	2,350.2	2,181.2	169.0	7.7%
Defense Electronics & Services	1,539.5	1,011.5	528.0	52.2%	1,539.5	(440.8)	0.4	1,099.1	1,011.5	87.6	8.7%
Communications Systems	261.9	205.0	56.9	27.8%	261.9	(44.8)	0.0	217.1	205.0	12.1	5.9%
Space Systems	154.2	144.7	9.5	6.6%	154.2	0.0	(0.1)	154.1	144.7	9.4	6.5%
Advanced Engineering & Sciences	247.1	120.4	126.7	105.2%	247.1	(78.1)	0.0	169.0	120.4	48.6	40.4%
Electronic Systems	348.1	105.6	242.5	229.6%	348.1	(254.9)	0.0	93.2	105.6	(12.4)	-11.7%
Night Vision	126.6	129.1	(2.5)	-1.9%	126.6	0.0	0.0	126.6	129.1	(2.5)	-1.9%
Systems	346.2	309.7	36.5	11.8%	346.2	0.0	0.0	346.2	309.7	36.5	11.8%
Integrated Structures	35.3	0.0	35.3	NA	35.3	(35.3)	0.5	0.5	0.0	0.5	NA
Intell & Info	31.2	0.0	31.2	NA	31.2	(31.2)	0.0	0.0	0.0	0.0	NA
Fluid Technology	949.3	858.4	90.9	10.6%	949.3	(2.3)	(24.6)	922.4	858.4	64.0	7.5%
Industrial Process	196.2	173.4	22.8	13.1%	196.2	0.0	1.7	197.9	173.4	24.5	14.1%
Residential and Commercial Water Group	326.6	305.8	20.8	6.8%	326.6	0.0	(8.4)	318.2	305.8	12.4	4.1%
Water & WasteWater	439.5	389.2	50.3	12.9%	439.5	(2.3)	(18.5)	418.7	389.2	29.5	7.6%
Motion & Flow Control	393.8	314.6	79.2	25.2%	393.8	(47.9)	(13.9)	332.0	314.6	17.4	5.5%
Aerospace Controls	29.0	26.1	2.9	11.1%	29.0	0.0	0.0	29.0	26.1	2.9	11.1%
Flow Control	61.8	60.6	1.2	2.0%	61.8	(7.2)	0.5	55.1	60.6	(5.5)	-9.1%
Friction Technologies	104.9	88.7	16.2	18.3%	104.9	0.0	(8.7)	96.2	88.7	7.5	8.5%
Energy Absorption	62.0	30.0	32.0	106.7%	62.0	(26.3)	(2.3)	33.4	30.0	3.4	11.3%
IMC Controls	17.7	2.1	15.6	NA	17.7	(14.4)	(0.1)	3.2	2.1	1.1	NA
Interconnect Solutions	118.4	107.1	11.3	10.6%	118.4	0.0	(3.3)	115.1	107.1	8.0	7.5%
	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	1,921.3	1,126.1	795.2	71%	1,921.3	(562.7)	(0.3)	1,358.3	1,126.1	232.2	20.6%
Fluid Technology	1,017.1	929.8	87.3	9%	1,017.1	(2.3)	(26.4)	988.4	929.8	58.6	6.3%
Motion & Flow Control	402.3	325.7	76.6	24%	402.3	(47.9)	(15.6)	338.8	325.7	13.1	4.0%
Total Segment Orders	3,339.6	2,378.4	961.2	40%	3,339.6	(612.9)	(42.4)	2,684.3	2,378.4	305.9	12.9%

Note: Excludes intercompany eliminations.

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

(\$ Millions)

	Q3 2008	Q3 2007	%
	<u>As Reported</u>	<u>As Reported</u>	<u>Change 08</u> <u>vs. 07</u>
Sales and Revenues:			
Defense Electronics & Services	1,539.5	1,011.5	
Fluid Technology	949.3	858.4	
Motion & Flow Control	393.8	314.6	
Intersegment eliminations	(3.3)	(3.3)	
Total Sales and Revenues	<u>2,879.3</u>	<u>2,181.2</u>	
Operating Margin:			
Defense Electronics & Services	12.2%	13.6%	(140) BP
Fluid Technology	13.9%	12.9%	100 BP
Motion & Flow Control	14.2%	14.1%	10 BP
Total Ongoing Segments	13.1%	13.4%	(30) BP
Income:			
Defense Electronics & Services	187.8	137.1	37.0%
Fluid Technology	132.2	110.7	19.4%
Motion & Flow Control	55.9	44.4	25.9%
Total Segment Operating Income	<u>375.9</u>	<u>292.2</u>	<u>28.6%</u>

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

(\$ Millions, except EPS and shares)

	Q3 2008 As Reported	Q3 2008 Adjustments	Q3 2008 As Adjusted	Q3 2007 As Reported	Q3 2007 Adjustments	Q3 2007 As Adjusted	Change 2008 vs. 2007 As Adjusted	Percent Change 2008 vs. 2007 As Adjusted
Segment Operating Income	375.9		375.9	292.2		292.2		
Interest Income (Expense)	(21.0)		(21.0)	(13.2)		(13.2)		
Other Income (Expense)	(3.9)		(3.9)	(4.6)		(4.6)		
Corporate (Expense)	(47.9)		(47.9)	(32.7)		(32.7)		
Income from Continuing Operations before Tax	303.1		303.1	241.7		241.7		
Income Tax Expense	(98.6)	0.6 #A	(98.0)	(73.1)	(4.5) #B	(77.6)		
Total Tax Expense	(98.6)	0.6	(98.0)	(73.1)	(4.5)	(77.6)		
Income from Continuing Operations	204.5	0.6	205.1	168.6	(4.5)	164.1		
Diluted EPS from Continuing Operations	1.11	0.01	1.12	0.92	(0.03)	0.89	\$0.23	25.8%

#A - Remove Tax Expense of \$0.6M.

#B - Remove Tax Benefit of (\$4.5M).

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

(\$ Millions)

	<u>9M 2008</u>	<u>9M 2007</u>
Net Cash - Operating Activities	896.0	490.1
Capital Expenditures	(136.6)	(108.2)
Pension Pre-funding, net of tax	-	50.0
Free Cash Flow	<u>759.4</u>	<u>431.9</u>