

Key Performance Indicators and Non-GAAP Measures

Management reviews key performance metrics including sales and revenues, segment operating income and margins, earnings per share, orders growth, and backlog, among others. In addition, we consider the following non-GAAP measures to be key performance indicators:

Organic Sales and Revenues defined as reported GAAP sales and revenues excluding the impact of foreign currency fluctuations and contributions from acquisitions and divestitures (for the first 12 months). The Company believes that Organic Sales and Revenues provide a useful measure of the operation's underlying revenue performance after adjusting for foreign exchange, acquisitions and divestitures that may impact comparability. The Company utilizes Organic Sales and Revenues to measure, evaluate and manage the Company's revenue performance. The Company's definition of Organic Sales and Revenue may not be comparable to similar measures utilized by other companies.

Organic Orders are Non-GAAP performance measures that may provide useful information related to the Company's future revenue performance. Organic Orders exclude the impact of foreign currency fluctuations and contributions from acquisitions and divestitures (for the first 12 months). The Company's definition of Organic Orders may not be comparable to similar measures utilized by other companies.

Adjusted Income from Continuing Operations and **Adjusted EPS** defined as reported GAAP Income from Continuing Operations and reported GAAP Diluted Earnings Per Share, adjusted to exclude Special Items. Special Items may include, but are not limited to, non-operating settlements or adjustments related to prior periods. Special items are not a substitute for GAAP measures. Special items represent significant charges or credits that impact current results, but may not be related to the company's ongoing operations and performance. The Company uses Adjusted Income from Continuing Operations and Adjusted EPS to measure, evaluate and manage the Company. The Company believes that results excluding Special Items provide a useful analysis of ongoing operating trends. The Company's definitions of Adjusted Net Income and Adjusted EPS may not be comparable to similar measures utilized by other companies.

Free Cash Flow defined as GAAP Net Cash - Operating Activities less Capital Expenditures and other special items. Free Cash Flow should not be considered a substitute for income or cash flow data prepared in accordance with GAAP. The Company's definition of Free Cash Flow may not be comparable to similar measures utilized by other companies. Management believes that Free Cash Flow is an important measure of performance and it is utilized as one measure of the company's ability to generate cash. Note that due to other financial obligations and commitments, the entire free cash flow amount may not be available for discretionary purposes.

Management believes that these metrics are useful to investors evaluating our operating performance for the periods presented, and provide a tool for evaluating our ongoing operations and our management of assets held from period to period. These metrics, however, are not a measure of financial performance under GAAP and should not be considered a substitute for sales and revenue growth (decline), or cash flows from operating, investing and financing activities as determined in accordance with GAAP and may not be comparable to similarly titled measures reported by other companies.

ITT Corporation Non-GAAP Reconciliation
Reported vs. Organic Revenue / Orders Growth
Second Quarter 2009 & 2008

(\$ Millions)

	(As Reported - GAAP)				(As Adjusted - Organic)			
	(A)	(B)	(C)	(D)	(E) = B+C+D	(F) = E / A		
	Sales & Revenues 3M 2009	Sales & Revenues 3M 2008	Change 2009 vs. 2008	% Change 2009 vs. 2008	Acquisition / Divestitures 3M 2009	FX Contribution 3M 2009	Change Adj. 09 vs. 08	% Change Adj. 09 vs. 08
ITT Corporation - Consolidated	2,780.0	3,064.1	(284.1)	-9.3%	10.3	124.9	(148.9)	-4.9%
Defense Electronics & Services	1,604.1	1,599.2	4.9	0.3%	0.0	1.9	6.8	0.4%
Communications Systems	274.2	256.6	17.6	6.9%	0.0	0.0	17.6	6.9%
Space Systems	157.3	134.5	22.8	17.0%	0.0	0.3	23.1	17.2%
Advanced Engineering & Sciences	246.1	245.3	0.8	0.3%	0.0	0.0	0.8	0.3%
Electronic Systems	426.2	453.9	(27.7)	-6.1%	0.0	1.6	(26.1)	-5.8%
Night Vision	113.7	116.0	(2.3)	-2.0%	0.0	0.0	(2.3)	-2.0%
Systems	362.8	363.9	(1.1)	-0.3%	0.0	0.0	(1.1)	-0.3%
Intell & Info Warfare	32.9	38.7	(5.8)	-15.0%	0.0	0.0	(5.8)	-15.0%
Fluid Technology	869.1	1,025.6	(156.5)	-15.3%	(2.2)	86.8	(71.9)	-7.0%
Industrial Process	195.2	203.0	(7.8)	-3.8%	0.0	3.5	(4.3)	-2.1%
Residential and Commercial Water Group	283.9	348.5	(64.6)	-18.5%	(2.2)	19.9	(46.9)	-13.5%
Water & WasteWater	406.7	491.1	(84.4)	-17.2%	0.0	65.2	(19.2)	-3.9%
Motion & Flow Control	308.2	442.5	(134.3)	-30.4%	12.5	36.3	(85.5)	-19.3%
Flow Control	45.5	72.4	(26.9)	-37.2%	6.4	7.1	(13.4)	-18.5%
Motion Technologies	120.0	166.6	(46.6)	-28.0%	0.0	22.0	(24.6)	-14.8%
Control Technologies	61.6	86.7	(25.1)	-29.0%	6.1	1.9	(17.1)	-19.7%
Interconnect Solutions	82.8	117.1	(34.3)	-29.3%	0.0	5.3	(29.0)	-24.8%
	Orders 3M 2009	Orders 3M 2008	Change 2009 vs. 2008	% Change 2009 vs. 2008	Acquisition Contribution 3M 2009	FX Contribution 3M 2009	Change Adj. 09 vs. 08	% Change Adj. 09 vs. 08
Defense Electronics & Services	1,567.7	1,220.8	346.9	28%	0.0	1.2	348.1	28.5%
Fluid Technology	791.2	1,168.8	(377.6)	-32%	(2.8)	102.8	(277.6)	-23.8%
Motion & Flow Control	315.1	435.8	(120.7)	-28%	12.6	32.4	(75.7)	-17.4%
Total Segment Orders	2,674.0	2,825.4	(151.4)	-5%	9.8	136.4	(5.2)	-0.2%

Note: Excludes intercompany eliminations.

ITT Corporation Non-GAAP Reconciliation
Reported vs. Organic Revenue / Orders Growth
Q2 vs Q1 2009

(\$ Millions)

	(As Reported - GAAP)				(As Adjusted - Organic)			
	(A)	(B)	(C)	(D)	(E) = B+C+D	(F) = E / A		
	Sales & Revenues	Change	Acquisition /	FX Contribution	Change	% Change Adj		
	Q2 2009	2009 vs. 2008	Divestitures	Q/Q 2009	Adjusted	Q209 vs. Q109		
	Q1 2009	2009 vs. 2008	Q/Q 2009	Q/Q 2009	Q209 vs. Q109	Q209 vs. Q109		
		% Change						
		2009 vs. 2008						
ITT Corporation - Consolidated	2,780.0	222.9	0.8	(35.4)	188.3	7.4%		
Defense Electronics & Services	1,604.1	95.6	0.0	0.0	95.6	6.3%		
Communications Systems	274.2	16.9	0.0	0.0	16.9	6.6%		
Space Systems	157.3	7.2	0.0	(0.4)	6.8	4.5%		
Advanced Engineering & Sciences	246.1	14.3	0.0	0.0	14.3	6.2%		
Electronic Systems	426.2	27.5	0.0	0.4	27.9	7.0%		
Night Vision	113.7	(1.8)	0.0	0.0	(1.8)	-1.6%		
Systems	362.8	29.6	0.0	0.0	29.6	8.9%		
Intell & Info Warfare	32.9	1.5	0.0	0.0	1.5	4.8%		
Fluid Technology	869.1	124.8	(2.2)	(27.5)	95.1	12.8%		
Industrial Process	195.2	11.6	0.0	(3.3)	8.3	4.5%		
Residential and Commercial Water Group	283.9	42.5	(2.2)	(6.5)	33.8	14.0%		
Water & WasteWater	406.7	69.9	0.0	(18.4)	51.5	15.3%		
Motion & Flow Control	308.2	2.3	3.0	(7.9)	(2.6)	-0.8%		
Flow Control	45.5	2.1	2.5	(0.1)	4.5	10.4%		
Motion Technologies	120.0	6.7	0.0	(7.0)	(0.3)	-0.3%		
Control Technologies	61.6	(2.2)	0.5	(0.1)	(1.8)	-2.8%		
Interconnect Solutions	82.8	(4.1)	0.0	(0.7)	(4.8)	-5.5%		
	Orders	Change	Acquisition	FX Contribution	Change Adjusted	% Change		
	Q2 2009	2009 vs. 2008	Contribution	Q/Q 2009	Q209 vs. Q109	Adjusted		
	Q1 2009	2009 vs. 2008	Q/Q 2009	Q/Q 2009	Q209 vs. Q109	Q209 vs. Q109		
		% Change						
		2009 vs. 2008						
Defense Electronics & Services	1,567.7	78.2	0.0	0.0	78.2	5.3%		
Fluid Technology	791.2	(10.8)	(2.8)	(26.0)	(39.6)	-4.9%		
Motion & Flow Control	315.1	34.0	3.2	(8.7)	28.5	10.1%		
Total Segment Orders	2,674.0	101.4	0.4	(34.7)	67.1	2.6%		

Note: Excludes intercompany eliminations.

ITT Corporation
Segment Operating Income & OI Margin
Second Quarter of 2009 & 2008

(\$ Millions)

	Q2 2009	Q2 2008	%
	<u>As Reported</u>	<u>As Reported</u>	<u>Change 09 vs. 08</u>
Sales and Revenues:			
Defense Electronics & Services	1,604.1	1,599.2	0.3%
Fluid Technology	869.1	1,025.6	-15.3%
Motion & Flow Control	308.2	442.5	-30.4%
Intersegment eliminations	(1.4)	(3.2)	-56.3%
Total Sales and Revenues	<u>2,780.0</u>	<u>3,064.1</u>	<u>-9.3%</u>
Operating Margin:			
Defense Electronics & Services	12.5%	12.4%	10 BP
Fluid Technology	12.8%	13.5%	(70) BP
Motion & Flow Control	10.8%	16.1%	(530) BP
Total Ongoing Segments	<u>12.4%</u>	<u>13.4%</u>	<u>(100) BP</u>
Income:			
Defense Electronics & Services	201.3	199.0	1.2%
Fluid Technology	111.6	138.8	-19.6%
Motion & Flow Control	33.2	71.3	-53.4%
Total Segment Operating Income	<u>346.1</u>	<u>409.1</u>	<u>-15.4%</u>

**ITT Corporation Non-GAAP Reconciliation
Reported vs. Adjusted Net Income & EPS
Second Quarter of 2009 & 2008**

(\$ Millions, except EPS and shares)

	<u>Q2 2009 As Reported</u>	<u>Q2 2009 Adjustments</u>	<u>Q2 2009 As Adjusted</u>	<u>Q2 2008 As Reported</u>	<u>Q2 2008 Adjustments</u>	<u>Q2 2008 As Adjusted</u>	<u>Change 2009 vs. 2008 As Adjusted</u>	<u>Percent Change 2009 vs. 2008 As Adjusted</u>
Segment Operating Income	<u>346.1</u>	<u> </u>	<u>346.1</u>	<u>409.1</u>	<u> </u>	<u>409.1</u>		
Interest Income (Expense)	(19.1)	(2.4) #A	(21.5)	(23.5)	<u> </u>	(23.5)		
Other Income (Expense)	(2.5)	<u> </u>	(2.5)	(3.7)	<u> </u>	(3.7)		
Corporate (Expense)	<u>(38.9)</u>	<u> </u>	<u>(38.9)</u>	<u>(54.3)</u>	<u> </u>	<u>(54.3)</u>		
Income from Continuing Operations before Tax	<u>285.6</u>	<u>(2.4)</u>	<u>283.2</u>	<u>327.6</u>	<u> </u>	<u>327.6</u>		
Income Tax Expense	<u>(83.0)</u>	<u>(4.7) #B</u>	<u>(87.7)</u>	<u>(103.3)</u>	<u>(5.3) #C</u>	<u>(108.6)</u>		
Income from Continuing Operations	<u>202.6</u>	<u>(7.1)</u>	<u>195.5</u>	<u>224.3</u>	<u>(5.3)</u>	<u>219.0</u>		
Diluted EPS from Continuing Operations	<u>1.10</u>	<u>(0.04)</u>	<u>1.06</u>	<u>1.21</u>	<u>(0.03)</u>	<u>1.18</u>	<u>(\$0.12)</u>	<u>-10.2%</u>

#A - Remove reversal of interest payable related to prior year tax items.

#B - Primarily represents removal of (\$5.3M) benefit for tax adjustments related to prior years and \$0.7M tax impact of interest payable reversal.

#C - Remove benefit for tax adjustments related to prior years

**ITT Corporation Non-GAAP Reconciliation
Cash From Operating Activities vs. Free Cash Flow
Second Quarter of 2009 & 2008**

(\$ Millions)

	<u>6M 2009</u>	<u>6M 2008</u>
Net Cash - Operating Activities	548.8	490.2
Capital Expenditures	(87.2)	(79.4)
Pension Pre-funding, net of tax	-	-
Free Cash Flow	461.6	410.8
Income from Continuing Operations	389.1	395.2
Free Cash Flow Conversion	119%	104%
Non-Cash Special Tax Item	(57.7)	-
Income from Continuing Operations, Excluding Non-Cash Special Tax Item	331.4	395.2
Adjusted Free Cash Flow Conversion	139%	104%

ITT Corporation

Debt Coverage Ratios 2009 & 2008

	June 30, 2009	December 31, 2008
Net Debt/Net Capitalization	18.6%	27.9%
Total Debt/Total Capitalization	34.4%	41.2%
Short Term Debt	355.3	1,679.0
Long Term Debt	1,456.4	467.9
Total Debt	1,811.7	2,146.9
Cash & Cash equivalents	1,019.0	964.9
Net Debt	792.7	1,182.0
Total Shareholders' Equity	3,459.0	3,059.9
Net Debt	792.7	1,182.0
Net Capitalization	4,251.7	4,241.9