

## 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 connection with its management of our business. In addition, we consider the following non-GAAP measures to be key performance indicators for purposes of this REG-G reconciliation:

**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). Divestitures include sales of insignificant portions of our business that did not meet the criteria for classification as a discontinued operation. 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** are defined as reported GAAP Income from Continuing Operations and reported GAAP Diluted Earnings Per Share, adjusted to exclude Special items. Special items that may include, but are not limited to, unusual and infrequent non-operating items, spin transaction costs and non-operating tax settlements or adjustments related to prior periods. These 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 Income from Continuing Operations and Adjusted EPS may not be comparable to similar measures utilized by other companies.

**Free Cash Flow** is 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 the above 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 / Order Growth**  
**Third Quarter 2011 & 2010**

(\$ Millions)

	(As Reported - GAAP)				(As Adjusted - Organic)				
	(A)		(B)		(C) Acquisition / Divestitures	(D) FX Contribution	(E) = B+C+D		(F) = E / A
	3M 2011	3M 2010	Change 2011 vs. 2010	% Change 2011 vs. 2010			3M 2011	3M 2011	
<b>Revenues</b>									
ITT Corporation - Consolidated	2,981	2,643	338	13%	(47)	(57)	234	9%	
Defense & Information Solutions	1,529	1,366	163	12%	(5)	(1)	157	11%	
Electronic Systems	438	559	(121)	-22%	0	(1)	(122)	-22%	
Geospatial Systems	308	257	51	20%	(4)	0	47	18%	
Information Systems	794	559	235	42%	(1)	0	234	42%	
Fluid Technology	1,069	917	152	17%	(42)	(40)	70	8%	
Industrial Process	188	167	21	13%	0	(2)	19	12%	
Residential and Commercial Water Group	314	279	35	13%	0	(9)	26	9%	
Water & WasteWater	585	488	97	20%	(42)	(30)	25	5%	
Motion & Flow Control	386	363	23	6%	0	(16)	7	2%	
Motion Technologies	151	132	19	14%	0	(11)	8	6%	
Interconnect Solutions	101	109	(8)	-7%	0	(3)	(11)	-10%	
Control Technologies	81	70	11	16%	0	(1)	10	14%	
Flow Control	54	53	1	1%	0	(1)	(0)	-1%	
<b>Orders</b>									
Total Segment Orders	3,239	2,829	410	14%	(43)	(62)	305	11%	
Defense & Information Solutions	1,719	1,535	184	12%	(3)	(1)	180	12%	
Fluid Technology	1,136	932	204	22%	(40)	(44)	120	13%	
Motion & Flow Control	386	364	22	6%	0	(17)	5	1%	
<b>New Companies (A)</b>									
<b>Revenues</b>									
Future ITT	520	477	43	9%	0	(16)	27	6%	
Xylem	939	806	133	17%	(42)	(40)	51	6%	
ITT Exelis	1,529	1,366	163	12%	(5)	(1)	157	11%	
<b>Orders</b>									
Future ITT	562	491	71	14%	0	(19)	52	11%	
Xylem	966	810	156	19%	(40)	(44)	72	9%	
ITT Exelis	1,719	1,535	184	12%	(3)	(1)	180	12%	

(A) New Companies exclude Form 10 adjustments  
Note: Excludes intercompany eliminations.

**ITT Corporation**  
**Reported vs Adjusted Segment Operating Income & OI Margin**  
**Third Quarter of 2011 & 2010**

(\$ Millions)

	Q3 2011 As Reported	Q3 2011 Spin Costs	Q3 2011 As Adjusted	Q3 2010 As Reported	% Change As Reported 11 vs. 10	% Change Adj for Spin 11 vs. 10
<b>Revenue:</b>						
Defense & Information Solutions	1,529		1,529	1,366	11.9%	11.9%
Fluid Technology	1,069		1,069	917	16.6%	16.6%
Motion & Flow Control	386		386	363	6.3%	6.3%
Intersegment eliminations	(3)		(3)	(3)	0.0%	0.0%
Total Revenue	<u>2,981</u>		<u>2,981</u>	<u>2,643</u>	<u>12.8%</u>	<u>12.8%</u>
<b>Operating Margin:</b>						
Defense & Information Solutions	11.6%	30 BP	11.9%	13.0%	(140) BP	(110) BP
Fluid Technology	13.5%	200 BP	15.5%	12.5%	100 BP	300 BP
Motion & Flow Control	12.7%	30 BP	13.0%	12.7%	- BP	30 BP
Total Operating Segments	<u>12.4%</u>	<u>100 BP</u>	<u>13.4%</u>	<u>12.8%</u>	<u>(40) BP</u>	<u>60 BP</u>
<b>Income:</b>						
Defense & Information Solutions	178	4	182	178	0.0%	2.2%
Fluid Technology	144	22	166	115	25.2%	44.3%
Motion & Flow Control	49	1	50	46	6.5%	8.7%
Total Segment Operating Income	<u>371</u>	<u>27</u>	<u>398</u>	<u>339</u>	<u>9.4%</u>	<u>17.4%</u>

**ITT Corporation Non-GAAP Reconciliation**  
**Reported vs. Adjusted Income from Continuing Operations & Adjusted EPS**  
**Third Quarter of 2011 & 2010**  
(\$ Millions, except EPS and shares)

	Q3 2011 As Reported	Q3 2011 Adjustments	Q3 2011 As Adjusted	Q3 2010 As Reported	Q3 2010 Adjustments	Q3 2010 As Adjusted	Change 2011 vs. 2010 As Adjusted	Percent Change 2011 vs. 2010 As Adjusted
Segment Operating Income	<u>371</u>	<u>27</u> #A	<u>398</u>	<u>339</u>		<u>339</u>		
Interest Income (Expense)	(19)	(3) #B	(22)	(23)	-	(23)		
Other Income (Expense)	(3)	-	(3)	(1)	-	(1)		
Gain on sale of Assets	-	-	-	8	-	8		
Corporate (Expense)	<u>(219)</u>	<u>160</u> #C	<u>(59)</u>	<u>(371)</u>	<u>330</u> #F	<u>(41)</u>		
Income (loss) from Continuing Operations before Tax	<u>130</u>	<u>184</u>	<u>314</u>	<u>(48)</u>	<u>330</u>	<u>282</u>		
Income Tax (Expense) Benefit	<u>(59)</u>	<u>(37)</u> #D	<u>(96)</u>	<u>60</u>	<u>(142)</u> #G	<u>(82)</u>		
Income from Continuing Operations	<u>71</u>	<u>147</u>	<u>218</u>	<u>12</u>	<u>188</u>	<u>200</u>		
Diluted EPS from Continuing Operations	<u>0.38</u>	<u>0.79</u> #E	<u>1.17</u>	<u>0.07</u>	<u>1.01</u> #E	<u>1.08</u>	<u>0.09</u>	<u>8%</u>

#A - Transformation Costs related to planned spinoffs of defense and water businesses

#B - Reduction in interest expense related to settlement of German Tax Audit

#C - Transformation costs related to planned spinoffs (\$105M); Adjustment related to 2011 annual assessment of asbestos claims (\$41M); Foreign currency translation losses generally pertaining to legacy transactions(\$14M)

#D - Tax benefit related to transformation costs and asbestos (\$54M); Tax expense for various tax-related items (\$17M), primarily a deferred tax adjustment

#F - Adjustment related to 2010 annual assessment of asbestos claims

#G - Tax benefit related to asbestos adjustment and Sale of CAS Discontinued Operations, partially offset by net expense associated with tax audit settlements and adjustments related to prior periods

#D - Diluted EPS from Continuing Operations		
Transformation Costs, net of related tax benefit	0.50	1.10
Interest Income, net of related tax expense	(0.01)	
Asbestos	0.14	-
Legacy foreign currency translation losses	0.08	-
Tax adjustments	0.08	0.03
CAS (Continuing ops) after-tax gain	-	(0.12)
Adjustments to EPS from Continuing Operations	<u>0.79</u>	<u>1.01</u>

**ITT Corporation Non-GAAP Reconciliation**  
**Net Cash - Operating Activities vs. Free Cash Flow**  
**Third Quarter 2011 & 2010**

(\$ Millions)

	9M 2011	9M 2010
<b>Net Cash - Operating Activities</b>	<b>452</b>	<b>654</b>
Capital Expenditures	(186)	(174)
<b>Free Cash Flow, including Transformation</b>	<b>266</b>	<b>480</b>
Transformation Spending (Cash Paid incl Capex)	156	-
<b>Free Cash Flow, Excluding Transformation</b>	<b>422</b>	<b>480</b>
<b>Income from Continuing Operations</b>	<b>365</b>	<b>382</b>
<b>Free Cash Flow Conversion, including Transformation</b>	<b>73%</b>	<b>126%</b>
Special Items (including Transformation Costs)	255	224
<b>Income from Continuing Operations, Excluding Special Items</b>	<b>620</b>	<b>606</b>
<b>Adjusted Free Cash Flow Conversion</b>	<b>68%</b>	<b>79%</b>

**ITT Corporation**  
**Debt Coverage Ratios 2011 & 2010**  
(\$ Millions)

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Net Debt/Net Capitalization	10.3%	6.9%
Total Debt/Total Capitalization	42.8%	23.3%
Short Term Debt	1,305	11
Long Term Debt	<u>1,868</u>	<u>1,354</u>
Total Debt	3,173	1,365
Cash & Cash equivalents	<u>2,686</u>	<u>1,032</u>
Net Debt	487	333
Total Shareholders' Equity	4,245	4,505
Net Debt	<u>487</u>	<u>333</u>
Net Capitalization	4,732	4,838