



# Baird's Industrial Conference 2008

Steve Loranger  
Chairman, President & CEO

November 12, 2008

*Engineered for life*

# Safe Harbor

**“Safe Harbor Statement”** under the Private Securities Litigation Reform Act of 1995 (“the Act”):

Certain material presented herein includes forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995 ("the Act"). These forward-looking statements include statements that describe the Company's business strategy, outlook, objectives, plans, intentions or goals, and any discussion of future operating or financial performance. Whenever used, words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "target" and other terms of similar meaning are intended to identify such forward-looking statements. Forward-looking statements are uncertain and to some extent unpredictable, and involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from those expressed in, or implied from, such forward-looking statements. Factors that could cause results to differ materially from those anticipated by the Company include general global economic conditions, decline in consumer spending, interest and foreign currency exchange rate fluctuations, availability of commodities, supplies and raw materials, competition, acquisitions or divestitures, changes in government defense budgets, employment and pension matters, contingencies related to actual or alleged environmental contamination, claims and concerns, intellectual property matters, personal injury claims, governmental investigations, tax obligations and income tax accounting, and changes in generally accepted accounting principles. Recent distress in the financial markets has had an adverse impact on the availability of credit and liquidity sources. Continued market deterioration could jeopardize certain counterparties obligations, including those of our insurers and financial institutions. Other factors are more thoroughly set forth in Item 1. Business, Item 1A. Risk Factors, and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Forward-Looking Statements in the ITT Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2007, and other of its filings with the Securities and Exchange Commission. The Company undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.



# ITT Q3 Results

## FY 08 Guidance \*

## Third Quarter 2008 Performance

### Revenues

**+28%**

3Q 07

\$2,181

**+32%**

3Q 08

\$2,879

### **+8% Organic Growth**

- Defense +9%; Fluid +8%; Motion +6%
- ITT Organic Orders +13%

### Segment Operating Income

**+25%**

\$292

**+29%**

\$376

### **Strong Acquisition Performance**

- EDO and IMC Continue to Deliver

### **Segment Operating Margin -30 bps**

- Productivity, price, FX and pension offset by material costs and acquisition

### EPS \*\*

**+22%**

\$0.89

**+26%**

\$1.12

### **Quality Earnings**

- Improved operating performance
- Lower taxes and interest

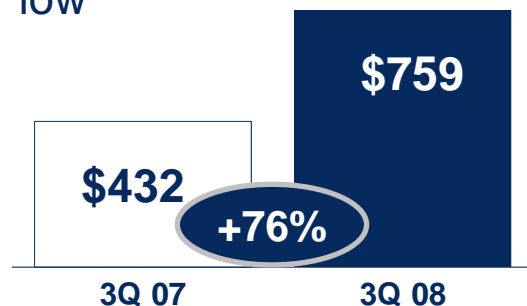
\* FY 2008 Revenues, Segment Operating Income, and EPS growth based on the midpoint of the October 24, 2008 Guidance ranges.

\*\* EPS from Continuing Operations, excluding net benefit of tax settlement/other.

For non-GAAP reconciliations, refer to [www.itt.com/ir](http://www.itt.com/ir).

# ITT Q3 Financial Position

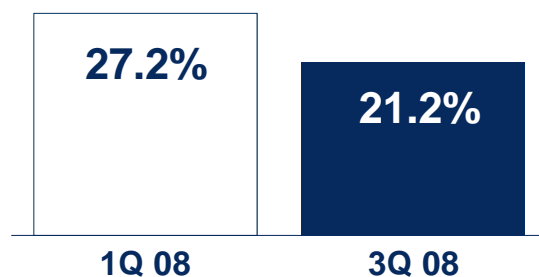
## Free Cash Flow \*



## +127% Free Cash Flow Conversion

- Improved Working Capital
- Strong Acquisition Performance
- ~50% of Revenue with U.S. Federal Agencies

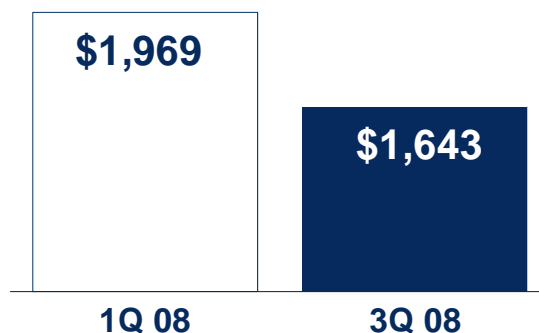
## Net Debt to Net Capital



## +600bps Lower Net Debt to Net Capital Ratio

- \$957 Million in Cash & Cash Equivalents
  - \$197 Million in U.S.
- Disciplined Capital Deployment

## Commercial Paper



## +\$326 Million Commercial Paper Reduction

- \$2.75 Billion in Untapped Revolving Credit Agreements

\* Free Cash Flow = Cash from operations (before discretionary pension contributions in '07 net of tax) less capital expenditures.  
For non-GAAP reconciliations, refer to [www.itt.com/ir](http://www.itt.com/ir).

# ITT Corporation - Capabilities

## FLUID TECHNOLOGY



World's largest supplier of pumps and systems to transport and control water and other fluids



**Population,  
Environment,  
Global Infrastructure**

## DEFENSE ELECTRONICS & SERVICES



Supplier of military defense systems and advanced technical and operational services



**Global Security,  
Asymmetric Threats**

## MOTION & FLOW CONTROL



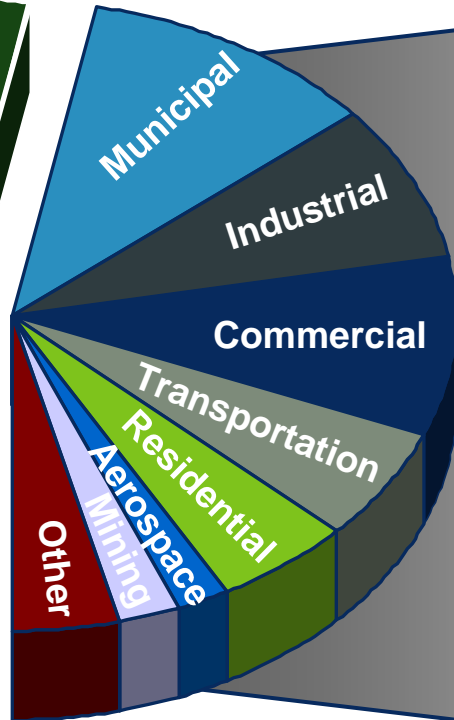
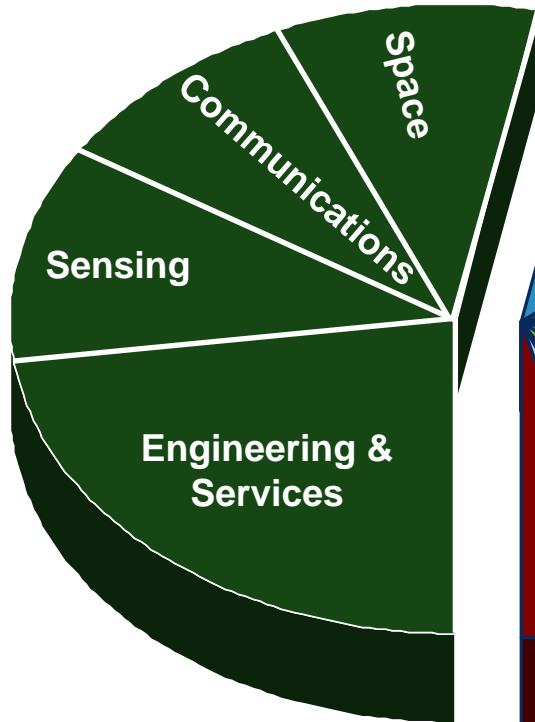
Manufacturer of highly-engineered critical components for aerospace, marine, industrial & transportation mkts



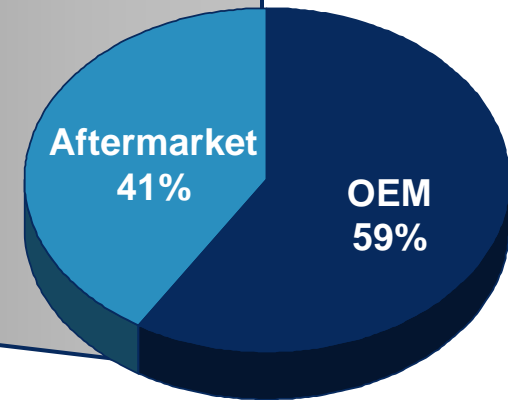
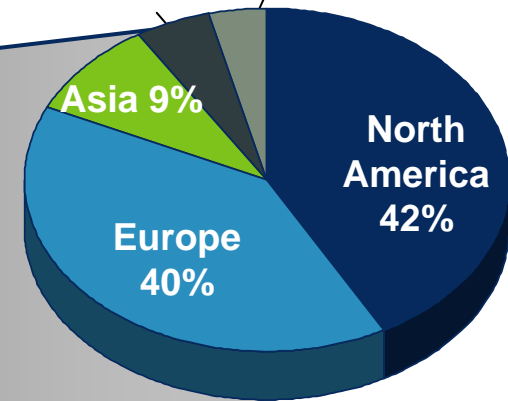
**Population,  
Global Infrastructure**

# ITT Diversification

## Defense



Middle East & Africa 5% Latin America 4%

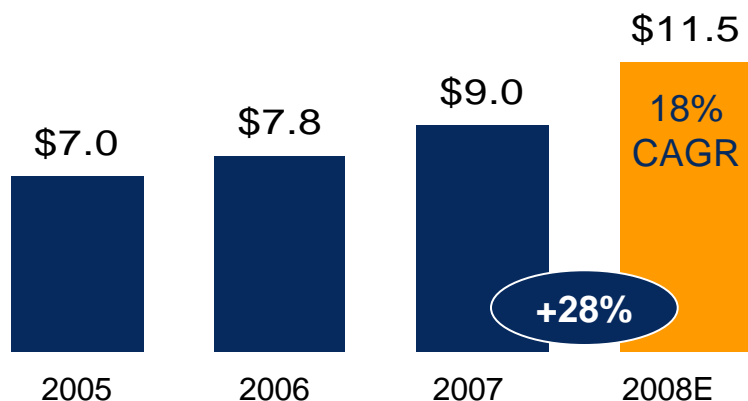


Highly Diversified Customer Base

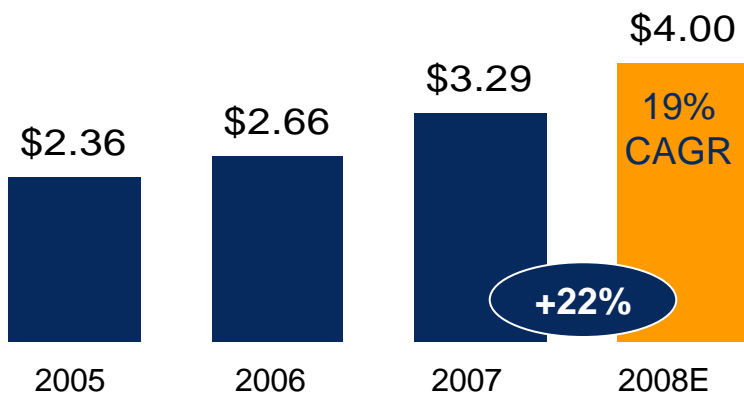


# ITT Corporation Performance

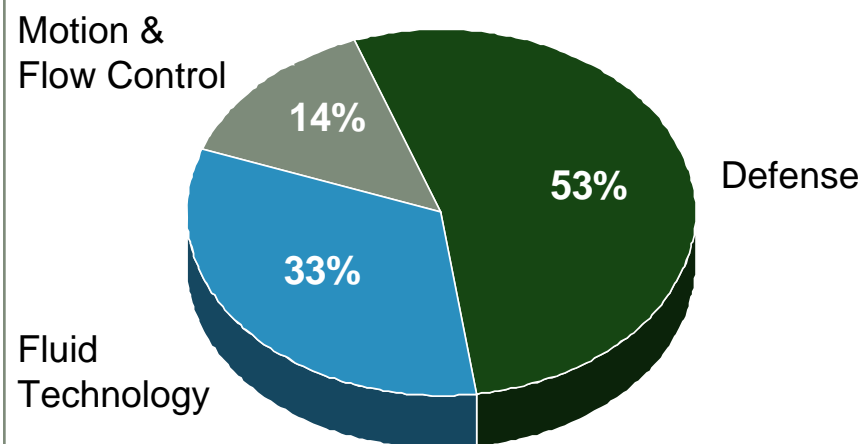
## CONSOLIDATED REVENUES (\$B)



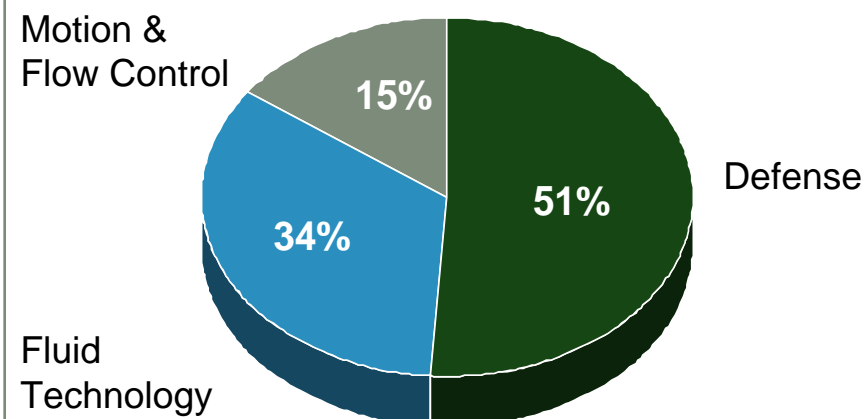
## EARNINGS PER SHARE



## 2008E REVENUES



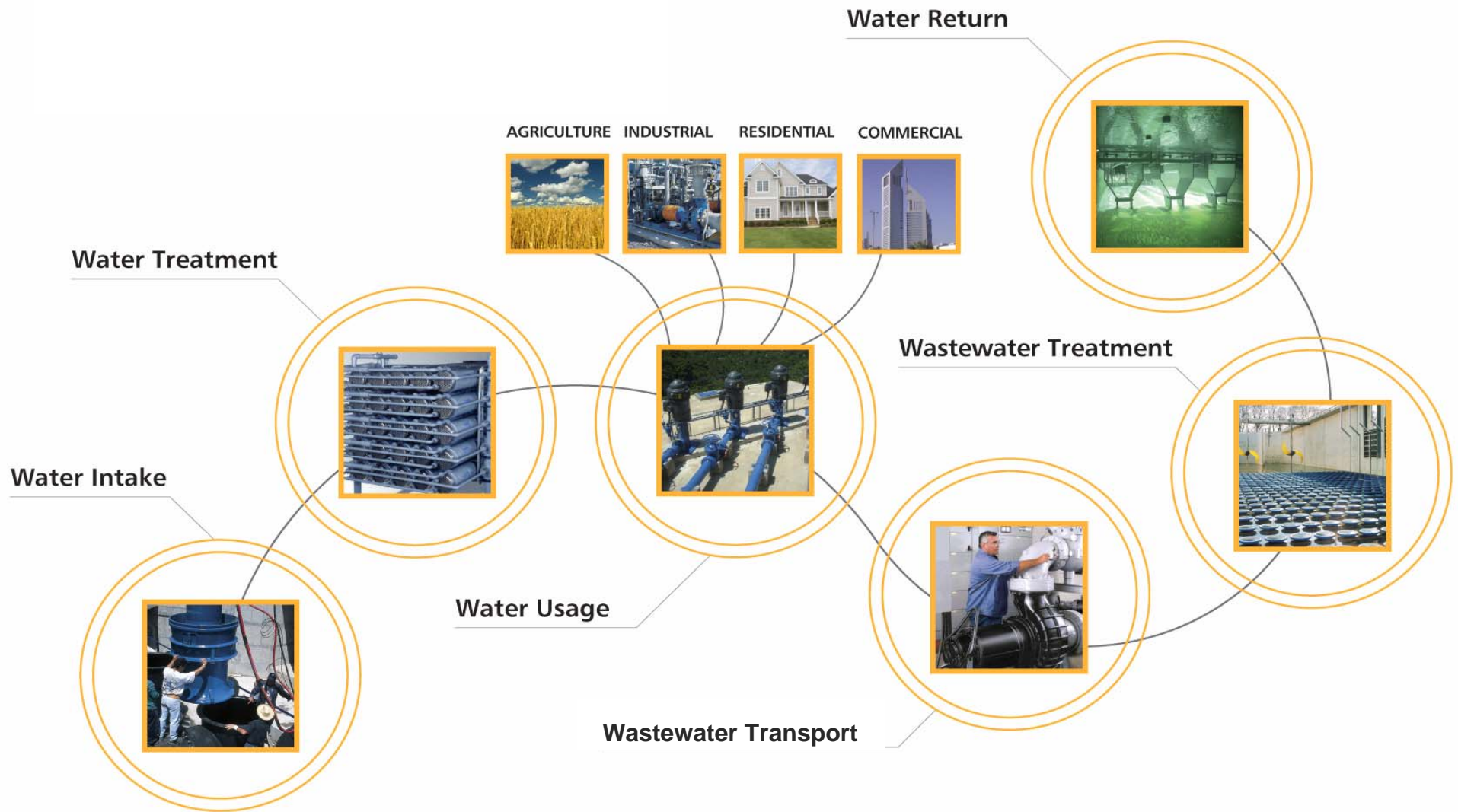
## 2008E OPERATING INCOME



Note: 2008E EPS, Revenues, and Segment Operating Income represent the midpoints of the October 24, 2008 Guidance ranges.  
For non-GAAP EPS reconciliations, refer to [www.itt.com/ir](http://www.itt.com/ir).

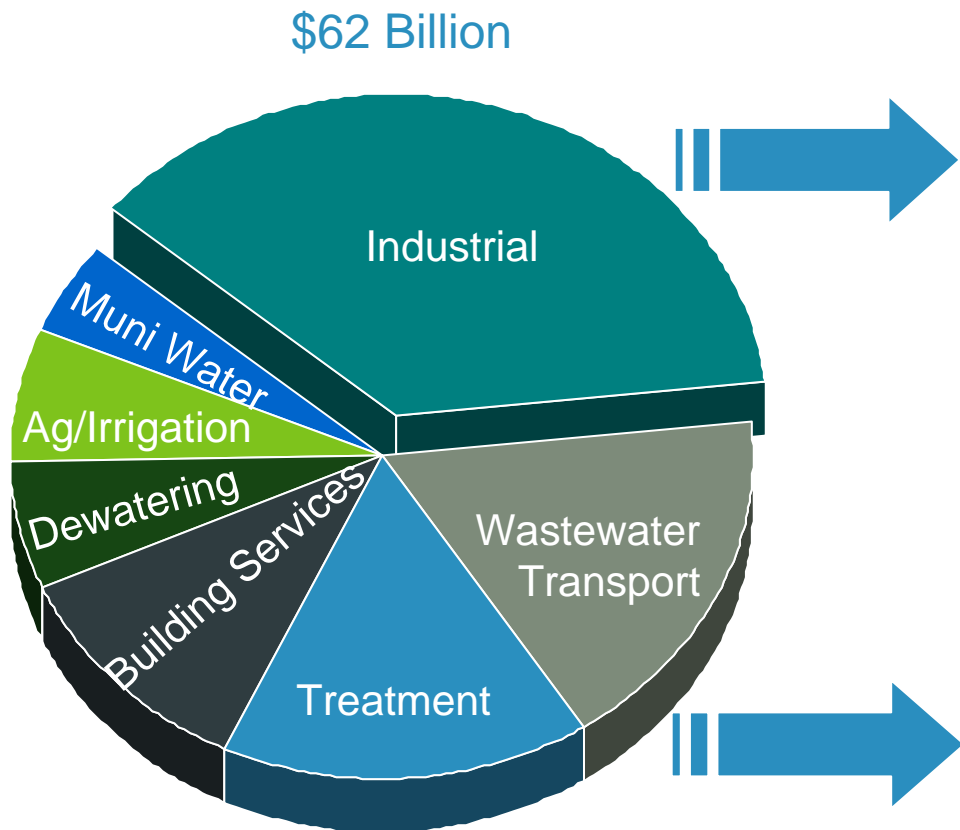


# ITT & The Cycle of Water



Enduring Global Drivers: Population, Scarcity, Regulation, Infrastructure

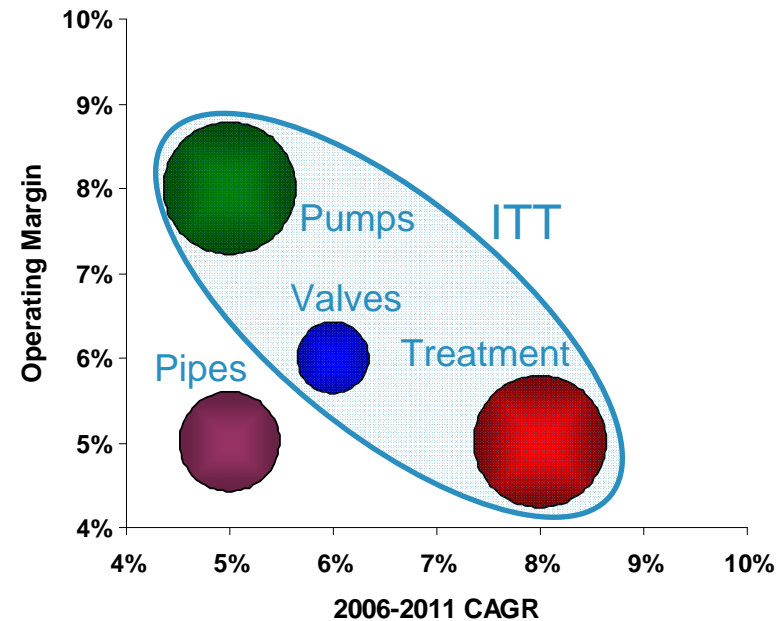
# Fluid Technology – Global Markets\*



## INDUSTRIAL PROCESS ~\$23B

Oil & Gas	Mining
Power	Chemical
General Industrial	Pulp & Paper

## WATER EQUIPMENT SEGMENTS ~\$39B



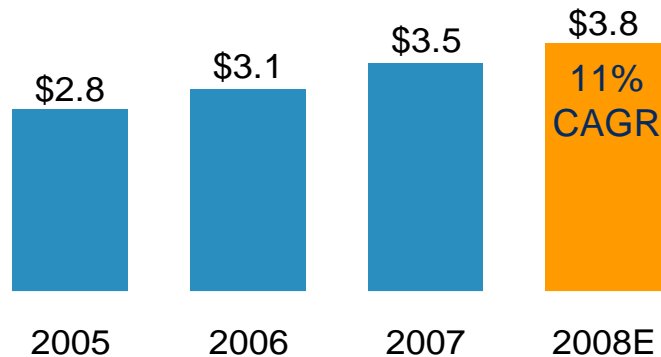
\* Fluid market includes ~\$39B of water equipment and ~\$23B of industrial fluid equipment

Unparalleled Participation Across the Fluid Market

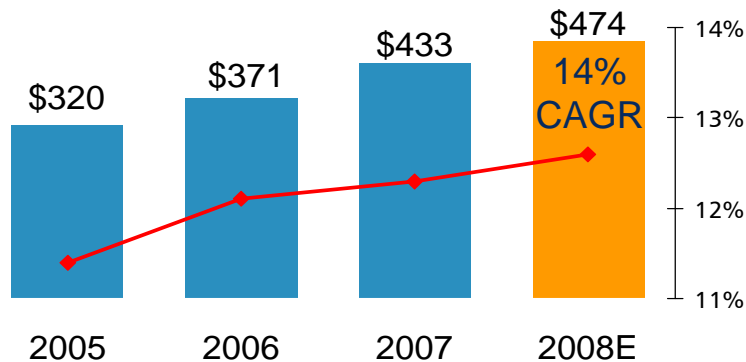


# Fluid Technology

## FLUID REVENUES (\$B)



## OPERATING INCOME (\$M)/MARGIN



Note: 2008E Revenues and Segment Operating Income/Margin represent the midpoints of the October 24, 2008 Guidance ranges.

## Market Strength

- 85% Revenue from Premium Brands
- 70% Direct Distribution
- Innovation & Adjacencies

## Operating Performance

- Productivity Enhancements
- Global Strategic Sourcing
- Global Manufacturing Transitions



# Fluid Technology Municipal Market Overview\*

	Global	North America	Europe
<b>Approximate Revenue</b> <i>(in millions)</i>	<b>\$1,000</b>	\$300	\$600
<b>Revenue Source:</b>			
<b>Aftermarket</b>	<b>45%</b>	40%	50%
<b>Maintenance Capital</b>	<b>25%</b>	30%	25%
<b>New Construction</b>	<b>30%</b>	30%	25%
<b>Direct Distribution</b>	<b>70%</b>	40%	100%

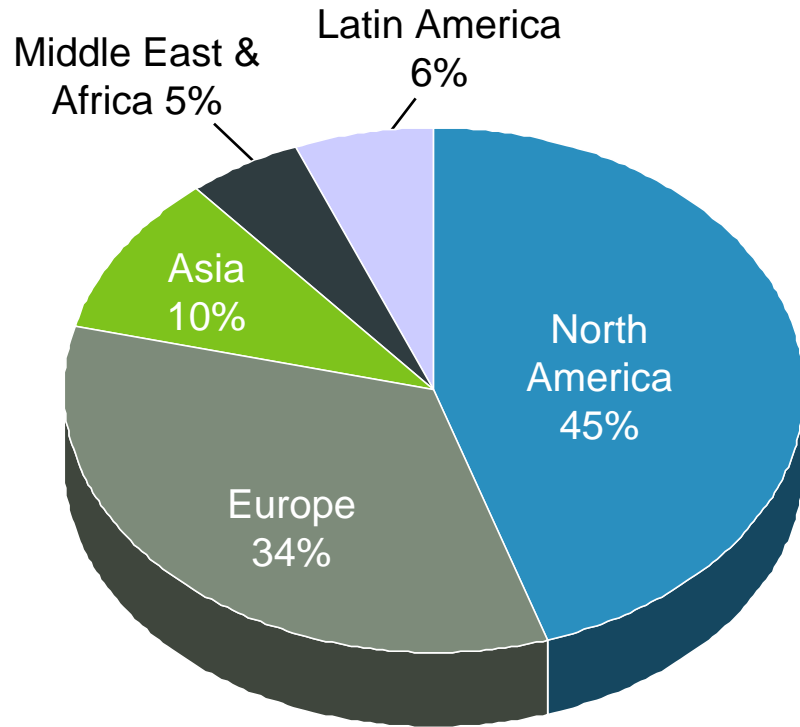
\* Data estimated based on 2007 results.

## Diversified Municipal Market Participation

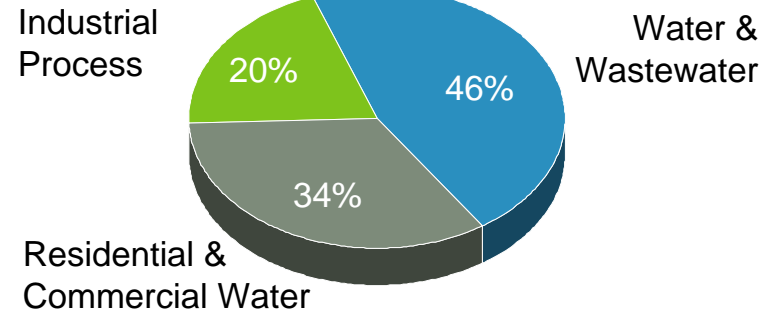


# Fluid Technology - Diversification

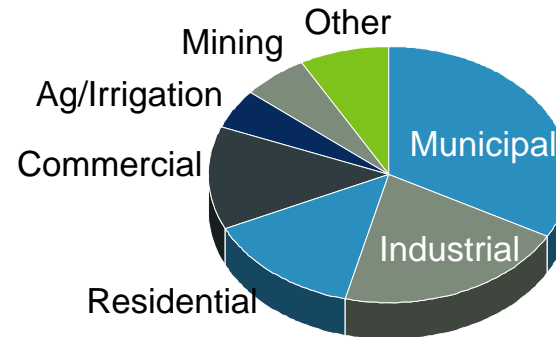
## GEOGRAPHIES



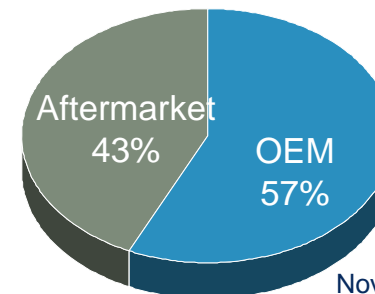
## VALUE CENTERS



## MARKET



## AFTERMARKET/OEM



#1 Global



#1 in N. America



#1 Global



#2 in N. America



#2 Global

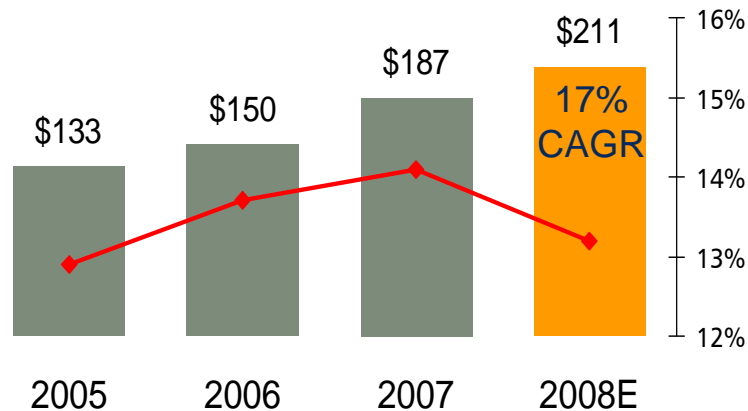


# Motion & Flow Control

## MOTION & FLOW REVENUES (\$B)



## OPERATING INCOME (\$M)/MARGIN



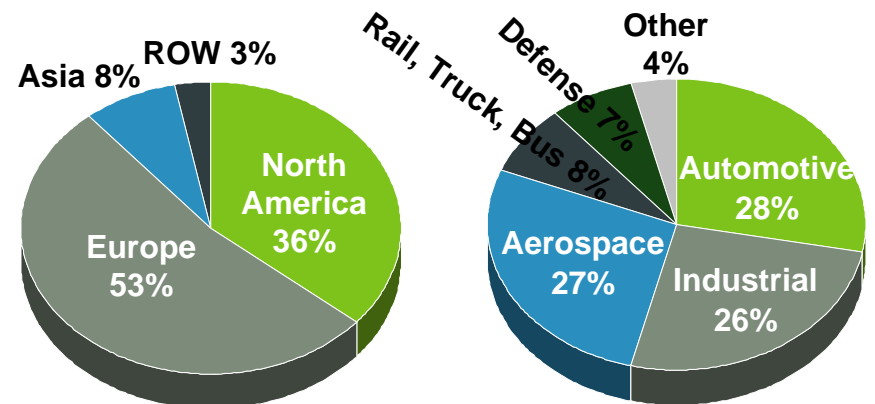
## Market Strength

- IMC Acquisition on Track
- Diverse Customer Base
- Attractive End Markets
- 35% Aftermarket

## Operating Performance

- Common Manufacturing Facilities
- Low Cost Manufacturing Transitions
- Global Strategic Sourcing

## GEOGRAPHIES & MARKETS



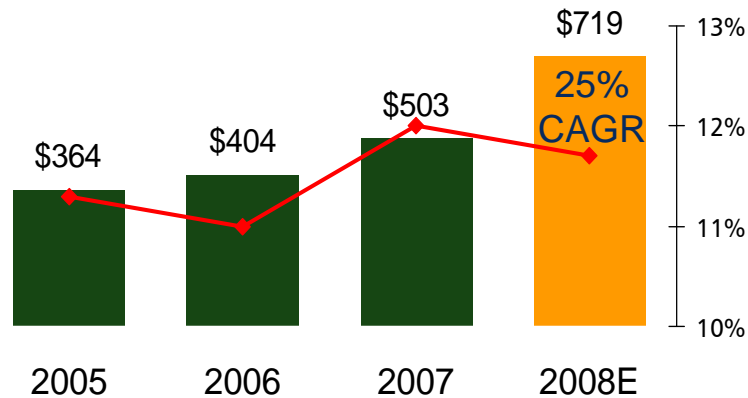
Note: 2008E Revenues and Segment Operating Income/Margin represent the midpoints of the October 24, 2008 Guidance ranges.

# Defense Electronics & Services

## DEFENSE REVENUES (\$B)



## OPERATING INCOME (\$M)/MARGIN



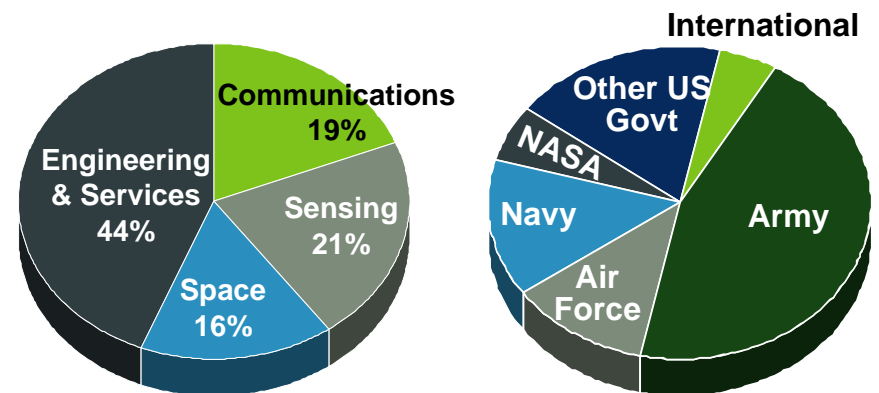
## Market Strength

- EDO Acquisition on Track
- Large Installed Base
- Aligned with Future Customer Needs

## Operating Performance

- Six Sigma/Lean Initiatives
- Balanced Fixed Price & Cost Plus Contracts
- Strong Cash Flow & ROIC

## CAPABILITIES & CUSTOMERS



Note: 2008E Revenues and Segment Operating Income/Margin represent the midpoints of the October 24, 2008 Guidance ranges.

# Defense Electronics & Services

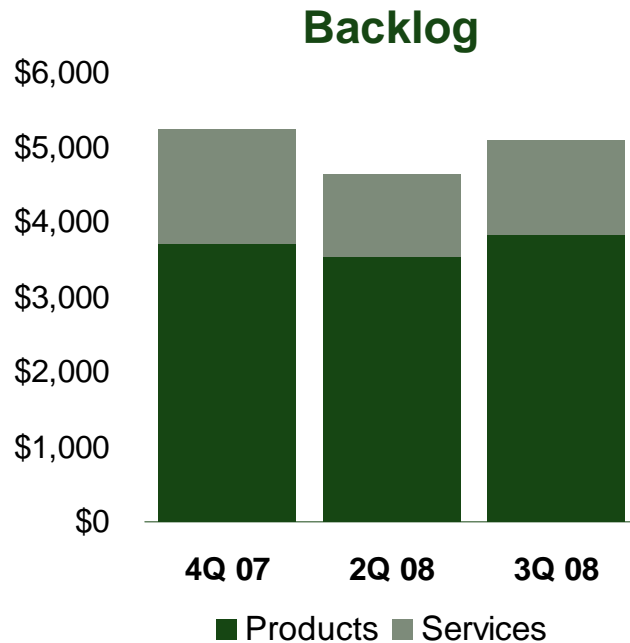
President-Elect Obama's Defense Priorities*	ITT Products & Services
<ul style="list-style-type: none"> <li>• Troop Level Increases                             <ul style="list-style-type: none"> <li>✓ +65K Army</li> <li>✓ +27K Marines</li> </ul> </li> <li>• Force Modernization</li> <li>• Security of Allied Nations</li> </ul>	<ul style="list-style-type: none"> <li>➤ SINCGARS Radios</li> <li>➤ Night Vision</li> <li>➤ Enhanced NV Goggles</li> <li>➤ CREW Counter-IED Jammers</li> <li>➤ Airborne Countermeasures</li> </ul>
<ul style="list-style-type: none"> <li>• Cyber-Warfare</li> <li>• Space</li> </ul>	<ul style="list-style-type: none"> <li>➤ Intelligence Systems</li> <li>➤ Information Warfare</li> <li>➤ Satellite Payloads</li> </ul>
<ul style="list-style-type: none"> <li>• Global Reach in the Air</li> </ul>	<ul style="list-style-type: none"> <li>➤ Airborne Countermeasures</li> <li>➤ Structures &amp; Suspension</li> </ul>
<ul style="list-style-type: none"> <li>• Power Projection at Sea</li> </ul>	<ul style="list-style-type: none"> <li>➤ Unmanned Surface Vehicles &amp; Counter-mine</li> <li>➤ Coastal Radar/Sonar</li> </ul>
<ul style="list-style-type: none"> <li>• Competitive Outsourcing</li> </ul>	<ul style="list-style-type: none"> <li>➤ Base Maintenance, Mission Control</li> <li>➤ Information Integration &amp; Operations</li> <li>➤ Advanced Research</li> </ul>

Nicely Aligned with New Administration's Defense Priorities



\* Source: [www.barackobama.com/issues/defense](http://www.barackobama.com/issues/defense)

# Defense Strategic Growth & Backlog



**Backlog Projected at \$5 Billion at Year-End**

**Product Backlog**

- 100% of Forecasted '08 Revenue

**Services Backlog**

- 50% of Forecasted '08 Revenue

**GROW THE CORE**

- JTRS Communication Team Member
- \$366M Omni VII Night Vision Order
- Sole Source Enhanced Night Vision Goggles
- GPS III Team Win
- LOGCAP Team Win
- \$1B ID/IQ CREW (IED Jammers)

**INTERNATIONAL GROWTH**

- Iraq and Saudi Arabia Communications Shipments
- \$490M Foreign Military Sales ID/IQ
- Spanish Military Communications Modernization
- \$45M Sweden - Land-based Coastal Radar
- \$78M Pakistan - F/16 Countermeasures
- UK & Other Allied Forces Night Vision Awards

**ADJACENT MARKETS**

- Counter-Drug Program Radar System
- US Strategic Command (\$900M ID/IQ 1 of 6 Primes)

**CROSS – VALUE PURSUITS**

- FAA ADS-B Execution
- \$1.3B NASA Space Communications
- CREW Next Gen Development

# ITT Actions & Current Market Conditions

## What We've Done:

### Resource Optimization

#### Repositioned Portfolio

- ✓ Reduced consumer exposure
- ✓ Reduced North American auto exposure
- ✓ Increased long-cycle, macro-growth focus

#### Invested in Diversification

- ✓ Strategic growth investments
- ✓ New markets, geographies & customers
- ✓ Expanded installed base

#### Disciplined Capital Deployment

- ✓ 21.2% net debt to net capital

### Invested in Operational Excellence

- ✓ IMS Implemented
- ✓ Strong leadership team
- ✓ Fully staffed global strategic sourcing



## What We're Doing:

### Focused on Execution

- ✓ Accelerating restructuring actions
- ✓ Conservative planning
- ✓ Discretionary spending controls
- ✓ Leveraging installed customer base and Fluid distribution network

### Disciplined Capital Deployment

- ✓ Focused on liquidity preservation
- ✓ Reprioritizing investment decisions

### Economic Uncertainty Dictates Conservative Planning

- ✓ Preparing for slowing commercial conditions
- ✓ Aggressive cost reduction

# Appendix



**ITT**

*Engineered for life*

# ITT Non-GAAP Reconciliation - EPS

	3Q07	3Q08
<b>Reported EPS</b>	\$ 1.25	\$ 1.18
Discontinued Ops.	\$ 0.33	\$ 0.07
<b>Reported EPS from Continuing Ops.</b>	<u>\$ 0.92</u>	<u>\$ 1.11</u>
Tax Settlement/Other	\$ 0.03	\$ (0.01)
<b>Adjusted EPS from Continuing Ops.</b>	<u><u>\$ 0.89</u></u>	<u><u>\$ 1.12</u></u>

For non-GAAP reconciliations refer to [www.itt.com/ir](http://www.itt.com/ir).

