



# First Quarter 2009 Investor Review

April 24, 2009

*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 include:

- Economic, political and social conditions in the countries in which we conduct our businesses;
- Changes in government defense budgets;
- Decline in consumer spending;
- Sales and revenues mix and pricing levels;
- Availability of adequate labor, commodities, supplies and raw materials;
- Interest and foreign currency exchange rate fluctuations;
- Competition and industry capacity and production rates;
- Ability of third parties, including our commercial partners, financial institutions and insurers, to comply with their commitments to us;
- Our ability to borrow or refinance our existing indebtedness and availability of liquidity sufficient to meet our needs;
- Acquisitions or divestitures;
- Personal injury claims;
- Our ability to effect restructuring and cost reduction programs and realize savings from such actions;
- Government regulations and compliance therewith;
- Changes in technology;
- Intellectual property matters;
- Governmental investigations;
- Potential future employee benefit plan contributions and other employment and pension matters;
- Contingencies related to actual or alleged environmental contamination, claims and concerns;
- Changes in generally accepted accounting principles;
- Other factors set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and our other 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.



# Highlights



## +\$0.14 Q1 EPS of \$0.72 vs Guidance Mid-Point

- +\$0.09 All Segments Exceed Operational Expectations



## Fluid Acquires Laing GmbH

- Broadens Portfolio of Energy-Efficient Plumbing and HVAC Pumps



## 128% Free Cash Flow Conversion

(ratio excludes \$58M non-cash special tax item)

- \$165 Million Year-to-Date
- Balance Sheet Strong



## +15% Defense Organic Orders

- Solid Orders & Backlog
- \$317M CREW 2.1 Counter-IED Jammer Award
- Minimal Impact from Secretary Gates' Recommendations



# Secretary Gates' Recommendations

## ITT Products & Services

Tactical Radios;  
Night Vision



Electronic Warfare;  
Structures



Satellite Payloads;  
Research & Intelligence;  
Services



## ITT Opportunity

Troop Increase
Special Forces Increase
Adding \$500M Foreign Military Equipment

Extending F-18 Production
Increase F-35 (JSF)
Increase Littoral Combat Ship

"2 Plus 2" Satellite Program
Adding \$2B in Intelligence Surveillance & Recon
Increase Cyberspace
Support for Tactical Missile Defense

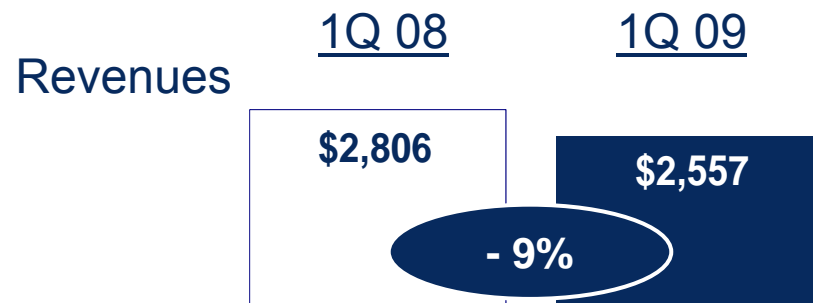
## ITT Impacts/Risks

Reduce F-22
Cancel CSAR Program

Reduce 30K Contractors
Reduce \$1.4B in Missile Defense

**Risks Minimal – Strategy Validated**

# Q1 ITT Results



## -5% Organic Growth

- Defense Flat; Fluid -6%; Motion -18%
- ITT Organic Orders +1%

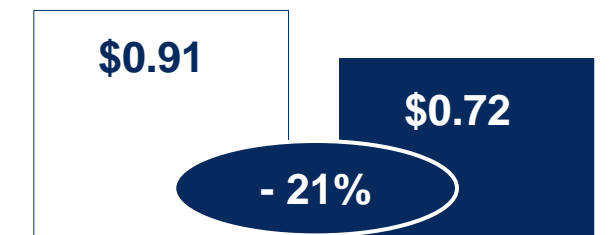
## Segment Operating Income



## Segment Operating Margin -130 bps

- Lower volumes
- Higher pension & restructuring expense
- Productivity initiatives on-track

## EPS\*



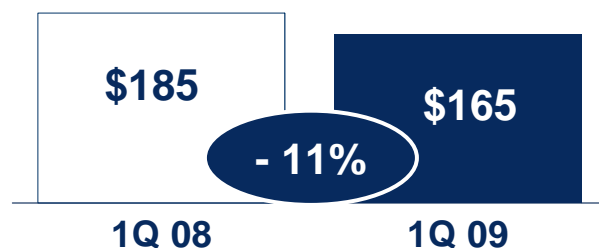
## Improved Operating Performance vs Expectations

\*EPS from Continuing Operations, excluding net benefit of tax special items.  
For non-GAAP reconciliations, refer to appendix and [www.itt.com/ir](http://www.itt.com/ir).



# Q1 ITT Financial Position

## Free Cash Flow\*

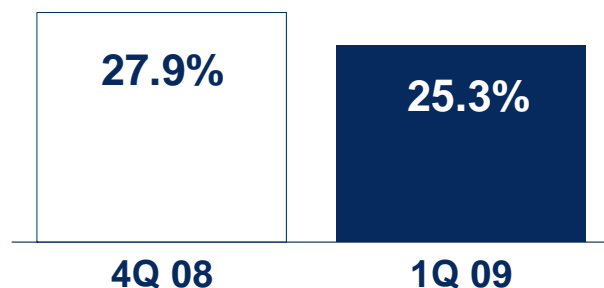


## +128% Free Cash Flow Conversion

(ratio excludes \$58M non-cash special tax item)

- 190 bps Working Capital Improvement
  - Strong inventory turn performance

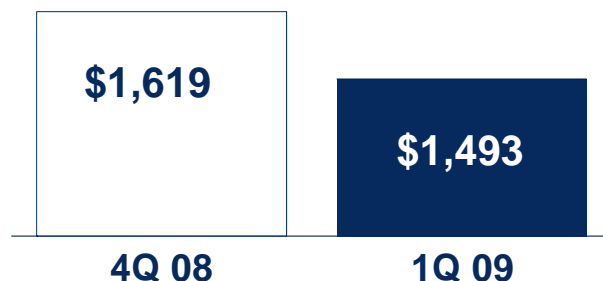
## Net Debt to Net Capital



## +260 bps Reduction in Net Debt to Net Capital Ratio

- \$911 Million in Cash & Cash Equivalents
- Disciplined Capital Deployment

## Commercial Paper



## +\$126 Million Commercial Paper Reduction

- \$1.75 Billion Revolving Credit Agreement

\*Free Cash Flow = Cash from operations less capital expenditures.  
For non-GAAP reconciliations, refer to [www.itt.com/ir](http://www.itt.com/ir).



# Fluid Technology

Q1 Results				Q1 Revenue vs Expectations	
	2008	2009	Change		
Revenues	\$881	\$744	-16%	Municipal	Above
Operating Income	\$102	\$69	-32%	Industrial	In-line
Operating Margin	11.6%	9.2%	-240 bps	Residential	Below
Restructuring & Realignment*	-\$3	-\$11	-\$8	Commercial	Below

(\*Included in Op Income & Margin)

## Q1 Performance

### -6% Organic Revenue:

#### +1% Industrial Process

- Delivery of 2008 projects

#### -3% Water & Wastewater

- Stable municipal markets
- Slowing dewatering activity

#### -13% Residential & Commercial Water

- Americas commercial project delays
- Slowing emerging markets

### -7% Organic Orders:

#### +6% Water & Wastewater

- Stable municipal & treatment markets
- \$37M for 2010 delivery

#### -17% Industrial Process

- Slowing aftermarket & projects

#### -17% Residential & Commercial Water

- Weak Global Residential & Commercial

### -240 bps Operating Margin

- Volume, mix, pension and restructuring



# Fluid Technology

## Key Market Overview & Revenue Guidance

Key Fluid Markets		
	Current Revenue Forecast vs	
	Prior Year	Prior Forecast
Municipal	~ flat	▲
Industrial	▼ high teens	▼
Commercial	▼ mid teens	▼
Residential	▼ mid teens	▼
Emerging Mkts	▲ mid-single	n/c

Revenue 2009 Guidance vs 2008		
	Forecast	
	Current	Prior
2009 Organic	~ (13%)	~ (5%)
2009 Total	~ (20%)	~ (13%)



# Motion & Flow Control

Q1 Results			
	2008	2009	Change
Revenues	\$421	\$306	-27%
Operating Income	\$68	\$28	-59%
Operating Margin	16.2%	9.1%	-710 bps
Restructuring*	-\$1	-\$2	-\$1

(\*Included in Op Income & Margin)

Q1 Revenue vs Expectations	
Aerospace/Defense	Above
Automotive	Below
General Industrial	Below

## Q1 Performance

### -18% Organic Revenue:

- 17% Motion Technologies
  - Global OEM production contraction
  - Slight aftermarket improvement
- 21% Interconnect Solutions
  - Global industrial declines
- 24% Flow Control
  - Global industrial & marine OEM shutdown

### -26% Organic Orders:

- 33% Motion Technologies
  - Auto de-stocking
  - OEM customers shortening order cycle
- 26% Interconnect Solutions
  - Global industrial contraction
- 710 bps Operating Margin
  - Negative volume, pension and FX



# Motion & Flow Control

## Key Market Overview & Revenue Guidance

Key Motion Markets		
	Current Revenue Forecast vs	
	Prior Year	Prior Forecast
Aerospace/Defense	flat	n/c
Automotive	▼ low-twenties	▼
General Industrial	▼ mid-twenties	▼

Revenue 2009 Guidance vs 2008		
	Forecast	
	Current	Prior
2009 Organic	~ (20%)	~ (16%)
2009 Total	~ (28%)	~ (25%)



# Defense Electronics & Services

Q1 Results			
	<u>2008</u>	<u>2009</u>	<u>Change</u>
Revenues	\$1,508	\$1,509	-
Backlog (Q4 '08 vs Q1 '09)	\$5,240	\$5,221	-
Operating Income	\$153	\$164	7%
Operating Margin	10.1%	10.9%	80 bps

## Q1 Performance

### Flat Organic Revenue:

#### +12% Electronic Systems

- Strong CREW
- Strong Radar

#### +13% Space

- GPS & Classified Payloads

#### -19% Communications Systems

- SINCGARS up slightly
- Prior Year Satellite and other system networking deliveries

### +15% Organic Orders

- \$317M CREW 2.1 IED Jammers
- \$121 US Night Vision
- Space GPS & Classified Payloads

### Flat Backlog vs Q4 2008

### +5% Full Year Revenue Growth On-Track

### +80 bps Operating Margin

- Net productivity partially offset by pension



# 2009 EPS\* Guidance Roll-Forward

	Low	Mid	High
<b>Previous Full Year 2009 EPS Guidance</b>	\$ 3.60	\$ 3.80	\$ 4.00
Q1 Performance		\$ 0.14	
Q2-Q4 Lower Fluid and Motion Volume & Mix		\$ (0.44)	
<b>Outlook Before Additional Actions</b>	<u>\$ 3.30</u>	<u>\$ 3.50</u>	<u>\$ 3.70</u>
Additional Restructuring & Acquisition Charges		\$ (0.10)	
<b>Revised Full Year 2009 EPS Guidance</b>	<u>\$ 3.20</u>	<u>\$ 3.40</u>	<u>\$ 3.60</u>

\*Continuing EPS, includes restructuring expense, excludes net impact of tax and other special items.  
For non-GAAP reconciliations, refer to appendix and [www.itt.com/ir](http://www.itt.com/ir).



# ITT 2009 Outlook

## Second Quarter 2009 Consolidated Guidance

	Q209	Yr/Yr Growth*	Organic Growth
ITT - Revenues (in billions)	\$ 2.6 - \$ 2.7	-14%	-8%
Earnings Per Share**	\$ 0.75 - \$ 0.85	-32%	

## Full Year 2009 Guidance

	2009	Yr/Yr Growth*	Organic Growth
ITT - Revenues (in billions)	\$ 10.6 - \$ 11.0	-8%	-4%
Earnings Per Share**	\$ 3.20 - \$ 3.60	-16%	
Restructuring Expense	~\$70 million		

\*Based on guidance midpoints.

\*\*Continuing EPS, includes restructuring expense, excludes net impact of tax and other special items.





ITT

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## Appendix

# Q1 ITT 2009 Segment Performance

	Fluid	Motion & Flow	Defense	ITT
<b>Q1 '09 Organic Rev vs PY</b>	<b>-6.0%</b>	<b>-18.3%</b>	<b>0.2%</b>	<b>-4.5%</b>
FX	-9.6%	-8.0%	-0.1%	-4.2%
Acquisition/Divest	0.0%	-1.0%	0.0%	-0.2%
<b>Q1 '09 Total Rev vs PY</b>	<b>-15.6%</b>	<b>-27.3%</b>	<b>0.1%</b>	<b>-8.9%</b>
<b>Q1 '08 Margin</b>	<b>11.6%</b>	<b>16.2%</b>	<b>10.1%</b>	<b>11.5%</b>
Operational, Investments, Other	-1.4%	-4.8%	1.4%	-0.4%
Restructuring & Realignment	-1.1%	-0.6%	0.0%	-0.4%
Pension	-0.3%	-0.5%	-0.6%	-0.5%
FX	0.4%	-0.9%	0.0%	0.1%
Acquisition	0.0%	-0.3%	0.0%	-0.1%
<b>Q1 '09 Margin</b>	<b>9.2%</b>	<b>9.1%</b>	<b>10.9%</b>	<b>10.2%</b>



# Q1 Non-GAAP Reconciliation – EPS & FCF

EPS - Reconciliation	1Q08	1Q09
Reported EPS	\$ 0.93	\$ 1.01
Discontinued Ops.	\$ -	\$ 0.01
Reported EPS - Continuing Ops.	\$ 0.93	\$ 1.02
Special Items Tax/Other	\$ (0.02)	\$ (0.30)
<b>Adjusted EPS - Continuing Ops.</b>	<b>\$ 0.91</b>	<b>\$ 0.72</b>

FCF - Reconciliation	YTD 2008	YTD 2009
Net Cash - Operating Activities	\$ 219	\$ 213
Capital Expenditures	\$ (34)	\$ (48)
<b>Free Cash Flow</b>	<b>\$ 185</b>	<b>\$ 165</b>
Income from Continuing Operations	\$ 171	\$ 187
Non-Cash Special Tax Item	-	\$ (58)
Adjusted Income from Continuing Ops	\$ 171	\$ 129
<b>Adjusted Free Cash Flow Conversion</b>	<b>108%</b>	<b>128%</b>

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

