



ITT

Third Quarter 2009 Investor Review

October 30, 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. 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, counterparties, 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;
- Uncertainties with respect to our estimation of asbestos liability exposure and related insurance recoveries;
- 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.



Q3 Overview

Q3 Adjusted EPS +\$0.18 vs Guidance Mid-Point*

- Strong Segment Operating Performances
- Increasing Full Year Adjusted EPS Guidance

Solid Organic Revenue Performance

- Q3 Down (4%) vs PY
- Raising Fluid and Motion & Flow Control Full Year Organic Revenue

174% YTD Free Cash Flow Conversion*

- \$916M YTD Free Cash Flow
+21% vs Prior Year
- \$1.35B Cash & Cash Equivalents

10-Year Asbestos-Related Charge Recorded

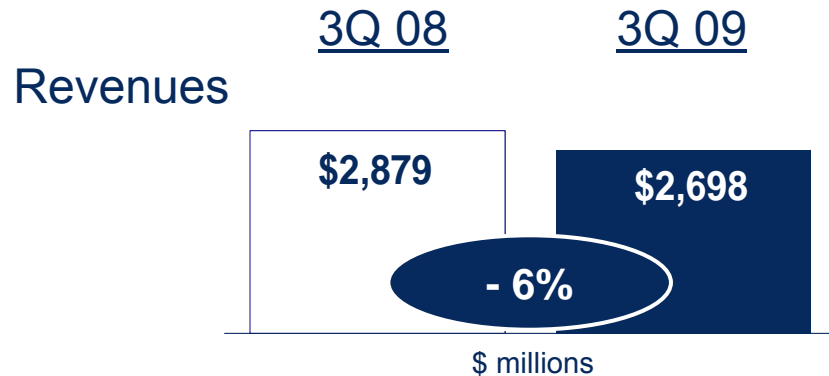
- No Forecasted Material Impact on 10-Year Net Annual Cash Outflows
- Q3 (\$0.71) Charge to EPS from Continuing Ops

*For non-GAAP reconciliations, refer to appendix and www.itt.com/ir.



Q3 ITT Results

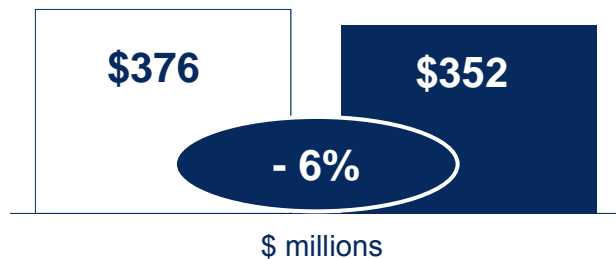
Performing in Difficult Conditions



-4% Organic Revenue

-26% Organic Orders

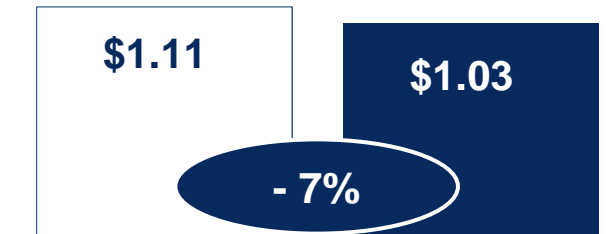
Segment Operating Income



-10 bps Segment Operating Margin

- Strong Productivity; +80 bps Operationally
- Lower Volumes; Negative FX
- Higher Pension & Restructuring Expense

Adjusted EPS*



Operating Performances Exceed Expectations

- Raising Full Year Guidance

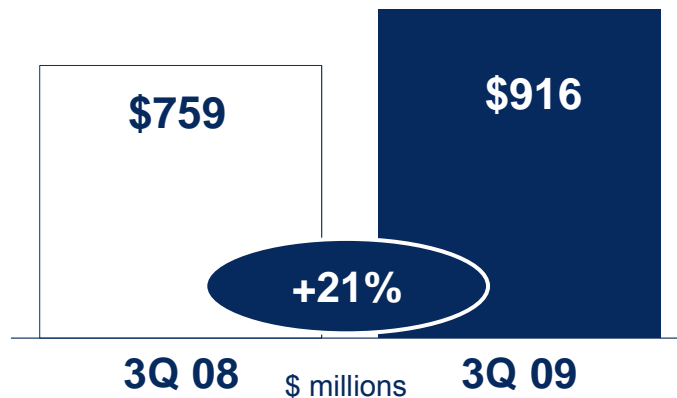
*Adjusted EPS from Continuing Operations excludes special items. For non-GAAP reconciliations, refer to appendix and www.itt.com/ir.



Q3 ITT Financial Position

Strong Cash Flow & Aggressive Debt Reduction

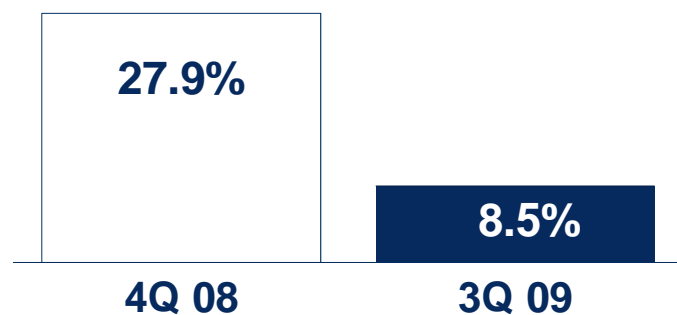
Free Cash Flow*



+174% YTD Free Cash Flow Conversion**

- 12.9% Working Capital % of Sales
+40 bps improvement vs PY
- Improved Receivable Collections

Net Debt to Net Capital



Significant Reduction in Net Debt to Net Capital Ratio

- \$464M YTD Debt Reduction
- \$225M Commercial Paper Balance
- \$1.35B Cash & Cash Equivalents
- Disciplined Capital Deployment

*Free Cash Flow = Cash from operations less capital expenditures.

**Excludes non-cash special items.

For non-GAAP reconciliations, refer to appendix and www.itt.com/ir.



Fluid Technology

Strong Productivity

Q3 Results				Q3 Revenue vs Expectations	
\$ millions	2008	2009	Change		
Revenues	\$949	\$826	-13%	Municipal	In-line
Operating Income	\$132	\$108	-18%	Industrial	Above
Operating Margin	13.9%	13.1%	-80 bps	Residential	In-line
Restructuring (Included in Op Income & Op Margin)	-\$3	-\$5	-\$2	Commercial	Below

Q3 Performance

-10% Organic Revenue:

-5% Water & Wastewater

- Weak transport and dewatering
- Municipal market down slightly

-11% Industrial Process

- Weak NA General Industrial
- Partially offset by Oil & Gas and Power

-16% Residential & Commercial Water

- Global Commercial weakness
- Residential stabilizing at lower levels

-16% Organic Orders:

-4% Water & Wastewater

- NA Municipal improving – first stimulus orders
- Weak EMEA Municipal

-20% Residential & Commercial Water

- Weak global Residential & Commercial

-30% Industrial Process

- Project weakness across all markets
- +8% vs Q2 2009

-80 bps Operating Margin:

- +90 bps operating productivity due to cost reductions
- Negative FX, pension & restructuring



Fluid Technology

Market Overview & Revenue Guidance

Solid Performance in Difficult Markets

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

Revenue 2009 Guidance vs 2008		
	Full Year Forecast	
	Current	Prior
2009 Organic	~ (10%)	~ (12%)
2009 Total	~ (14%)	~ (15%)



Motion & Flow Control

Improving Productivity

Q3 Results				Q3 Revenue vs Expectations	
\$ millions	<u>2008</u>	<u>2009</u>	<u>Change</u>		
Revenues	\$394	\$307	-22%	Aerospace/Defense	Below
Operating Income	\$56	\$40	-28%	Automotive	Above
Operating Margin	14.2%	13.2%	-100 bps	General Industrial	In-Line
Restructuring (Included in Op Income & Margin)	-\$2	-\$2	\$0		

Q3 Performance

-16% Organic Revenue:

- 3% Motion Technologies
 - European automotive stimulus benefit
 - Off-set by Truck and Trailer
- 20% Control Technologies
 - Global industrial & aerospace declines
- 30% Interconnect Solutions
 - Global industrial weakness

-15% Organic Orders:

- 3% Motion Technologies
 - European automotive stimulus benefit
 - Off-set by Truck and Trailer
 - Audi and Ford wins
- 23% Interconnect Solutions
 - Global Industrial declines
- 29% Control Technologies
 - Global industrial and aerospace declines

-100 bps Operating Margin:

- Improving productivity
- Negative volume, pension, and FX



Motion & Flow Control

Key Market Overview & Revenue Guidance

Performance Ahead of Expectations

Key Motion Markets		
	Current Revenue Forecast	
	vs Prior Year	vs Prior Forecast
Aerospace/Defense	▼ high single	▼
Automotive	▼ mid teens	▲
General Industrial	▼ mid twenties	n/c

Revenue 2009 Guidance vs 2008		
	Full Year Forecast	
	Current	Prior
2009 Organic	~ (16%)	~ (19%)
2009 Total	~ (23%)	~ (25%)



Defense Electronics & Services

Strong Operating Performance

Q3 Results			
\$ millions	<u>2008</u>	<u>2009</u>	<u>Change</u>
Revenues	\$1,540	\$1,567	2%
Operating Income	\$188	\$203	8%
Operating Margin	12.2%	13.0%	80 bps
	<u>Q2 09</u>	<u>Q3 09</u>	<u>Change</u>
Backlog	\$5,205	\$4,914	-\$291

Q3 Performance

+2% Organic Revenue:

+8% Systems

- New program performance: Maxwell Air Force Base, Tethered Aerostat Radar System

+5% Advanced Engineering & Sciences

- Various data analysis programs

-13% Communication Systems

- Lower domestic SINGARS, partially off-set by strong international SINGARS shipments
- Lower networking and antenna volumes

-34% Organic Orders:

-68% Communication Systems

- Prior year strong International radio orders
- +17% YTD Orders

-56% Electronic Systems

- Lower CREW orders vs strong prior year
- -5% YTD Orders

-31% Advanced Engineering & Sciences

- Mainly data analysis contracts
- -25% YTD Orders

+80 bps Operating Margin:

- Record operating income
- Favorable program mix



Net Liability for Future Asbestos Claims

Primarily related to products sold prior to 1985 that contained a 3rd party manufactured part alleged to contain asbestos

Forecast Process Considerations:

- Recently Completed in 2nd Half of 2009 as Previously Disclosed
- Recorded Now That Costs Deemed “Probable and Reasonably Estimable”
- Forecasts Claims Expected to Be Filed Over the Next 10 Years
- Reflects Existing Historical Exposures
- Includes Forecasted Legal Fees
- Forecasted Insurance Recoveries Netted Against Liability
 - 63% of Insurance Receivable Under Coverage-In-Place Agreements
- Assumptions Will Be Periodically Reassessed on a Rolling 10-Year Basis

Financial Considerations:

- Q3 Accounting Charge
- No Forecasted Material Impact to 10 Year Net Annual Cash Outflows



Q3 Impacts of Future Asbestos Claims

\$ millions, except EPS	
	Q3 Adjustments
Balance Sheet	Future Claims
Costs Including Legal	\$662
Insurance & Other Recoveries	(\$439)
Net Liability	\$223

Income Statement	Future Claims
Continuing Operations:	
After-Tax Charge*	(\$131)
EPS*	(\$0.71)
Total Including Discontinued Ops:	
After-Tax Charge	(\$139)
EPS	(\$0.75)

*Special Item excluded from Adjusted Results from Continuing Operations.
For non-GAAP reconciliations, refer to appendix and www.itt.com/ir.



2009 FY Guidance

Adjusted EPS Rollforward	Low	Mid	High
Previous Full Year 2009 EPS Guidance*	\$ 3.50	\$ 3.60	\$ 3.70
Q3 Items:			
Operating Performance, Net of Timing		\$ 0.08	
Favorable Interest		\$ 0.02	
Q4 Items:			
Operating Performance & Interest		\$ 0.06	
Corp, Investments & Share Count		\$ (0.04)	
Revised Full Year 2009 EPS Guidance*	\$ 3.70	\$ 3.72	\$ 3.74

Full Year 2009 Guidance			
	FY 2009	Yr/Yr Growth**	~ Organic Growth
ITT - Revenues (in billions)	\$10.9 to \$11.0	-6%	-4%
Adjusted EPS*	\$3.70 to \$3.74	-8%	
Restructuring & Realignment Expense	~\$80 million		

*Adjusted Continuing EPS, includes restructuring expense, excludes special items.

**Based on guidance midpoints.

For all non-GAAP reconciliations refer to www.itt.com/ir.



Appendix



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Q3 ITT 2009 Segment Performance

	Fluid	Motion & Flow	Defense	ITT
Q3 '09 Total Revenue vs PY	-13.0%	-22.1%	1.8%	-6.3%
FX	-3.9%	-3.6%	-0.1%	-1.8%
Acquisition/Disposition	0.9%	-2.7%	0.0%	-0.1%
Q3 '09 Organic Revenue vs PY	-10.0%	-15.8%	1.9%	-4.4%
Q3 '08 Margin	13.9%	14.2%	12.2%	13.1%
Operational, Investments, Other	0.9%	-1.3%	1.4%	0.8%
Restructuring Expense	-0.3%	0.1%	-0.1%	-0.2%
Pension	-0.3%	-0.5%	-0.5%	-0.5%
FX	-0.8%	-0.7%	0.0%	-0.3%
Acquisition/Disposition	-0.3%	1.4%	0.0%	0.1%
Q3 '09 Margin	13.1%	13.2%	13.0%	13.0%

*For all non-GAAP reconciliations refer to www.itt.com/ir.



Q3 Non-GAAP Reconciliation* – EPS & FCF

EPS - Reconciliation	3Q08	3Q09
Reported EPS	\$ 1.17	\$ 0.32
Discontinued Ops.	\$ (0.06)	\$ 0.04
Reported EPS - Continuing Ops.	\$ 1.11	\$ 0.36
Special Items:		
Prior Year Tax Settlement Int Refund	\$ -	\$ (0.04)
Future Asbestos Claims Net Liability	\$ -	\$ 0.71
Adjusted EPS - Continuing Ops.	\$ 1.11	\$ 1.03

FCF - Reconciliation	YTD 2008	YTD 2009
\$ millions		
Net Cash - Operating Activities	\$ 896	\$ 1,057
Capital Expenditures	\$ (137)	\$ (141)
Free Cash Flow	\$ 759	\$ 916
Income from Continuing Operations	\$ 600	\$ 455
Non-Cash Special Items	-	\$ 73
Income from Continuing Ops Excluding Non-Cash Special Tax Item	\$ 600	\$ 528
Adjusted Free Cash Flow Conversion	127%	174%

*For all non-GAAP reconciliations refer to www.itt.com/ir.



Q3 Asbestos Financial Statement Impacts

\$ millions, except EPS

Balance Sheet	Asbestos-Related Liability	Asbestos-Related Receivable	Asbestos-Related Net Liability	Notes
Existing Claims	255	220	35	
Future Claims	662	439	223	See Slide #12
Total Q3 Balance Sheet	917	659	258	
Memo - Q3 Balance Sheet Classifications:				
<i>Long-Term Asbestos-Related</i>	853	602		<i>Distinct Line Items on BS</i>
<i>Other Current</i>	64	57		<i>Included in Other Current on BS</i>

Income Statement	Q3 Adjustments			
	Special Items	Non-Special	Total	
	See Slide #12			
Continuing Operations:				
Asbestos-Related Costs, Net	(\$210)	(\$13)	(\$223)	Distinct Line on Q3 IS
After-Tax Charges	(\$131)	(\$8)	(\$139)	
Diluted EPS	(\$0.71)	(\$0.04)	(\$0.75)	
Total (Continuing + Disc Ops)				
Asbestos-Related Costs, Net	(\$223)			See Future Claims \$223 above
After-Tax Charges	(\$139)			
Diluted EPS	(\$0.75)			

