



**ITT**

*Engineered for life*

# Goldman Sachs Global Industrials Conference 2009

Denise Ramos

Senior Vice President & Chief Financial Officer

November 4, 2009



# 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:

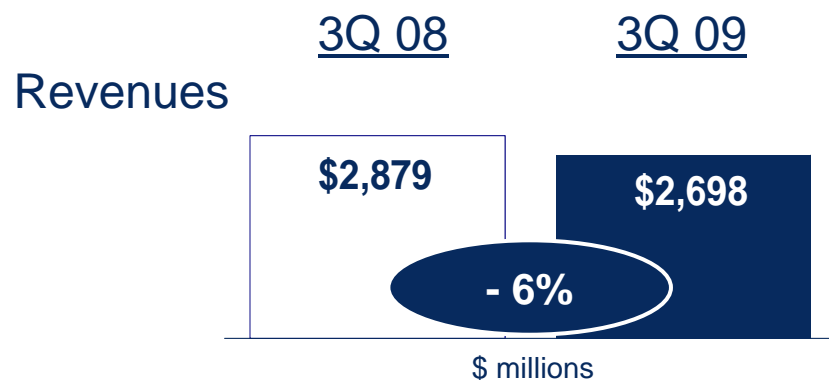
- Economic, political and social conditions in the countries in which we conduct our businesses;
- Changes in government defense budgets;
- Decline in consumer spending;
- Sales and revenues mix and pricing levels;
- Availability of adequate labor, commodities, supplies and raw materials;
- Interest 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 ITT Results

*Performing in Difficult Conditions*



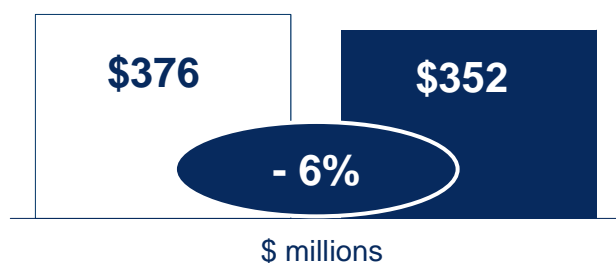
## -4% Organic Revenue

Defense +2; Fluid -10%; Motion -16%

## -26% Organic Orders

Defense -34%; Fluid -16%; Motion -15%

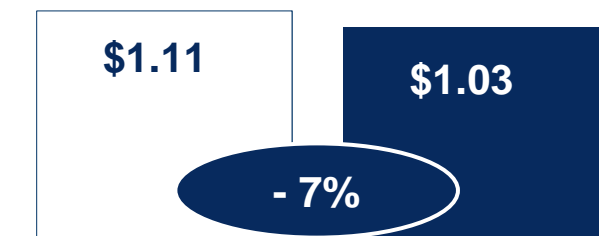
## Segment Operating Income



## -10 bps Segment Operating Margin

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

## Adjusted EPS\*



## Operating Performances Exceed Expectations

- Raised Full Year Adjusted EPS Guidance to \$3.70 to \$3.74

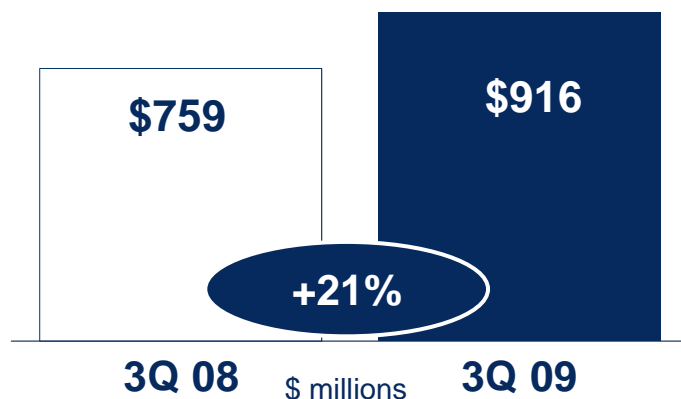
\*Adjusted EPS from Continuing Operations excludes special items. For non-GAAP reconciliations, refer to appendix and [www.itt.com/ir](http://www.itt.com/ir).



# Q3 ITT Financial Position

*Strong Cash Flow & Aggressive Debt Reduction*

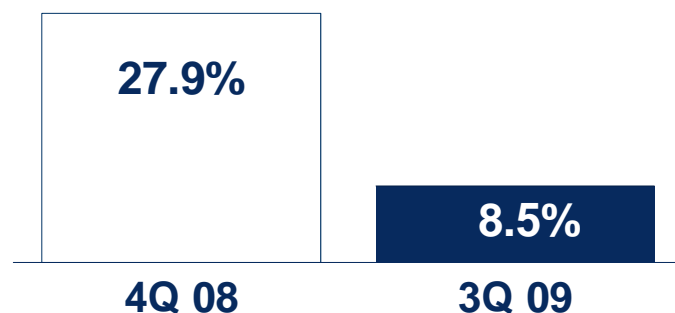
## YTD Free Cash Flow\*



## +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](http://www.itt.com/ir).



# ITT Corporation - Portfolio

## FLUID TECHNOLOGY



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



## MOTION & FLOW CONTROL



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



## DEFENSE



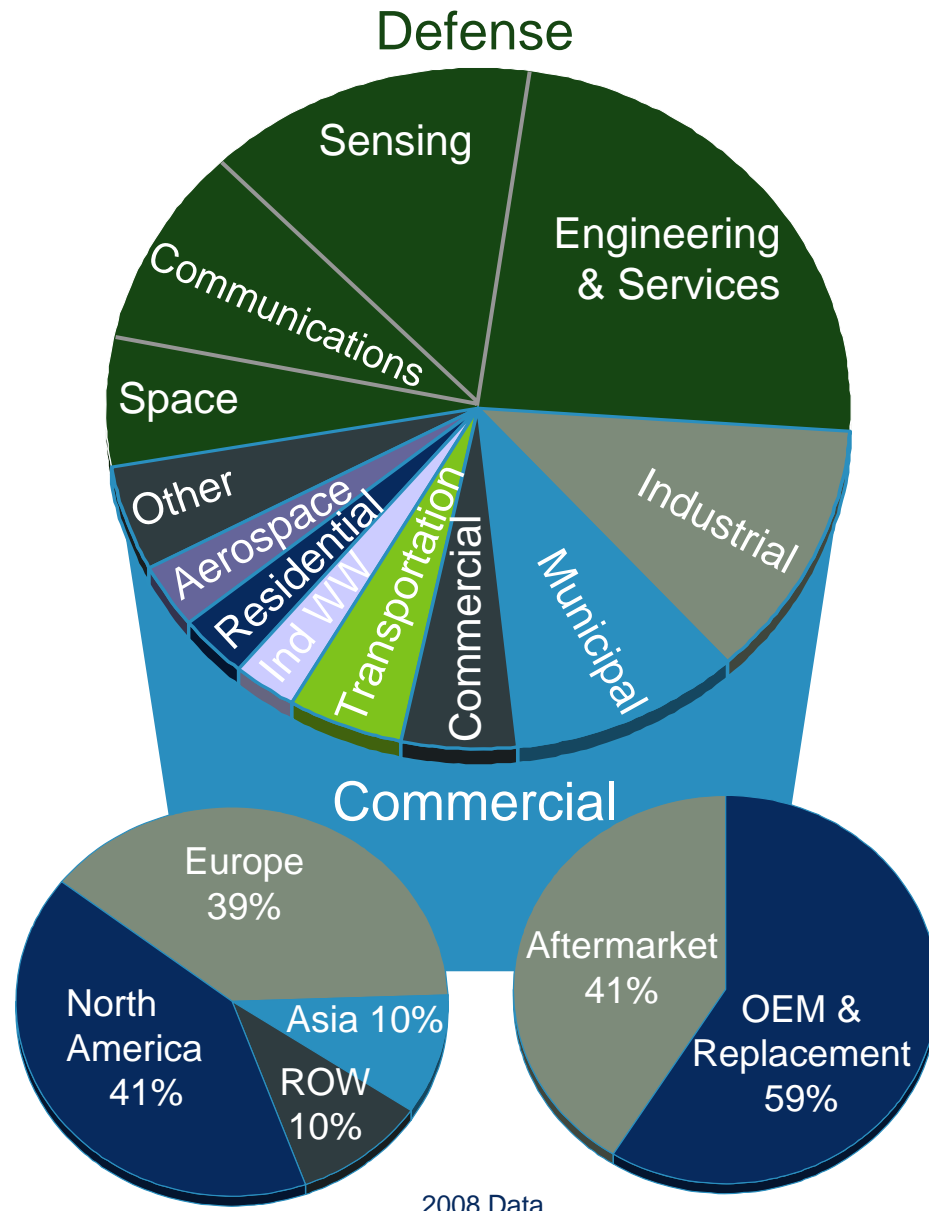
Supplier of military defense systems and advanced technical and operational services



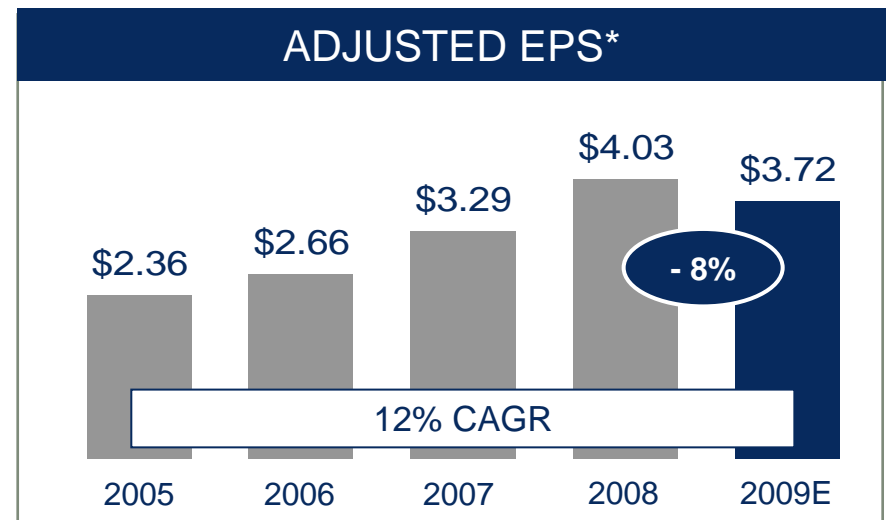
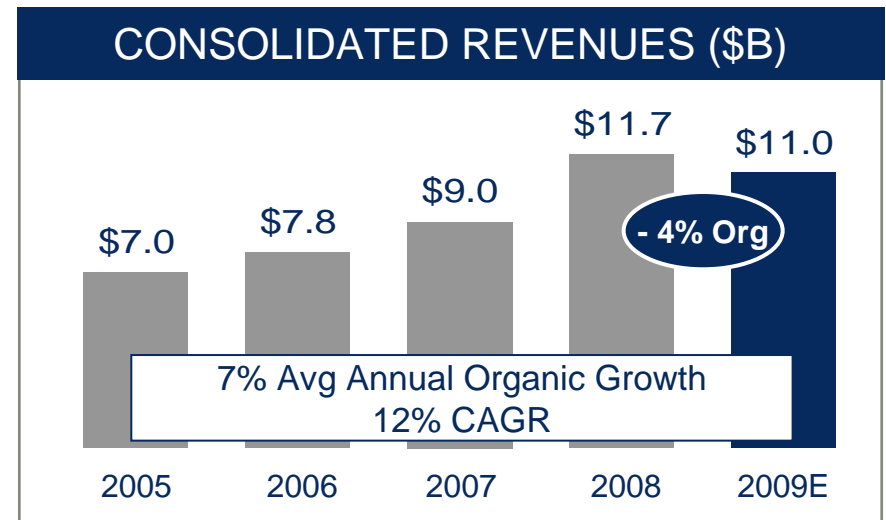
Population - Environment - Infrastructure - Security

2009E Revenue Data

# Uniquely Diversified for Premier Performance



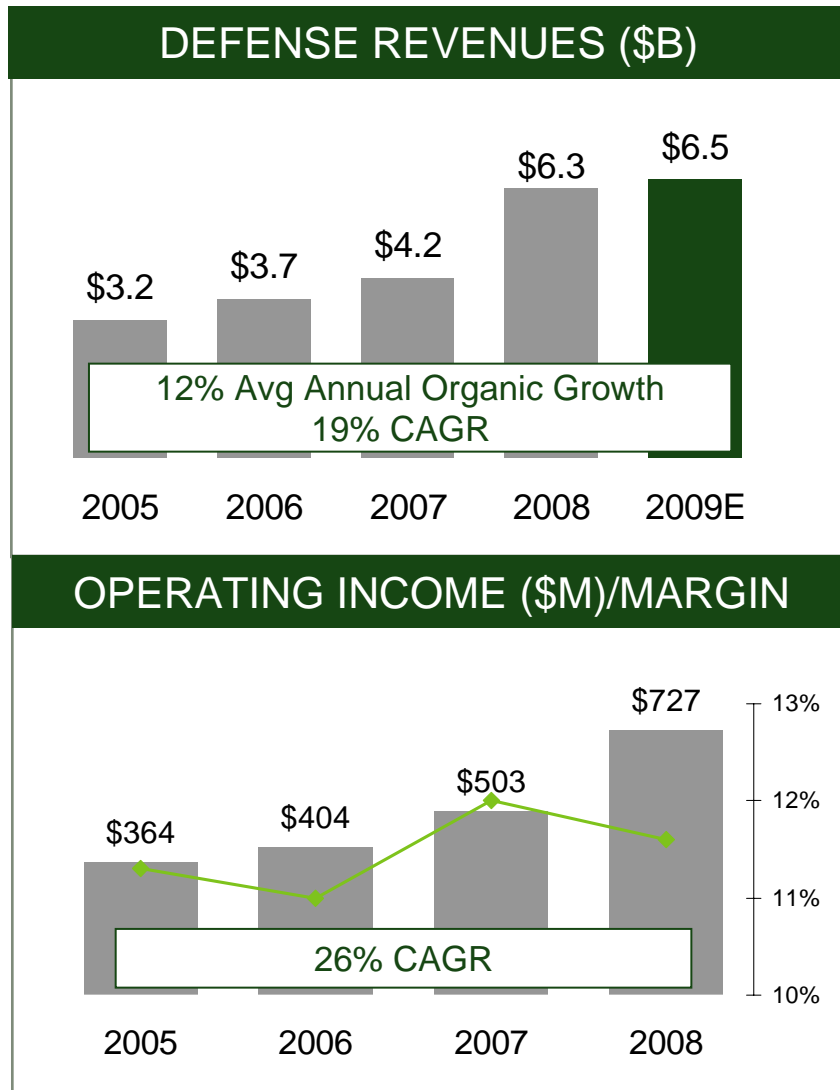
2008 Data



\*EPS from Continuing Operations, excluding net impact of special items.  
2009 Guidance Mid-points utilized in charts above.  
For non-GAAP reconciliations refer to [www.itt.com/ir](http://www.itt.com/ir)



# Defense Electronics & Services



## Market Strengths

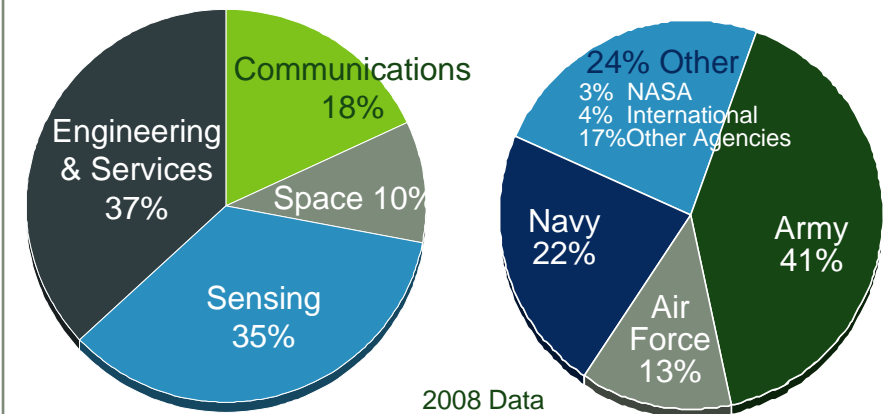
- Top 10 Contractor
- Large Installed Base
- Next Generation Development
- Aligned with Future Customer Needs
- High Win Rate
- Expanding Non-DOD Customer Base

## Operating Performance

- Strong Cash Flow & ROIC
- Six Sigma & Lean Initiatives

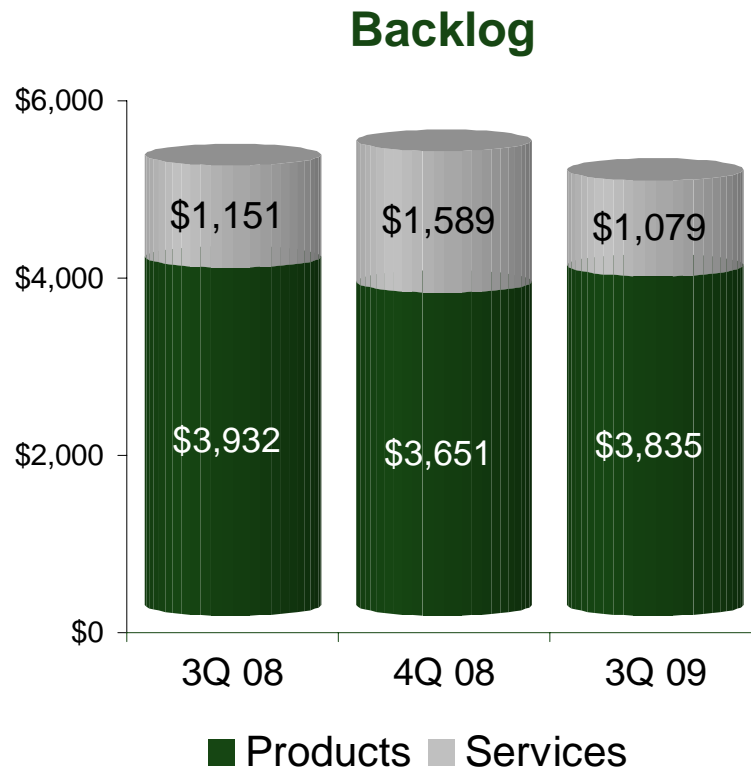


## CAPABILITIES & CUSTOMERS



# Defense Backlog & Key 2009 Wins

## Key 2009 Wins



### GROW THE CORE

- \$363M SINCGARS Radios
- \$317M CREW 2.1 Jammers
- \$266M Night Vision, Includes \$43M ENVG
- \$138M Intelligence & Info Warfare equipment
- ⊙ GPS III
- LOGCAP – Afghanistan North

### INTERNATIONAL GROWTH

- ⊙ \$490M Foreign Military Sales ID/IQ
- ⊙ Japanese Weather Satellite
- ⊙ \$100M Turkish F-16 Countermeasures
- ⊙ \$45M Sweden - Coastal Radar
- ⊙ \$24M NV – UK & Canada
- ⊙ Australia - CREW

### CROSS – VALUE PURSUITS

- ⊙ FAA ADS-B Execution
- ⊙ \$1.3B NASA Space Communications
- CREW 3.3 Development Award

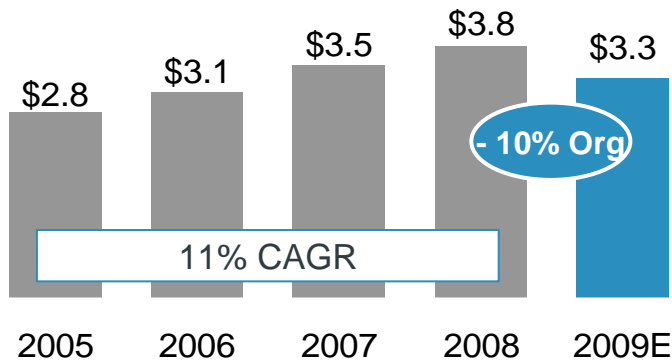
⊙ *Indicates Non-DoD Win*

Delivering Our Strategy

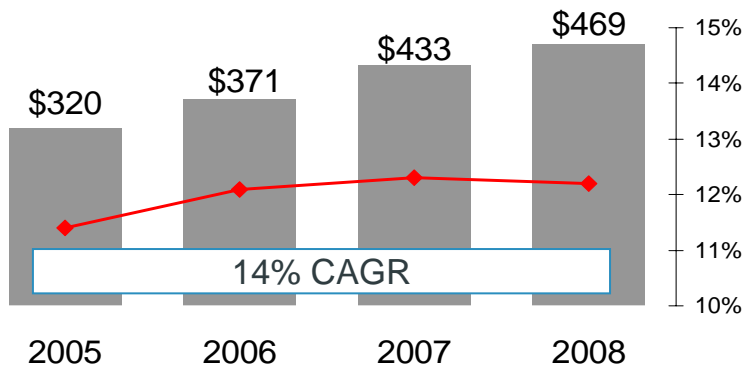


# Fluid Technology

## FLUID REVENUES (\$B)



## OPERATING INCOME (\$M)/MARGIN



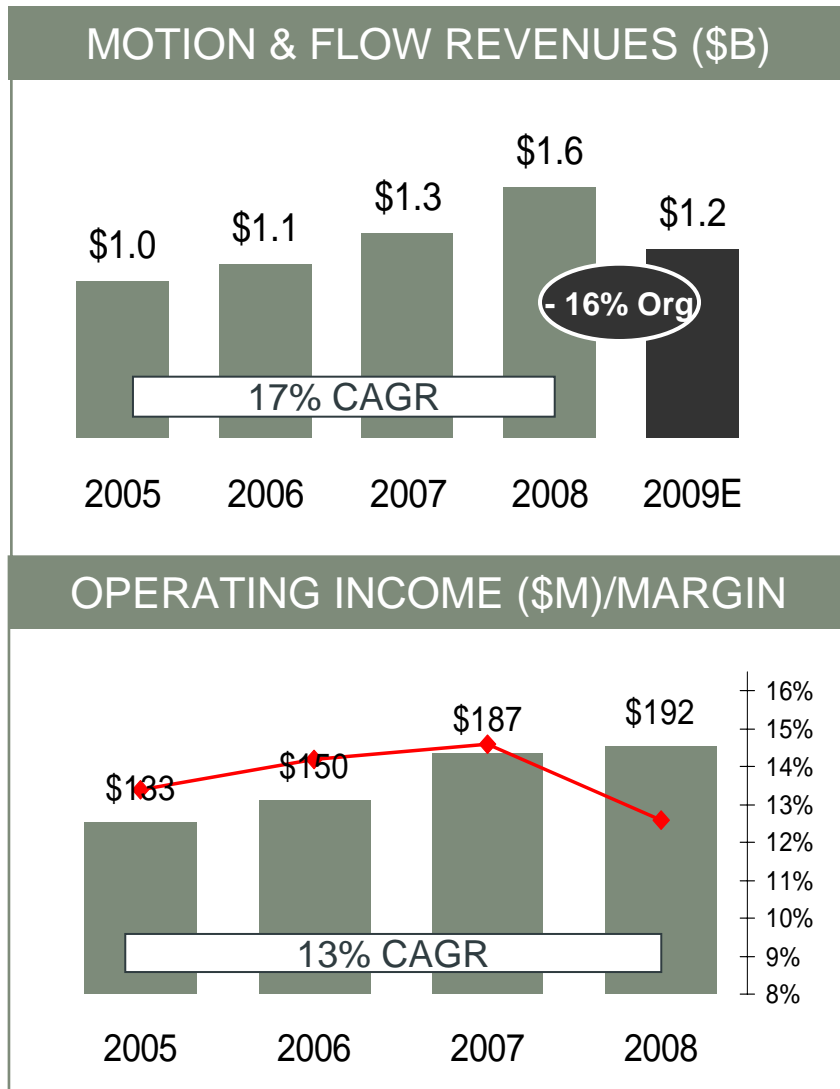
## Market Strength

- 4% Avg Annual Organic Rev Growth
- ~43% Aftermarket
- Premium Brands
- “Buy American” Compliant
- Large Installed Base
- Strong Direct Distribution
- Innovation & Adjacencies

## Operating Performance

- Productivity Enhancements
- Global Strategic Sourcing
- Global Manufacturing Transitions
- ~\$92M in Restructuring & Realignment 08 through 09E

# Motion & Flow Control



## Market Strength

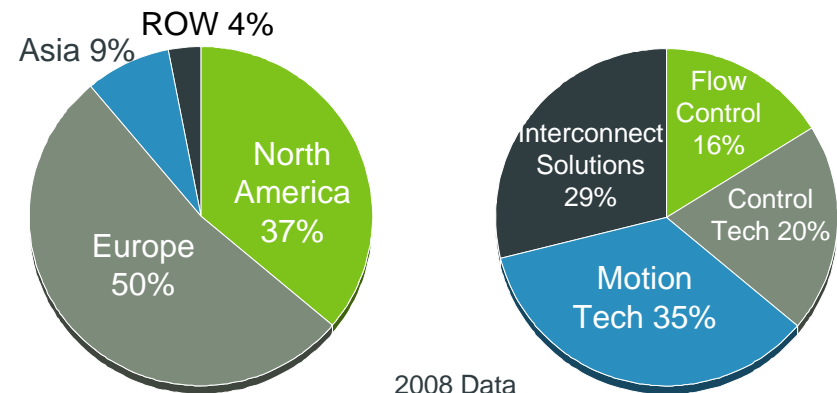
- 1% Avg Annual Organic Rev Growth
- ~35% Aftermarket
- Niche End Markets
- Diverse Customer Base

## Operating Performance

- Low Cost Manufacturing Transitions
- Productivity Improvements
- \$80M in Restructuring & Realignment 08 through 09E

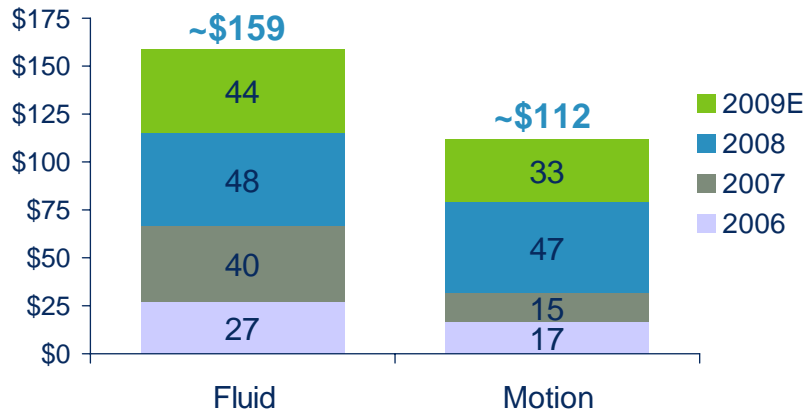


## GEOGRAPHIES & MARKETS



# Commercial Operational Excellence Actions

## Restructuring & Realignment Exp



## LCR Spending



(1) LCR = Low Cost Region

(2) % of commercial business direct material purchases

## Operational Excellence Initiatives

- +\$271M in Restructuring & Realignment
- 5 Shared LCR Manufacturing Facilities:
  - Vadodora, India
  - Wuxi and Nanjing, China
  - Nogales and Chihuahua, Mexico
- 2 New Eastern European Facilities
  - Poland & Czech Republic
- Commercial Strategic Leadership
- Lean Six Sigma
- Leveraging Global Strategic Supply Chain
- Key Market Strategic Investments:
  - Emerging market expansion
  - China & India operational infrastructure
  - Treatment moved into WWW
  - Disposed non-strategic operations

# Appendix



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# 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.        | <u>\$ 1.11</u>        | <u>\$ 0.36</u>        |
| Special Items:                        |                       |                       |
| Prior Year Tax Settlement Int Refund  | \$ -                  | \$ (0.04)             |
| Future Asbestos Claims Net Liability  | \$ -                  | \$ 0.71               |
| <b>Adjusted EPS - Continuing Ops.</b> | <u><u>\$ 1.11</u></u> | <u><u>\$ 1.03</u></u> |

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

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

