



ITT Industries

Lou Giuliano
Chairman, President and Chief Executive Officer

Electrical Products Group Conference

May 3, 2004

Forward Looking Statements



Certain statements contained in this report, that are not historical facts, constitute “Forward-Looking Statements” within the meaning of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements, in general, predict, forecast, indicate or imply future results, performance or achievements and generally use words so indicative. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results or performance of the Company and its businesses to be materially different from that expressed or implied by such forward-looking statements. Such factors may be described or referred to from time to time in filings made by the Company with the Securities and Exchange Commission. Included in those factors are the following: general economic and business conditions; political, social and economic conditions; and local regulations in the countries in which the Company conducts its businesses; government regulations and compliance therewith; demographic changes; sales and revenues mix; pricing levels; changes in sales and revenues to, or the identity of significant customers; changes in technology; industry capacity and production rates; ability of outside third parties to comply with their commitments; competition; capacity constraints; availability of raw materials and adequate labor; availability of appropriate professional expertise; availability of liquidity sufficient to meet the Company’s needs; the ability to adapt to changes resulting from acquisitions and divestitures and to effect cost reduction programs, and various other factors referenced in the Management’s Discussion and Analysis section of ITT’s Form 10-K for the year 2003. In addition to these factors, the Company’s business segments may be affected by the more specific factors referred to below.

Our Electronic Components business will be affected by the economic conditions in its major markets, the success of new products and the cyclical nature of the industry.

Our Defense Electronics & Services business will be affected by factors including the level of defense funding by domestic and foreign governments; our ability to receive contract awards; and our ability to develop and market products and services for customers outside of traditional markets.

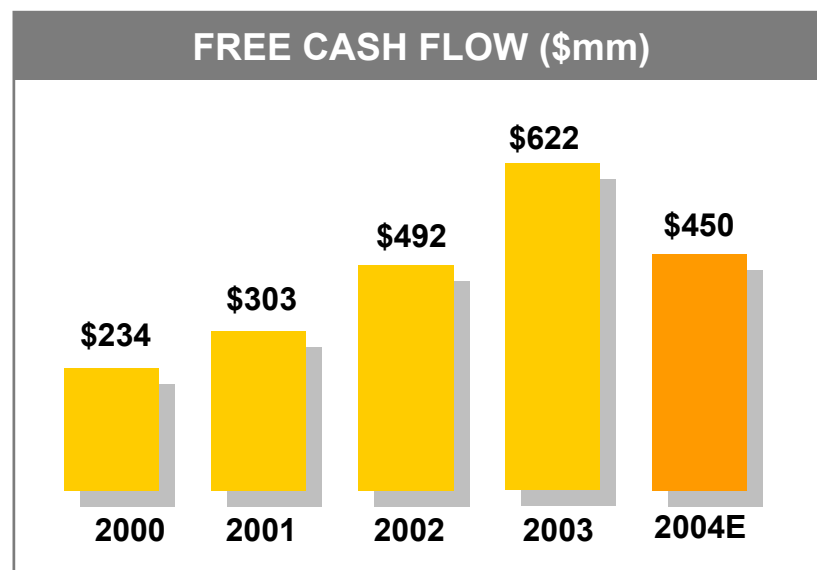
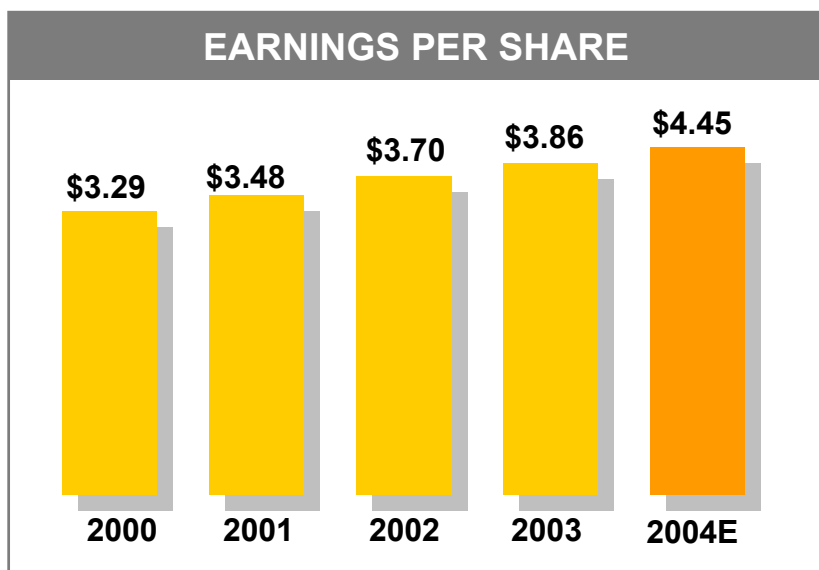
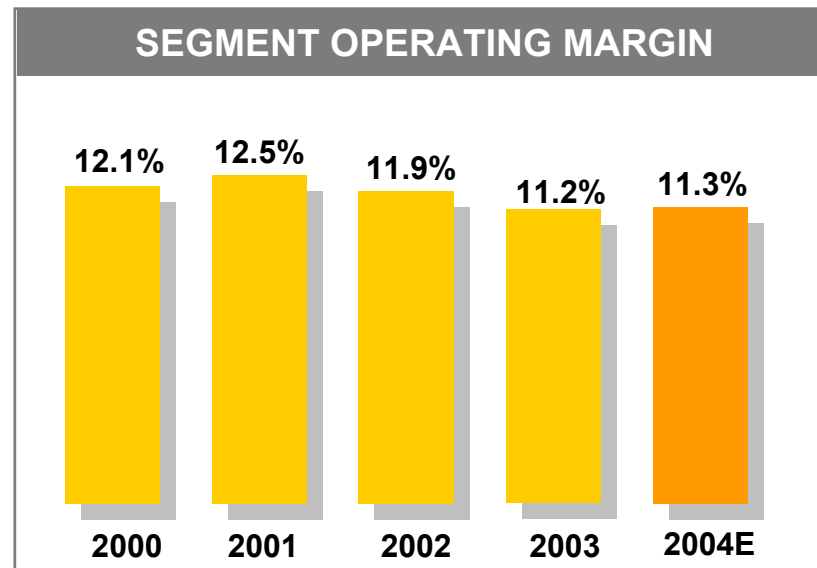
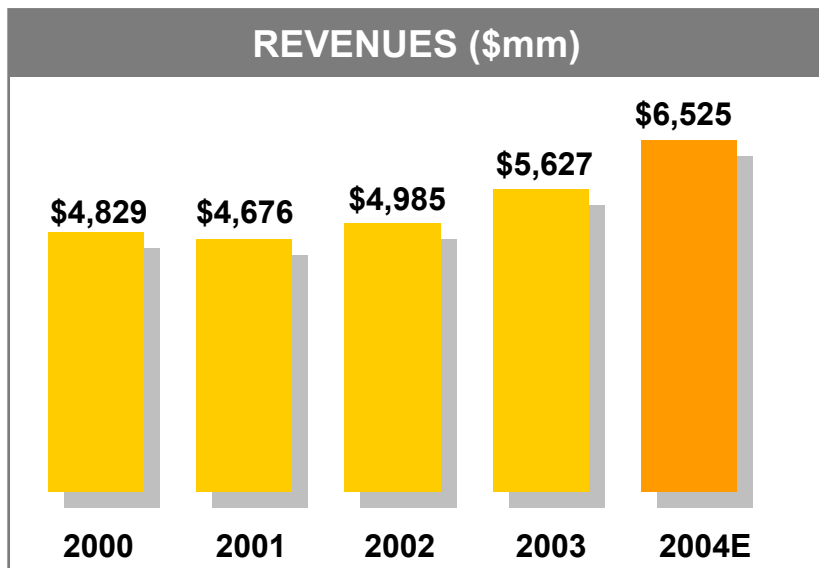
Our Fluid Technology business will be affected by factors including global economic conditions; governmental funding levels; international demand for fluid management products; the ability to successfully expand into new geographic markets; weather conditions; and continued demand for replacement parts and servicing.

Our Motion & Flow Control business will be affected by the cyclical nature of the transportation industries; strikes at major auto producers; and international demand for leisure marine products.

Forward-looking statements by their very nature are uncertain. There can be no guarantee that any forward-looking statement will be fulfilled. The company assumes no obligation to update forward-looking statements to reflect actual results or changes in or additions to the factors affecting such forward-looking statements. Reference is made to the Company’s Form 10-K Annual Report for the year 2003 and other of its documents filed with the Securities and Exchange Commission for additional information involving known and unknown risks, uncertainties and other factors.

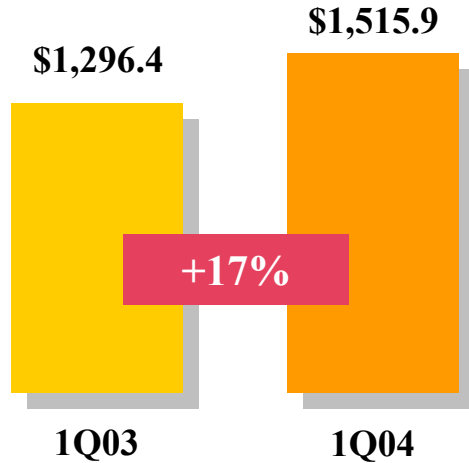
- Global multi-industry company with a track record of consistent performance
- Increasingly strong positions in markets with long-term growth catalysts
- Deep, experienced and disciplined management team
- Sustained value creation through organic growth, margin improvement, free cash flow and targeted acquisitions

Consistent Financial Performance



Note: 2000-2003 adjusted for one-time items; 2004E reflects mid-point of guidance range
Reconciliation to GAAP measures at ITT.com/IR

REVENUES (\$mm)



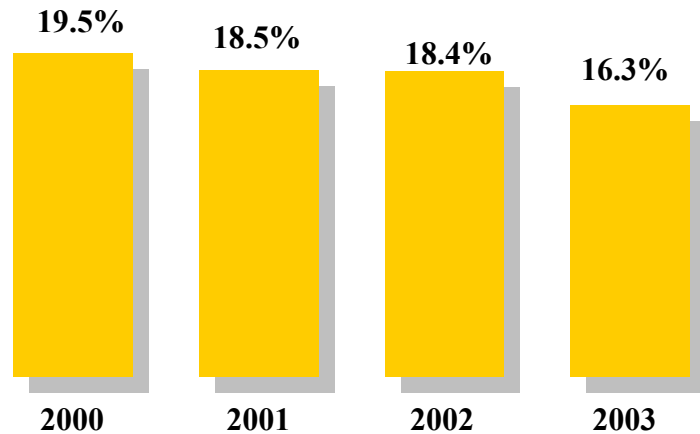
EARNINGS PER SHARE



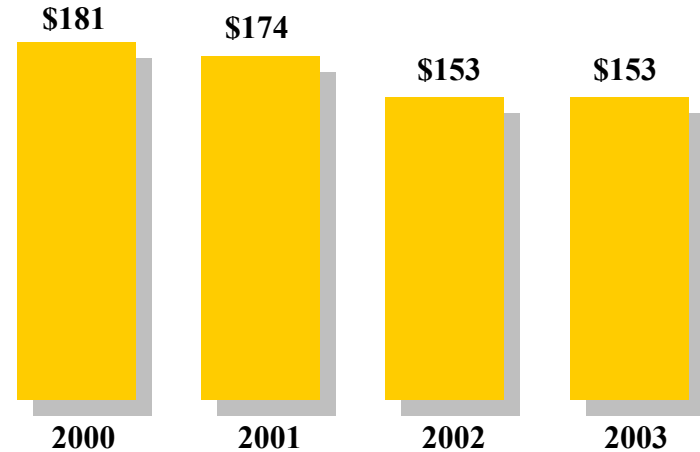
- **Organic Revenue Growth +10%**
- **Ongoing Strength throughout Defense**
 - Revenue Growth +29%
- **Water Treatment +16.5% organic**
- **Electronic Components Positive Momentum Continues**
 - Book-to-Bill of 1.19
 - Organic Growth +5%

- **Segment O.I. +9%**
 - FX and segment mix impact margins
- **Defense Margins +80 bps y/y**
 - EC Margins +140 bps sequentially
- **Raised FY EPS Guidance by \$0.25**
 - Strength in 1Q
 - Improving business conditions

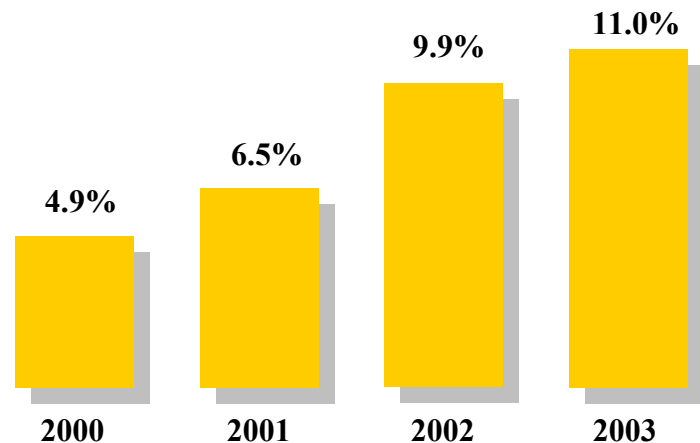
WC % OF SALES



CAPITAL EXPENDITURES



FREE CASH FLOW % OF SALES



CASH REDEPLOYMENT

Acquisitions

- \$200M Annual Target

Dividends

- 6% Increase in 2004

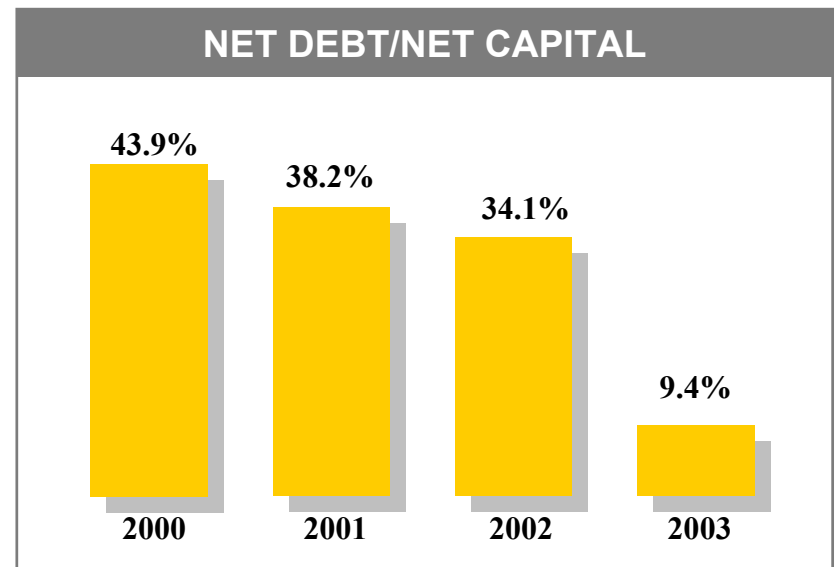
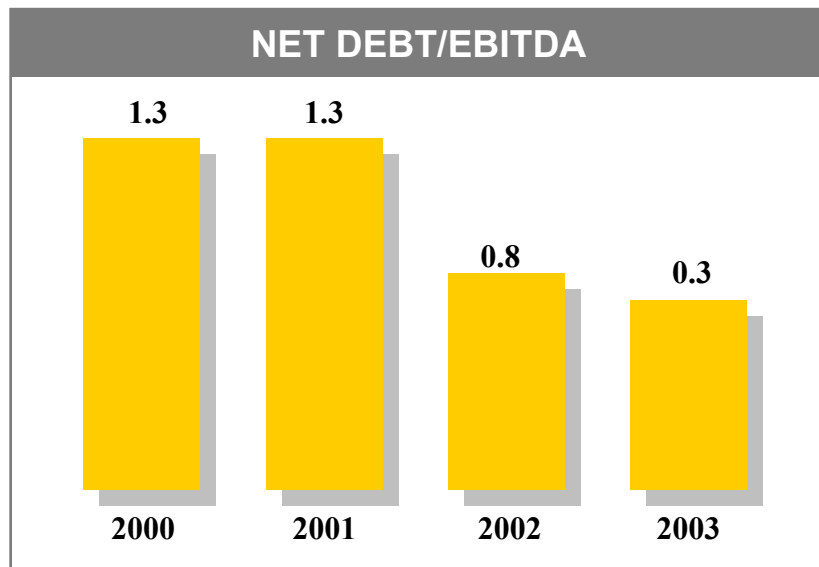
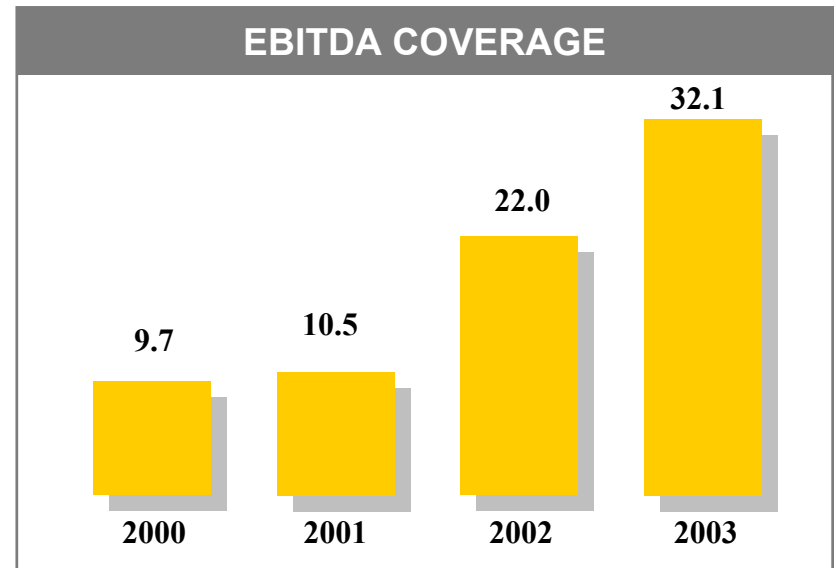
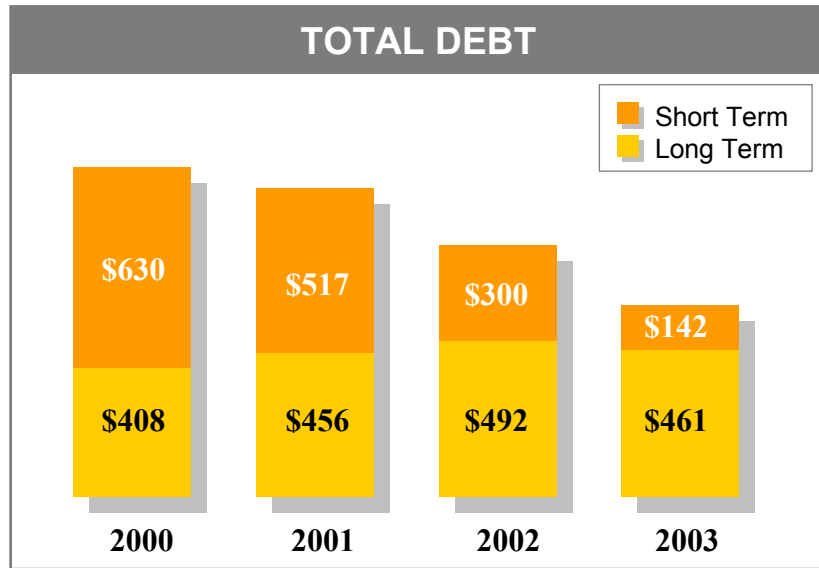
Share Repurchase

- Maintain Share Count

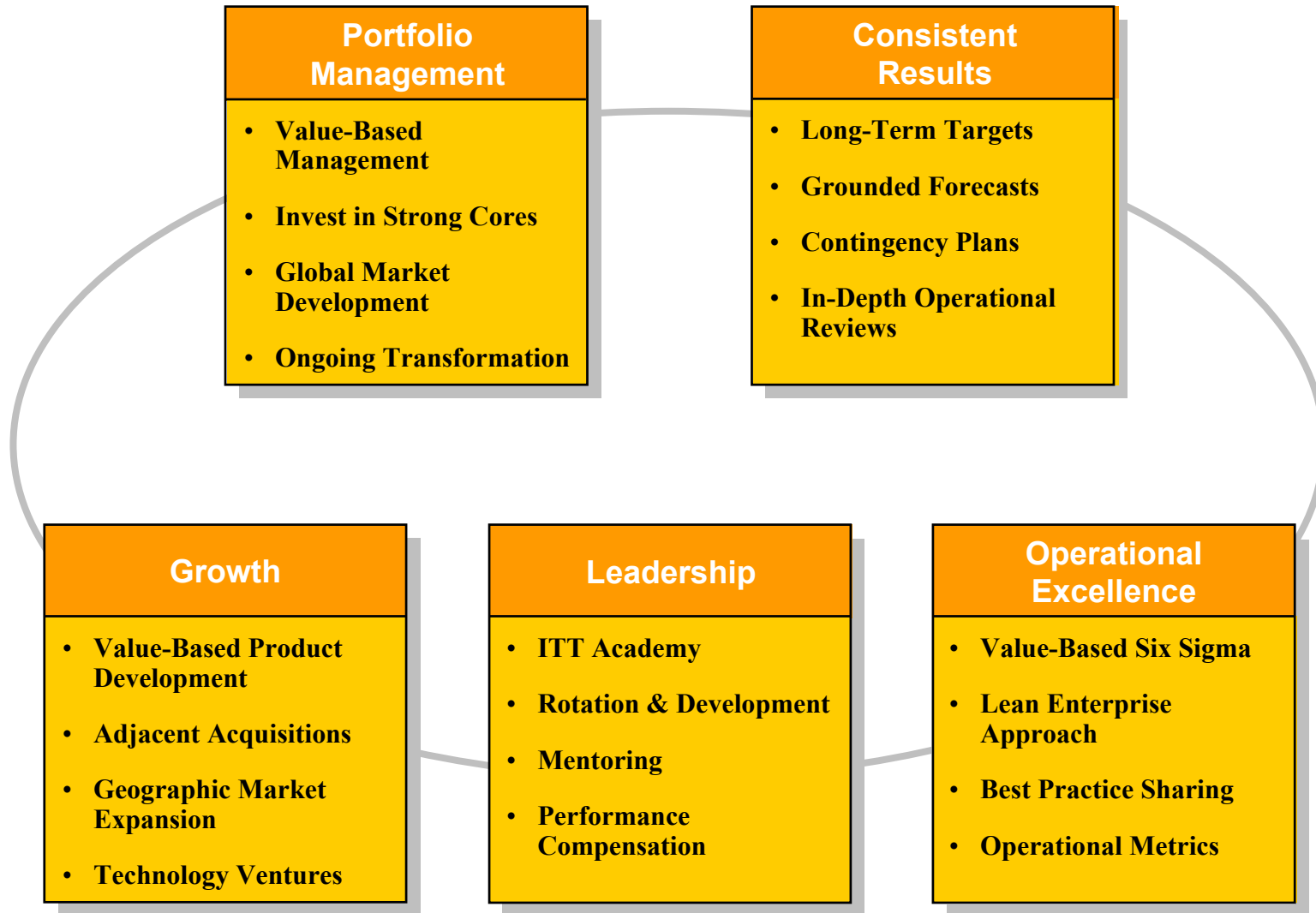
Balance Sheet

- Maintain Investment Grade

Increasing Financial Flexibility



Note: Reconciliation to GAAP measures at ITT.com/IR



Bob Ayers

President, Fluid Technology

- **30 years of industry experience**
- **Joined ITT in 1997**
- **Architect of strategy to expand water/wastewater offering**

Hank Driesse

President, Defense Electronics & Services

- **23 year veteran of ITT Defense**
- **Backlog has grown 33% since 2000**
- **Emphasis on customer focus and execution, resulting in 60%+ win rate**

Riccardo Trossi

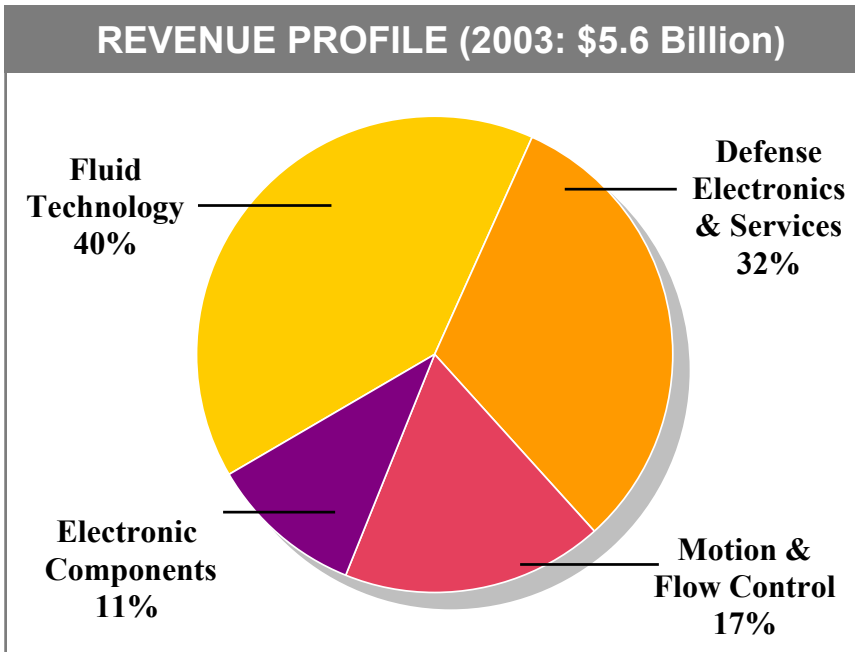
President, Motion & Flow Control

- **27 year veteran of ITT**
- **As president of ITT Galfer, earned highest operating margins in ITT portfolio**
- **Growth in revenue and earnings despite challenging market conditions**

Brenda Reichelderfer

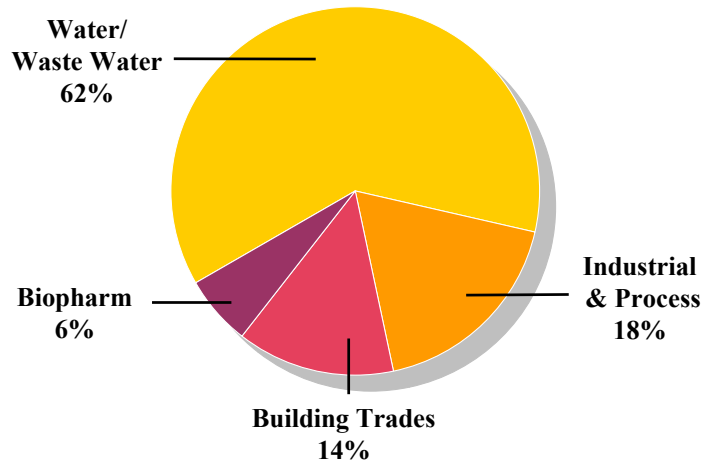
President, Electronic Components

- **22 year veteran of ITT**
- **Diverse leadership roles throughout the Company**
- **Combines operational expertise with strong leadership capabilities**

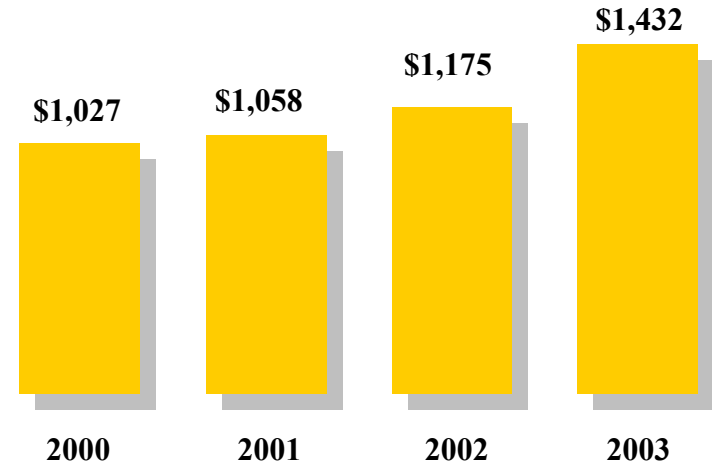


- Defense advanced electronics and services at the “sweet spot” of DoD priorities
 - Diverse portfolio well positioned for long-term growth
- W/WW regulatory drivers will take decades to play out
 - Recent acquisitions expand addressable market in Water/Wastewater
- Motion and Flow Control provides consistent performance with attractive margins and cash flow
 - New products drive market share gains within Leisure Marine and Motion Control
- Improving market conditions in Electronic Components
 - Near-term initiatives forming foundation for growth and profitability

REVENUE - \$2.25B



WATER/WASTEWATER - REVENUE



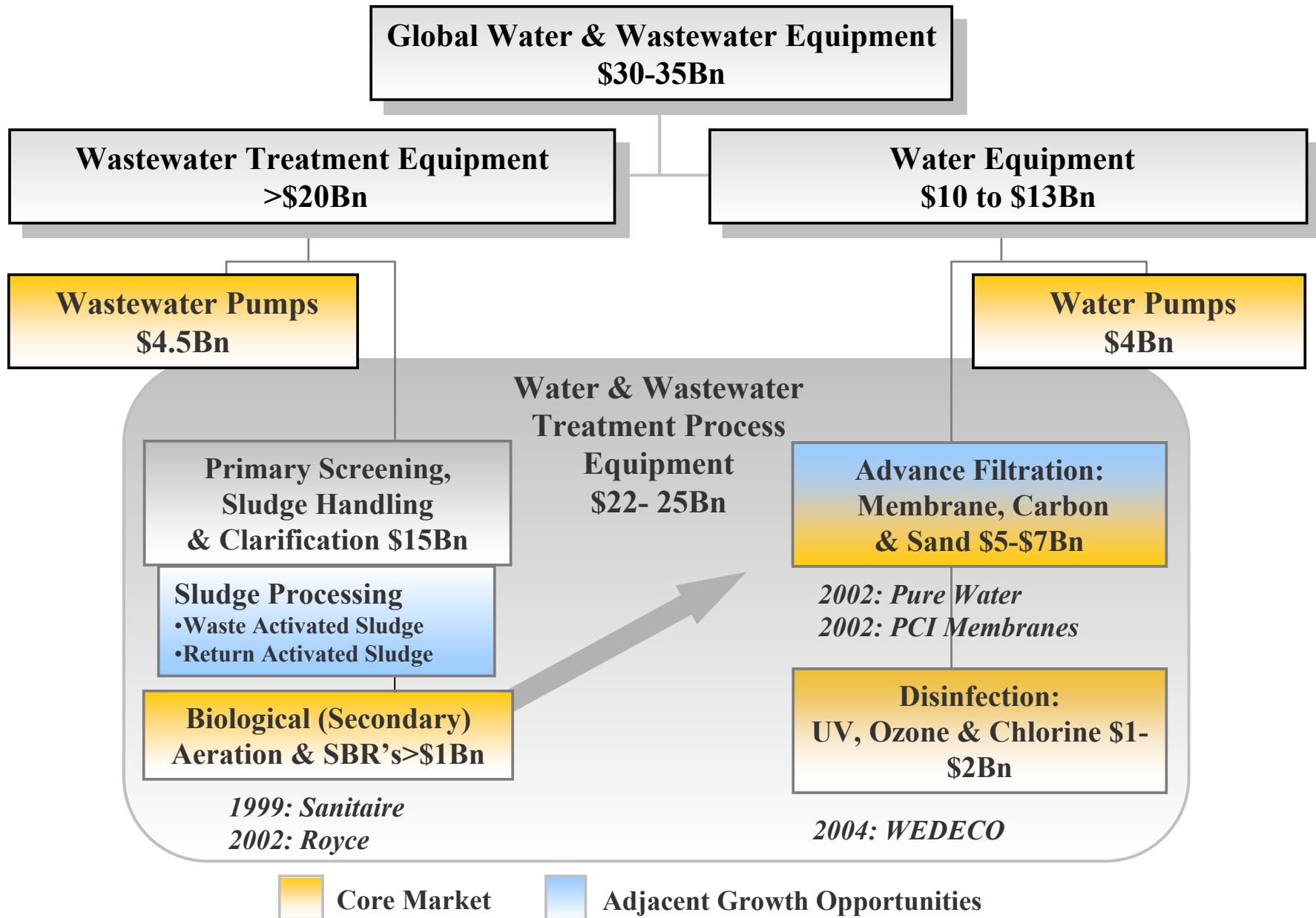
WATER/WASTEWATER GROWTH DRIVERS

- **Stricter EPA regulations**
 - Growing list of contaminants
 - Multiple treatment barriers including UV
- **\$42B State Revolving Fund to support US needs**
- **Expanding EU Membership**
 - Mandates for secondary treatment
 - \$65B of funding needs identified
- **Over 600 Chinese cities to treat wastewater by 2005**

STRATEGIC INITIATIVES

- **Leverage current capabilities to expand presence in high-growth water treatment segment**
- **Continue transformation from equipment to solutions provider**
- **Expand sales, distribution and production in China**

Growth Drivers Expected to Take Decades to Play Out



World's leading manufacturer of proprietary ozone oxidation and ultraviolet (UV) disinfection equipment

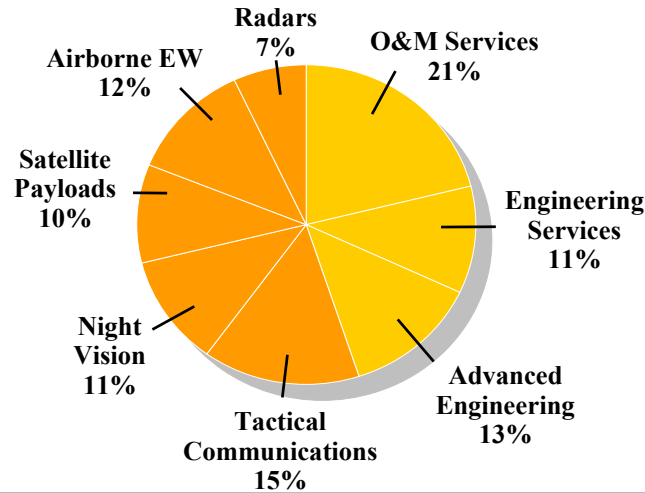


- Expands W/WW product offering into attractive disinfection market, rounding out treatment portfolio
- Complements the base of technology provided by the Sanitaire Biological Treatment and Filtration Divisions
- Compelling EPA regulations backdrop for UV applications
- Potential synergies with BioPharm and other Industrial applications

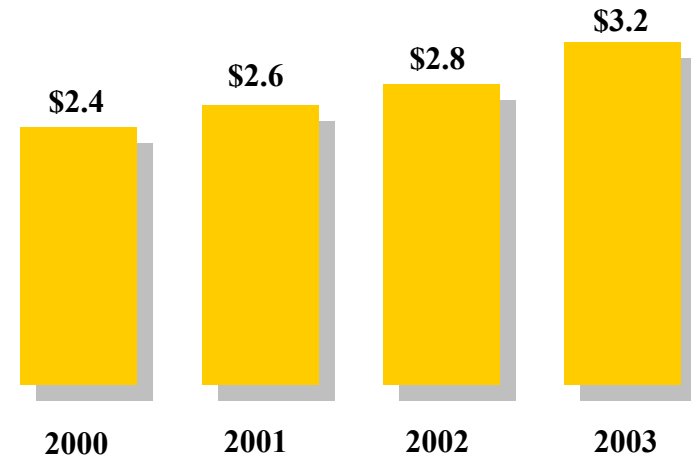


Double Digit Growth Forecasted for Water Treatment Market

REVENUE - \$1.8B



BACKLOG (\$Billion)



GROWTH DRIVERS

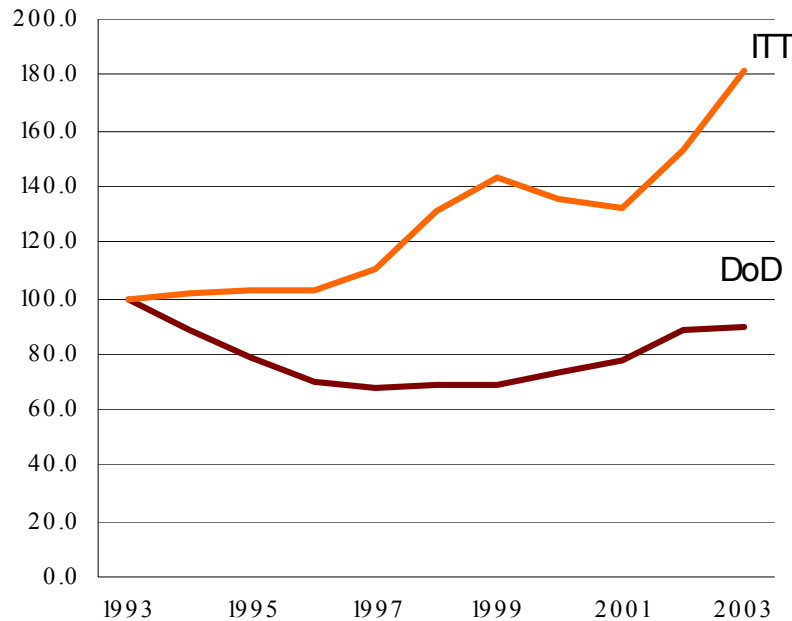
- **Special Operations and Joint Efforts Focus**
- **Modernization of Capabilities**
- **DoD Outsourcing of Support Functions**
- **Embedded Communications**
- **Repositioning of U.S. Troops**

STRATEGIC INITIATIVES

- **Leverage Kodak acquisition to expand opportunities in space**
- **Capture upgrade activity as a result of extensive legacy programs**
- **Continue focus on operational excellence to maintain high win rate**

Diverse Portfolio at “Sweet Spot” of DoD Priorities

ITT Performance v. DoD Procurement
1993 - 2003



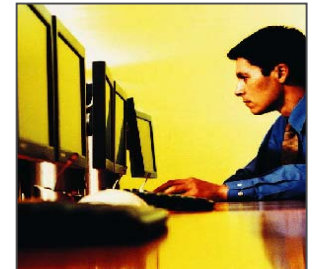
Source: National Defense Budget Estimates for the
FY 2004 Budget (Green Book).

- Growth anticipated to exceed DoD Procurement expenditures
- Diverse program set minimizes risk
- Execution on critical programs supports higher win rate

Organic Growth of at least 10%+ Expected to Continue

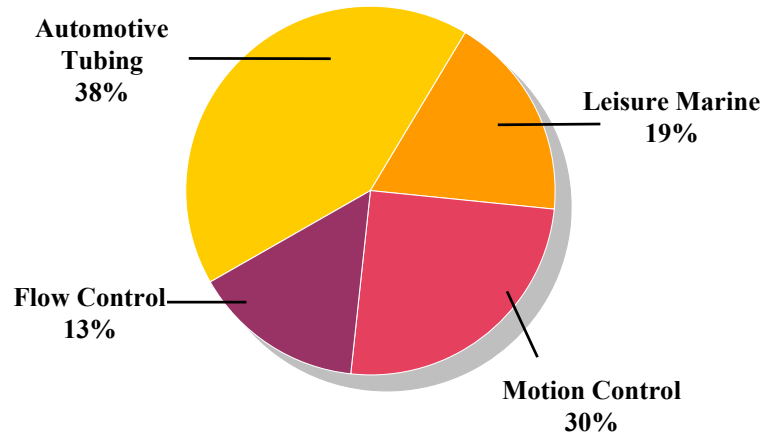
World's leading supplier of high-resolution satellite imaging systems and image information processing services

- **Combination with ITT space business will create a full-spectrum satellite payload provider with latest visible and infrared satellite imaging technology**
- **Improves competitive position and ability to win new space programs**
 - Next generation weather satellites, UAVs and small satellites for scientific and intelligence missions
 - Creates opportunities within our AES and Systems businesses

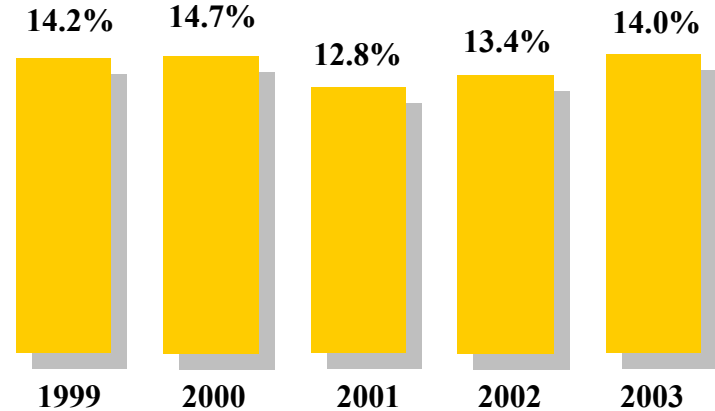


Space Business to Grow from \$600M to \$1B in 5 years

REVENUE - \$1.0B



EBIT MARGIN



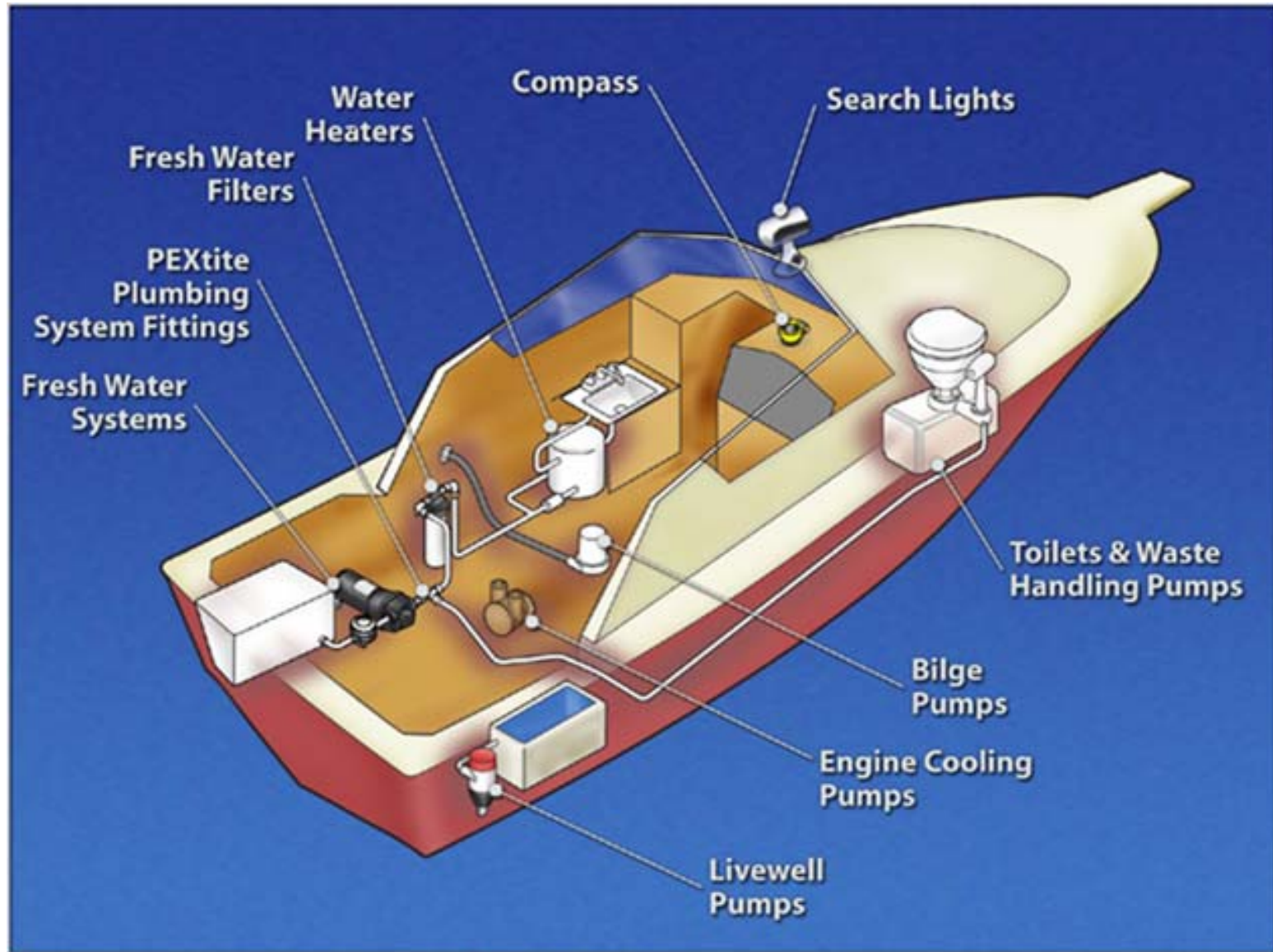
GROWTH DRIVERS

- Broadened application of “quick connects”
- Rail and truck market applications (Motion Control)
- Increased features on boats
- New contract wins in Auto Tubing

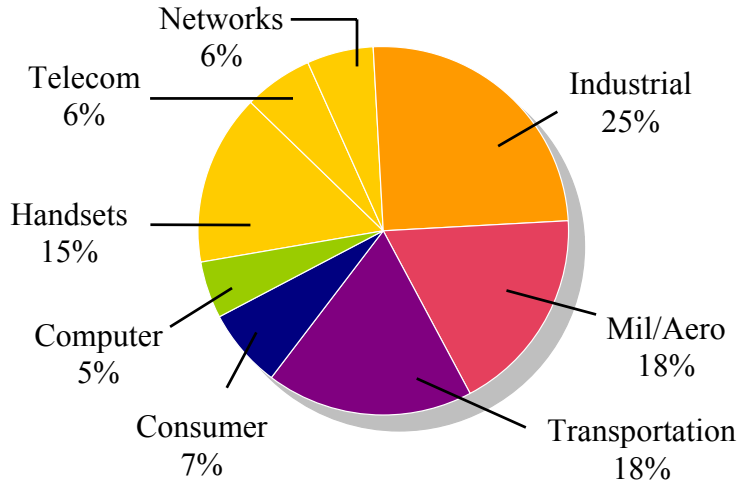
STRATEGIC INITIATIVES

- Leverage brands and global reach
- Accelerate new product development
- Expand Leisure Marine addressable market with new products
- Establish China footprint

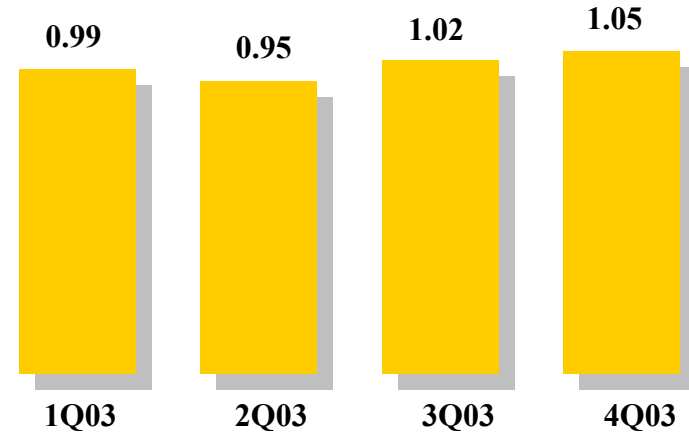
Consistent Performance with Attractive Margins



REVENUE - \$0.6B



2003 BOOK TO BILL



GROWTH DRIVERS

- **Improving market conditions**
- **Easing pricing pressure**
- **Core competencies in miniaturization and harsh environments**
- **Mechatronics (hydraulic to electronic controls)**
- **New management team**

STRATEGIC INITIATIVES

- **Improve customer service offering**
- **Maintain focus on new product development**
- **Identify market opportunities that align with core competencies**
- **Strengthen margins through manufacturing strategy and product mix**

Near-term Initiatives Forming Foundation for Growth

Operating Returns Roadmap

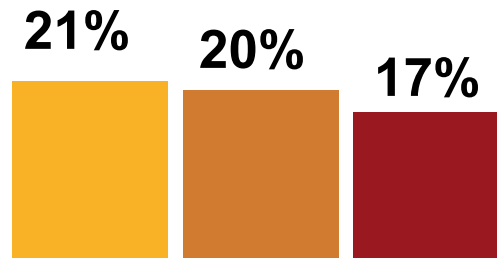
- Footprint Initiatives
- Focused market/channel strategy
- Strategic sourcing/outsourcing
- Product leadership = profitable growth

Continue to fuel our lead strategy for success – Product Leadership

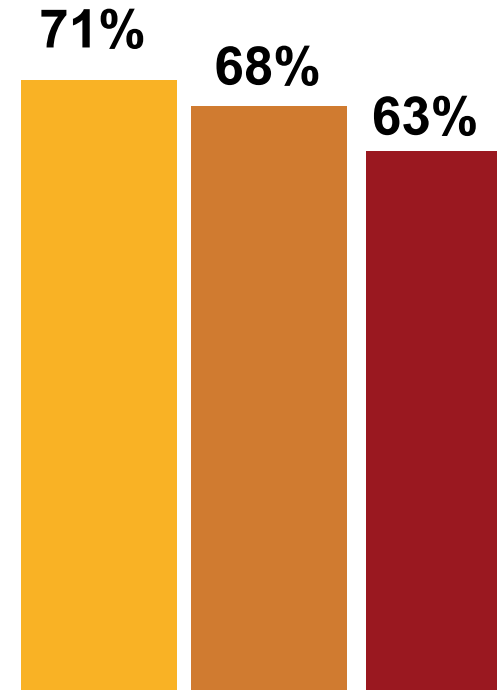
- 2003 SG&A cut-backs
- Stay lean as we grow



R&D



SG&A



COGS

■ 2003 ■ 2004 ■ Target

Current 2004 Guidance	\$4.15 – 4.25
<ul style="list-style-type: none">• Defense’s accelerating organic revenue growth rate• Market share gains among Mo/Flo businesses• Fluid Technology - WEDECO contribution• Electronic Components sales activity increase• Change in Effective Tax Rate	<ul style="list-style-type: none">+14c+5c+3c+2c+1c
Revised 2004 Guidance	\$4.40 – 4.50

2004 Earnings Outlook

Segment	2004 Trends	FY04	
		Revenue	OI Margin
Fluid Technology	<ul style="list-style-type: none"> – Continued growth in Water/Wastewater – Broad Global opportunities 	\$2,500 – 2,550	12.3 – 12.5%
Defense Electronics	<ul style="list-style-type: none"> – Growth in Services through broader offering – Capabilities at “Sweet Spot” of DoD priorities 	\$2,325 – 2,400	9.8 – 10.1%
Motion & Flow Control	<ul style="list-style-type: none"> – New products and market expansion fuel growth at Motion Control & Leisure Marine – Positioning Auto Tubing for growth in 2005 	\$975 – 1,000	14.5 – 15.0%
Electronic Components	<ul style="list-style-type: none"> – Increasing contribution from new products – Margin improvement led by higher volumes, footprint shift and VBSS 	\$625 - 675	6.0 – 7.0%

Guidance	2Q04E	FY04E
Revenues	\$1,575 – 1,650	\$6,450 – 6,600
Segment Operating Margin	11.4 – 11.7%	11.1 – 11.5%
Adjusted EPS	\$1.12 – 1.16	\$4.40 -4.50
YTD Free Cash Flow	\$130 – 150M	\$425 – 475M

Note: FCF = Cash from Operations (before pension pre-funding) – Capital Expenditures

- Consistent performer poised for further upside
- Well managed businesses in increasingly attractive markets
- Sustained value creation through organic growth, margin expansion and targeted acquisitions
- Growth from fundamental demand drivers, not just better economic picture
- Strong outlook for 2004 and beyond



ITT Industries