UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2003

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-5627

ITT INDUSTRIES, INC.

INCORPORATED IN THE STATE OF INDIANA	13-5158950 (I.R.S. Employer Identification Number)

4 WEST RED OAK LANE, WHITE PLAINS, NY 10604
(Principal Executive Office)

TELEPHONE NUMBER: (914) 641-2000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [X] No [ ]

As of July 31, 2003, there were outstanding 92,361,366 shares of common stock ($1 par value per share) of the registrant.

ITT INDUSTRIES, INC.

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PART I.

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The following unaudited consolidated condensed financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and, in the opinion of management, reflect all adjustments (which include normal recurring adjustments) necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such SEC rules. The Company believes that the disclosures made are adequate to make the information presented not misleading. Certain amounts in the prior periods' consolidated condensed financial statements have been reclassified to conform to the current period presentation. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's 2002 Annual Report on Form 10-K.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED INCOME STATEMENTS
(IN MILLIONS, EXCEPT PER SHARE)
(UNAUDITED)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2003	2002	2003	2002
Sales and revenues	$1,438.2	$1,320.1	$2,734.6	$2,505.9
Costs of sales and revenues	949.6	866.0	1,796.0	1,636.6
Selling, general, and administrative expenses	198.6	179.2	398.9	352.5
Research, development, and engineering expenses	142.6	129.8	272.2	256.1
Restructuring and asset impairments	5.9	--	16.3	--
Total costs and expenses	1,296.7	1,175.0	2,483.4	2,245.2
Operating income	141.5	145.1	251.2	260.7
Interest (income) expense, net	5.8	10.0	(9.3)	21.9
Miscellaneous (income) expense, net	2.1	(1.6)	2.8	(3.0)
Income from continuing operations before income taxes	133.6	136.7	257.7	241.8
Income tax expense	41.5	43.8	78.9	77.4
Income from continuing operations	92.1	92.9	178.8	164.4
Discontinued operations: Income from discontinued operations, including tax expense of $0.2	7.8	--	7.8	--
Net income	$ 99.9	$ 92.9	$ 186.6	$ 164.4

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2003	2002	2003	2002
EARNINGS PER SHARE:				
Income from continuing operations:				
Basic	$ 1.00	$ 1.02	$ 1.94	$ 1.82
Diluted	$ 0.98	$ 0.99	$ 1.90	$ 1.76
Discontinued operations:				
Basic	$ 0.08	$ --	$ 0.08	$ --
Diluted	$ 0.08	$ --	$ 0.08	$ --
Net income:				
Basic	$ 1.08	$ 1.02	$ 2.02	$ 1.82
Diluted	$ 1.06	$ 0.99	$ 1.98	$ 1.76
Cash dividends declared per common share	$ 0.16	$ 0.15	$ 0.32	$ 0.30
Average Common Shares -- Basic	92.0	91.0	92.0	90.3
Average Common Shares -- Diluted	94.0	93.9	93.9	93.2

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The accompanying notes to consolidated condensed financial statements are an integral part of the above statements.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS
(IN MILLIONS, EXCEPT FOR SHARES AND PER SHARE)

	JUNE 30, 2003 (UNAUDITED)	DECEMBER 31, 2002
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 236.0	$ 202.2
Receivables, net	1,073.3	868.3
Inventories, net	592.9	552.9
Other current assets	106.3	77.1
Total current assets	2,008.5	1,700.5
Plant, property and equipment, net	838.3	841.2
Deferred income taxes	531.1	546.3
Goodwill, net	1,602.5	1,550.5
Other intangible assets, net	74.2	74.4
Other assets	875.7	676.7
Total assets	$5,930.3	$5,389.6
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 542.5	$ 484.0
Accrued expenses	707.8	725.3
Accrued taxes	277.7	221.3
Notes payable and current maturities of long-term debt	465.0	299.6
Total current liabilities	1,993.0	1,730.2
Pension benefits	1,439.5	1,430.3
Postretirement benefits other than pensions	200.2	198.7
Long-term debt	509.5	492.2
Other liabilities	404.0	400.9
Total liabilities	4,546.2	4,252.3
Shareholders' Equity:		
Cumulative Preferred Stock: Authorized 50,000,000 shares, No par value, none issued	--	--
Common stock: Authorized 200,000,000 shares, $1 par value per share Outstanding: 92,283,651 and 91,824,515 shares	92.3	91.8
Retained earnings	2,107.5	1,939.1
Accumulated other comprehensive loss:		
Unrealized loss on investment securities and cash flow hedges	(1.0)	(1.7)
Unrealized loss on minimum pension liability	(784.7)	(784.7)
Cumulative translation adjustments	(30.0)	(107.2)
Total shareholders' equity	1,384.1	1,137.3
Total liabilities and shareholders' equity	$5,930.3	$5,389.6

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The accompanying notes to consolidated condensed financial statements are an integral part of the above balance sheets.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(IN MILLIONS)
(UNAUDITED)

SIX MONTHS ENDED JUNE 30,	2003	2002
OPERATING ACTIVITIES		
Net income	$ 186.6	$ 164.4
Discontinued operations, net	(7.8)	--
Income from continuing operations	178.8	164.4
Adjustments to income from continuing operations:		
Depreciation and amortization	93.4	85.1
Restructuring and asset impairments	16.3	--
Payments for restructuring	(10.2)	(22.6)
Change in receivables	(132.4)	(115.8)
Change in inventories	(8.4)	7.3
Change in accounts payable and accrued expenses	(3.2)	67.1
Change in accrued and deferred taxes	49.8	42.7
Change in other current and non-current assets	(214.6)	2.9
Change in non-current liabilities	(8.9)	2.5
Other, net	6.0	2.7
Net cash -- operating activities	(33.4)	236.3
INVESTING ACTIVITIES		
Additions to plant, property, and equipment	(57.7)	(52.1)
Proceeds from sale of assets and businesses	9.5	6.8
Acquisitions	(42.5)	(38.8)
Other, net	0.1	1.1
Net cash -- investing activities	(90.6)	(83.0)
FINANCING ACTIVITIES		
Short-term debt, net	181.1	(168.4)
Long-term debt repaid	(17.0)	(1.6)
Long-term debt issued	0.3	0.3
Repurchase of common stock	(16.8)	(13.6)
Proceeds from issuance of common stock	19.9	79.4
Dividends paid	(28.5)	(26.8)
Other, net	0.1	(0.2)
Net cash -- financing activities	139.1	(130.9)
EXCHANGE RATE EFFECTS ON CASH AND CASH EQUIVALENTS	8.9	4.5
NET CASH -- DISCONTINUED OPERATIONS	9.8	20.3
Net change in cash and cash equivalents	33.8	47.2
Cash and cash equivalents -- beginning of period	202.2	121.3
CASH AND CASH EQUIVALENTS -- END OF PERIOD	$ 236.0	$ 168.5
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 22.9	$ 25.8
Income taxes	$ 29.1	$ 34.8

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The accompanying notes to consolidated condensed financial statements are an integral part of the above statements.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(IN MILLIONS, EXCEPT PER SHARE, UNLESS OTHERWISE STATED)

1) RECEIVABLES

Net receivables consist of the following:

	JUNE 30, 2003	DECEMBER 31, 2002
Trade	$ 993.2	$811.2
Other	107.0	84.8
Allowance for doubtful accounts	(26.9)	(27.7)
	$1,073.3	$868.3

2) INVENTORIES

Net inventories consist of the following:

	JUNE 30, 2003	DECEMBER 31, 2002
Finished goods	$160.4	$147.6
Work in process	181.1	195.9
Raw materials	334.5	280.3
Progress payments	(83.1)	(70.9)
	$592.9	$552.9

3) PLANT, PROPERTY, AND EQUIPMENT

Net plant, property, and equipment consist of the following:

	JUNE 30, 2003	DECEMBER 31, 2002
Land and improvements	$ 56.8	$ 60.3
Buildings and improvements	436.5	409.9
Machinery and equipment	1,545.3	1,481.5
Furniture, fixtures and office equipment	245.4	235.5
Construction work in progress	77.5	73.3
Other	46.1	44.3
	2,407.6	2,304.8
Accumulated depreciation and amortization	(1,569.3)	(1,463.6)
	$ 838.3	$ 841.2

4) SALES AND REVENUES AND COSTS OF SALES AND REVENUES

Sales and revenues and costs of sales and revenues consist of the following:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2003	2002	2003	2002
Product sales	$1,215.6	$1,143.1	$2,312.9	$2,173.5
Service revenues	222.6	177.0	421.7	332.4
Total sales and revenues	$1,438.2	$1,320.1	$2,734.6	$2,505.9
Costs of product sales	$ 798.1	$ 752.3	$1,506.8	$1,427.4
Costs of service revenues	151.5	113.7	289.2	209.2
Total costs of sales and revenues	$ 949.6	$ 866.0	$1,796.0	$1,636.6

The Defense Electronics & Services segment comprises $201.3 and $379.8 of total service revenues for the three and six months ended June 30, 2003, respectively, and $132.1 and $250.4 of total costs of service revenues, respectively, during the same period. The Fluid Technology segment comprises the remaining balances of service revenues and costs of service revenues.

The Defense Electronics & Services segment comprises $157.0 and $293.9 of total service revenues for the three and six months ended June 30, 2002, respectively, and $96.3 and $175.3 of total costs of service revenues, respectively, during the same period. The Fluid Technology segment comprises the remaining balances of service revenues and costs of service revenues.

5) COMPREHENSIVE INCOME

	PRETAX INCOME (EXPENSE)	TAX (EXPENSE) BENEFIT	NET-OF-TAX AMOUNT
Three Months Ended June 30, 2003			
Net income			$ 99.9
Other comprehensive income (loss):			
Foreign currency translation adjustments	$ 55.0	$ --	55.0
Unrealized gain (loss) on investment securities and cash flow hedges	1.4	(0.5)	0.9
Other comprehensive income	$ 56.4	$(0.5)	55.9
Comprehensive income			$155.8

PRETAX TAX INCOME (EXPENSE) NET-OF-TAX (EXPENSE)
BENEFIT AMOUNT --------- --------- ---------- Three
Months Ended June 30, 2002 Net
income...
$ 92.9 Other comprehensive income (loss): Foreign
currency translation adjustments.................. $
76.8 $ -- 76.8 Unrealized gain (loss) on investment
securities........... (0.3) 0.1 (0.2) ------ ----- ----
-- Other comprehensive
income............................. $ 76.5 $ 0.1 76.6 -
----- Comprehensive
income....................................... $169.5
======

PRETAX TAX INCOME (EXPENSE) NET-OF-TAX (EXPENSE)
BENEFIT AMOUNT --------- --------- ---------- Six
Months Ended June 30, 2003 Net
income...
$186.6 Other comprehensive income (loss): Foreign
currency translation adjustments.................. $
77.2 $ -- 77.2 Unrealized gain (loss) on investment
securities and cash flow
hedges.. 1.1
(0.4) 0.7 ------ ----- ------ Other comprehensive
income (loss)..................... $ 78.3 $(0.4) 77.9
------ Comprehensive
income....................................... $264.5
======

PRETAX TAX INCOME (EXPENSE) NET-OF-TAX (EXPENSE)
BENEFIT AMOUNT --------- --------- ---------- Six
Months Ended June 30, 2002 Net
income...
$164.4 Other comprehensive income (loss): Foreign
currency translation adjustments.................. $
63.9 $ -- 63.9 Minimum pension
liability................................ (23.7) 8.0
(15.7) Unrealized gain (loss) on investment
securities........... 0.3 (0.1) 0.2 ------ ----- ------
Other comprehensive income (loss).....................
$ 40.5 $ 7.9 48.4 ------ Comprehensive
income....................................... $212.8
======

6) EARNINGS PER SHARE

The following is a reconciliation of the shares used in the computation of basic and diluted earnings per share for the three months and six months ended June 30, 2003 and 2002:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2003	2002	2003	2002
Weighted average shares of common stock outstanding used in the computation of basic earnings per share	92.0	91.0	92.0	90.3
Common stock equivalents	2.0	2.9	1.9	2.9
Shares used in the computation of diluted earnings per share	94.0	93.9	93.9	93.2

The amounts of outstanding antidilutive common stock options excluded from the computation of diluted earnings per share for the three months and six months ended June 30, 2003 were 1.9 and 1.7, respectively.

The amounts of outstanding antidilutive common stock options excluded from the computation of diluted earnings per share for the three months and six months ended June 30, 2002 were each less than 0.1.

7) STOCK-BASED EMPLOYEE COMPENSATION

As of June 30, 2003 and 2002, the Company had two stock-based employee compensation plans and one stock-based non-employee director's compensation plan, which are described more fully in Note 20, "Shareholders' Equity," within the Notes to Consolidated Financial Statements of the 2002 Annual Report on Form 10-K. Additionally, a third stock-based employee compensation plan was adopted by the Company during the second quarter of 2003. The Company accounts for these plans under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. Had compensation cost for these plans been determined based on the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," the Company's net income and earnings per share would have been reduced to the following pro forma amounts:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2003	2002	2003	2002
Net income as reported	$99.9	$ 92.9	$186.6	$164.4
Deduct: Total stock-based employee compensation expense determined under the fair value based method for awards not reflected in net income -- net of tax	(0.5)	(19.1)	(2.4)	(21.3)
Pro forma net income	$99.4	$ 73.8	$184.2	$143.1
EPS: Basic, as reported	$1.08	$ 1.02	$ 2.02	$ 1.82
Basic, pro forma	1.08	0.81	2.00	1.58
Diluted, as reported	$1.06	$ 0.99	$ 1.98	$ 1.76
Diluted, pro forma	1.06	0.79	1.96	1.54

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model and the following weighted-average assumptions for grants in the three months and six months ended June 30, 2003 and 2002:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2003	2002	2003	2002
Dividend yield	1.50%	1.65%	1.57%	1.65%
Expected volatility	27.36%	28.30%	28.75%	28.30%
Expected life	6 years	6 years	6 years	6 years
Risk-free rates	2.92%	4.92%	3.37%	4.80%

The value of stock-based compensation that was recognized in selling, general and administrative expenses within the Consolidated Condensed Income Statements during the three month and six month periods ended June 30, 2003 and 2002 was:

THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
2003	2002	2003	2002
$0.2	$0.2	$0.4	$0.3

8) RESTRUCTURING AND ASSET IMPAIRMENT CHARGES

As discussed in the "Accounting Pronouncements" section of Management's Discussion and Analysis of Financial Condition and Results of Operations, the Company recorded restructuring charges related to 2003 actions in accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." Restructuring actions initiated prior to January 1, 2003 were recorded in accordance with the guidelines of Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Benefits (including Certain Costs Incurred in a Restructuring)."

During the second quarter of 2003 the Company continued its program to reduce structural costs and increase profitability. New restructuring actions totaling $4.7 were announced during the period. The charge primarily reflected the severance of 148 employees and the cancellation of an operating lease. The actions by segment are as follows:

- The Electronic Components segment comprises $2.7 of the charge and the

actions taken at this segment include the termination of six management employees, 19 factory workers and 71 office workers.

- The Motion & Flow Control segment recognized $1.0 for the severance of 50 employees, including six management employees, 31 factory workers and 13 office workers. Lease termination fees of $0.7 and asset disposal costs of $0.1 were also reflected in the charge.

- At Corporate Headquarters, a charge of $0.2 was recorded for the termination of one management employee and one office worker.

The projected future cash savings from the restructuring actions announced during the second quarter of 2003 are approximately $4.0 during 2003 and $43.0 between 2004 and 2008. The savings primarily represents lower salary and wage expenditures and will be reflected in costs of sales and revenues and selling, general and administrative expenses.

In addition to the new restructuring actions announced during the quarter, the Motion & Flow Control segment recognized $1.2 of severance and employee benefit costs related to actions announced during the first quarter.

During the first quarter of 2003 the Company recorded a $9.0 restructuring charge primarily for the planned severance of 465 persons. Severance of $8.3 represents the majority of the charge.

Listed below, by business segment, is background information on the 2003 first quarter restructuring charge.

	CASH CHARGES			
	SEVERANCE	OTHER	ASSET IMPAIRMENTS	TOTAL
Electronic Components	$6.8	$0.3	$0.4	$7.5
Corporate & Other	1.1	--	--	1.1
Motion & Flow Control	0.4	--	--	0.4
Total 2003 1st Quarter Charges	$8.3	$0.3	$0.4	$9.0

The restructuring actions initiated by the Electronic Components segment include the planned termination of 226 persons, comprised of 101 office workers, 116 factory workers and nine management employees, and the disposal of certain machinery and equipment. The actions were prompted by management's projections of continued weakness in certain businesses.

The $1.1 charge taken at Corporate Headquarters represents the consolidation of administrative tasks and includes the planned termination of two management employees.

The actions within the Motion & Flow Control segment include the planned termination of 237 employees, comprised of 21 office workers and 216 factory workers. The charge relates to the closure of a manufacturing facility in Arkansas. The actions will be completed during 2003 and 2004 and the total estimated charge of approximately $2.8 will be recognized ratably over the restructuring period as the terminations become effective. Management deemed the restructuring actions necessary to address the anticipated loss of certain platforms during the second half of 2003.

The projected future cash savings from the restructuring actions announced during the first quarter of 2003 are approximately $6.0 during 2003 and $60 between 2004 and 2008. The savings primarily represents lower salary and wage expenditures and will be reflected in costs of sales and revenues and selling, general and administrative expenses.

The following is a rollforward of the accrued cash restructuring balances for all restructuring plans.

	FLUID TECHNOLOGY	MOTION & FLOW CONTROL	ELECTRONIC COMPONENTS	CORPORATE, ELIMINATIONS AND OTHER	TOTAL
Balance December 31, 2002	$ 6.5	$ 4.5	$ 4.4	$ 0.9	$16.3
Payments for prior charges	(4.0)	(1.9)	(1.6)	(0.4)	(7.9)
2003 restructuring charges	--	3.3	9.8	1.3	14.4
Payments for 2003 charges	--	(0.1)	(1.9)	(0.3)	(2.3)
Balance June					

30,
2003......................
$ 2.5 $ 5.8 $10.7 $ 1.5
$20.5 ===== ===== =====
===== =====

At December 31, 2002, the accrual balance for restructuring activities was $16.3. Cash payments of $10.2 and an additional cash charge of $14.4 were recorded in the first six months of 2003. The accrual balance at June 30, 2003 is $20.5, which includes $17.0 for severance and $3.5 for facility carrying costs and other.

As of December 31, 2002, remaining actions under restructuring activities announced in 2001 and 2002 were to close three facilities and reduce headcount by 256. During the first six months of 2003, the Company closed one facility. In addition, headcount was reduced by 368 persons related to all plans and the Company experienced employee attrition, leaving a balance of 492 planned reductions (including the 2003 plans). Actions announced during the first half of 2003 will be completed by the second quarter of 2004. All of the actions contemplated under the 2002 and 2001 plans will be completed by the close of 2003. Closed facility expenditures related to the 2001 plan will continue to be incurred in 2003 through 2006. Future restructuring expenditures will be funded with cash from operations, supplemented, as required, with commercial paper borrowings.

OTHER ASSET IMPAIRMENT CHARGE

During the first quarter of 2003, the Company recorded a $1.4 asset impairment charge primarily for a technology license that will not be utilized based on management's projections of future market conditions. The applicable assets were written down to their fair values based on management's comparison of projected future discounted cash flows generated by each asset to the applicable asset's carrying value. These impairments were unrelated to the Company's restructuring activities.

9) DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The nature of the Company's business activities necessarily involves the management of various financial and market risks, including those related to changes in interest rates, currency exchange rates, and commodity prices. As discussed more completely in Notes 1, "Accounting Policies", and 18, "Financial Instruments," within the Notes to Consolidated Financial Statements of the 2002 Annual Report on Form 10-K, the Company uses derivative financial instruments to mitigate or eliminate certain of those risks.

At June 30, 2003 and December 31, 2002, the values of the Company's interest rate swaps were $113.1 and $97.0, including $4.0 of accrued interest in each period.

A reconciliation of current period changes contained in the accumulated other comprehensive loss component of shareholders' equity is not required as no material activity occurred during the first six months of 2003. Additional disclosures required by SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, are presented below.

HEDGES OF FUTURE CASH FLOWS

At June 30, 2003 the Company had 12 foreign currency cash flow hedges that had appreciations of $0.2 during 2003. At December 31, 2002, there were no foreign currency cash flow hedges outstanding. There were no changes in the forecasted transactions during 2003 regarding their probability of occurring, which would require amounts to be reclassified to earnings.

The notional amount of the foreign currency forward contracts utilized to hedge cash flow exposures was $5.1 at June 30, 2003. The applicable fair value of these contracts at June 30, 2003 was a net short position of $4.8. There were no ineffective portions of changes in fair values of cash flow hedge positions reported in earnings for the six months ended June 30, 2003 and 2002, respectively, and no amounts were excluded from the measure of effectiveness reported in earnings during these periods.

HEDGES OF RECOGNIZED ASSETS, LIABILITIES AND FIRM COMMITMENTS

At June 30, 2003 and December 31, 2002, the Company had foreign currency forward contracts with notional amounts of $86.5 and $109.1, respectively, to hedge the value of recognized assets, liabilities and firm

commitments. The fair value of the 2003 and 2002 contracts were net short positions of $38.3 and $42.3 at June 30, 2003 and December 31, 2002, respectively. The ineffective portion of changes in fair values of such hedge positions reported in operating income during the first six months of 2003 and 2002 were $0.1 and $0.3, respectively. There were no amounts excluded from the measure of effectiveness.

10) GOODWILL AND OTHER INTANGIBLE ASSETS

As of January 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which addresses the financial accounting and reporting standards for the acquisition of intangible assets outside of a business combination and for goodwill and other intangible assets subsequent to their acquisition. This accounting standard requires that goodwill and indefinite-lived intangible assets be tested for impairment on an annual basis, or more frequently if circumstances warrant, and that they no longer be amortized. The provisions of the standard also require the completion of a transitional impairment test in the year of adoption, with any impairments identified treated as a cumulative effect of a change in accounting principle. In connection with the adoption of SFAS No. 142, the Company completed a transitional and initial goodwill impairment test at its 12 identified reporting units and determined that no impairment exists. Both tests were conducted in the first quarter of 2002. The Company also conducted its annual impairment test in the first quarter of 2003 (as of the beginning of the year) and determined that no impairment exists.

Changes in the carrying amount of goodwill for the six months ended June 30, 2003 by operating segment are as follows:

	FLUID TECHNOLOGY	DEFENSE ELECTRONICS & SERVICES	MOTION & FLOW CONTROL	ELECTRONIC COMPONENTS	CORPORATE AND OTHER	TOTAL
Balance as of December 31, 2002.....	$769.9	$303.7	$176.1	$295.8	$5.0	$1,550.5
Goodwill acquired during the period...........................	4.6	--	--	23.0	--	27.6
Other, including foreign currency translation......................	20.4	--	1.9	2.1	--	24.4
Balance as of June 30, 2003.........	$794.9	$303.7	$178.0	$320.9	$5.0	$1,602.5

Information regarding the Company's other intangible assets follows:

	JUNE 30, 2003	DECEMBER 31, 2002
Amortized intangibles -- Patents and other..	$32.8	$32.1
Accumulated amortization................................	(6.6)	(5.7)
Unamortized intangibles -- Brands and trademarks...................................	12.7	12.7
Pension related..	35.3	35.3
Net intangibles..	$74.2	$74.4

Amortization expense related to intangible assets for the six month periods ended June 30, 2003 and 2002 was $0.9 and $0.5, respectively. Estimated amortization expense for each of the five succeeding years is $1.8 per year.

11) DISCONTINUED OPERATIONS

In September of 1998, the Company completed the sales of its automotive Electrical Systems business to Valeo SA for approximately $1,700 and its Brake and Chassis unit to Continental AG of Germany for approximately $1,930. These dispositions were treated as discontinued operations. In 1998, the Company received notifications of claims from the buyers of the automotive business requesting post-closing adjustments to the purchase prices under the provisions of the sales agreements. In 1999, those claims were submitted to arbitration. In 2001 and early in 2002, both claims were favorably resolved.

At June 30, 2003, the Company had automotive discontinued operations accruals of $188.9 that primarily relate to taxes ($154.0), product recalls ($8.0), environmental obligations ($14.5), employee benefits ($10.5) and other ($1.9). In 2003, the Company has spent approximately $1.1. The Company expects that it will cash settle $154.0 of tax obligations in 2004 or 2005.

During the second quarter of 2003, the Company collected a disputed receivable related to its disposed automotive businesses in the amount of $8.0. A valuation allowance had previously been established for the full amount of the receivable. Upon collection, the Company reversed its valuation allowance which resulted in Income from Discontinued Operations of $8.0.

12) COMMITMENTS AND CONTINGENCIES

The Company and its subsidiaries are from time to time involved in legal proceedings that are incidental to the operation of their businesses. Some of these proceedings allege damages against the Company relating to environmental liabilities (including toxic tort, property damage, and remediation), intellectual property matters (including patent, trademark and copyright infringement, and licensing disputes), personal injury claims (including injuries due to product failure, design or warnings issues, asbestos exposure, or other product liability related matters), employment and pension matters, government contract issues and commercial or contractual disputes, sometimes related to acquisitions or divestitures. The Company will continue to vigorously defend itself against all claims. Accruals have been established where the outcome of the matter is probable and can be reasonably estimated. Although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information including the Company's assessment of the merits of the particular claim, as well as its current reserves and insurance coverage, the Company does not expect that such legal proceedings will have any material adverse impact on the cash flow, results of operations, or financial condition of the Company on a consolidated basis in the foreseeable future.

ENVIRONMENTAL

The Company has accrued for environmental remediation costs associated with identified sites consistent with the policy set forth in Note 1, "Accounting Policies," within the Notes to Consolidated Financial Statements of the 2002 Annual Report on Form 10-K. In management's opinion, the total amount accrued and related receivables are appropriate based on existing facts and circumstances. It is difficult to estimate the total costs of investigation and remediation due to various factors, including incomplete information regarding particular sites and other potentially responsible parties, uncertainty regarding the extent of contamination and the Company's share, if any, of liability for such conditions, the selection of alternative remedies, and changes in clean-up standards. In the event that future remediation expenditures are in excess of amounts accrued, management does not anticipate that they will have a material adverse effect on the consolidated financial position, results of operations or cash flows.

In the ordinary course of business, and similar to other industrial companies, the Company is subject to extensive and changing federal, state, local, and foreign environmental laws and regulations. The Company has received notice that it is considered a potentially responsible party ("PRP") at a limited number of sites by

the United States Environmental Protection Agency ("EPA") and/or a similar state agency under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA" or "Superfund") or its state equivalent. As of June 30, 2003, the Company is responsible, or is alleged to be responsible, for 104 environmental investigation and remediation sites in various countries. In many of these proceedings, the Company's liability is considered de minimis. At June 30, 2003, the Company calculated a best estimate of $109.0, which approximates its accrual, related to the cleanup of soil and ground water. The low range estimate for its environmental liabilities is $81.0 and the high range estimate for those liabilities is $174.0. On an annual basis the Company spends between $11.0 and $14.0 on its environmental remediation liabilities.

The Company is involved in an environmental proceeding in Glendale, California relating to the San Fernando Valley aquifer. The Company is one of numerous PRPs who are alleged by the EPA to have contributed to the contamination of the aquifer. In January 1999, the EPA filed a complaint in the United States District Court for the Central District of California against the Company and Lockheed Martin Corporation, United States v. ITT Industries, Inc. and Lockheed Martin Corp. CV99-00552 SVW AIJX, to recover costs it incurred in connection with the foregoing. In May 1999, the EPA and the PRPs, including the Company and Lockheed Martin, reached a settlement, embodied in a consent decree, requiring the PRPs to perform additional remedial activities. Pursuant to the settlement, the PRPs, including the Company, have constructed and are operating a water treatment system. The operation of the water treatment system is expected to continue until 2013. ITT and the other PRPs continue to pay their respective allocated costs of the operation of the water treatment system and the Company does not anticipate a default by any of the PRPs which would increase its allocated share of the liability. As of June 30, 2003, the Company's accrual for this liability was $10.9 representing its best estimate; its low estimate for the liability is $7.4 and its high estimate is $16.4.

ITT operated a facility in Madison County, Florida from 1968 until 1991. In 1995, elevated levels of contaminants were detected at the site. Since then, ITT has been investigating the site in coordination with state and federal environmental authorities. A remedy for the site has not yet been selected. Currently, the estimated range for the costs of the additional investigation and the anticipated remediation is between $6.2 and $20.4. The Company has accrued $10.8 for this matter, which approximates its best estimate.

The Company is involved with a number of PRPs regarding property in the City of Bronson, Michigan operated by a former subsidiary of ITT, Higbie Manufacturing, prior to the time ITT acquired Higbie. ITT and other PRPs are investigating and remediating discharges of industrial waste which occurred in the 1930's. The Company's current estimates for its exposure are between $3.1 and $6.4. It has an accrual for this matter of $4.4 which represents its best estimate of its current liabilities. The Company does not anticipate a default on the part of the other PRPs.

In a suit filed in 1991 by the Company, in the California Superior Court, Los Angeles County, ITT Corporation, et al. v. Pacific Indemnity Corporation et al., against its insurers, the Company is seeking recovery of costs it incurred in connection with its environmental liabilities including the three listed above. Discovery, procedural matters, changes in California law, and various appeals have prolonged this case. Currently, the matter is before the California Court of Appeals from a decision by the California Superior Court dismissing certain claims of the Company. The dismissed claims were claims where the costs incurred were solely due to administrative (versus judicial) actions. A hearing is expected in late 2003. In the event the appeal is successful, the Company will pursue the administrative claims against its excess insurers. During the course of the litigation the Company has negotiated settlements with certain defendant insurance companies and is prepared to pursue its legal remedies where reasonable negotiations are not productive. A portion of the recoveries from the insurance settlements have been placed in a trust and are used to reimburse the Company for its environmental costs.

PRODUCT LIABILITY

ITT and its subsidiary Goulds Pumps, Inc. ("Goulds") have been joined as defendants with numerous other industrial companies in product liability lawsuits alleging injury due to asbestos. These actions against the Company have been managed by our historic product liability insurance carriers. These claims stem primarily from products sold prior to 1985 that contained a part manufactured by a third party, e.g., a gasket, which allegedly contained asbestos. The asbestos was encapsulated in the gasket (or other) material and was non-friable. In certain other cases, it is alleged that ITT companies were distributors for other manufacturers' products that may have contained asbestos.

Frequently, the plaintiffs are unable to demonstrate any injury or do not identify any ITT or Goulds product as a source of asbestos exposure. During the first half of 2003, ITT and Goulds resolved approximately 150 cases through settlement or dismissal. The average amount of settlement per plaintiff has been nominal and virtually all defense and settlement costs have been covered by insurance. Based upon past claims experience, available insurance coverage, and after consultation with counsel, management believes that these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows.

The Company is involved in two actions, Cannon Electric, Inc. et al. v. Ace Property & Casualty Company et al. Superior Court, County of Los Angeles, CA., Case No. BC 290354, and Pacific Employers Insurance Company et al., v. ITT Industries, Inc., et al., Supreme Court, County of New York, N.Y., Case No. 03600463. The parties in both cases are seeking an appropriate allocation of responsibility for the Company's historic asbestos liability exposure among its insurers. The California action is filed in the same venue where the Company's environmental insurance recovery litigation has been pending for several years. Both actions have been stayed to allow the parties to negotiate an acceptable allocation arrangement. The Company is continuing to receive the benefit of insurance payments during the pendency of these actions. The Company believes that these actions will not materially affect the availability of its insurance coverage and will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

The Company is one of several defendants in a suit filed in El Paso, Texas Bund zur Unterstutzung Radargeschadigter et al. v. ITT Industries et al., Sup. Ct., El Paso, Texas, C.A. No. 2002-4730. This Complaint, filed by both U.S. and German citizens, alleges that ITT and four other major companies failed to warn the plaintiffs of the dangers associated with exposure to x-ray radiation from radar devices. The Complaint also seeks the certification of a class of similarly injured persons. The Company's insurers are on notice of this matter and are contributing to the costs of defense. Management believes that this matter will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

The Company has received notice of a product liability suit filed in Superior Court of New York, Danis v. Rule Industries et al., Sup.Ct. N.Y., C.A. No. 115975-02, seeking damages for injuries sustained in a boat explosion. The suit contains a number of causes of action against various defendants including the boat manufacturer, the marina operator, and individuals working at the marina. As to the Company, the Complaint alleges that a fume detector, manufactured by ITT's subsidiary Rule Industries, Inc. prior to the date the Company acquired Rule, malfunctioned. The Company's insurer has accepted the defense of this matter. Management believes that this matter will not have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows.

The Company has received demands from U.S. Silica for partial indemnity regarding personal injury actions alleging injury due to silica. In 1985, the Company sold the stock of its subsidiary Pennsylvania Glass Sand to U.S. Silica. As part of that transaction, the Company provided an indemnity to U.S. Silica for silica personal injury suits. That indemnity expires in September 2005. Costs incurred in these matters related to the

defense, settlements or judicial awards are allocated between U.S. Silica and the Company. The Company's allocated portion is paid in part by its historic product liability carriers and then shared pursuant to the Distribution Agreement. See "Company History and Certain Relationships" within Part 1, Item 1 of the Company's 2002 Annual Report on Form 10K for a Description of the Distribution Agreement. Management believes that these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

OTHER

The Company has received a Notice of Claim from Rayonier, Inc., a former subsidiary of the Company's predecessor ITT Corporation. This claim stems from the 1994 Distribution Agreement for the spin-off of Rayonier by ITT Corporation and seeks an allocation of proceeds from certain settlements in connection with the Company's environmental insurance recovery litigation. The parties are seeking a resolution of this matter through arbitration. The Company believes the claim is grossly overstated and will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

13) GUARANTEES, INDEMNITIES AND WARRANTIES

GUARANTEES & INDEMNITIES

In September of 1998, the Company completed the sale of its automotive electrical systems business to Valeo SA for approximately $1,700. As part of the sale, the Company provided Valeo SA with representations and warranties with respect to the operations of that business, including: Conveyance of Title, Employee Benefits, Tax, Product Liability, Product Recall, Contracts, Environmental, Intellectual Property, etc. The Company also indemnified Valeo SA for losses related to a misrepresentation or breach of the representations and warranties. With a few limited exceptions, the indemnity periods within which Valeo SA may assert new claims have expired. Under the terms of the sales contract, the original maximum potential liability to Valeo SA on an undiscounted basis is $680. However, because of the lapse of time, or the fact that the parties have resolved certain issues, at June 30, 2003 the Company has an accrual of $8 which is its best estimate of the potential exposure.

In September of 1998, the Company completed the sale of its brake and chassis unit to Continental AG for approximately $1,930. As part of the sale, the Company provided Continental AG with representations and warranties with respect to the operations of that business, including: Conveyance of Title, Employee Benefits, Tax, Product Liability, Product Recall, Contracts, Environmental, Intellectual Property, etc. The Company also indemnified Continental AG for losses related to a misrepresentation or breach of the representations and warranties. With a few limited exceptions, the indemnity periods within which Continental AG may assert new claims have expired. Under the terms of the sales contract, the original maximum potential liability to Continental AG on an undiscounted basis is $950. However, because of the lapse of time, or the fact that the parties have resolved certain issues, at June 30, 2003 the Company has an accrual of $14.5 which is its best estimate of the potential exposure.

Since its incorporation in 1920, the Company has acquired and disposed of numerous entities. The related acquisition and disposition agreements contain various representation and warranty clauses and may provide indemnities for a misrepresentation or breach of the representations and warranties by either party. The indemnities address a variety of subjects; the term and monetary amounts of each such indemnity are defined in the specific agreements and may be affected by various conditions and external factors. Many of the indemnities have expired either by operation of law or as a result of the terms of the agreement. The Company does not have a liability recorded for the historic indemnifications and is not aware of any claims or other

information that would give rise to material payments under such indemnities. The Company has separately discussed material indemnities provided within the last seven years.

The Company provided three guarantees with respect to its real estate development activities in Flagler County, Florida. Two of these guarantee bonds were issued by the Dunes Community Development District (the District). The bond issuances were used primarily for the construction of infrastructure, such as water and sewage utilities and a bridge. The Company would be required to perform under these guarantees if the District failed to provide interest payments or principal payments due to the bond holders. The maximum amount of the undiscounted future payments on these guarantees equal $28.9. At June 30, 2003, the Company does not believe that a loss contingency is probable for these guarantees and therefore does not have an accrual recorded in its financial statements. The third guaranty is a performance bond in the amount of $10.0 in favor of Flagler County, Florida. The Company would be required to perform under this guarantee if certain parties did not satisfy all aspects of the development order, the most significant aspect being the expansion of a bridge. The maximum amount of the undiscounted future payments on the third guarantee equals $10.0. At June 30, 2003, the Company has an accrual related to the expansion of the bridge in the amount of $10.0.

In December of 2002, the Company entered into a sales-type lease agreement for its corporate aircraft and then leased the aircraft back under an operating lease agreement. The Company has provided, under the agreement, a residual value guarantee to the counterparty in the amount of $46.8, which is the maximum amount of undiscounted future payments. The Company would have to make payments under the residual value guarantee only if the fair value of the aircraft was less than the residual value guarantee upon termination of the agreement. At June 30, 2003, the Company does not believe that a loss contingency is probable and therefore does not have an accrual recorded in its financial statements.

PRODUCT WARRANTIES

Accruals for estimated expenses related to warranties are made at the time products are sold or services are rendered. These accruals are established using historical information on the nature, frequency, and average cost of warranty claims. The Company warrants numerous products, the terms of which vary widely. In general, the Company warrants its products against defect and specific nonperformance. In the automotive businesses, liability for product defects could extend beyond the selling price of the product and could be significant if the defect shuts down production or results in a recall. At June 30, 2003, the Company has a product warranty accrual in the amount of $41.1.

PRODUCT WARRANTY LIABILITIES

ACCRUALS
FOR
PRODUCT
CHANGES IN
PRE-
EXISTING
BEGINNING
BALANCE
WARRANTIES
ISSUED
WARRANTIES
INCLUDING
ENDING
BALANCE
JANUARY 1,
2003 IN
THE PERIOD
CHANGES IN
ESTIMATES
(PAYMENTS)
JUNE 30,
2003 - ---

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$40.4
$11.0
$(0.6)
$(9.7)
$41.1 ----
- ----- --
--- -----

ITT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)
(IN MILLIONS, EXCEPT PER SHARE, UNLESS OTHERWISE STATED)

14) BUSINESS SEGMENT INFORMATION

Unaudited financial information of the Company's business segments for the three months and the six months ended June 30, 2003 and 2002 were as follows:

THREE MONTHS ENDED JUNE 30, 2003	DEFENSE ELECTRONICS & SERVICES	FLUID TECHNOLOGY	MOTION & FLOW CONTROL	ELECTRONIC COMPONENTS	CORPORATE, ELIMINATIONS & OTHER	TOTAL
Sales and revenues	$ 570.6	$452.4	$262.7	$153.7	$ (1.2)	$1,438.2
Costs of sales and revenues	378.4	272.2	190.1	110.4	(1.5)	949.6
Selling, general, and administrative expenses	105.6	21.3	23.1	30.2	18.4	198.6
Research, development, and engineering expenses	12.5	112.2	9.4	8.5	--	142.6
Restructuring and asset impairments	--	--	3.0	2.7	0.2	5.9
Total costs and expenses	496.5	405.7	225.6	151.8	17.1	1,296.7
Operating income (expense)	74.1	46.7	37.1	1.9	(18.3)	141.5
Total assets	2,006.4	893.5	709.9	769.0	1,551.5	5,930.3
THREE MONTHS ENDED JUNE 30, 2002						
Sales and revenues	$ 504.7	$415.9	$251.7	$148.6	$ (0.8)	$1,320.1
Costs of sales and revenues	331.9	251.1	187.0	97.2	(1.2)	866.0
Selling, general, and administrative expenses	93.9	21.5	21.6	25.8	16.4	179.2
Research, development, and engineering expenses	12.5	102.6				

7.7 7.0 -- 129.8 -------
- ------ ------ ------ -
------- -------- Total
costs and expenses...
438.3 375.2 216.3 130.0
15.2 1,175.0 --------- --
---- ------ ------ -----
--- -------- Operating
income
(expense)................
66.4 40.7 35.4 18.6
(16.0) 145.1 ========
====== ====== ======
======== ======== Total
assets...............
1,736.8 836.3 681.0
718.3 818.0 4,790.4

ITT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)
(IN MILLIONS, EXCEPT PER SHARE, UNLESS OTHERWISE STATED)

DEFENSE MOTION &
CORPORATE, SIX MONTHS
ENDED FLUID ELECTRONICS
& FLOW ELECTRONIC
ELIMINATIONS & JUNE 30,
2003 TECHNOLOGY
SERVICES CONTROL
COMPONENTS OTHER TOTAL
- ---------------- ----
------ ------------ --
------ ---------- -----
--------- --------
Sales and
revenues........
$1,074.2 $843.8 $520.8
$298.5 $ (2.7) $2,734.6
-------- ------ ------
------ -------- -------
- Costs of sales and
revenues................
712.4 500.6 377.9 208.4
(3.3) 1,796.0 Selling,
general, and
administrative
expenses................
207.0 48.7 46.3 60.1
36.8 398.9 Research,
development, and
engineering
expenses.... 24.4 213.4
18.1 16.3 -- 272.2
Restructuring and asset
impairments.............
-- -- 3.4 11.6 1.3 16.3
-------- ------ ------
------ -------- -------
- Total costs and
expenses................
943.8 762.7 445.7 296.4
34.8 2,483.4 -------- -
----- ------ ------ ---
----- --------
Operating income
(expense)...............
130.4 81.1 75.1 2.1
(37.5) 251.2 ========
====== ====== ======
======== ======== Total
assets..............
2,006.4 893.5 709.9
769.0 1,551.5 5,930.3
SIX MONTHS ENDED JUNE
30, 2002 - ------------
-------------- Sales
and revenues........ $
948.9 $784.6 $487.7
$286.3 $ (1.6) $2,505.9
-------- ------ ------
------ -------- -------
- Costs of sales and
revenues................
623.8 465.5 362.0 187.3
(2.0) 1,636.6 Selling,
general, and
administrative
expenses................
181.4 43.7 46.8 49.6
31.0 352.5 Research,
development, and
engineering
expenses.... 23.6 203.1
15.6 13.8 -- 256.1 ----
---- ------ ------ ----
-- -------- --------

Total costs and expenses................ 828.8 712.3 424.4 250.7 29.0 2,245.2 -------- ------ ------ ------ -------- --------

Operating income (expense)............... 120.1 72.3 63.3 35.6 (30.6) 260.7 ======== ====== ====== ====== ======== ======== Total assets.............. 1,736.8 836.3 681.0 718.3 818.0 4,790.4

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2003 COMPARED WITH THREE MONTHS ENDED JUNE 30, 2002

Sales and revenues for the second quarter of 2003 were $1,438.2 million, an increase of $118.1 million, or 8.9%, from the same period for 2002. Costs of sales and revenues of $949.6 million for the second quarter of 2003 increased $83.6 million, or 9.7%, from the comparable 2002 period. The increases in sales and revenues and costs of sales and revenues are primarily attributable to higher volume in the Defense Electronics & Services segment, contributions from acquisitions made by the Fluid Technology and Electronic Components segments and the impact of foreign currency translation. A change in sales mix in the Electronic Components segment also contributed to the increase in costs of sales and revenues.

Selling, general and administrative ("SG&A") expenses for the second quarter of 2003 were $198.6 million, an increase of $19.4 million, or 10.8%, from the second quarter of 2002. The increase in SG&A expenses was primarily due to increased marketing expense in all segments, and higher general and administrative expenses. Higher general and administrative costs reflect additional employee benefit costs, the cost of process improvement initiatives and increased other administrative expenses.

Research, development and engineering ("RD&E") expenses for the second quarter of 2003 increased $12.8 million, or 9.9%, compared to the second quarter of 2002. The increase is attributable to increased spending in most segments.

During the second quarter of 2003, the Company recorded a $5.9 million restructuring charge to reduce operating costs and streamline its structure. The charge primarily reflected the planned reduction of 148 persons. Refer to the section entitled "Status of Restructuring and Asset Impairments" and Note 8, "Restructuring and Asset Impairment Charges," in the Notes to Consolidated Condensed Financial Statements for additional information.

Operating income for the second quarter of 2003 was $141.5 million compared to $145.1 million for the second quarter of 2002. The decrease is primarily due to increased SG&A expenses and $5.9 million of restructuring charges, partially offset by increased sales and revenues at each of the segments. Segment operating margin, for the second quarter of 2003 was 11.1%, or 1.1% below the segment operating margin for the comparable 2002 period. The decrease reflects pricing and sales mix issues in the Electronic Components segment, restructuring charges in the Electronic Components and Motion & Flow Control segments and the impact of 2002 Fluid Technology acquisitions, which produced operating margins below the segment average. Higher operating margins in the Defense Electronics & Services segment partially offset these items.

Interest expense of $5.8 million (net of interest income of $3.3 million) for the second quarter of 2003 decreased $4.2 million, or 42.0%, from the comparable prior year period. The variance between years is primarily due to lower rates.

Income tax expense was $41.5 million in the second quarter of 2003, a decrease of $2.3 million from the comparable 2002 period. The decrease is primarily attributable to lower operating income.

Income from continuing operations was $92.1 million, or $0.98 per diluted share compared to $92.9 million or $0.99 per diluted share for the second quarter of 2002. The decline is primarily due to lower operating income, partially offset by lower taxes.

During the second quarter of 2003, the Company recognized $7.8 million of income from discontinued operations. The income relates to the collection of a disputed receivable related to the Company's disposed automotive businesses and the receipt of a tax refund also pertaining to the Company's discontinued businesses. Upon collection, the Company reversed the related valuation allowances, which had been previously established for both assets, resulting in the above mentioned income.

Fluid Technology's sales and revenues and costs of sales and revenues increased $65.9 million, or 13.1%, and $46.5 million, or 14.0%, respectively, in the second quarter of 2003 compared to the second quarter of 2002. Higher organic sales in the water/wastewater markets, acquisition revenue from the water/wastewater and engineered valves businesses and the impact of foreign currency translation were the primary factors for the increases. Softness in the industrial pumps and Fluid Handling businesses partially offset these factors. SG&A for the second quarter of 2003 increased $11.7 million, or 12.5%, compared to 2002, mainly due to both increased marketing expenses and increased administrative costs in the water/wastewater markets. Operating income for the second quarter of 2003 was up $7.7 million, or 11.6%, compared to the second quarter of 2002 due to the activities discussed above.

Defense Electronics & Services' sales and revenues and costs of sales and revenues for the second quarter of 2003 increased $36.5 million, or 8.8%, and $21.1 million, or 8.4%, respectively, from the comparable prior year period. The increases are primarily due to higher service revenue reflecting Middle East support and classified programs, partially offset by lower volume in the night vision, and radar businesses. The increase in costs of sales and revenues also reflects a change in product mix. SG&A expenses were flat with the comparable prior year period. RD&E expenses increased $9.6 million, or, 9.4%, due to increased spending in most businesses. Operating income for the second quarter of 2003 was $46.7 million, an increase of $6.0 million, or 14.7%, compared to the same quarter in 2002. The increase reflects the results discussed above.

Motion & Flow Control recorded sales and revenues and costs of sales and revenues of $262.7 million and $190.1 million, respectively, during the second quarter of 2003, reflecting increases of $11.0 million, or 4.4%, and $3.1 million, or 1.7%, from the second quarter of 2002. The increases were mainly due to increased sales in the friction materials and leisure marine businesses and the impact of foreign currency translation, partially offset by volume declines in the automotive fluid handling and Aerospace Controls businesses. SG&A expenses increased $1.5 million, or 6.9%, reflecting higher marketing costs in the leisure marine business and increased employee benefit and administrative costs. RD&E expenses were $1.7 million, or 22.1%, higher than the comparable 2002 period, as spending increased in most businesses. During the second quarter of 2003, the segment recorded a $3.0 million restructuring charge mainly related to a planned reduction in headcount (refer to the section entitled "Status of Restructuring and Asset Impairments" and Note 8, "Restructuring and Asset Impairment Charges," in the Notes to Consolidated Condensed Financial Statements for additional information). Operating income of $37.1 million was $1.7 million, or 4.8%, higher in the second quarter of 2003 compared to the second quarter of 2002, primarily due to the items mentioned above.

Electronic Components' sales and revenues of $153.7 million and costs of sales and revenues of $110.4 million in the second quarter of 2003, increased $5.1 million, or 3.4%, and 13.2 million, or 13.6%, respectively, from the comparable prior year period. The increases reflect the contribution from an acquisition and the impact of foreign currency translation partially offset by weakness in the communication and commercial aircraft businesses. Sales mix issues also contributed to the increase in costs of sales and revenues. SG&A expenses increased $4.4 million due to increased marketing, employee benefit and administrative expenses, including the impact of a 2003 first quarter acquisition. During the second quarter of 2003, the segment recorded a $2.7 million restructuring charge primarily relating to planned headcount reductions (refer to the section entitled "Status of Restructuring and Asset Impairments" and Note 8, "Restructuring and Asset Impairment Charges," in the Notes to Consolidated Condensed Financial Statements for additional information). Operating income for the second quarter of 2003 decreased $16.7 million, or 89.8%, from the second quarter of 2002. The decline was due to the factors discussed above.

Corporate expenses increased $2.3 million in the second quarter of 2003, primarily due to costs related to process improvement initiatives and increased employee benefit costs.

SIX MONTHS ENDED JUNE 30, 2003 COMPARED WITH SIX MONTHS ENDED JUNE 30, 2002

Sales and revenues for the first six month of 2003 were $2,734.6 million, an increase of $228.7 million, or 9.1%, from the same period for 2002. Costs of sales and revenues of $1,796.0 million for the first six months of 2003 increased $159.4 million, or 9.7%, from the comparable 2002 period. The increases in sales and revenues

and costs of sales and revenues are primarily attributable to higher volume in the Defense Electronics & Services segment, contributions from acquisitions made by the Fluid Technology and Electronic Components segments and the impact of foreign currency translation. Sales mix changes in the Electronic Components segment also contributed to the increase in costs of sales and revenues.

Selling, general and administrative expenses for the first six months of 2003 were $398.9 million, an increase of $46.4 million, or 13.2%, from the first six months of 2002. The increase in SG&A expenses was primarily due to increased marketing expense in all segments and higher general and administrative expenses. Higher general and administrative costs reflect additional employee benefit costs, the cost of process improvement initiatives and increased other administrative expenses.

Research, development and engineering expenses for the first six months of 2003 increased $16.1 million, or 6.3%, compared to the first six months of 2002. The increase is attributable to increased spending in all segments.

During the first six months of 2003, the Company recorded a $14.9 million restructuring charge to reduce operating costs and streamline its structure. The charge primarily reflected the planned reduction of 613 persons. Additionally, the Company recorded an asset impairment charge of $1.4 million primarily to write-off a technology license that will not be utilized in the foreseeable future due to projected market conditions. Refer to the section entitled "Status of Restructuring and Asset Impairments" and Note 8, "Restructuring and Asset Impairment Charges," in the Notes to Consolidated Condensed Financial Statements for additional information.

Operating income for the first six months of 2003 was $251.2 million compared to $260.7 million for the first six months of 2002. The decrease is primarily due to increased SG&A expenses and $16.3 million of restructuring and asset impairment charges, partially offset by increased sales and revenues at each of the segments. Segment operating margin, for the first six months of 2003 was 10.6%, or 1.0% below the segment operating margin for the comparable 2002 period. The decrease reflects pricing and sales mix issues in the Electronic Components segment, restructuring and asset impairment charges in the Electronic Components and Motion & Flow Control segments and the impact of 2002 Fluid Technology acquisitions, which produced operating margins below the segment average.

Interest income was $9.3 million (net of interest expense of $16.7 million) for the first six months of 2003. The Company recognized $21.9 million of interest expense during the first six months of 2002. The variance between years is primarily due to interest income of $22.1 million, related to a 2003 first quarter tax refund, and the impact of lower interest rates.

Income tax expense was $78.9 million in the first six months of 2003, which was flat with the comparable 2002 period.

Income from continuing operations was $178.8 million, or $1.90 per diluted share, for the first half of 2003 compared to $164.4 million, or $1.76 per diluted share for the first half of 2002. The increase reflects the results discussed above.

During the first half of 2003, the Company recognized $7.8 million of income from discontinued operations. The income relates to the collection of a disputed receivable related to the Company's disposed automotive businesses and the receipt of a tax refund also pertaining to the Company's discontinued businesses. Upon collection, the Company reversed the related valuation allowances, which had been previously established for both assets, resulting in the above mentioned income.

Fluid Technology's sales and revenues and costs of sales and revenues increased $125.3 million, or 13.2%, and $88.6 million, or 14.2%, respectively, in the first six months of 2003 compared to the first six months of 2002. Higher organic sales in the water/wastewater markets, acquisition revenue from the water/wastewater and engineered valves businesses and the impact of foreign currency translation were the primary factors for the increases. Softness in the industrial pumps business partially offset these factors. SG&A for the first six months of 2003 increased $25.6 million, or 14.1%, compared to 2002, mainly due to both increased marketing expenses and increased administrative costs in the water/wastewater markets. Operating income for the first

six months of 2003 was up $10.3 million, or 8.6%, compared to the first six months of 2002 due to the activity discussed above.

Defense Electronics & Services' sales and revenues and costs of sales and revenues for the first six months of 2003 increased $59.2 million, or 7.5%, and $35.1 million, or 7.5%, respectively, from the comparable prior year period. The increases are primarily due to higher service revenue reflecting Middle East support and classified programs, partially offset by lower volume in our night vision, radar, and electronic warfare businesses. SG&A expenses increased $5.0 million, or 11.4%, primarily due to higher marketing expenses and increased employee benefit and administrative costs. RD&E expenses for the first six months of 2003 increased $10.3 million, or 5.1% due to increased spending in most businesses. Operating income for the first six months of 2003 was $81.1 million, an increase of $8.8 million, or 12.2%, compared to the same period in 2002. The increase reflects the results discussed above.

Motion & Flow Control recorded sales and revenues and costs of sales and revenues of $520.8 million and $377.9 million, respectively, during the first six months of 2003, reflecting increases of $33.1 million, or 6.8%, and $15.9 million, or 4.4%, from the first six months of 2002. The increases were mainly due to increased sales in the leisure marine and friction material businesses and the impact of foreign currency translation, partially offset by volume declines in the automotive fluid handling business. SG&A expenses were flat with the comparable prior year period. RD&E expenses were $2.5 million, or 16.0% higher than the comparable 2002 period as spending increased in most businesses. During the first six months of 2003, the segment recorded a $3.4 million restructuring charge mainly related to a planned reduction in headcount (refer to the section entitled "Status of Restructuring and Asset Impairments" and Note 8, "Restructuring and Asset Impairment Charges," in the Notes to Consolidated Condensed Financial Statements for additional information). Operating income of $75.1 million was $11.8 million, or 18.6%, higher in the first six months of 2003 compared to the first six months of 2002, primarily due to the items mentioned above.

Electronic Components' sales and revenues of $298.5 million and costs of sales and revenues of $208.4 million in the first six months of 2003, increased $12.2 million, or 4.3%, and $21.1 million, or 11.3%, respectively, from the comparable prior year period. The increases reflect the contribution from an acquisition and the impact of foreign currency translation, partially offset by weaknesses in the communication and commercial aircraft businesses. Sales mix issues also contributed to the increase in costs of sales and revenues. SG&A expenses increased $10.5 million due to increased marketing, employee benefit and administrative expenses, including the impact of a 2003 first quarter acquisition. During the first six months of 2003, the segment recorded a $10.2 million restructuring charge primarily relating to planned headcount reductions and a $1.4 million asset impairment charge mainly to write-off a license agreement for technology, which will not be utilized in the foreseeable future due to projected market conditions (refer to the section entitled "Status of Restructuring and Asset Impairments" and Note 8, "Restructuring and Asset Impairment Charges," in the Notes to Consolidated Condensed Financial Statements for additional information). Operating income for the first six months of 2003 decreased $33.5 million, or 94.1%, from the first six months of 2002. The decline was due to the factors discussed above.

Corporate expenses increased $6.9 million in the first six months of 2003, primarily due to costs related to process improvement initiatives, a $1.3 million restructuring charge for planned headcount reductions (refer to the section entitled "Status of Restructuring and Asset Impairments" and Note 8, "Restructuring and Asset Impairment Charges," in the Notes to Consolidated Condensed Financial Statements for additional information for additional information) and increased administrative expenses.

STATUS OF RESTRUCTURING AND ASSET IMPAIRMENTS

2003 RESTRUCTURING ACTIVITIES

As discussed in the "Accounting Pronouncements" section of Management's Discussion and Analysis of Financial Condition and Results of Operations, the Company recorded restructuring charges related to 2003 actions in accordance with Statement of Financial Accounting Standards ("SFAS") No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." Restructuring actions initiated prior to January 1, 2003

were recorded in accordance with the guidelines of Emerging Issues Task Force Issue No. 94 - 3, "Liability Recognition for Certain Employee Benefits (including Certain Costs Incurred in a Restructuring)."

During the second quarter of 2003 the Company continued its program to reduce structural costs and increase profitability. New restructuring actions totaling $4.7 million were announced during the period. The charge primarily reflected the severance of 148 employees and the cancellation of an operating lease. The actions by segment are as follows:

- The Electronic Components segment comprises $2.7 million of the charge and the actions taken at this segment include the termination of 6 management employees, 19 factory workers and 71 office workers.

- The Motion & Flow Control segment recognized $1.0 million for the severance of 50 employees, including 6 management employees, 31 factory workers and 13 office workers. Lease termination fees of $0.7 million and asset disposal costs of $0.1 million were also reflected in the charge.

- At Corporate Headquarters, a charge of $0.2 million was recorded for the termination of one management employee and one office worker.

The projected future cash savings from the restructuring actions announced during the second quarter of 2003 are approximately $4.0 million during 2003 and $43.0 million between 2004 and 2008. The savings primarily represents lower salary and wage expenditures and will be reflected in costs of sales and revenues and selling, general and administrative expenses.

As of June 30, 2003, the Company had made $0.2 million of payments attributable to the 2003 second quarter restructuring actions. Future restructuring expenditures will be funded with cash from operations, supplemented, as required, with commercial paper borrowings.

In addition to the new restructuring actions announced during the quarter, the Motion & Flow Control segment recognized $1.2 million of severance and employee benefit costs related to actions announced during the first quarter.

During the first quarter of 2003 the Company recorded a $9.0 million restructuring charge primarily for the planned severance of 465 persons. Severance of $8.3 million represents the majority of the charge.

Listed below, by business segment, is background information on the 2003 first quarter restructuring charge (in millions).

	CASH CHARGES			
	SEVERANCE	OTHER	ASSET IMPAIRMENTS	TOTAL
Electronic Components	$6.8	$0.3	$0.4	$7.5
Corporate & Other	1.1	--	--	1.1
Motion & Flow Control	0.4	--	--	0.4
Total 2003 1st quarter Charges	$8.3	$0.3	$0.4	$9.0

The restructuring actions initiated by the Electronic Components segment include the planned termination of 226 persons, comprised of 101 office workers, 116 factory workers and nine management employees, and the disposal of certain machinery and equipment. The actions were prompted by management's projections of continued weakness in certain businesses.

The $1.1 million charge taken at Corporate Headquarters represents the consolidation of administrative tasks and includes the planned termination of two management employees.

The actions within the Motion & Flow Control segment include the planned termination of 237 employees, comprised of 21 office workers and 216 factory workers. The charge relates to the closure of a manufacturing facility in Arkansas. The actions will be completed during 2003 and 2004 and the total estimated charge of approximately $2.8 million will be recognized ratably over the restructuring period as the

terminations become effective. Management deemed the restructuring actions necessary to address the anticipated loss of certain platforms during the second half of 2003.

As of June 30, 2003, the Company had made $2.1 million of payments attributable to the 2003 first quarter restructuring actions. Future restructuring expenditures will be funded with cash from operations, supplemented, as required, with commercial paper borrowings.

The projected future cash savings from the restructuring actions announced during the first quarter of 2003 are approximately $6 million during 2003 and $60 million between 2004 and 2008. The savings primarily represents lower salary and wage expenditures and will be reflected in costs of sales and revenues and selling, general and administrative expenses.

The following table displays a rollforward of the restructuring accruals for the 2003 restructuring program (in millions):

	CASH CHARGES			
	SEVERANCE	LEASE COMMITMENTS	OTHER	TOTAL
Establishment of 2003 Plans	$13.1	$0.7	$0.6	$14.4
Payments	(2.3)	--	--	(2.3)
Balance June 30, 2003	$10.8	$0.7	$0.6	$12.1

During the first six months of 2003 headcount was reduced by 218 persons and the Company experienced employee attrition, leaving a balance of 386 planned reductions related to the 2003 restructuring plans. Actions announced during the first half of 2003 will be completed by the first quarter of 2004.

2003 OTHER ASSET IMPAIRMENTS

During the first six months of 2003, the Company recorded a $1.4 million asset impairment charge primarily for the write-off of a technology license that will not be utilized based on management's projections of future market conditions. The applicable assets were written down to their fair values based on management's comparison of projected future discounted cash flows generated by each asset to the applicable asset's carrying value. These impairments were unrelated to the Company's restructuring activities.

2002 RESTRUCTURING ACTIVITIES

During the fourth quarter of 2002, the Company recorded a $9.6 million restructuring charge primarily for the closure of two facilities and the severance of 292 persons. Severance of $8.5 million represents a majority of the charge and lease payments and other costs represent the remainder.

Listed below, by business segment, is background information on the 2002 restructuring plan (in millions).

	CASH CHARGES			
	SEVERANCE	LEASE PAYMENTS/ TERMINATIONS	OTHER	TOTAL
Fluid Technology	$5.4	$0.4	$0.2	$6.0
Motion & Flow Control	2.5	--	0.5	3.0
Electronic Components	0.6	--	--	0.6
Total 2002 Charges	$8.5	$0.4	$0.7	$9.6

The actions within the Fluid Technology segment represent a reduction of its cost structure that management deemed necessary in response to continued weakness within certain of the segment's markets. Planned measures include the closure of one facility in Fairfield, N.J. and the termination of 147 persons, comprised of 78 office workers, 65 factory workers and four management employees.

The restructuring plan within the Motion & Flow Control segment was driven by the anticipated loss of certain platforms in the automotive fluid handling systems business during 2003 and the resulting excess capacity. Planned actions include the closure of one facility in Rochester, N.Y., the consolidation of manufacturing and administrative processes, and the termination of 140 employees, comprised of 40 office workers, 97 factory workers and three management employees.

The actions within the Electronic Components segment represent cost control actions required by continuing difficult market conditions. These actions include the termination of five employees, comprised of three office workers and two management employees.

The following table displays a rollforward of the restructuring accruals for the 2002 restructuring program (in millions):

	CASH CHARGES			
	SEVERANCE	LEASE COMMITMENTS	OTHER	TOTAL
Establishment of 2002 Plan	$ 8.5	$ 0.4	$ 0.7	$ 9.6
Payments	(0.9)	--	--	(0.9)
Balance December 31, 2002	$ 7.6	$ 0.4	$ 0.7	$ 8.7
Payments	(4.3)	(0.1)	(0.1)	(4.5)
Balance June 30, 2003	$ 3.3	$ 0.3	$ 0.6	$ 4.2

As of December 31, 2002, remaining actions under restructuring activities announced during 2002 were to close two facilities, and reduce headcount by 232 persons. During the first six months of 2003, one facility was closed and headcount was reduced by 133 related to this restructuring plan. As of June 30, 2003 the remaining actions include the closure of one facility and the reduction of 99 persons. All of the actions contemplated by the 2002 restructuring program will be completed in 2003. Some severance run-off payments will occur in 2004 and closed facility costs will continue through 2007. Future restructuring expenditures will be funded with cash from operations, supplemented, as required, with commercial paper borrowings.

The projected future cash savings from the 2002 restructuring plan are approximately $7 million in 2003 and approximately $46 million between 2004 and 2007. The savings represents lower salary and wage expenditures and decreased facility operating costs. The impact will be reflected in costs of sales and revenues and selling, general and administrative expenses.

2001 RESTRUCTURING ACTIVITIES

On December 14, 2001, the Company announced a restructuring program to reduce structural costs and improve profitability whereby the Company recorded a charge of $83.3 million related to the closure of five facilities, the discontinuance of 21 products (ten in the Switch product group and 11 in the Connectors group), the severance of 3,400 persons and other asset impairments. The cash portion of the charge of $61.0 million primarily relates to severance and lease termination costs. The non-cash portion of the charge of $22.3 million primarily relates to machinery and equipment that became impaired as a result of the announced plans.

Listed below, by business segment, is background information on the 2001 restructuring plan (in millions).

	CASH CHARGES				
	SEVERANCE	LEASE PAYMENTS/ TERMINATIONS	OTHER	ASSET IMPAIRMENTS	TOTAL
Electronic Components	$33.0	$1.5	$2.5	$18.2	$55.2
Fluid Technology	10.5	1.8	0.8	2.9	16.0
Motion & Flow Control	4.9	2.1	0.3	0.8	8.1
Corporate and Other	3.5	--	0.1	0.4	4.0
Total 2001 Charges	$51.9	$5.4	$3.7	$22.3	$83.3

In 2001, sales in the Electronic Components segment decreased $127.6 million, or 16.5%, and operating income, excluding restructuring, decreased $13.1 million, or 13.2%. Excluding the contribution of acquisitions made in 2001, sales decreased approximately $192 million. The decrease was primarily due to a downturn in the communication and industrial markets. In addition, management expected further sales declines in 2002, specifically in the communications, industrial, and commercial aircraft markets.

The combination of the downturn in these markets and the businesses acquired in 2000 and late 1999 resulted in excess capacity and prompted management to seek opportunities to reduce costs. As a result of this review, management decided to consolidate manufacturing functions as well as other administrative tasks throughout the segment. These planned actions included the outsourcing of production operations from Weinstadt, Germany to third party suppliers in Poland and Hungary, the transfer of ten product lines from five locations in North America and Europe (Loveland, Colorado; Santa Ana, California; Weinstadt, Germany; Basingstoke, UK; and Dole, France) to two locations in China (Shenzhen and Tianjin), the consolidation of European administrative functions, the transfer of production operations from Santa Ana, California to Nogales, Mexico, the closure of manufacturing facilities in Eden Prairie, Minnesota and Watertown, Massachusetts and other smaller actions consisting primarily of the elimination of administrative functions. In addition, management also decided to discontinue 21 older connector and switch products. Revenue in 2001 from these products totaled $29.3 million.

The above planned actions included the termination of 2,753 persons, comprised of 2,395 factory workers, 348 office workers and ten management employees, and resulted in a cash charge of $37.0 million (which included $33.0 million for severance) and an asset impairment charge of $18.2 million (primarily for machinery and equipment that will be disposed of as a result of the restructuring activities).

Actions within the Fluid Technology segment, the Motion & Flow Control segment and Corporate Headquarters were identified as cost improvement opportunities. Processes and functions were identified that could be outsourced, performed at other existing facilities, or eliminated as redundant. These measures were prompted primarily by management's efforts to reduce costs and their projections of no recovery in the Industrial Pumps businesses and anticipated declines in worldwide automotive build rates.

The planned actions within the Fluid Technology segment included the outsourcing of manufacturing functions in City of Industry, California, Seneca Falls, New York and Ashland, Pennsylvania to third party suppliers in the United States, Mexico and China, the consolidation of tasks throughout the segment and the closure of a foundry in Nanjing, China. These actions incorporated the termination of 436 persons, comprised of 236 factory workers, 189 office workers and 11 management employees, and resulted in a cash charge of $13.1 million (which included $10.5 million for severance) and asset impairment charges of $2.9 million (primarily for machinery and equipment that was scrapped).

The planned actions in the Motion & Flow Control segment included the closure of a manufacturing facility in Costa Mesa, California, where the operations were to be consolidated into three existing facilities, the closure of a manufacturing facility in Saffron Walden, England, where the operations were to be consolidated into a facility in Denmark, the closure of a sales office in Germany and the consolidation of other

administrative tasks. These actions included the termination of 183 persons comprised of 144 factory workers, 28 office workers and 11 management employees and resulted in a cash charge of $7.3 million (which included $4.9 million for severance) and asset impairment charges of $0.8 million (primarily for machinery and equipment that was discarded).

The planned actions at the Company's corporate headquarters and other shared service facilities consisted of the consolidation of administrative tasks which included the termination of 28 persons comprised of 26 office workers and two management employees and resulted in a cash charge of $3.6 million (which included $3.5 million for severance) and an asset impairment charge of $0.4 million.

The following table displays a rollforward of the restructuring accruals for the 2001 restructuring program (in millions):

	CASH CHARGES				
	SEVERANCE	LEASE COMMITMENTS	OTHER	ASSET IMPAIRMENTS	TOTAL
Establishment of 2001 Plan	$ 51.9	$ 5.4	$ 3.7	$ 22.3	$ 83.3
Payments	(11.5)	--	(0.1)	--	(11.6)
Asset write-offs	--	--	--	(22.3)	(22.3)
Balance December 31, 2001	$ 40.4	$ 5.4	$ 3.6	$ --	$ 49.4
Payments and other	(26.7)	(2.9)	(0.4)	--	(30.0)
Reversals	(8.7)	(1.2)	(1.9)	--	(11.8)
Balance December 31, 2002	$ 5.0	$ 1.3	$ 1.3	$ --	$ 7.6
Payments	(2.1)	(0.5)	(0.8)	--	(3.4)
Balance June 30, 2003	$ 2.9	$ 0.8	$ 0.5	$ --	$ 4.2

During the third and fourth quarters of 2002, $1.7 million and $10.1 million of restructuring accruals were reversed into income as a result of quarterly reviews of the Company's remaining restructuring actions, respectively. The reversals primarily reflect less than anticipated severance costs on completed actions at each of the segments, the decision not to transfer five product lines (from Santa Ana, California; Weinstadt, Germany; Dole, France, and Basingstoke, UK, to Shenzhen and Tianjin, China), as supply chain issues eliminated the financial viability of the transfers, and the decision to continue partial operations at one of the Electronic Component's facilities. In addition, management determined that one facility within the Fluid Technology segment would remain operational as a suitable outsource supplier could not be identified.

As of December 31, 2002, remaining actions under the 2001 restructuring program included the closure of one facility and the termination of 24 persons. During the first six months of 2003, headcount was reduced by 17 related to this restructuring plan. As of June 30, 2003, remaining actions include the closure of one facility and the termination of 7 persons. Severance run-off payments will continue through 2003 and closed facility expenditures will continue to be incurred through 2004. Revised future cash and non-cash savings are projected to be approximately $281.0 million and $25.0 million, respectively, for the period from 2003 to 2006. The Company plans to fund future cash requirements for restructuring activities with cash from operations, supplemented, as required, by commercial paper borrowings.

OTHER ASSET IMPAIRMENTS

In the fourth quarter of 2001, the Company initiated a full review of long-lived assets in the Electronic Components segment because of significant volume declines and pricing pressures in the business and because management expected further volume declines in 2002, specifically in the communications market and the industrial and commercial aircraft markets. As a result of this review, the Company recorded impairments on machinery and equipment of $13.9

million and an impairment of $0.5 million on a cost based investment. The applicable assets were written down to their fair values based on management's comparison of projected future

discounted cash flows generated by each asset to the applicable asset's carrying value. These impairments were unrelated to the Company's restructuring activities.

SUMMARY OF 2001 RESTRUCTURING ACTIVITIES AND OTHER ASSET IMPAIRMENTS

The total impact of the restructuring initiative and the asset impairment review was a charge of $97.7 million, or $63.5 million after-tax recorded in 2001. The revised projected aggregate future cash and non-cash savings of the above mentioned actions are approximately $281 million and $25 million, respectively, for the period from 2003 to 2006. These figures include total savings of $78.6 million in 2003. The savings will be reflected primarily in costs of sales and revenues and selling, general and administrative expenses. Actual savings approximated plan in 2002. During the second half of 2002 management reviewed the progress of the Company's remaining restructuring actions and determined that $11.8 million of cash expenditures would not be incurred. Accordingly, $11.8 million of restructuring accruals relating to the 2001 Restructuring Plan were reversed into the restructuring and asset impairments line of the Consolidated Income Statements in the 2002 Annual Report on Form 10-K.

In connection with the restructuring activities and the asset impairment charge, the Company identified assets with a total book value of $26.2 million, primarily machinery and equipment, for disposal. The Electronic Components segment identified $22.0 million, the Fluid Technology segment identified $3.4 million and the Motion & Flow Control segment identified $0.8 million for disposal. All assets will be disposed of by the end of 2003.

DISCONTINUED OPERATIONS

In September of 1998, the Company completed the sales of its automotive Electrical Systems business to Valeo SA for approximately $1,700 million and its Brake and Chassis unit to Continental AG of Germany for approximately $1,930 million. These dispositions were treated as discontinued operations. In connection with the sale of these businesses, the Company established accruals for taxes of $972.7 million, representation and warranty and contract purchase price adjustments of $148.8 million, direct costs and other accruals of $102.0 million and environmental obligations of $16.1 million.

In 1998 and 1999, the Company received notifications of claims from the buyers of the automotive businesses requesting post-closing adjustments to the purchase prices under the provisions of the sales agreements. The Company assessed the claims and determined that the probable outcome was reflected in the Company's original estimate recorded at time of sale. During 1999, those claims were submitted to arbitration. In 2001 and early in 2002, both claims were favorably resolved.

The following tables display a rollforward of the automotive discontinued operations accruals from January 1, 2002 to June 30, 2003 (in thousands):

AUTOMOTIVE DISCONTINUED OPERATIONS ACCRUALS	BEGINNING BALANCE JANUARY 1, 2002	2002 SPENDING	2002 SETTLEMENTS	OTHER ACTIVITY	ENDING BALANCE DECEMBER 31, 2002
Other Deferred Liabilities	$ 807	$ (46)	$ --	$ --	$ 761
Accrued Expenses	9,500	(909)	--	12,007	20,598
Environmental	14,612	(75)	--	--	14,537
Income Tax	154,151	--	--	--	154,151
TOTAL	$179,070	$(1,030)	$ --	$12,007	$190,047

In the first quarter of 2002, the arbitrator ruled that Valeo SA must pay the Company monies to settle the claim related to the sale of the Electrical Systems business.

AUTOMOTIVE DISCONTINUED OPERATIONS ACCRUALS	2003 BEGINNING BALANCE JANUARY 1, 2003	2003 SPENDING	2003 SETTLEMENTS	OTHER ACTIVITY	ENDING BALANCE JUNE 30, 2003
Other Deferred Liabilities	$ 761	$ --	$ --	$ --	$ 761
Accrued Expenses	20,598	(1,089)	--	--	19,509
Environmental	14,537	(47)	--	--	14,490
Income Tax	154,151	--	--	--	154,151
TOTAL	$190,047	$(1,136)	$ --	$ --	$188,911

At June 30, 2003, the Company has automotive discontinued operations accruals of $188.9 million that primarily relate to the following: taxes $154.0 million -- which are related to the original transaction and are recorded in Accrued Taxes; product recalls $8 million -- related to nine potential product recall issues which are recorded in Accrued Expenses; environmental obligations $14.5 million -- for the remediation and investigation of groundwater and soil contamination at thirteen sites which are recorded in Other Liabilities; employee benefits $10.5 million -- for workers compensation issues which are recorded in Accrued Expenses; and other $1.9 million -- for professional fees of which $0.8 million are recorded in Other Liabilities and $1.1 million are recorded in Accrued Expenses. In 2003, the Company has spent approximately $1.1 million of the automotive discontinued operations accruals. The Company expects that it will cash settle $154.0 million of tax obligations in 2004 or 2005. The Company projects that it will spend between $3.0 million and $4.0 million in 2003 related to its remaining automotive obligations.

During the second quarter of 2003, the Company collected a disputed receivable related to its disposed automotive businesses in the amount of $8.0 million. A valuation allowance had previously been established for the full amount of the receivable. Upon collection, the Company adjusted its net receivable position which resulted in Income from Discontinued Operations of $8.0 million, pre-tax.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows: Cash from operating activities in the first six months of 2003 was an outflow of $33.4 million, a decrease of $269.7 million from the same period of 2002. The decrease is primarily attributable to a $200.0 million prepaid pension contribution, and payments of accrued expenses during 2003.

Status of Restructuring Activities: Restructuring payments during the first six months of 2003 totaled $10.2 million and were comprised of $7.9 million of expenditures for the 2002 and 2001 restructuring plans and $2.3 million of expenditures for the 2003 restructuring plans. All future payments are projected to be paid with future cash from operating activities supplemented, as required, by commercial paper borrowings.

Additions to Plant, Property and Equipment: Capital expenditures during the first six months of 2003 were $57.7 million, an increase of $5.6 million from the first six months of 2002. The increase was seen across several operating segments.

Acquisitions: During the first six months of 2003, the Company made several small acquisitions for a total of $42.5 million. The excess of the purchase price over the fair values of net assets acquired of $27.6 million was recorded as goodwill. During the first six months of 2002, the Company made several small acquisitions for a total of $38.8 million. Goodwill of $22.5 million was recorded in connection with these acquisitions.

Divestitures: In the first six months of 2003, the Company generated $9.5 million of cash proceeds from the sale of plant, property and equipment. This is primarily due to the sale of land for $7.3 million at Defense Electronics & Services. During the first six months of 2002, the Company sold its interest in a defense-related joint venture for approximately $6 million and other plant, property and equipment for $0.8 million.

Financing Activities: Debt at June 30, 2003 was $974.5 million, compared with $791.8 million at December 31, 2002. The change in debt levels primarily reflects the prepaid pension contributions made during the first six months of 2003. Cash and cash equivalents were $236.0 million at June 30, 2003, compared

to $202.2 million at December 31, 2002. The maximum amount of borrowing available under the Company's revolving credit agreement, which provides back-up for the Company's commercial paper program, at June 30, 2003, was $1.0 billion. Borrowing through commercial paper and under the revolving credit agreement may not exceed $1.0 billion in the aggregate outstanding at any time.

Status of Automotive Discontinued Operations: During the first six months of 2003, the Company spent $1.1 million on matters attributable to its automotive discontinued operations. Tax obligations of $154.0 million are expected to be resolved in 2004 or 2005. In addition, the Company projects between $3.0 million and $4.0 million of annual spending related to its remaining automotive obligations. All payments are forecast to be paid with future cash from operations supplemented, as required, by commercial paper borrowings.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported value of assets and liabilities and the disclosure of contingent assets and liabilities.

The Company has identified three accounting policies where estimates are used that require assumptions or factors that are of an uncertain nature, or where a different estimate could have been reasonably utilized or changes in the estimate are reasonably likely to occur from period to period.

Environmental: Accruals for environmental matters are recorded on a site by site basis when it is probable that a liability has been incurred and the amount can be reasonably estimated. The Company calculates the liability by utilizing a cost estimating and weighting matrix that separates costs into recurring and non-recurring categories. The Company then uses internal and external experts to assign confidence levels based on the site's development stage, type of contaminate found, applicable laws, existing technologies and the identification of other potentially responsible parties. This methodology produces a range of estimates, including a best estimate. At June 30, 2003, the Company's best estimate is $109.0 million, which approximates the accrual, for the remediation of ground water and soil. The low range estimate for environmental liabilities is $81.0 million and the high range estimate is $174.0 million. On an annual basis the Company spends between $11.0 million and $14.0 million on its environmental remediation liabilities. These estimates are reviewed periodically and updated for progress of remediation efforts and changes in facts and legal circumstances. Liabilities for environmental expenditures are recorded on an undiscounted basis.

The Company is currently involved in the environmental investigation and remediation of one hundred and four sites, including certain instances where it is considered to be a potentially responsible party by the United States Environmental Protection Agency ("EPA") or similar state agency.

At present, the Company is involved in litigation against its insurers for reimbursement of environmental response costs. Recoveries from insurance companies or other third parties are recognized in the financial statements when it is probable that they will be realized.

In the event that future remediation expenditures are in excess of the amounts accrued, management does not anticipate that they will have a material adverse effect on the consolidated financial position, results of operations or liquidity of the Company.

For additional details on environmental matters see Note 12, "Commitments and Contingencies," in the Notes to the Consolidated Condensed Financial Statements.

Employee Benefit Plans: The Company sponsors numerous employee pension and welfare benefit plans. These plans utilize various assumptions in the determination of projected benefit obligations and expense recognition related to pension and other postretirement obligations. These assumptions include: discount rates, expected rates of return on plan assets, rate of future compensation increases, mortality, termination and health care inflation trend rates, some of which are disclosed in Note 19, "Employee Benefit Plans," within the Notes to the Consolidated Financial Statements of the 2002 Annual Report on Form 10-K.

KEY PENSION ASSUMPTIONS

The Company determines its expected return on plan asset assumption by evaluating both historical returns as well as estimates of future returns. Specifically, the Company analyzes the Plan's actual historical annual return on assets over the past 10, 15, 20 and 25 years; makes estimates of future returns using a Capital Asset Pricing Model; and evaluates historical broad market returns over the past 75 years based on the Company's strategic asset allocation.

Based on the approach described above, the Company revised downwards its estimate of the long-term rate of return on assets for domestic pension plans to 9.0%, from 9.75%, at December 31, 2002. This change will be reflected in the Company's 2003 net benefit cost. For reference, the Company's geometric average annual return on plan assets for domestic pension plans stood at 9.3%, 10.4%, 11.3%, and 11.9%, for the past 10, 15, 20, and 25 year periods, respectively. The Company's weighted average expected return on plan assets for all pension plans, including foreign affiliate plans, at December 31, 2002, is 8.86%.

The Company utilizes the services of its plan actuaries in determining the discount rate assumption. As a service to its clients, the plan actuaries have developed and published an interest rate yield curve to enable companies to make judgments pursuant to EITF Topic No. D-36, "Selection of Discount Rates Used for Measuring Defined Benefit Pension Obligations and Obligations of Post Retirement Benefit Plans Other Than Pensions." The yield curve is comprised of AAA/AA bonds with maturities between zero and thirty years. The plan actuaries then discount the annual benefit cash flows of the Company's pension plan using this yield curve and develop a single-point discount rate matching the plan's characteristics.

At December 31, 2002, the Company lowered the discount rate on all of its domestic pension plans, which represents about 92% of the Company's total pension obligations, from 7.25% to 6.50%. The Company's weighted average discount rate for all pension plans, including foreign affiliate plans, at December 31, 2002, is 6.44%.

ASSUMPTION	2001	2002
Long-Term Rate of Return on Assets..........................	9.61%	8.86%
Discount Rate...	7.14%	6.44%

Management develops each assumption using relevant Company experience in conjunction with market related data for each individual country in which such plans exist. All assumptions are reviewed periodically with third party actuarial consultants and adjusted as necessary.

PENSION PLAN ACCOUNTING AND INFORMATION

The Company's strategic asset allocation for its U.S. domestic plans apportions 70% of all assets to equity instruments and the remaining 30% to fixed income instruments. At December 31, 2002, the Company's actual asset allocation was not materially different from its strategic targets.

On an annual basis, the Company's long-term expected return on plan assets will often differ from the actual return on plan assets. The chart below shows actual returns versus the expected long-term returns for the Company's domestic pension plans that are utilized in the calculation of the net periodic benefit cost. Please see Note 19, "Employee Benefit Plans," in the Notes to Consolidated Financial Statements of the 2002 Annual Report on Form 10-K for more information.

	2002 PENSION	2001 PENSION	2000 PENSION	1999 PENSION	1998 PENSION
Expected Return on Assets..........................	9.75%	9.75%	9.75%	9.75%	9.75%
Actual Return on Assets...........................	(10.9)%	(4.0)%	(0.7)%	22.4%	15.7%

The Company uses the market-related value of assets method, as described in paragraph 30 of SFAS No. 87, "Employers' Accounting for Pensions", for the calculation of pension expense. This method recognizes investment gains or

losses over a five-year period from the year in which they occur. At

December 31, 2002, the fair value of assets was $2.7 billion, compared to a market-related value of assets of approximately $3.6 billion.

In accordance with paragraph 32 of SFAS No. 87, a portion of the Company's unrecognized net actuarial loss is being amortized and this cost is included in its 2003 net periodic benefit cost. The Company's 2003 pension expense of approximately $20.0 million is discussed in the section entitled "Pension Expense" below.

The Company's Defense Electronics & Services segment represents approximately 50% of the active U.S. Salaried Plan participants. As a result, the Company has sought and will continue to seek reimbursement from the Department of Defense for a portion of its pension costs, in accordance with government regulations.

The Company contributed $50.0 million to the U.S. Master Trust in the fourth quarter of 2002, and contributed $200.0 million in the first quarter of 2003. As a result, the Company will not face minimum required contributions for its U.S. Salaried Plan in 2004, under current IRS contribution rules.

Depending on market conditions, and assuming that current IRS contribution rules continue to apply in the future, the Company estimates that it may be required to contribute an additional $200.0 million to $400.0 million in the 2005 to 2006 timeframe.

FUNDED STATUS

Funded status is derived by subtracting the value of the projected benefit obligations at December 31, 2002 from the end of year fair value of plan assets.

During 2002, the Company's U.S. Salaried Pension Plan assets declined by $446.7 million to $2,341.8 million at the end of 2002. This decline reflected primarily a negative return on assets of $291.5 million, payments to plan beneficiaries of $202.3 million, offset by Company contributions of $50.0 million. In addition, projected plan obligation for the U.S. Salaried Pension Plan increased substantially due to the 75 basis point decrease in the discount rate at year-end. As a result, funded status for the Company's total pension obligation, including affiliate plans, deteriorated from $(383.5) million at the end of 2001 to $(1,323.9) million at the end of 2002.

Funded status at the end of 2003 will depend primarily on the actual return on assets during the year and the discount rate at the end of the year. The Company estimates that every 25 basis points change in the discount rate impacts the funded status of the U.S. Salaried Pension Plan, which represents about 81% of the Company's pension obligations, by approximately $90 million. Similarly, every five percentage point change in the actual 2003 rate of return on assets impacts the same plan by approximately $130 million.

Assuming a hypothetical range of actual returns on assets of -5% to +5% for 2003, and a range of the discount rate of 6.25% to 6.75%, the Company estimates that the total projected benefit obligations will be underfunded by approximately $1.2 billion to $1.7 billion at December 31, 2003. The analysis described above is shown solely to provide additional information regarding the sensitivity of the funded status to variations in multiple pension assumptions and should not be interpreted as a likely range of outcomes at December 31, 2003.

MINIMUM PENSION LIABILITY

SFAS No. 87 requires that a minimum pension liability be recorded if a plan's market value of assets falls below the plan's accumulated benefit obligation. In 2002, the combination of a decline in the discount rate and a decline in assets caused several of the Company's plans to be in a deficit position. As a result, during 2002, the Company recorded a total after-tax reduction of $765.5 million to its total shareholders' equity. It is important to note that this reduction in total equity did not cause a default in any of the Company's debt covenants. Future recognition of additional minimum pension liabilities will depend primarily on the rate of return on assets and the prevailing discount rate.

PENSION EXPENSE

The Company recorded $10.4 million of pension income into its Consolidated Income Statement in 2002. The Company expects to incur approximately $20.0 million of pension expense that will be recorded into its Consolidated Income Statement in 2003.

Revenue Recognition: The Company recognizes revenue as services are rendered and when title transfers for products, subject to any special terms and conditions of specific contracts. For the majority of the Company's sales, title transfers when products are shipped. Under certain circumstances, title passes when products are delivered. In the Defense Electronics & Services segment, certain contracts require the delivery, installation, testing, certification and customer acceptance before revenue can be recorded. Further, some sales are recognized when the customer picks up the product.

The Defense Electronics & Services segment typically recognizes revenue and anticipated profits under long-term, fixed-price contracts based on units of delivery or the completion of scheduled performance milestones. Estimated contract costs and resulting margins are recorded in proportion to recorded sales. During the performance of such contracts, estimated final contract prices and costs (design, manufacturing, and engineering and development costs) are periodically reviewed and revisions are made when necessary. The effect of these revisions to estimates is included in earnings in the period in which revisions are made. There were no material revisions to estimates in the covered periods.

Accruals for estimated expenses related to warranties are made at the time products are sold or services are rendered. These accruals are established using historical information on the nature, frequency and average cost of warranty claims and estimates of future costs. Management believes the warranty accruals are adequate; however, actual warranty expenses could differ from estimated amounts. The accrual for product warranties at June 31, 2003 and 2002 was $41.1 million and $36.8 million, respectively. See Note 13, "Guarantees, Indemnities and Warranties," in the Notes to Consolidated Condensed Financial Statements for additional details.

ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 142, which changes the accounting for goodwill from an amortization method to an impairment only approach. The amortization of goodwill from past business combinations ceased upon adoption of this statement on January 1, 2002. In connection with the adoption of SFAS No. 142, the Company completed a transitional and initial goodwill impairment test that compared the fair value of each reporting unit to its carrying value and determined that no impairment existed. Both tests were conducted in the first quarter of 2002.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." The standard requires that legal obligations associated with the retirement of tangible long-lived assets be recorded at fair value when incurred. The Company adopted SFAS No. 143 effective January 1, 2003. The adoption of the pronouncement did not have a material impact on the Company's results of operations or financial position.

The Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," effective January 1, 2002. SFAS No. 144 outlines accounting and financial reporting guidelines for the sale or disposal of long-lived assets and discontinued operations. The adoption of the pronouncement did not have a material impact on the Company's results of operations or financial position.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized and measured at its fair value in the period it is incurred and applies prospectively to such activities that are initiated after December 31, 2002. The adoption of this standard did not have a material effect on the Company's results of operations or financial condition.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock Based Compensation -- Transition and Disclosure, an amendment of FASB Statement No. 123." SFAS No. 148 provides alternative

methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. This statement also requires prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method on reported results. The Company adopted the disclosure requirements of SFAS No. 148 effective December 2002 and continues to account for its plans under the intrinsic value recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issues to Employees."

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 149 clarifies the circumstances under which a contract with an initial net investment meets the characteristics of a derivative as discussed in SFAS No. 133. In addition, SFAS No. 149 clarifies when a derivative contains a financing component that warrants special reporting in the statement of cash flows. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The Company believes the adoption of this interpretation will not have a material effect on the Company's results of operations or financial position.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 requires certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity to be classified as liabilities. The provisions of SFAS No. 150 are effective for financial instruments entered into or modified after May 31, 2003 and to all other instruments that exist as of the beginning of the first interim financial reporting period beginning after June 15, 2003. The Company does not have any financial instruments that meet the provisions of SFAS No. 150; therefore, the adoption of this standard did not have a material effect on the Company's results of operations or financial condition.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 requires the recognition of liabilities for guarantees that are issued or modified subsequent to December 31, 2002. The liabilities should reflect the fair value, at inception, of the guarantors' obligations to stand ready to perform, in the event that the specified triggering events or conditions occur. This interpretation also requires disclosure of accounting policies and methodologies with respect to warranty accruals, as well as a reconciliation of the change in these accruals for the reporting period. Refer to Note 13, "Guarantees, Indemnities and Warranties," in the Notes to Consolidated Condensed Financial Statements for additional information. The adoption of this interpretation did not have a material effect on the Company's results of operations or financial position.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). FIN 46 requires unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse the risks and rewards of ownership among their owners and other parties involved. The provisions of FIN 46 are applicable immediately to all variable interest entities created after January 31, 2003 and variable interest entities in which an enterprise obtains an interest in after that date, and for variable interest entities created before this date, the provisions are effective July 1, 2003. The Company did not create or obtain any variable interest entities during the first half of 2003. The adoption of this interpretation did not have a material effect on the Company's results of operations or financial position.

RISKS AND UNCERTAINTIES

ENVIRONMENTAL MATTERS

The Company is subject to stringent environmental laws and regulations that affect its operating facilities and impose liability for the cleanup of past discharges of hazardous substances. In the United States, these laws include the Federal Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, and the Comprehensive Environmental Response, Compensation and Liability Act. Management believes

that the Company is in substantial compliance with these and all other applicable environmental requirements. Environmental compliance costs are accounted for as normal operating expenses.

In estimating the costs of environmental investigation and remediation, the Company considers, among other things, regulatory standards, its prior experience in remediating contaminated sites, and the professional judgment of environmental experts. It is difficult to estimate the total costs of investigation and remediation due to various factors, including incomplete information regarding particular sites and other potentially responsible parties, uncertainty regarding the extent of contamination and the Company's share, if any, of liability for such problems, the selection of alternative remedies, and changes in cleanup standards. When it is possible to create reasonable estimates of liability with respect to environmental matters, the Company establishes accruals in accordance with generally accepted accounting principles. Insurance recoveries are included in other assets when it is probable that a claim will be realized. Although the outcome of the Company's various remediation efforts presently cannot be predicted with a high level of certainty, management does not expect that these matters will have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows. For disclosure of the Company's commitments and contingencies, see Note 21, "Commitments and Contingencies" in the Notes to Consolidated Financial Statements of the 2002 Annual Report on Form 10-K.

FORWARD-LOOKING STATEMENTS

Certain material presented herein consists of forward-looking statements which 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. Such factors include general economic and worldwide political conditions, foreign currency exchange rates, competition and other factors all as more thoroughly set forth in Item 1. Business and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Forward-Looking Statements in the ITT Industries, Inc. Form 10-K Annual Report for the fiscal year ended December 31, 2002 and other of its filings with the Securities and Exchange Commission, to which reference is hereby made.

ITEM 4. CONTROLS AND PROCEDURES

(a) The Chief Executive Officer and Chief Financial Officer of the Company have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Exchange Act) as of the end of the period covered by this quarterly report. Based on such evaluation, such officers have concluded that the Company's disclosure controls and procedures are effective as of the end of such period in identifying, on a timely basis, material information required to be disclosed in our reports filed or submitted under the Exchange Act.

(b) There have been no changes during the period covered by this Quarterly Report in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II.

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following should be read in conjunction with Note 12 to the unaudited interim consolidated condensed financial statements in Part I of this Report, as well as Part I Item 3 of our Annual Report on Form 10-K for the year ended December 31, 2002.

The Company and its subsidiaries are from time to time involved in legal proceedings that are incidental to the operation of their businesses. Some of these proceedings allege damages against the Company relating to environmental liabilities (including toxic tort, property damage, and remediation), intellectual property matters (including patent, trademark and copyright infringement, and licensing disputes), personal injury

claims (including injuries due to product failure, design or warnings issues, asbestos exposure, or other product liability related matters), employment and pension matters, government contract issues and commercial or contractual disputes, sometimes related to acquisitions or divestitures. The Company will continue to vigorously defend itself against all claims. Accruals have been established where the outcome of the matter is probable and can be reasonably estimated. Although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information including the Company's assessment of the merits of the particular claim, as well as its current reserves and insurance coverage, the Company does not expect that such legal proceedings will have any material adverse impact on the cash flow, results of operations, or financial condition of the Company on a consolidated basis in the foreseeable future.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At ITT Industries' annual meeting of shareholders held on May 13, 2003, the persons whose names are set forth below were elected as directors, constituting the entire Board of Directors. Relevant voting information for each person follows:

VOTES	FOR	WITHHELD
Rand V. Araskog	79,172,231	2,092,350
Curtis J. Crawford	71,995,959	9,268,622
Louis J. Giuliano	78,696,607	2,567,974
Christina A. Gold	79,396,993	1,867,588
Ralph F. Hake	79,391,587	1,872,994
John J. Hamre	79,454,473	1,810,108
Raymond W. LeBoeuf	79,381,158	1,883,423
Frank T. MacInnis	71,945,358	9,319,223
Linda S. Sanford	72,025,318	9,239,263
Markos I. Tambakeras	71,953,550	9,311,031

In addition to the election of directors, two other votes were taken at the meeting: 1) The appointment of Deloitte & Touche LLP as independent auditors for 2003 was ratified by a vote of 76,856,457 shares in favor, 3,615,397 shares against, and 792,727 shares abstained; and 2) The ITT Industries, Inc. 2003 Equity Incentive Plan was approved with the following votes: for approval of the plan: 55,683,947 shares voted; against approval of the plan: 16,004,744 shares voted and abstained: 1,299,291 shares. With respect to the ITT Industries, Inc. 2003 Equity Incentive Plan there were 8,276,599 broker non-votes. There were no other matters presented for a vote at the meeting.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) See the Exhibit Index for a list of exhibits filed herewith.

(b) ITT Industries furnished under Items 9 and 12, on July 28, 2003, a copy of its press release announcing its earnings for the second quarter of 2003 on Form 8-K.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ITT Industries, Inc.

(Registrant)

By /s/ MARK E. LANG

Mark E. Lang
Vice President and Corporate Controller
(Principal accounting officer)

August 8, 2003

EXHIBIT INDEX

EXHIBIT NO. DESCRIPTION LOCATION - ------- ----------- --------
(2) Plan of acquisition, reorganization, arrangement, liquidation
or
succession..
None (3a) ITT Industries, Inc. Restated Articles of
Incorporation............ Incorporated by reference to Exhibit
3(i) of ITT Industries' Form 10-Q for the quarterly period ended
June 30, 1997 (CIK No. 216228, File No. 1-5627) (3c) ITT
Industries, Inc. By-laws, as amended December 3, 2002..........
Incorporated by reference to Exhibit 3(c) to ITT Industries' Form
10-K for the fiscal year ended December 31, 2002 (4) Instruments
defining the rights of security holders, including
indentures..
Not required to be filed. The Registrant hereby agrees to file
with the Commission a copy of any instrument defining the rights
of holders of long-term debt of the Registrant and its
consolidated subsidiaries upon request of the Commission. (CIK No.
216228, File No. 1-5627). (10.1) ITT Industries, Inc. 2003 Equity
Incentive Plan, effective May 13,
2003..
Attached (11) Statement re computation of per share
earnings.................... See Note 6 of Notes to Consolidated
Condensed Financial Statements (15) Letter re unaudited interim
financial information.................. None (18) Letter re change
in accounting principles......................... None (19)
Report furnished to security
holders............................... None (22) Published report
regarding matters submitted to vote of security
holders...
None (23) Consents of experts and
counsel................................... None (24) Power of
attorney.. None
(31.1) Certification of Louis J. Giuliano Pursuant to Section 302
of the Sarbanes-Oxley Act of
2002... Attached (31.2)
Certification of Edward W. Williams Pursuant to Section 302 of the
Sarbanes-Oxley Act of
2002... Attached

EXHIBIT NO.	DESCRIPTION	LOCATION
(32.1)	Certification Pursuant to 18. U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002..........	Attached. This Exhibit is intended to be furnished in accordance with Regulation S-K item 601(b) (32) (ii) and shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934 or incorporated by reference into any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference.
(32.2)	Certification Pursuant to 18. U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002..........	Attached. This Exhibit is intended to be furnished in accordance with Regulation S-K item 601(b) (32) (ii) and shall not be deemed to be filed for purposes of Section 18 of the Securities

Exchange Act of 1934 or incorporated by reference into any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference.

EXHIBIT 10.1

ITT Industries, Inc. 2003 Equity

Incentive Plan, effective May 13, 2003

2003 Equity Incentive Plan

Contents

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ITT Industries, Inc.

2003 Equity Incentive Plan

Article 1. Establishment, Purpose, and Duration

1.1 Establishment. ITT Industries, Inc., an Indiana corporation (hereinafter referred to as the “Company”), establishes an incentive compensation plan to be known as the 2003 Equity Incentive Plan (hereinafter referred to as the “Plan”), as set forth in this document.

The Plan permits the grant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights (SARs), Restricted Stock, and Restricted Stock Units.

The Plan shall become effective as of May 13, 2003 (the “Effective Date”) and shall remain in effect as provided in Section 1.3 hereof.

1.2 Purpose of the Plan. The purpose of the Plan is to promote the long-term interests of the Company and its shareholders by strengthening the Company’s ability to attract and retain Employees of the Company and its Affiliates and members of the Board of Directors upon whose judgment, initiative, and efforts the financial success and growth of the business of the Company largely depend, and to provide an additional incentive for such individuals through share ownership and other rights that promote and recognize the financial success and growth of the Company and create value for shareholders.

1.3 Duration of the Plan. The Plan shall commence as of the Effective Date, as described in Section 1.1 hereof, and shall remain in effect, subject to the right of the Committee to amend or terminate the Plan at any time pursuant to Article 13 hereof, until all Shares subject to it shall have been purchased or acquired according to the Plan’s provisions.

Article 2. Definitions

Whenever used in the Plan, the following terms shall have the meanings set forth below, and when the meaning is intended, the initial letter of the word shall be capitalized.

2.1 “Acceleration Event” shall be deemed to have occurred as of the first day that any one or more of the following conditions have been satisfied:

(a) A report on Schedule 13D shall be filed with the Securities and Exchange Commission pursuant to Section 13(d) of the Exchange Act disclosing that any person (within the meaning of Section 13(d) of the Exchange Act), other than the Company or a Subsidiary or any employee benefit plan sponsored by the Company or a Subsidiary, is the Beneficial Owner directly or indirectly of twenty

percent (20%) or more of the outstanding common stock of the Company;

(b) Any person (within the meaning of Section 13(d) of the Exchange Act), other than the Company or a Subsidiary or any employee benefit plan sponsored by the Company or a Subsidiary, shall purchase shares pursuant to a tender offer or exchange offer to acquire any common stock of the Company (or securities convertible into common stock of the Company) for cash, securities, or any other consideration, provided that after consummation of the offer, the person in question is the Beneficial Owner directly or indirectly, of fifteen percent (15%) or more of the outstanding common stock of the Company (calculated as provided in paragraph (d) of Rule 13d-3 under the Exchange Act in the case of rights to acquire common stock);

(c) The shareholders of the Company approve:

(i) Any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of common stock of the Company would be converted into cash, securities, or other property, other than a consolidation or merger of the Company in which holders of common stock of the Company immediately prior to the consolidation or merger have the same proportionate ownership of common stock of the surviving corporation immediately after the consolidation or merger as immediately before; or

(ii) Any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company

(d) There shall have been a change in a majority of the members of the Board within a twelve (12) month period unless the election or nomination for election by the Company's shareholders of each new Director during such twelve (12) month period was approved by the vote of two-thirds (2/3) of the Directors at the beginning of such twelve (12) month period.

2.2 **"Affiliate"** shall mean any Subsidiary and any other Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person specified.

2.3 **"Award"** means, individually or collectively, a grant under this Plan of Nonqualified Stock Options, Incentive Stock Options, SARs, Restricted Stock, and Restricted Stock Units.

2.4 **"Award Agreement"** means either (i) an agreement entered into by the Company and a Participant setting forth the terms and provisions

applicable to Awards granted under this Plan, or (ii) a statement issued by the Company to a Participant describing the terms and conditions of such Award.

2.5 **“Beneficial Owner”** or **“Beneficial Ownership”** shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

2.6 **“Board”** or **“Board of Directors”** means the Board of Directors of the Company.

2.7 **“Code”** means the U.S. Internal Revenue Code of 1986, as amended from time to time.

2.8 **“Committee”** means the Compensation and Personnel Committee of the Board.

2.9 **“Company”** means ITT Industries, Inc., an Indiana corporation, and any successor thereto as provided in Article 15 herein.

2.10 **“Covered Employee”** means a Participant who is a “Covered Employee,” as defined in Code Section 162(m) and the regulations promulgated under Code Section 162(m), or any successor statute.

2.11 **“Director”** means any individual who is a member of the Board of Directors.

2.12 **“Employee”** means any employee of the Company or its Affiliates.

2.13 **“Exchange Act”** means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

2.14 **“Fair Market Value”** means a price that is based on the opening, closing, actual, high, low, or average selling prices of a Share on the New York Stock Exchange (“NYSE”) or other established stock exchange (or exchanges) on the applicable date, the preceding trading day, the next succeeding trading day, or an average of trading days, as determined by the Committee in its discretion.

Such definition of Fair Market Value shall be specified in the Award Agreement and may differ depending on whether Fair Market Value is in reference to the grant, exercise, vesting, or settlement or payout of an Award. If, however, the accounting standards used to account for equity awards granted to Participants are substantially modified subsequent to the Effective Date of the Plan, the Committee shall have the ability to determine an Award’s Fair Market Value based on the relevant facts and circumstances. If Shares are not traded on an established stock exchange, Fair Market Value shall be determined by the Committee based on objective criteria.

2.15 **“Freestanding SAR”** means a SAR that is granted independently of any Options, as described in Article 7 herein.

2.16 **“Grant Price”** means the amount to which the Fair Market Value of a Share is compared pursuant to Section 7.6 to determine the amount of payment that should be made upon exercise of a SAR

2.17 **“Incentive Stock Option”** or **“ISO”** means an Option that meets the requirements of Code Section 422, or any successor provision, and that is not designated as a Nonqualified Stock Option.

2.18 **“Insider”** shall mean an individual who is, on the relevant date, an officer, Director, or more than ten percent (10%) Beneficial Owner of any class of the Company’s equity securities that is registered pursuant to Section 12 of the Exchange Act, as determined by the Board or the Committee in accordance with Section 16 of the Exchange Act.

2.19 **“Nonqualified Stock Option”** or **“NQSO”** means an Option that is not intended to meet the requirements of Code Section 422, or that otherwise does not meet such requirements.

2.20 **“Option”** means an Incentive Stock Option or a Nonqualified Stock Option to purchase Shares, as described in Article 6 herein.

2.21 **“Option Price”** means the price at which a Share may be purchased by a Participant pursuant to an Option.

2.22 **“Participant”** means an Employee or Director who has been selected to receive an Award or who has an outstanding Award granted under the Plan.

2.23 **“Performance-Based Compensation”** means an Award that is qualified as Performance-Based Compensation under Code Section 162(m).

2.24 **“Performance Measures”** means measures as described in Article 9, the attainment of which may determine the amount of payout and/or vesting with respect to Awards.

2.25 **“Performance Period”** means the period of time during which the performance goals must be met in order to determine the amount of payout and/or vesting with respect to an Award.

2.26 **“Period of Restriction”** means the period when Restricted Stock or Restricted Stock Units are subject to a substantial risk of forfeiture (based on the passage of time, the achievement of performance goals, or upon the occurrence of other events as determined by the Committee, at its discretion) and transfer restrictions, as provided in Article 8 herein.

2.27 **“Person”** shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof.

2.28 **“Plan Year”** means the fiscal year.

2.29 **“Restricted Stock”** means an Award granted to a Participant pursuant to Article 8 herein.

2.30 **“Restricted Stock Unit”** means an Award granted to a Participant pursuant to Article 8 herein.

2.31 **“Share”** means a share of common stock of the Company, $1.00 par value per share.

2.32 **“Stock Appreciation Right”** or **“SAR”** means an Award granted to a Participant pursuant to Article 7 herein.

2.33 **“Subsidiary”** means any corporation, partnership, joint venture, limited liability company, or other entity (other than the Company) in an unbroken chain of entities beginning with the Company if each of the entities other than the last entity in the unbroken chain owns at least fifty percent (50%) of the total combined voting power in one of the other entities in such chain.

2.34 **“Tandem SAR”** means a SAR that is granted in connection with a related Option pursuant to Article 7.

Article 3. Administration

3.1 General. The Committee shall be responsible for administering the Plan. The Committee may employ attorneys, consultants, accountants, and other persons, and the Committee, the Company, and its officers and Directors shall be entitled to rely upon the advice, opinions, or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Participants, the Company, and all other interested persons.

3.2 Authority of the Committee. The Committee shall have full and exclusive discretionary power to interpret the terms and the intent of the Plan and to determine eligibility for Awards and to adopt such rules, regulations, and guidelines for administering the Plan as the Committee may deem necessary or proper. Such authority shall include, but not be limited to, selecting Award recipients, establishing all Award terms and conditions and, subject to Article 13, adopting modifications and amendments to the Plan or any Award Agreement, including without limitation, any that are necessary to comply with the laws of the countries in which the Company and its Affiliates operate.

3.3 Delegation. The Committee may delegate to one or more of its members or to one or more agents or advisors such administrative duties as it may deem advisable, and the Committee or any person to whom it has delegated duties as aforesaid may employ one or more persons to render advice with respect to any responsibility the Committee or such person may have under the Plan. The Committee may, by resolution, authorize one or more officers of the Company to do one or both of the following:
(a) designate

Employees and Directors to be recipients of Awards; and (b) determine the size of the Award; provided, however, the Committee shall not delegate such responsibilities to any such officer for Awards granted to an Employee that is considered an elected officer of the Company, or to the extent it would unintentionally cause Performance-Based Compensation to lose its status as such.

Article 4. Shares Subject to the Plan and Maximum Awards

4.1 Number of Shares Available for Awards. Subject to adjustment as provided in Section 4.2 herein, the number of Shares hereby reserved for issuance to Participants under the Plan shall be six million one hundred thousand (6,100,000).

The number of Shares that may be issued under the Plan for Awards other than Options granted with an Option Price equal to at least Fair Market Value on the date of grant or SARs with a Grant Price equal to at least Fair Market Value on the date of grant shall not exceed one million (1,000,000).

All of the reserved Shares may be used as ISOs.

Any Shares related to Awards which terminate by expiration, forfeiture, cancellation, or otherwise without the issuance of such Shares, are settled in cash in lieu of Shares, or are exchanged with the Committee's permission for Awards not involving Shares, shall be available again for grant under the Plan. Moreover, if the Option Price of an NQSO under the Plan or the tax withholding requirements with respect to any Award (other than an ISO) granted under the Plan are satisfied by tendering Shares to the Company (by either actual delivery or by attestation), or if a SAR is exercised, only the number of Shares issued, net of the Shares tendered, if any, will be deemed delivered for purposes of determining the maximum number of Shares available for delivery under the Plan. The maximum number of Shares available for issuance under the Plan shall not be reduced to reflect any dividends or dividend equivalents that are reinvested into additional Shares or credited as additional Restricted Stock, or Restricted Stock Units. In addition, the Committee, in its discretion, may establish any other appropriate methodology for calculating the number of Shares issued pursuant to the Plan. The Shares available for issuance under the Plan may be authorized and unissued Shares or treasury Shares.

The following limits ("Award Limits") shall apply to Awards:

(a) **Options:** The maximum aggregate number of Shares that may be granted in the form of Options, pursuant to any Award granted in any one Plan Year to any one Participant shall be three hundred thousand (300,000).

(b) **SARs:** The maximum number of Shares that may be granted in the form of Stock Appreciation Rights, pursuant to any Award granted in

any one Fiscal Year to any one Participant shall be three hundred thousand (300,000).

(c) **Restricted Stock or Restricted Stock Units:** The maximum aggregate grant with respect to Awards of Restricted Stock or Restricted Stock Units granted in any one Plan Year to any one Participant shall be one hundred fifty thousand (150,000).

4.2 Adjustments in Authorized Shares. In the event of any corporate event or transaction (including, but not limited to, a change in the shares of the Company or the capitalization of the Company) such as a merger, consolidation, reorganization, recapitalization, separation, stock dividend, stock split, reverse stock split, split up, spin-off, or other distribution of stock or property of the Company, combination of shares, exchange of shares, dividend in kind, or other like change in capital structure or distribution (other than normal cash dividends) to shareholders of the Company, or any similar corporate event or transaction, the Committee, in its sole discretion, in order to prevent dilution or enlargement of Participants' rights under the Plan, shall substitute or adjust, in an equitable manner, as applicable, the number and nature of Shares that may be issued under the Plan, the number and nature of Shares subject to outstanding Awards, the Option Price and the Grant Price applicable to outstanding Awards, the Award Limits, and other value determinations applicable to outstanding Awards.

Except to the extent it would unintentionally cause Performance Based Compensation to fail to qualify for the performance based exception to Code Section 162(m), appropriate adjustments may also be made by the Committee in the terms of any Awards under the Plan to reflect such changes or distributions and to modify any other terms of outstanding Awards on an equitable basis, including modifications of performance goals and changes in the length of Performance Periods. The determination of the Committee as to the foregoing adjustments, if any, shall be conclusive and binding on Participants under the Plan.

Subject to the provisions of Article 12, without affecting the number of Shares reserved or available hereunder, the Committee may authorize the issuance or assumption of benefits under this Plan in connection with any merger, consolidation, acquisition of property or stock, share exchange, amalgamation, reorganization or similar transaction upon such terms and conditions as it may deem appropriate; provided, however, that no such issuance or assumption shall be made without affecting the number of Shares reserved or available hereunder if it would prevent the granting of ISOs under the Plan.

Article 5. Eligibility and Participation

5.1 Eligibility. Individuals eligible to participate in this Plan include all Employees and Directors.

5.2 Actual Participation. Subject to the provisions of the Plan, the Committee may, from time to time, select from all eligible individuals, those to whom Awards shall be granted and shall determine the form and amount of each Award.

Article 6. Stock Options

6.1 Grant of Options. Subject to the terms and provisions of the Plan, Options may be granted to Participants in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee.

ISOs may not be granted following the ten-year (10) anniversary of the Effective Date. ISOs may be granted only to Employees.

6.2 Award Agreement. Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the duration of the Option, the number of Shares to which the Option pertains, the conditions upon which an Option shall become vested and exercisable, and such other provisions as the Committee shall determine which are not inconsistent with the terms of the Plan. The Award Agreement also shall specify whether the Option is intended to be an ISO or an NQSO.

6.3 Option Price. Subject to the following sentence, the Option Price for each grant of an Option under this Plan shall be as determined by the Committee; provided, however, the Option Price shall not be less than one hundred percent (100%) of the Fair Market Value of a Share on the date the Option is granted. For Options granted to Participants outside the United States, the Committee, in order to comply with local tax laws and regulations, has the authority to grant Options at a price that is less than the Fair Market Value of a Share on the date of grant.

6.4 Duration of Options. Each Option granted to a Participant shall expire at such time as the Committee shall determine at the time of grant; provided, however, no Option shall be exercisable later than the tenth (10th) anniversary of its grant.

6.5 Exercise of Options. Options granted under this Article 6 shall be exercisable at such times and be subject to such terms and conditions as the Committee shall in each instance approve, which need not be the same for each grant or for each Participant.

6.6 Payment. Options granted under this Article 6 shall be exercised by the delivery of notice of exercise to an agent designated by the Company or by complying with any alternative procedures which may be authorized by the Committee, setting forth the number of Shares with respect to which the Option is to be exercised.

A condition of the issuance of the Shares as to which an Option shall be exercised shall be the payment of the Option Price. The Option Price of any Option shall be payable to the Company in full either: (a) in cash or its equivalent, (b) by tendering (either by actual delivery or attestation) previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the Option Price (provided the Shares tendered must have been held by the Participant for at least six (6) months prior to their tender to satisfy the Option Price or have been purchased on the open market), (c) by a combination of (a) and (b), or (d) any other method approved by the Committee in its sole discretion. The Committee shall determine acceptable methods for tendering Shares as payment upon exercise of an Option and may impose such limitations and prohibitions on the use of Shares to exercise an Option as it deems appropriate.

Subject to any governing rules or regulations, as soon as practicable after receipt of written notification of exercise and full payment (including satisfaction of any applicable tax withholding), the Company shall deliver to the Participant evidence of book entry Shares, or upon the Participant's request, Share certificates in an appropriate amount based upon the number of Shares purchased under the Option(s).

Unless otherwise determined by the Committee, all payments under all of the methods indicated above shall be paid in United States dollars.

6.7 Restrictions on Share Transferability. The Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option granted under this Article 6 as it may deem advisable, including, without limitation, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, and under any blue sky or state securities laws applicable to such Shares.

6.8 Termination of Employment. The impact of a termination of a Participant's employment or service as a Director on an Option's vesting and exercise period shall be determined by the Committee, in its sole discretion, in the Participant's Award Agreement, and need not be uniform among Option grants or Participants.

6.9 Transferability of Options. During his or her lifetime, only the Participant shall have the right to exercise the Options. After the Participant's death, the Participant's estate or beneficiary shall have the right to exercise such Options.

(a) **Incentive Stock Options.** No ISO granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution.

(b) **Nonqualified Stock Options.** Except as otherwise provided in a Participant's Award Agreement, no NQSO granted under this

Article 6 may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution.

6.10 Notification of Disqualifying Disposition. If any Participant shall make any disposition of Shares issued pursuant to the exercise of an ISO under the circumstances described in Section 421(b) of the Code (relating to certain disqualifying dispositions), such Participant shall notify the Company of such disposition within ten (10) days thereof.

Article 7. Stock Appreciation Rights

7.1 Grant of SARs. Subject to the terms and conditions of the Plan, SARs may be granted to Participants at any time and from time to time as shall be determined by the Committee. The Committee may grant Freestanding SARs, Tandem SARs, or any combination of these forms of SARs.

Subject to the terms and conditions of the Plan, the Committee shall have complete discretion in determining the number of SARs granted to each Participant and, consistent with the provisions of the Plan, in determining the terms and conditions pertaining to such SARs.

The SAR Grant Price for each grant of a Freestanding SAR shall be determined by the Committee and shall be specified in the Award Agreement. The SAR Grant Price may include (but shall not be limited to) a Grant Price based on one hundred percent (100%) of the Fair Market Value of the Shares on the date of grant, a Grant Price that is either set at a discount or premium to the Fair Market Value of the Shares on the date of grant, or is indexed to the Fair Market Value of the Shares, with the index determined by the Committee, in its discretion. The Grant Price of Tandem SARs shall be equal to the Option Price of the related Option.

7.2 SAR Agreement. Each SAR Award shall be evidenced by an Award Agreement that shall specify the Grant Price, the term of the SAR, and such other provisions as the Committee shall determine.

7.3 Term of SAR. Subject to the following sentence, the term of a SAR granted under the Plan shall be determined by the Committee, in its sole discretion, provided that, except as determined otherwise by the Committee and specified in the SAR Award Agreement, no SAR shall be exercisable later than the tenth (10th) anniversary of its grant. For SARs granted to Participants outside the United States, the Committee has the authority to grant SARs that have a term greater than ten (10) years.

7.4 Exercise of Freestanding SARs. Freestanding SARs may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes upon them.

7.5. Exercise of Tandem SARs. Tandem SARs may be exercised for all or part of the Shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option. A Tandem SAR may be exercised only with respect to the Shares for which its related Option is then exercisable.

Notwithstanding any other provision of this Plan to the contrary, with respect to a Tandem SAR granted in connection with an ISO: (a) the Tandem SAR will expire no later than the expiration of the underlying ISO; (b) the value of the payout with respect to the Tandem SAR may be for no more than one hundred percent (100%) of the difference between the Option Price of the underlying ISO and the Fair Market Value of the Shares subject to the underlying ISO at the time the Tandem SAR is exercised; and (c) the Tandem SAR may be exercised only when the Fair Market Value of the Shares subject to the ISO exceeds the Option Price of the ISO.

7.6 Payment of SAR Amount. Upon the exercise of a SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

(a) The difference between the Fair Market Value of a Share on the date of exercise over the Grant Price; by

(b) The number of Shares with respect to which the SAR is exercised.

At the discretion of the Committee, the payment upon SAR exercise may be in cash, in Shares of equivalent value, in some combination thereof, or in any other manner approved by the Committee at its sole discretion. The Committee’s determination regarding the form of SAR payout shall be set forth in the Award Agreement pertaining to the grant of the SAR.

7.7 Termination of Employment. The impact of a termination of a Participant’s employment or service as a Director on a SAR’s vesting and exercise period shall be determined by the Committee, in its sole discretion, in the Participant’s Award Agreement, and need not be uniform among SAR grants or Participants.

7.8 Nontransferability of SARs. Except as otherwise provided in a Participant’s Award Agreement, no SAR granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant’s Award Agreement, all SARs granted to a Participant under the Plan shall be exercisable during his or her lifetime only by such Participant.

7.9 Other Restrictions. The Committee shall impose such other conditions and/or restrictions on any Shares received upon exercise of a SAR granted pursuant to the Plan as it may deem advisable. This includes, but is not limited to, requiring the Participant to hold the Shares received upon exercise of a SAR for a specified period of time.

Article 8. Restricted Stock and Restricted Stock Units

8.1 Grant of Restricted Stock or Restricted Stock Units. Subject to the terms and conditions of the Plan, the Committee, at any time and from time to time, may grant Shares of Restricted Stock and/or Restricted Stock Units to Participants in such amounts as the Committee shall determine. Restricted Stock Units shall be similar to Restricted Stock except that no Shares are actually awarded to the Participant on the date of grant.

8.2 Restricted Stock or Restricted Stock Unit Agreement. Each Restricted Stock and/or Restricted Stock Unit grant shall be evidenced by an Award Agreement that shall specify the Period(s) of Restriction, the number of Shares of Restricted Stock or the number of Restricted Stock Units granted, and such other provisions as the Committee shall determine.

8.3 Transferability. Except as provided in this Article 8, the Shares of Restricted Stock and/or Restricted Stock Units granted herein may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction established by the Committee and specified in the Award Agreement (and in the case of Restricted Stock Units until the date of delivery or other payment), or upon earlier satisfaction of any other conditions, as specified by the Committee, in its sole discretion, and set forth in the Award Agreement.

8.4 Other Restrictions. The Committee shall impose such other conditions and/or restrictions on any Shares of Restricted Stock or Restricted Stock Units granted pursuant to the Plan as it may deem advisable including, without limitation, a requirement that Participants pay a stipulated purchase price for each Share of Restricted Stock or each Restricted Stock Unit, restrictions based upon the achievement of specific performance goals, time-based restrictions on vesting following the attainment of the performance goals, time-based restrictions, and/or restrictions under applicable federal or state securities laws.

To the extent deemed appropriate by the Committee, the Company may retain the certificates representing Shares of Restricted Stock in the Company’s possession until such time as all conditions and/or restrictions applicable to such Shares have been satisfied or lapse.

Except as otherwise provided in this Article 8, Shares of Restricted Stock covered by each Restricted Stock Award shall become freely transferable by the Participant after all conditions and restrictions applicable to such Shares have been satisfied or lapse (including satisfaction of any applicable tax withholding obligations), and Restricted Stock Units shall be paid in cash, Shares, or a combination of cash and Shares as the Committee, in its sole discretion shall determine.

8.5 Voting Rights. To the extent permitted or required by law, as determined by the Committee, Participants holding Shares of Restricted Stock

granted hereunder may be granted the right to exercise full voting rights with respect to those Shares during the Period of Restriction. A Participant shall have no voting rights with respect to any Restricted Stock Units granted hereunder.

8.6 Dividends and Other Distributions. During the Period of Restriction, Participants holding Shares of Restricted Stock or Restricted Stock Units granted hereunder may, if the Committee so determines, be credited with dividends paid with respect to the underlying Shares or dividend equivalents while they are so held in a manner determined by the Committee in its sole discretion. The Committee may apply any restrictions to the dividends or dividend equivalents that the Committee deems appropriate. The Committee, in its sole discretion, may determine the form of payment of dividends or dividend equivalents, including cash, Shares, Restricted Stock, or Restricted Stock Units.

8.7 Termination of Employment. The impact of a termination of a Participant's employment or service as a Director on Restricted Stock or Restricted Stock Unit vesting and payment shall be determined by the Committee, in its sole discretion, in the Participant's Award Agreement, and need not be uniform among Award grants or Participants.

8.8 Section 83(b) Election. The Committee may provide in an Award Agreement that the Award of Restricted Stock is conditioned upon the Participant making or refraining from making an election with respect to the Award under Section 83(b) of the Code. If a Participant makes an election pursuant to Section 83(b) of the Code concerning a Restricted Stock Award, the Participant shall be required to file promptly a copy of such election with the Company.

Article 9. Performance Measures

Unless and until the Committee proposes for shareholder vote and the shareholders approve a change in the general Performance Measures set forth in this Article 9, the performance goals upon which the payment or vesting of an Award to a Covered Employee that is intended to qualify as Performance-Based Compensation shall be limited to the following Performance Measures:

(a) Net earnings;

(b) Earnings per share;

(c) Net sales growth;

(d) Net income (before or after taxes);

(e) Net operating profit;

(f) Return measures (including, but not limited to, return on assets, capital, equity, or sales);

(g) Cash flow (including, but not limited to, operating cash flow and free cash flow);

(h) Cash flow return on capital;

(i) Earnings before or after taxes, interest, depreciation, and/or amortization;

(j) Gross or operating margins;

(k) Productivity ratios;

(l) Share price (including, but not limited to, growth measures and total shareholder return);

(m) Expense targets;

(n) Margins;

(o) Operating efficiency;

(p) Customer satisfaction;

(q) Employee satisfaction metrics;

(r) Human resources metrics;

(s) Working capital targets; and

(t) EVA®.

Any Performance Measure(s) may be used to measure the performance of the Company or an Affiliate as a whole or any business unit of the Company or an Affiliate or any combination thereof, as the Committee may deem appropriate, or any of the above Performance Measures as compared to the performance of a group of comparator companies, or published or special index that the Committee, in its sole discretion, deems appropriate, or the Company may select Performance Measure (l) above as compared to various stock market indices. The Committee also has the authority to provide for accelerated vesting of any Award based on the achievement of performance goals pursuant to the Performance Measures specified in this Article 9.

The Committee may provide in any such Award that any evaluation of performance may include or exclude any of the following events that occurs during a Performance Period: (a) asset write-downs, (b) litigation or claim judgments or settlements, (c) the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results, (d) any reorganization and restructuring programs, (e) extraordinary nonrecurring items as described in Accounting Principles Board Opinion No. 30 and/or in management’s discussion and analysis of financial condition and results of operations appearing in the Company’s annual report to shareholders for the applicable year, (f) acquisitions or divestitures, and (g) foreign exchange gains and losses. To the extent such inclusions or exclusions affect Awards to

Covered Employees, they shall be prescribed in a form that meets the requirements of Code Section 162(m) for deductibility.

Awards that are designed to qualify as Performance-Based Compensation, and that are held by Covered Employees, may not be adjusted upward. The Committee shall retain the discretion to adjust such Awards downward.

In the event that applicable tax and/or securities laws change to permit Committee discretion to alter the governing Performance Measures without obtaining shareholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining shareholder approval.

Article 10. Beneficiary Designation

Each Participant under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Committee, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

Article 11. Rights of Participants

11.1 Employment. Nothing in the Plan or an Award Agreement shall interfere with or limit in any way the right of the Company and/or its Affiliates to terminate any Participant's employment or service on the Board at any time or for any reason not prohibited by law, nor confer upon any Participant any right to continue his or her employment or service as a director for any specified period of time.

Neither an Award nor any benefits arising under this Plan shall constitute an employment contract with the Company and, accordingly, subject to Article 3 and Section 13.1, this Plan and the benefits hereunder may be terminated at any time in the sole and exclusive discretion of the Committee without giving rise to any liability on the part of the Company, its Affiliates, and/or its Subsidiaries.

11.2 Participation. No individual shall have the right to be selected to receive an Award under this Plan, or, having been so selected, to be selected to receive a future Award.

11.3 Rights as a Shareholder. Except as otherwise provided in Section 8 of the Plan or in an Award Agreement, a Participant shall have none of the rights of a shareholder with respect to Shares covered by any Award until the Participant becomes the record holder of such Shares.

Article 12. Acceleration Event

The Compensation Committee shall specify in each Participant's Award Agreement the treatment of outstanding Awards upon an Acceleration Event.

Article 13. Amendment, Modification, Suspension, and Termination

13.1 Amendment, Modification, Suspension, and Termination. Subject to Section 13.3, the Committee may, at any time and from time to time, alter, amend, modify, suspend, or terminate the Plan and any Award Agreement in whole or in part; provided, however, that, without the prior approval of the Company's shareholders, Options issued under the Plan will not be repriced, replaced, or regranted through cancellation, or by lowering the Option Price of a previously granted Option, and no amendment of the Plan shall be made without shareholder approval if shareholder approval is required by law, regulation, or stock exchange rule.

13.2 Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. The Committee may make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4.2 hereof) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent unintended dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan. The determination of the Committee as to the foregoing adjustments, if any, shall be conclusive and binding on Participants under the Plan.

13.3 Awards Previously Granted. Notwithstanding any other provision of the Plan to the contrary, no termination, amendment, suspension, or modification of the Plan or an Award Agreement shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Participant holding such Award.

Article 14. Withholding

14.1 Tax Withholding. The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, the minimum statutory amount to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Plan.

14.2 Share Withholding. With respect to withholding required upon the exercise of Options, or SARs, upon the lapse of restrictions on Restricted Stock and Restricted Stock Units, or any other taxable event arising as a result of Awards granted hereunder, Participants may elect, subject to the approval of the Committee, to satisfy the withholding requirement, in whole or in part, by

having the Company withhold Shares having a Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax that could be imposed on the transaction. All such elections shall be irrevocable, made in writing, and signed by the Participant, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

Article 15. Successors

All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

Article 16. General Provisions

16.1 Forfeiture Events. The Committee may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events shall include, but shall not be limited to, termination of employment for cause, violation of material Company and/or Affiliate policies, breach of noncompetition, confidentiality, or other restrictive covenants that may apply to the Participant, or other conduct by the Participant that is detrimental to the business or reputation of the Company and/or its Affiliates.

16.2 Legend. The certificates for Shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer of such Shares.

16.3 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the plural shall include the singular, and the singular shall include the plural.

16.4 Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

16.5 Requirements of Law. The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

16.6 Securities Law Compliance. With respect to Insiders, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successor under the Exchange Act. To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be

deemed null and void, to the extent permitted by law and deemed advisable by the Committee.

16.7 Registration and Listing. The Company may use reasonable endeavors to register Shares allotted pursuant to the exercise of an Award with the United States Securities and Exchange Commission or to effect compliance with the registration, qualification, and listing requirements of any national securities laws, stock exchange, or automated quotation system.

16.8 Delivery of Title. The Company shall have no obligation to issue or deliver evidence of title for Shares issued under the Plan prior to:

(a) Obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and

(b) Completion of any registration or other qualification of the Shares under any applicable national or foreign law or ruling of any governmental body that the Company determines to be necessary or advisable.

16.9 Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

16.10 Employees Based Outside of the United States. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in other countries in which the Company and its Affiliates operate or have Employees or Directors, the Committee, in its sole discretion, shall have the power and authority to:

(a) Determine which Affiliates shall be covered by the Plan;

(b) Determine which Employees and/or Directors outside the United States are eligible to participate in the Plan;

(c) Modify the administrative terms and conditions of any Award granted to Employees and/or Directors outside the United States to comply with applicable foreign laws;

(d) Establish subplans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable. Any subplans and modifications to Plan terms and procedures established under this Section 16.10 by the Committee shall be attached to this Plan document as appendices; and

(e) Take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary local government regulatory exemptions or approvals.

Notwithstanding the above, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate the Exchange Act, the Code, any securities law, or governing statute or any other applicable law.

16.11 Uncertificated Shares. To the extent that the Plan provides for issuance of certificates to reflect the transfer of Shares, the transfer of such Shares may be effected on a noncertificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange.

16.12 Unfunded Plan. Participants shall have no right, title, or interest whatsoever in or to any investments that the Company may make to aid it in meeting its obligations under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Participant, beneficiary, legal representative, or any other person. To the extent that any person acquires a right to receive payments from the Company under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in the Plan. The Plan is not subject to ERISA.

16.13 No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, Awards, or other property shall be issued or paid in lieu of fractional Shares or whether such fractional Shares or any rights thereto shall be forfeited or otherwise eliminated.

16.14 Retirement and Welfare Plans. The value of compensation paid under this Plan will not be included as “compensation” for purposes of computing the benefits payable to any participant under the Company’s retirement plans (both qualified and non-qualified) or welfare benefit plans unless such other plan expressly provides that such compensation shall be taken into account in computing a participant’s benefit.

16.15 Governing Law. The Plan and each Award Agreement shall be governed by the laws of the State of New York, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction. Unless otherwise provided in the Award Agreement, recipients of an Award under the Plan are deemed to submit to the exclusive jurisdiction and venue of the federal or state courts of New York, to resolve any and all issues that may arise out of or relate to the Plan or any related Award Agreement.

16.16 Plan Approval. This Plan shall become effective upon adoption of the Plan by the Board or shareholder approval of such Plan, whichever occurs first.

EXHIBIT 31.1

CERTIFICATION OF LOUIS J. GIULIANO PURSUANT TO SEC. 302
OF THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

I, Louis J. Giuliano, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ITT Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) [Paragraph omitted in accordance with SEC transition instructions contained in SEC Release 34-47986]

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ LOUIS J. GIULIANO

Louis J. Giuliano
Chairman, President and Chief
Executive Officer

Date: August 8, 2003

EXHIBIT 31.2

CERTIFICATION OF EDWARD W. WILLIAMS PURSUANT TO SEC. 302
OF THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

I, Edward W. Williams, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ITT Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) [Paragraph omitted in accordance with SEC transition instructions contained in SEC Release 34-47986]

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ EDWARD W. WILLIAMS

Edward W. Williams
Senior Vice President and Chief
Financial Officer

Date: August 8, 2003

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ITT Industries, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Louis J. Giuliano, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. sec. 1350, as adopted pursuant to sec.906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ LOUIS J. GIULIANO

Louis J. Giuliano
Chief Executive Officer
and President

August 8, 2003

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ITT Industries, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Edward W. Williams, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. sec. 1350, as adopted pursuant to sec.906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ EDWARD W. WILLIAMS

Edward W. Williams
Senior Vice President and
Chief Financial Officer

August 8, 2003

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.