

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): January 23, 2004

ITT INDUSTRIES, INC.  
(Exact name of registrant as specified in its charter)

|  |                             |                                      |
|--|-----------------------------|--------------------------------------|
| Indiana  | 1-5627                      | 13-5158950                           |
| -----<br>(State or other<br>jurisdiction of<br>organization) | (Commission<br>File Number) | (IRS Employer<br>Identification No.) |

|   |            |
|---|------------|
| 4 West Red Oak Lane<br>White Plains, New York     | 10604      |
| -----<br>(Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (914) 641-2000

(Former name or former address if changed since last report)

ITEM 9. Regulation FD Disclosure

The following information is furnished pursuant to Item 9 "Regulation FD Disclosure" and Item 12 "Results of Operations and Financial Condition." This information shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

On January 23, 2004 ITT Industries, Inc. issued a press release providing its financial results for the fourth quarter of 2003 and the year ended December 31, 2003. A copy of this press release is attached and incorporated by reference herein as Exhibit 99.1.

Exhibit Index

(99.1) Press release dated January 23, 2004 issued by ITT Industries, Inc.

SIGNATURES

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 hereunto duly authorized.

ITT INDUSTRIES, INC.

By: /S/Kathleen S. Stolar  
-----  
Kathleen S. Stolar

Its: Vice President, Secretary  
and Associate General Counsel

Date: January 23, 2004

ITT Industries Reports Q4 2003 EPS of \$1.15;  
\$1.05 Before Benefit of Special Items

- \* Q4 revenues up 22 percent; up 14 percent excluding acquisitions and foreign exchange
- \* FY 2003 EPS is \$4.29, \$3.86 before benefit of special items on revenue of \$5.6 billion
- \* Cash flow exceeds expectations as company improves working capital performance
- \* Company enters high-growth water disinfection market with WEDECO acquisition

WHITE PLAINS, N.Y., Jan. 23 /PRNewswire-FirstCall/ -- ITT Industries, Inc. (NYSE: ITT) continued its revenue, earnings and cash flow growth trends, reporting today fourth quarter 2003 net income of \$108.1 million, up \$13 million or 14 percent over the period in 2002, including the impact of one time items. Diluted earnings per share (EPS) for the quarter, including the net benefit of special items, was \$1.15 up \$0.14 per share from reported EPS in the fourth quarter 2002. During the fourth quarter 2003, the company realized a \$0.20 per share benefit from several tax items, which was partially offset by \$0.01 per share of costs for discontinued operations and \$0.09 per share in restructuring costs. The net effect of these special items was a \$0.10 increase in reported EPS for the fourth quarter. Adjusting results to exclude the benefit of these special items, earnings for the fourth quarter 2003 were \$1.05, up 5 percent over the comparable adjusted figure of \$1.00 for the period in 2002.

"Our focus on new product development and continuous process improvement are clearly paying off, giving us 14 percent organic revenue growth during the quarter and continued outstanding cash flow, with 2003 marking the 5th consecutive year of earnings growth for ITT Industries," said Lou Giuliano, Chairman, President and Chief Executive Officer. "After a very good 2003, ITT enters the new year with positive momentum, better positioned than we were even a few months ago to take advantage of any improvements in our various markets. The recent performance in orders, sales, operational improvement and cash flow give me added confidence for continued growth going into 2004. This is a tribute to our management team and their ability to improve their competitive positions throughout the economic cycle."

Fourth quarter 2003 segment operating income was \$161.9 million, up \$6.4 million from the period in 2002, including charges related to restructuring. Fourth quarter revenues were up 22 percent to \$1.52 billion, attributable mostly to revenue gains in Defense and Fluid Technology, and the positive impact of foreign currency translation.

#### Full Year 2003 Results

Reported net income for the full year 2003 was \$403.9 million and EPS was \$4.29, both up 6 percent over the full year 2002. The comparison includes the \$0.65 per share favorable impact of tax refunds, settlements and discontinued operations, all of which were offset by \$0.22 per share net restructuring costs during the year. Excluding the net \$0.43 per share benefit of these special items, earnings for 2003 were \$3.86 per share, up 4 percent over the adjusted EPS of \$3.70 for 2002.

Full year 2003 revenues were \$5.63 billion, up 13 percent driven by increased sales in the Defense, Fluid Technology and Motion & Flow Control segments and the positive impact of foreign currency translation. Excluding acquisitions and currency translation, organic revenue growth was 5 percent. Full year segment operating income was \$603.2 million, up \$4.9 million over 2002. The company said cash from operations was \$576 million, which includes a \$200 million voluntary pre-funding of the company's U.S. salaried pension plan. Free cash flow (defined as cash from operations before pension pre-funding, minus capital spending) of \$622 million grew 27 percent over the prior year, especially noteworthy given the revenue increase.

"Three of our four segments performed better than expected through the year, particularly our Defense business, which posted 18 percent organic revenue growth due to significant new contract wins," Giuliano said. "Our water business continues to grow, as we fill out our water treatment portfolio by entering the high-growth disinfection market, most recently with the acquisitions of WEDECO and Hengtong, which give us the disinfection technology and global reach we've needed to grow this dynamic business. In Motion & Flow Control, orders, sales and profitability are better than we had expected, due to strength in selected end markets. Through the introduction of new products and customer service improvements, our Electronic Components group finished

the year in a much improved position and is seeing encouraging orders and sales increases."

#### 2003 Milestones

- \* ITT Industries' Defense business continued its record of winning new contracts, contributing to a more than 18 percent annual increase in revenues and a record backlog of \$3.2 billion in 2003. New contracts announced during the year include a \$74 million order for air traffic control radars for Taiwan, a \$40 million order for systems engineering support to NASA's Goddard Space Flight Center, and a \$274 million initial 5-year contract to provide technical support for NASA's Deep Space Network program, with options for an additional 5 years worth up to \$306 million, bringing the total potential value to \$580 million over ten years.
- \* ITT Industries continued to execute its strategy of building on strong core businesses through acquisitions. ITT just completed its tender offer for more than 88 percent of the shares of WEDECO, the world's leading provider of ultraviolet and ozone water disinfection technology. This acquisition, together with the recent purchase of Hengtong, a China-based water filtration company, continues the repositioning of ITT's water treatment business to include all key water treatment technologies in all regions of the world to take advantage of significant growth potential in this area. In the first quarter 2003, the company acquired VEAM, a global producer of electrical connectors, and Wellpoint Uniserve, a provider of submersible pumps. Together, ITT's recent acquisitions are expected to account for more than \$200 million in annualized revenues.
- \* ITT Industries' improvement in operating performance was evident in the dramatic improvement in working capital, particularly in the fourth quarter when working capital was a source of cash. Strong cash flow performance enabled the company to reduce net debt to under \$200 million and fund acquisitions in the company's core businesses. Additionally, the company voluntarily pre-funded its U.S. salaried pension plan by \$200 million in 2003, and \$100 million in early 2004.
- \* ITT Industries Value-Based Six Sigma and Value-Based Product Development initiatives spread further through the organization. Value-Based Six Sigma is a key component of the ITT Management System and is the overarching discipline for operational excellence, improving processes, accelerating new product introductions and developing management talent. To date, more than 3 thousand people have been trained at ITT in the use of these improvement tools.

#### Outlook for 2004

Looking ahead, the company reaffirmed previous guidance for revenue and earnings growth in 2004. Giuliano said he anticipates first quarter 2004 EPS between \$0.85 and \$0.89. He reiterated full year 2004 earnings expectations between \$4.05 and \$4.25. Full year 2004 revenues, adjusting for the recent acquisitions, are expected to be \$5.8 - \$6.0 billion.

"We expect to see ongoing benefits of our continuous improvement initiatives to enhance our operating performance in all areas of the company," Giuliano said. "We're positioned to continue our growth trend this year based on current conditions. If the economic recovery broadens, we would expect our growth rate to accelerate."

#### Primary Business Results

##### Fluid Technology

- \* Fourth quarter 2003 Fluid Technology revenues rose 17 percent or \$88.9 million to \$611.6 million, driven by organic growth in water/wastewater and the positive impact of foreign currency translation. Operating income was flat at \$66.7 million, and up \$7.6 million to \$79.6 million excluding the impact of restructuring. Full year Fluid Technology revenue rose 15 percent to \$2.25 billion, while operating income rose 8 percent to \$271.4 million. While margins declined 180 basis points for the quarter and 80 basis points for the year, margins excluding restructuring, the impact of foreign currency transactions and acquisitions actually grew by 80 basis points for the quarter and full year.
- \* The water and wastewater business (including Flygt, Sanitaire and the Water Technology Division) continues its growth trend, following ongoing strong demand in international markets. Excluding acquisitions and currency translation, revenue for the water and wastewater business grew 7 percent in the quarter.

- \* The addition of WEDECO to the segment's Sanitaire division positions the company as the market leader in UV and ozone water disinfection, which are attractive alternatives to chlorine treatment. Adding disinfection to the product portfolio has long been a strategic priority for our Fluid Technology group in the face of new regulations concerning wastewater treatment and the company sees significant growth potential in the years ahead. WEDECO is expected to add approximately \$125-\$140 million in 2004 revenues. Another recently completed acquisition, Hengtong, with approximately \$8 million in annual sales, enhances Sanitaire's filtration business in the important Asian market. Already, the Sanitaire group has won a \$4 million order to provide biological treatment equipment for a project in Singapore.
- \* The Fluid Technology group is pursuing new business opportunities related to reconstruction work in Iraq. Most notably, the Industrial Pump group landed an order for more than \$800 thousand for pumps to help rebuild the country's power system.

#### Defense Electronics & Services

- \* Revenues for Defense Electronics & Services rose 45 percent to \$501.2 million in the fourth quarter 2003, up on higher sales in all of the segment business areas. Fourth quarter operating income rose 41 percent or \$16.7 million to \$57.9 million, while operating margin declined by 30 basis points. Full year Defense revenue was up 18 percent to \$1.79 billion. Operating income for the full year rose 22 percent to \$187.1 million, and operating margin grew by 20 basis points.
- \* The company's space business continues to expand, following the company's long-term strategy of expanding this business by building on superior performance. Recent contract wins in this area include those at Aerospace/Communications with the U.S. government's global positioning satellite system and the Systems division's \$580 million 10-year Deep Space Network (DSN) contract. ITT now maintains the communications, antennas, command and control systems and software for DSN at the Jet Propulsion Laboratory. These and other contract wins contributed to an overall Defense backlog of \$3.2 billion at the end of the fourth quarter.
- \* The company continues to receive significant additional orders for its SINCGARS military radios and Night Vision equipment both from the U.S. and from allied nations, extending the success of these long-running programs.

#### Motion & Flow Control

- \* Fourth quarter Motion & Flow Control (MFC) revenues increased 9 percent or \$21.1 million to \$248.5 million, due to revenue growth in the friction materials and leisure marine businesses and the positive impact of foreign currency translation. Operating income grew 5 percent to \$30.9 million and operating margin declined 50 basis points, due primarily to a decline in volume in the automotive tubing business. Full year 2003 MFC revenues were up 6 percent to \$992.3 million. Operating income for the year was up 10 percent to \$134.7 million.
- \* ITT's motion control businesses saw sales increase 33 percent even in a flat automotive market, due primarily to key platform wins in Europe and growth in aftermarket revenues. This business now accounts for approximately 30 percent of MFC's revenues, compared to 25 percent in 2002.
- \* The company's leisure marine businesses under the Jabsco brand name realized 21 percent organic growth in the quarter and 9 percent organic growth for the full year. This success is built on the company's expanding capabilities in the marine and RV markets. Most recently, the company won its first design-in contract for a complete on-board water pressure system for watercraft.

#### Electronic Components

- \* Electronic Components (EC) revenues for the fourth quarter 2003 rose 5 percent or \$8 million to \$158 million, with the acquisition of VEAM, the positive impact of foreign currency translation and stronger sales in the mobile handset and military markets more than offsetting continued weakness in commercial aerospace. Full year EC revenues rose 3 percent to \$600.3 million. Fourth quarter operating income fell to \$6.4 million, and full year operating income declined to \$10 million, both with a corresponding decline in margin, attributable to

unfavorable changes in product mix, ongoing price pressures and manufacturing transition costs.

\* EC's sales and orders continue to increase, with orders growing 23 percent in the fourth quarter over the period in 2002 due to increased activity in the wireless handset market and new products introduced in 2003. In the wireless handset business, revenues in the second half outpaced the first half by 45 percent. EC's book-to-bill ratio in the fourth quarter was 1.05, its highest level since the first quarter of 2002.

\* The company continues to focus on customer satisfaction through reduction of lead times utilizing lean initiatives and innovative new products to grow the EC business. Its new universal contact connector is being used in an array of consumer, industrial and medical products, and is expected to generate more than \$6 million in sales during 2004.

NOTE: ITT Industries believes that investors' understanding of the company's operating performance is enhanced by the use of certain non-GAAP financial measures, including adjusted GAAP net income and adjusted GAAP EPS, which Management considers useful in providing insight into operating performance, as it excludes the impact of special items that cannot be expected to recur on a quarterly basis. Management also believes that investors can better analyze the company's revenue growth by utilizing an organic revenue growth measure that excludes the effect of foreign exchange translation and the effect of recent acquisitions. In addition, Management considers the use of free cash flow to be an important indication of the company's ability to make acquisitions, fund pension obligations, buy back outstanding shares and service debt. Free cash flow, adjusted net income, adjusted EPS and organic revenue are not financial measures under GAAP, should not be considered as substitutes for cash from operating activities, EPS, net income or revenue as defined by GAAP, and may not be comparable to similarly titled measures reported by other companies. A reconciliation to the GAAP equivalents of these non-GAAP measures is set forth in the attached unaudited financial information.

#### About ITT Industries

ITT Industries, Inc. ([www.itt.com](http://www.itt.com)) supplies advanced technology products and services in key markets including: fluid and water management including water treatment; defense communication, opto-electronics, information technology and services; electronic interconnects and switches; and other specialty products. Headquartered in White Plains, NY, the company generated \$5.63 billion in 2003 sales.

In addition to the New York Stock Exchange, ITT Industries stock is traded on the Midwest, Pacific, Paris and Frankfurt exchanges.

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 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.

#### ITT INDUSTRIES, INC. AND SUBSIDIARIES

##### CONSOLIDATED CONDENSED INCOME STATEMENTS (In millions, except per share) (Unaudited)

|   | Three Months<br>Ended<br>December 31, |           | Year<br>Ended<br>December 31, |           |
|---|---------------------------------------|-----------|-------------------------------|-----------|
|   | 2003                                  | 2002      | 2003                          | 2002      |
| Sales and revenues                                | \$1,516.8                             | \$1,244.3 | \$5,626.6                     | \$4,985.3 |
| Costs of sales and revenues                       | 983.8                                 | 776.5     | 3,683.5                       | 3,211.9   |
| Selling, general and<br>administrative expenses   | 229.9                                 | 197.1     | 824.7                         | 720.2     |
| Research, development and<br>engineering expenses | 150.0                                 | 132.3     | 559.4                         | 519.1     |
| Restructuring and other asset<br>impairments      | 12.6                                  | (1.8)     | 30.5                          | (3.5)     |
| Total costs and expenses                          | 1,376.3                               | 1,104.1   | 5,098.1                       | 4,447.7   |

|  |          |        |         |         |
|--|----------|--------|---------|---------|
| Operating income   | 140.5    | 140.2  | 528.5   | 537.6   |
| Interest expense (income), net   | 4.5      | 4.9    | (10.1)  | 32.4    |
| Miscellaneous expense (income)   | 3.1      | 0.3    | 7.9     | (3.6)   |
| Income from continuing operations before income taxes  | 132.9    | 135.0  | 530.7   | 508.8   |
| Income tax expense   | 23.3     | 39.9   | 139.8   | 128.9   |
| Income from continuing operations  | 109.6    | 95.1   | 390.9   | 379.9   |
| Discontinued operations, including tax income /(exp) of \$5.3 and \$(0.8) in each period, respectively | (1.5)    | --     | 13.0    | --      |
| Net income   | \$108.1  | \$95.1 | \$403.9 | \$379.9 |
| Earnings Per Share:  |          |        |         |         |
| Income from continuing operations:   |          |        |         |         |
| Basic  | \$1.18   | \$1.04 | \$4.24  | \$4.17  |
| Diluted  | \$1.16   | \$1.01 | \$4.15  | \$4.06  |
| Discontinued operations:   |          |        |         |         |
| Basic  | \$(0.01) | \$ --  | \$0.14  | \$ --   |
| Diluted  | \$(0.01) | \$ --  | \$0.14  | \$ --   |
| Net income:  |          |        |         |         |
| Basic  | \$1.17   | \$1.04 | \$4.38  | \$4.17  |
| Diluted  | \$1.15   | \$1.01 | \$4.29  | \$4.06  |
| Average Common Shares - Basic  | 92.3     | 91.8   | 92.1    | 91.0    |
| Average Common Shares - Diluted  | 94.3     | 94.0   | 94.1    | 93.6    |

ITT INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(In millions)

|  | December 31,<br>2003<br>(Unaudited) | December 31,<br>2002 |
|--|-------------------------------------|----------------------|
| Assets   |                                     |                      |
| Current Assets:  |                                     |                      |
| Cash and cash equivalents                              | \$414.2                             | \$202.2              |
| Receivables, net                                       | 974.6                               | 868.3                |
| Inventories, net                                       | 578.5                               | 552.9                |
| Other current assets                                   | 138.2                               | 77.1                 |
| Total current assets                                   | 2,105.5                             | 1,700.5              |
| Plant, property and equipment, net                     | 893.3                               | 841.2                |
| Deferred income taxes                                  | 385.8                               | 546.3                |
| Goodwill, net  | 1,629.1                             | 1,550.5              |
| Other intangible assets, net                           | 75.0                                | 74.9                 |
| Other assets   | 861.4                               | 676.2                |
| Total assets   | \$5,950.1                           | \$5,389.6            |
| Liabilities and Shareholders' Equity                   |                                     |                      |
| Current Liabilities:                                   |                                     |                      |
| Accounts payable                                       | \$635.3                             | \$484.0              |
| Accrued expenses                                       | 653.4                               | 725.3                |
| Accrued taxes  | 256.9                               | 221.3                |
| Notes payable and current maturities of long-term debt | 141.5                               | 299.6                |
| Other current liabilities                              | 4.5                                 | --                   |
| Total current liabilities                              | 1,691.6                             | 1,730.2              |
| Pension and postretirement benefits                    | 1,439.6                             | 1,629.0              |
| Long-term debt   | 460.9                               | 492.2                |
| Other liabilities                                      | 533.6                               | 400.9                |
| Total liabilities                                      | 4,125.7                             | 4,252.3              |
| Shareholders' equity                                   | 1,824.4                             | 1,137.3              |
| Total liabilities and shareholders' equity             | \$5,950.1                           | \$5,389.6            |

ITT INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In millions)  
(Unaudited)

|                              | Year Ended<br>December 31, |         |
|------------------------------|----------------------------|---------|
|                              | 2003                       | 2002    |
| Operating Activities         |                            |         |
| Net income                   | \$403.9                    | \$379.9 |
| Discontinued operations, net | (13.0)                     | --      |

|   |         |         |
|---|---------|---------|
| Income from continuing operations                 | 390.9   | 379.9   |
| Adjustments to income from continuing operations: |         |         |
| Depreciation and amortization                     | 188.0   | 171.4   |
| Restructuring and asset impairments               | 30.5    | (3.5)   |
| Payments for restructuring                        | (25.0)  | (32.2)  |
| Change in receivables                             | (61.3)  | 3.7     |
| Change in inventories                             | 31.0    | (3.5)   |
| Change in accounts payable and accrued expenses   | 28.4    | 34.0    |
| Change in accrued and deferred taxes              | 167.2   | 125.2   |
| Change in other current and non-current assets    | (202.7) | (56.7)  |
| Change in other non-current liabilities           | 25.0    | (33.3)  |
| Other, net  | 3.6     | 9.8     |
| Net Cash - operating activities                   | 575.6   | 594.8   |
| Investing Activities                              |         |         |
| Additions to plant, property and equipment        | (153.6) | (153.2) |
| Acquisitions                                      | (46.2)  | (159.2) |
| Proceeds from sale of assets and businesses       | 17.0    | 11.6    |
| Sale of investments                               | 43.5    | --      |
| Other, net  | (2.0)   | (3.2)   |
| Net Cash - investing activities                   | (141.3) | (304.0) |
| Financing Activities                              |         |         |
| Short-term debt, net                              | (144.1) | (235.8) |
| Long-term debt repaid                             | (42.7)  | (3.3)   |
| Long-term debt issued                             | 0.3     | 0.7     |
| Repurchase of common stock                        | (69.7)  | (32.3)  |
| Proceeds from issuance of common stock            | 45.3    | 93.3    |
| Dividends paid                                    | (58.0)  | (54.3)  |
| Net Cash - financing activities                   | (268.9) | (231.7) |
| Exchange Rate Effects on                          |         |         |
| Cash and Cash Equivalents                         | 35.4    | 5.3     |
| Net Cash - Discontinued Operations                | 11.2    | 16.5    |
| Net change in cash and cash equivalents           | 212.0   | 80.9    |
| Cash and cash equivalents - beginning of year     | 202.2   | 121.3   |
| Cash and Cash Equivalents - End of Period         | \$414.2 | \$202.2 |

ITT Industries Non-GAAP Investor Slide Reconciliation  
Reported vs. Adjusted Net Income & EPS  
Fourth Quarter of 2003 & 2002

(\$ Millions, except EPS and shares)

|  | Q4 2003<br>As Reported | Q4 2003<br>Adjustments | Q4 2003<br>As Adjusted |                            |
|--|------------------------|------------------------|------------------------|----------------------------|
| Segment Operating Income                     | 161.9                  | 12.7 #A                | 174.6                  |                            |
| Interest Income (Expense)                    | (4.5)                  |                        | (4.5)                  |                            |
| Other Income (Expense)                       | (3.1)                  | --                     | (3.1)                  |                            |
| Corporate (Expense)                          | (21.4)                 | (0.1)                  | (21.5)                 |                            |
| Income from Continuing Operations before Tax | 132.9                  | 12.6                   | 145.5                  |                            |
| Income Tax Items                             | (23.3)                 | (19.1)#B               | (42.4)                 |                            |
| Income Tax Expense                           | 0.0                    | (4.0)#C                | (4.0)                  |                            |
| Total Tax Expense                            | (23.3)                 | (23.1)                 | (46.4)                 |                            |
| Income from Continuing Operations            | 109.6                  | (10.5)                 | 99.2                   |                            |
| Income from Discontinued Operations          | (1.5)                  | 1.5 #D                 | 0.0                    |                            |
| Net Income                                   | 108.1                  | (9.0)                  | 99.2                   |                            |
|  | 1.15                   | (0.10)                 | 1.05                   |                            |
|  |                        |                        |                        | Change<br>2003 vs.<br>2002 |
|  | Q4 2002<br>As Reported | Q4 2002<br>Adjustments | Q4 2002<br>As Adjusted | As<br>Adjusted             |





|                               | Q4 2002 | Adj. 03 vs. 02 | Adj. 03 vs. 02 |
|-------------------------------|---------|----------------|----------------|
| ITT Industries - Consolidated | 1,244.3 | 177.5          | 14 %           |
| Fluid Technology              | 522.7   | 31.1           | 6 %            |
| Motion & Flow Control         | 227.4   | 1.9            | 1 %            |
| Electronic Components         | 150.0   | (10.1)         | -7 %           |
| Water / Waste Water           | 322.0   | 22.4           | 7 %            |
| Water Treatment               | 24.7    | 5.0            | 20 %           |
| Leisure Marine                | 29.8    | 6.2            | 21 %           |

ITT Industries Non-GAAP Investor Slide Reconciliation  
Reported vs. Organic Revenue Growth  
Full Year 2003 & 2002

(\$ Millions)

(As Reported - GAAP)  
Sales & Revenues      Sales & Revenues  
12M 2003                      12M 2002

|                               |         |         |
|-------------------------------|---------|---------|
| ITT Industries - Consolidated | 5,626.6 | 4,985.3 |
| Fluid Technology              | 2,249.9 | 1,956.3 |
| Motion & Flow Control         | 992.3   | 935.5   |
| Electronic Components         | 600.3   | 583.5   |
| Water / Waste Water           | 1,432.2 | 1,174.6 |
| Water Treatment               | 124.0   | 72.5    |
| Leisure Marine                | 148.8   | 132.8   |

(As Reported - GAAP)

Change                      % Change  
2003 vs. 2002              2003 vs. 2002

|                               |       |     |
|-------------------------------|-------|-----|
| ITT Industries - Consolidated | 641.3 | 13% |
| Fluid Technology              | 293.6 | 15% |
| Motion & Flow Control         | 56.8  | 6%  |
| Electronic Components         | 16.8  | 3%  |
| Water / Waste Water           | 257.6 | 22% |
| Water Treatment               | 51.5  | 71% |
| Leisure Marine                | 16.0  | 12% |

(As Adjusted - Organic)

Sales &                      Acquisition                      FX  
Revenues                      Contribution                      Contribution  
12M 2003                      12M 2003                      12M 2003

|                               |         |         |         |
|-------------------------------|---------|---------|---------|
| ITT Industries - Consolidated | 5,626.6 | (156.6) | (243.8) |
| Fluid Technology              | 2,249.9 | (116.8) | (131.1) |
| Motion & Flow Control         | 992.3   | 0.0     | (74.6)  |
| Electronic Components         | 600.3   | (39.8)  | (38.1)  |
| Water / Waste Water           | 1,432.2 | (76.7)  | (122.4) |
| Water Treatment               | 124.0   | (39.9)  | (2.7)   |
| Leisure Marine                | 148.8   | 0.0     | (4.0)   |

(As Adjusted - Organic)

|                               | Adj. Sales &<br>Revenues<br>12M 2003 | Sales &<br>Revenues<br>12M 2002 | Change<br>Adj. 03 vs.<br>02 | % Change<br>Adj. 03 vs.<br>02 |
|-------------------------------|--------------------------------------|---------------------------------|-----------------------------|-------------------------------|
| ITT Industries - Consolidated | 5,226.2                              | 4,985.3                         | 240.9                       | 5%                            |
| Fluid Technology              | 2,002.0                              | 1,956.3                         | 45.7                        | 2%                            |
| Motion & Flow Control         | 917.7                                | 935.5                           | (17.8)                      | -2%                           |
| Electronic Components         | 522.4                                | 583.5                           | (61.1)                      | -10%                          |
| Water / Waste Water           | 1,233.1                              | 1,174.6                         | 58.5                        | 5%                            |
| Water Treatment               | 81.4                                 | 72.5                            | 8.9                         | 12%                           |
| Leisure Marine                | 144.8                                | 132.8                           | 12.0                        | 9%                            |

ITT Industries Non-GAAP Investor Slide Reconciliation  
Cash From Operating Activities vs. Free Cash Flow  
Full Year 2003 & 2002 / Fourth Quarter 2003

(\$ Millions)

|                            | 12M 03                     | 12M 02  | 12M 03                     | 9M 03   | Q4 2003<br>Only |
|----------------------------|----------------------------|---------|----------------------------|---------|-----------------|
| Income from Continuing Ops | 390.9                      | 379.9   | 390.9                      | 281.3   | 109.6           |
| Depreciation               | 167.4                      | 152.0   | 167.4                      | 123.6   | 43.8            |
| Amortization               | 20.6                       | 19.4    | 20.6                       | 15.1    | 5.5             |
| Working Capital            | 87.2                       | 48.6    | 87.2                       | (91.3)  | 178.5           |
| Pension Pre-funding        | (200.0)                    | (50.0)  | (200.0)                    | (200.0) | 0.0             |
| Other                      | 109.5                      | 44.9    | 109.5                      | 140.5   | (31.0)          |
| Cash from Operations       | 575.6                      | 594.8   | 575.6                      | 269.2   | 306.4           |
| Capital Expenditures       | (153.6)                    | (153.2) | (153.6)                    | (97.0)  | (56.6)          |
| Pension Pre-funding        | 200.0                      | 50.0    | 200.0                      | 200.0   | 0.0             |
| Free Cash Flow             | 622.0                      | 491.6   | 622.0                      | 372.2   | 249.8           |
|                            | 1Q Free Cash<br>Flow Range |         | FY Free Cash Flow<br>Range |         |                 |
|                            | 1Q 04                      | 1Q 04   | FY 04                      | FY 04   |                 |
| Cash from Operations       | (60.0)                     | (10.0)  | 460.0                      | 510.0   |                 |
| Capital Expenditures       | (40.0)                     | (40.0)  | (160.0)                    | (160.0) |                 |
| Pension Pre-funding        | 100.0                      | 100.0   | 100.0                      | 100.0   |                 |
| Free Cash Flow             | 0.0                        | 50.0    | 400.0                      | 450.0   |                 |

ITT Industries Non-GAAP Investor Slide Reconciliation  
2003 & 2002 Reported vs. Adjusted EPS

|   | Q4<br>2002<br>Actual | Q1<br>2003<br>Actual | Q2<br>2003<br>Actual | Q3<br>2003<br>Actual | Q4<br>2003<br>Actual | FY<br>2003<br>Actual |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Diluted Earnings Per Share -<br>GAAP      | \$1.01               | \$0.92               | \$1.06               | \$1.16               | \$1.15               | \$4.29               |
| Other Adjustments*                        | --                   | (0.17)               | (0.08)               | (0.21)               | (0.19)               | (0.65)               |
| Restructuring                             | (0.01)               | 0.08                 | 0.04                 | 0.01                 | 0.09                 | 0.22                 |
| Adjusted Earnings Per Share -<br>NON-GAAP | \$1.00               | \$0.83               | \$1.02               | \$0.96               | \$1.05               | \$3.86               |

\* Please refer to Reported vs. Adjusted Net Income & EPS Reconciliation  
for details on Other Adjustments

ITT Industries Non-GAAP Investor Slide Reconciliation  
Segment Operating Income & OI Margin Adjusted for Restructuring  
Fourth Quarter of 2003 & 2002

(\$ Millions)

|                                | Q4 2003  | Q4 2002  |        | Q4 2003  | Adjust for    |
|--------------------------------|----------|----------|--------|----------|---------------|
|                                | As       | As       | Change | As       | 2003          |
|                                | Reported | Reported | 03 vs. | Reported | Restructuring |
|                                |          |          | 02     |          |               |
| Sales and Revenues:            |          |          |        |          |               |
| Electronic Components          | 158.0    | 150.0    |        | 158.0    |               |
| Defense Electronics & Services | 501.2    | 345.8    |        | 501.2    |               |
| Fluid Technology               | 611.6    | 522.7    |        | 611.6    |               |
| Motion & Flow Control          | 248.5    | 227.4    |        | 248.5    |               |
| Intersegment eliminations      | (2.5)    | (1.6)    |        | (2.5)    |               |
| Total Ongoing segments         | 1,516.8  | 1,244.3  |        | 1,516.8  |               |
| Dispositions and other         | --       | --       |        | --       |               |
| Total Sales and Revenues       | 1,516.8  | 1,244.3  |        | 1,516.8  |               |
| Operating Margin:              |          |          |        |          |               |
| Electronic Components          | 4.1%     | 12.3%    |        | 4.1%     |               |
| Defense Electronics & Services | 11.6%    | 11.9%    |        | 11.6%    |               |
| Fluid Technology               | 10.9%    | 12.7%    |        | 10.9%    |               |
| Motion & Flow Control          | 12.4%    | 12.9%    |        | 12.4%    |               |
| Total Ongoing Segments         | 10.7%    | 12.5%    |        | 10.7%    |               |
| Income:                        |          |          |        |          |               |
| Electronic Components          | 6.4      | 18.4     | -65.2% | 6.4      | (1.7)         |
| Defense Electronics & Services | 57.9     | 41.2     | 40.5%  | 57.9     | 1.0           |
| Fluid Technology               | 66.7     | 66.5     | 0.3%   | 66.7     | 12.9          |
| Motion & Flow Control          | 30.9     | 29.4     | 5.1%   | 30.9     | 0.5           |
| Total Segment Operating Income | 161.9    | 155.5    | 4.1%   | 161.9    | 12.7          |

Adjust  
for

|                                | Q4 2003  | Q4 2002  | 2002          | Q4 2002  |         |
|--------------------------------|----------|----------|---------------|----------|---------|
|                                | As       | As       | Restructuring | As       | Change  |
|                                | Adjusted | Reported |               | Adjusted | Adj. 03 |
|                                |          |          |               |          | vs. 02  |
| Sales and Revenues:            |          |          |               |          |         |
| Electronic Components          | 158.0    | 150.0    |               | 150.0    |         |
| Defense Electronics & Services | 501.2    | 345.8    |               | 345.8    |         |
| Fluid Technology               | 611.6    | 522.7    |               | 522.7    |         |
| Motion & Flow Control          | 248.5    | 227.4    |               | 227.4    |         |
| Intersegment eliminations      | (2.5)    | (1.6)    |               | (1.6)    |         |
| Total Ongoing segments         | 1,516.8  | 1,244.3  |               | 1,244.3  |         |
| Dispositions and other         | --       | --       |               | --       |         |
| Total Sales and Revenues       | 1,516.8  | 1,244.3  |               | 1,244.3  |         |
| Operating Margin:              |          |          |               |          |         |
| Electronic Components          | 3.0%     | 12.3%    |               | 6.9%     |         |
| Defense Electronics & Services | 11.8%    | 11.9%    |               | 11.6%    |         |
| Fluid Technology               | 13.0%    | 12.7%    |               | 13.8%    |         |
| Motion & Flow Control          | 12.6%    | 12.9%    |               | 13.9%    |         |
| Total Ongoing Segments         | 11.5%    | 12.5%    |               | 12.4%    |         |
| Income:                        |          |          |               |          |         |
| Electronic Components          | 4.7      | 18.4     | (8.1)         | 10.3     | -54.4%  |
| Defense Electronics & Services | 58.9     | 41.2     | (1.0)         | 40.2     | 46.5%   |
| Fluid Technology               | 79.6     | 66.5     | 5.5           | 72.0     | 10.6%   |
| Motion & Flow Control          | 31.4     | 29.4     | 2.1           | 31.5     | -0.3%   |
| Total Segment Operating Income | 174.6    | 155.5    | (1.5)         | 154.0    | 13.4%   |

ITT Industries Non-GAAP Investor Slide Reconciliation  
Segment Operating Income & OI Margin Adjusted for Restructuring  
Full Year 2003 & 2002

(\$ Millions)

|                       | 12M 2003 | 12M 2002 |        | 12M 2003 | Adjust        |
|-----------------------|----------|----------|--------|----------|---------------|
|                       | As       | As       | Change | As       | for           |
|                       | Reported | Reported | 03 vs. | Reported | 2003          |
|                       |          |          | 02     |          | Restructuring |
| Sales and Revenues:   |          |          |        |          |               |
| Electronic Components | 600.3    | 583.5    |        | 600.3    |               |

|                                |         |         |         |
|--------------------------------|---------|---------|---------|
| Defense Electronics & Services | 1,790.9 | 1,513.9 | 1,790.9 |
| Fluid Technology               | 2,249.9 | 1,956.3 | 2,249.9 |
| Motion & Flow Control          | 992.3   | 935.5   | 992.3   |
| Intersegment eliminations      | (6.8)   | (3.9)   | (6.8)   |
| Total Ongoing segments         | 5,626.6 | 4,985.3 | 5,626.6 |
| Dispositions and other         | --      | --      | --      |
| Total Sales and Revenues       | 5,626.6 | 4,985.3 | 5,626.6 |

|                                |       |       |       |
|--------------------------------|-------|-------|-------|
| Operating Margin:              |       |       |       |
| Electronic Components          | 1.7%  | 12.1% | 1.7%  |
| Defense Electronics & Services | 10.4% | 10.2% | 10.4% |
| Fluid Technology               | 12.1% | 12.9% | 12.1% |
| Motion & Flow Control          | 13.6% | 13.1% | 13.6% |
| Total Ongoing Segments         | 10.7% | 12.0% | 10.7% |

|                                |       |       |        |       |      |
|--------------------------------|-------|-------|--------|-------|------|
| Income:                        |       |       |        |       |      |
| Electronic Components          | 10.0  | 70.4  | -85.8% | 10.0  | 10.0 |
| Defense Electronics & Services | 187.1 | 154.0 | 21.5%  | 187.1 | 1.0  |
| Fluid Technology               | 271.4 | 251.5 | 7.9%   | 271.4 | 13.8 |
| Motion & Flow Control          | 134.7 | 122.4 | 10.0%  | 134.7 | 4.4  |
| Total Segment Operating Income | 603.2 | 598.3 | 0.8%   | 603.2 | 29.2 |

|  |          |          |               |          |         |
|--|----------|----------|---------------|----------|---------|
|  | 12M 2003 | 12M 2002 | Adjust for    | 12M 2002 | Change  |
|  | As       | As       | 2002          | as       | Adj. 03 |
|  | Adjusted | Reported | Restructuring | Adjusted | vs. 02  |

|                                |         |         |         |
|--------------------------------|---------|---------|---------|
| Sales and Revenues:            |         |         |         |
| Electronic Components          | 600.3   | 583.5   | 583.5   |
| Defense Electronics & Services | 1,790.9 | 1,513.9 | 1,513.9 |
| Fluid Technology               | 2,249.9 | 1,956.3 | 1,956.3 |
| Motion & Flow Control          | 992.3   | 935.5   | 935.5   |
| Intersegment eliminations      | (6.8)   | (3.9)   | (3.9)   |
| Total Ongoing segments         | 5,626.6 | 4,985.3 | 4,985.3 |
| Dispositions and other         | --      | --      | --      |
| Total Sales and Revenues       | 5,626.6 | 4,985.3 | 4,985.3 |

|                                |       |       |       |
|--------------------------------|-------|-------|-------|
| Operating Margin:              |       |       |       |
| Electronic Components          | 3.3%  | 12.1% | 10.7% |
| Defense Electronics & Services | 10.5% | 10.2% | 10.1% |
| Fluid Technology               | 12.7% | 12.9% | 13.1% |
| Motion & Flow Control          | 14.0% | 13.1% | 13.2% |
| Total Ongoing Segments         | 11.2% | 12.0% | 11.9% |

|                                |       |       |       |       |        |
|--------------------------------|-------|-------|-------|-------|--------|
| Income:                        |       |       |       |       |        |
| Electronic Components          | 20.0  | 70.4  | (8.1) | 62.3  | -67.9% |
| Defense Electronics & Services | 188.1 | 154.0 | (1.0) | 153.0 | 22.9%  |
| Fluid Technology               | 285.2 | 251.5 | 4.5   | 256.0 | 11.4%  |
| Motion & Flow Control          | 139.1 | 122.4 | 1.4   | 123.8 | 12.4%  |
| Total Segment Operating Income | 632.4 | 598.3 | (3.2) | 595.1 | 6.3%   |

ITT Industries Non-GAAP Investor Slide Reconciliation - Net Debt & Ratios  
Third & Fourth Quarter of 2003 & Fourth Quarter of 2002

December 31, 2002

|  |         |
|--|---------|
| EBITDA Coverage  | 22.0    |
| Operating Income Coverage (Most Comparable Measure to EBITDA Coverage) | 16.6    |
| Net Debt/EBITDA  | 0.83    |
| Net Debt/Operating Income (Most Comparable Measure to Net Debt/EBITDA) | 1.10    |
| Net Debt/Net Capitalization  | 34.1%   |
| Short Term Debt  | 299.6   |
| Long Term Debt   | 492.2   |
| Total Debt   | 791.8   |
| Cash & Cash equivalents  | 202.2   |
| Net Debt   | 589.6   |
| Total Shareholders' Equity   | 1,137.3 |
| Net Debt   | 589.6   |
| Net Capitalization   | 1,726.9 |

|                             |         |       |
|-----------------------------|---------|-------|
| EBITDA Coverage             | 712.6   | 22.0  |
|                             | 32.4    |       |
| Operating Income Coverage   | 537.6   | 16.6  |
|                             | 32.4    |       |
| Net Debt/EBITDA             | 589.6   | 0.83  |
|                             | 712.6   |       |
| Net Debt/Operating Income   | 589.6   | 1.10  |
|                             | 537.6   |       |
| Net Debt/Net Capitalization | 589.6   | 34.1% |
|                             | 1,726.9 |       |

|                  | Annualized<br>Operating<br>Income | Annualized<br>Depreciation &<br>Amortization | Miscellaneous<br>Income<br>(Expense) | Annualized<br>EBITDA |
|------------------|-----------------------------------|--|--------------------------------------|----------------------|
| Operating Income |                                   |  |                                      |                      |
| 1st Quarter      | 115.6                             | 40.6   | 1.4                                  |                      |
| 2nd Quarter      | 145.1                             | 44.5   | 1.6                                  |                      |
| 3rd Quarter      | 136.7                             | 40.2   | 0.9                                  |                      |
| 4th Quarter      | 140.2                             | 46.1   | (0.3)                                |                      |
| 1st Quarter      | --                                | --   | --                                   |                      |
| Total            | 537.6                             | 171.4  | 3.6                                  | 712.6                |

|                               | Annualized<br>Interest<br>Expense<br>(Income) | Interest<br>Income<br>Adjustment | Annualized Interest<br>Expense (Income)<br>Adjustment |
|-------------------------------|---|----------------------------------|---|
| Net Interest Expense (Income) |   |                                  |   |
| 1st Quarter                   | 11.9  | --                               |   |
| 2nd Quarter                   | 10.0  | --                               |   |
| 3rd Quarter                   | 5.6   | --                               |   |
| 4th Quarter                   | 4.9   | --                               |   |
| 1st Quarter                   | --  | --                               |   |
| Total                         | 32.4  | --                               | 32.4  |

September 30, 2003

|   |         |
|---|---------|
| EBITDA Coverage   | 31.4    |
| Operating Income Coverage (Most<br>Comparable Measure to EBITDA Coverage) | 23.5    |
| Net Debt/EBITDA   | 0.60    |
| Net Debt/Operating Income (Most Comparable<br>Measure to Net Debt/EBITDA) | 0.81    |
| Net Debt/Net Capitalization   | 22.3%   |
| Short Term Debt   | 272.2   |
| Long Term Debt  | 465.8   |
| Total Debt  | 738.0   |
| Cash & Cash equivalents   | 312.3   |
| Net Debt  | 425.7   |
| Total Shareholders' Equity  | 1,483.7 |
| Net Debt  | 425.7   |
| Net Capitalization  | 1,909.4 |

|                             |         |       |
|-----------------------------|---------|-------|
| EBITDA Coverage             | 707.9   | 31.4  |
|                             | 22.5    |       |
| Operating Income Coverage   | 528.2   | 23.5  |
|                             | 22.5    |       |
| Net Debt/EBITDA             | 425.7   | 0.60  |
|                             | 707.9   |       |
| Net Debt/Operating Income   | 425.7   | 0.81  |
|                             | 528.2   |       |
| Net Debt/Net Capitalization | 425.7   | 22.3% |
|                             | 1,909.4 |       |

|                  | Annualized<br>Operating<br>Income | Annualized<br>Depreciation &<br>Amortization | Miscellaneous<br>Income<br>(Expense) | Annualized<br>EBITDA |
|------------------|-----------------------------------|--|--------------------------------------|----------------------|
| Operating Income |                                   |  |                                      |                      |
| 1st Quarter      |                                   |  |                                      |                      |
| 2nd Quarter      | 140.2                             | 46.1   | (0.3)                                |                      |

|             |       |       |       |       |
|-------------|-------|-------|-------|-------|
| 3rd Quarter | 109.7 | 45.8  | (0.7) |       |
| 4th Quarter | 141.5 | 47.6  | (2.1) |       |
| 1st Quarter | 136.8 | 45.3  | (2.0) |       |
| Total       | 528.2 | 184.8 | (5.1) | 707.9 |

|                               | Annualized<br>Interest<br>Expense<br>(Income) | Interest<br>Income on Tax<br>Adjustment | Annualized Interest<br>Expense (Income)<br>Adjustment |  |
|-------------------------------|---|---|---|--|
| Net Interest Expense (Income) |   |   |   |  |
| 1st Quarter                   | --  | --                                      |   |  |
| 2nd Quarter                   | 4.9   | --                                      |   |  |
| 3rd Quarter                   | (15.1)  | 22.0                                    |   |  |
| 4th Quarter                   | 5.8   | --                                      |   |  |
| 1st Quarter                   | (5.3)   | 10.2                                    |   |  |
| Total                         | (9.7)   | 32.2                                    | 22.5  |  |

December 31, 2003

|  |      |
|--|------|
| EBITDA Coverage  | 32.1 |
| Operating Income Coverage (Most Comparable Measure to EBITDA Coverage) | 23.9 |
| Net Debt/EBITDA  | 0.27 |
| Net Debt/Operating Income (Most Comparable Measure to Net Debt/EBITDA) | 0.36 |
| Net Debt/Net Capitalization  | 9.4% |

|                         |       |
|-------------------------|-------|
| Short Term Debt         | 141.5 |
| Long Term Debt          | 460.9 |
| Total Debt              | 602.4 |
| Cash & Cash equivalents | 414.2 |
| Net Debt                | 188.2 |

|                            |         |
|----------------------------|---------|
| Total Shareholders' Equity | 1,824.4 |
| Net Debt                   | 188.2   |
| Net Capitalization         | 2,012.6 |

|                             |       |         |       |
|-----------------------------|-------|---------|-------|
| EBITDA Coverage             | 708.6 | 22.1    | 32.1  |
| Operating Income Coverage   | 528.5 | 22.1    | 23.9  |
| Net Debt/EBITDA             | 188.2 | 708.6   | 0.27  |
| Net Debt/Operating Income   | 188.2 | 528.5   | 0.36  |
| Net Debt/Net Capitalization | 188.2 | 2,012.6 | 9.4 % |

|                  | Annualized<br>Operating<br>Income | Annualized<br>Depreciation &<br>Amortization | Miscellaneous<br>Income<br>(Expense) | Annualized<br>EBITDA |
|------------------|-----------------------------------|--|--------------------------------------|----------------------|
| Operating Income |                                   |  |                                      |                      |
| 1st Quarter      |                                   |  |                                      |                      |
| 2nd Quarter      | 109.7                             | 45.8   | (0.7)                                |                      |
| 3rd Quarter      | 141.5                             | 47.6   | (2.1)                                |                      |
| 4th Quarter      | 136.8                             | 45.3   | (2.0)                                |                      |
| 1st Quarter      | 140.5                             | 49.3   | (3.1)                                |                      |
| Total            | 528.5                             | 188.0  | (7.9)                                | 708.6                |

|                               | Annualized<br>Interest<br>Expense<br>(Income) | Interest<br>Income on Tax<br>Adjustment | Annualized Interest<br>Expense (Income)<br>Adjustment |
|-------------------------------|---|---|---|
| Net Interest Expense (Income) |   |   |   |
| 1st Quarter                   | (15.1)  | 22.0                                    |   |
| 2nd Quarter                   | 5.8   | --                                      |   |
| 3rd Quarter                   | (5.3)   | 10.2                                    |   |
| 4th Quarter                   | 4.5   | --                                      |   |
| 1st Quarter                   | --  | --                                      |   |
| Total                         | (10.1)  | 32.2                                    | 22.1  |

SOURCE ITT Industries, Inc.

-0-

01/23/2004

/CONTACT: Tom Glover of ITT Industries, +1-914-641-2160,

tom.glover@itt.com/

/Web site: <http://www.itt.com/>

(ITT)

CO: ITT Industries, Inc.  
ST: New York  
IN: CPR ITE ENV ARO  
SU: ERN