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 SEPTEMBER 30, 2005 [ ] 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 1-5672

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 [ ]

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

As of October 31, 2005, there were outstanding 92,342,663 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 accounting principles generally accepted within the United States have been condensed or omitted pursuant to such SEC rules. The Company believes that the disclosures herein 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 2004 Annual Report on Form 10-K.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2005	2004	2005	2004
Sales and revenues	$1,927.6	$1,663.2	$5,793.9	$4,821.1
Costs of sales and revenues	1,306.0	1,097.3	3,911.8	3,175.3
Selling, general, and administrative expenses	247.9	242.7	790.4	706.4
Research, development, and engineering expenses	168.8	150.2	501.7	461.2
Restructuring and asset impairment charges	29.9	5.6	55.9	24.3
Total costs and expenses	1,752.6	1,495.8	5,259.8	4,367.2
Operating income	175.0	167.4	534.1	453.9
Interest expense	17.9	12.8	51.9	33.9
Interest income	16.6	4.2	36.3	18.8
Gain on sale of assets	7.1	--	7.1	--
Miscellaneous expense, net	2.8	4.1	13.5	10.8
Income from continuing operations before income taxes	178.0	154.7	512.1	428.0
Income tax expense	23.9	44.4	93.9	115.1
Income from continuing operations	154.1	110.3	418.2	312.9
Discontinued operations: Income (loss) from discontinued operations, including a tax benefit of $39.8, $0.3, $45.0 and $1.1, respectively	35.2	(0.5)	25.3	(2.2)
Net income	$ 189.3	$ 109.8	$ 443.5	$ 310.7

	THREE MONTHS ENDED SEPTEMBER 30, 2005	THREE MONTHS ENDED SEPTEMBER 30, 2004	NINE MONTHS ENDED SEPTEMBER 30, 2005	NINE MONTHS ENDED SEPTEMBER 30, 2004
EARNINGS PER SHARE:				
Income from continuing operations:				
Basic	$ 1.67	$ 1.20	$ 4.53	$ 3.38
Diluted	$ 1.63	$ 1.17	$ 4.43	$ 3.31
Discontinued operations:				
Basic	$ 0.38	$ (0.01)	$ 0.27	$ (0.02)
Diluted	$ 0.37	$ (0.01)	$ 0.27	$ (0.02)
Net income:				
Basic	$ 2.05	$ 1.19	$ 4.80	$ 3.36
Diluted	$ 2.00	$ 1.16	$ 4.70	$ 3.29
Cash dividends declared per common share	$ 0.18	$ 0.17	$ 0.54	$ 0.51
Average Common Shares -- Basic	92.4	92.3	92.3	92.3
Average Common Shares -- Diluted	94.5	94.3	94.3	94.4

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

ITT INDUSTRIES, INC. AND SUBSIDIARIES

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

	SEPTEMBER 30, 2005	DECEMBER 31, 2004
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 470.3	$ 262.9
Receivables, net	1,312.7	1,174.3
Inventories, net	693.3	708.4
Current assets of discontinued operations	--	7.3
Deferred income taxes	78.7	107.2
Other current assets	91.8	69.1
Total current assets	2,646.8	2,329.2
Plant, property and equipment, net	941.5	980.9
Deferred income taxes	238.1	212.1
Goodwill, net	2,467.8	2,514.1
Other intangible assets, net	225.4	240.3
Other assets	1,016.8	1,000.1
Total non-current assets	4,889.6	4,947.5
Total assets	$7,536.4	$7,276.7
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 782.0	$ 719.8
Accrued expenses	797.0	717.2
Accrued taxes	144.2	277.4
Notes payable and current maturities of long-term debt	898.0	729.2
Other current liabilities	10.6	2.2
Total current liabilities	2,631.8	2,445.8
Pension benefits	1,061.7	1,079.7
Postretirement benefits other than pensions	307.7	298.8
Long-term debt	543.1	542.8
Other liabilities	515.2	566.6
Total non-current liabilities	2,427.7	2,487.9
Total liabilities	5,059.5	4,933.7
Shareholders' Equity:		
Cumulative Preferred Stock: Authorized 50,000,000 shares, no par value, none issued	--	--
Common stock: Authorized: 250,000,000 shares, $1 par value per share Outstanding: 92,345,967 shares and 92,289,113 shares	92.3	92.3
Capital Surplus	--	35.6
Retained earnings	2,877.0	2,553.5
Accumulated other comprehensive loss:		
Unrealized loss on investment securities and cash flow hedges	(0.6)	(0.6)
Minimum pension liability	(520.4)	(520.4)
Cumulative translation adjustments	28.6	182.6
Total accumulated other comprehensive loss	(492.4)	(338.4)
Total shareholders' equity		

2,476.9 2,343.0 -------- -------- Total liabilities
and shareholders' equity........... $7,536.4 $7,276.7
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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)

NINE MONTHS ENDED SEPTEMBER 30,	2005	2004
OPERATING ACTIVITIES		
Net income	$ 443.5	$ 310.7
Net (income) loss from discontinued operations	(25.3)	2.2
Income from continuing operations	418.2	312.9
Adjustments to income from continuing operations:		
Depreciation and amortization	162.0	145.2
Restructuring and asset impairment charges	55.9	24.3
Payments for restructuring	(39.9)	(23.9)
Change in receivables	(191.0)	(140.6)
Change in inventories	(16.4)	(51.0)
Change in accounts payable and accrued expenses	148.9	55.0
Change in accrued and deferred taxes	83.1	60.6
Change in other current and non-current assets	(101.4)	(94.4)
Change in non-current liabilities	(10.8)	(44.3)
Other, net	2.7	9.4
Net cash -- operating activities	511.3	253.2
INVESTING ACTIVITIES		
Additions to plant, property, and equipment	(119.4)	(100.0)
Acquisitions, net of cash acquired	(38.4)	(994.6)
Proceeds from sale of assets and businesses	25.2	5.1
Other, net	(1.0)	0.2
Net cash -- investing activities	(133.6)	(1,089.3)
FINANCING ACTIVITIES		
Short-term debt, net	173.0	855.5
Long-term debt repaid	(5.2)	(52.1)
Long-term debt issued	0.4	1.1
Repurchase of common stock	(288.5)	(131.5)
Proceeds from issuance of common stock	133.4	61.5
Dividends paid	(48.9)	(46.1)
Other, net	(0.3)	--
Net cash -- financing activities	(36.1)	688.4
EXCHANGE RATE EFFECTS ON CASH AND CASH EQUIVALENTS	(19.9)	(3.6)
NET CASH FROM OPERATIONS -- DISCONTINUED OPERATIONS	(114.3)	(9.0)
Net change in cash and cash equivalents	207.4	(160.3)
Cash and cash equivalents -- beginning of period	262.9	414.2
CASH AND CASH EQUIVALENTS -- END OF PERIOD	$ 470.3	$ 253.9
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 44.7	$ 28.9
Income taxes	$ 10.8	$ 54.0

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

ITT INDUSTRIES, INC. AND SUBSIDIARIES

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

1) RECEIVABLES, NET

Net receivables consist of the following:

	SEPTEMBER 30, 2005	DECEMBER 31, 2004
Trade	$1,236.2	$1,124.4
Other	116.7	84.6
Less: allowance for doubtful accounts and cash discounts	(40.2)	(34.7)
	$1,312.7	$1,174.3

2) INVENTORIES, NET

Net inventories consist of the following:

	SEPTEMBER 30, 2005	DECEMBER 31, 2004
Finished goods	$158.0	$187.9
Work in process	283.6	294.6
Raw materials	331.5	324.9
Less: progress payments	(79.8)	(99.0)
	$693.3	$708.4

3) PLANT, PROPERTY AND EQUIPMENT, NET

Net plant, property and equipment consist of the following:

	SEPTEMBER 30, 2005	DECEMBER 31, 2004
Land and improvements	$ 62.7	$ 65.3
Buildings and improvements	535.6	527.1
Machinery and equipment	1,709.2	1,757.4
Furniture, fixtures and office equipment	245.3	246.3
Construction work in progress	87.5	69.7
Other	57.8	58.7
	2,698.1	2,724.5
Less: accumulated depreciation and amortization	(1,756.6)	(1,743.6)
	$ 941.5	$ 980.9

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS, UNLESS OTHERWISE STATED)

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 SEPTEMBER 30, 2005	THREE MONTHS ENDED SEPTEMBER 30, 2004	NINE MONTHS ENDED SEPTEMBER 30, 2005	NINE MONTHS ENDED SEPTEMBER 30, 2004
Product sales	$1,549.5	$1,350.7	$4,702.6	$3,966.9
Service revenues	378.1	312.5	1,091.3	854.2
Total sales and revenues	$1,927.6	$1,663.2	$5,793.9	$4,821.1
Costs of product sales	$1,045.2	$ 873.4	$3,150.1	$2,566.0
Costs of service revenues	260.8	223.9	761.7	609.3
Total costs of sales and revenues	$1,306.0	$1,097.3	$3,911.8	$3,175.3

The Defense Electronics & Services segment comprises $348.9 and $992.0 of total service revenues for the three and nine months ended September 30, 2005, respectively, and $236.7 and $679.0 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 $284.3 and $768.7 of total service revenues for the three and nine months ended September 30, 2004, respectively, and $199.0 and $530.7 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

Three Months Ended September 30, 2005	PRETAX INCOME (EXPENSE)	TAX (EXPENSE) BENEFIT	NET-OF-TAX AMOUNT
Net income			$189.3
Other comprehensive income (loss):			
Foreign currency translation adjustments	$13.8	$ --	13.8
Unrealized gain (loss) on investment securities and cash flow hedges	0.2	(0.1)	0.1
Other comprehensive income (loss)	$14.0	$(0.1)	13.9
Comprehensive income			$203.2

Three Months Ended September 30, 2004	PRETAX INCOME (EXPENSE)	TAX (EXPENSE) BENEFIT	NET-OF-TAX AMOUNT
Net income			$109.8
Other comprehensive income (loss):			
Foreign currency translation adjustments	$17.8	$ --	17.8
Unrealized gain on investment securities and cash flow hedges	0.1	--	0.1
Other comprehensive income	$17.9	$ --	17.9
Comprehensive			

income.. $127.7
======

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS, UNLESS OTHERWISE STATED)

	PRETAX INCOME (EXPENSE)	TAX (EXPENSE) BENEFIT	NET-OF-TAX AMOUNT
Nine Months Ended September 30, 2005			
Net income			$ 443.5
Other comprehensive (loss) income:			
Foreign currency translation adjustments	$(154.0)	$ --	(154.0)
Unrealized (loss) gain on investment securities and cash flow hedges	--	--	--
Other comprehensive (loss) income	$(154.0)	$ --	(154.0)
Comprehensive income			$ 289.5

	PRETAX INCOME (EXPENSE)	TAX (EXPENSE) BENEFIT	NET-OF-TAX AMOUNT
Nine Months Ended September 30, 2004			
Net income			$310.7
Other comprehensive income (loss):			
Foreign currency translation adjustments	$(25.4)	$ --	(25.4)
Unrealized (loss) gain on investment securities and cash flow hedges	(0.2)	0.1	(0.1)
Other comprehensive (loss) income	$(25.6)	$0.1	(25.5)
Comprehensive income			$285.2

6) EARNINGS PER SHARE

The following is a reconciliation of the shares used in the computation of basic and diluted earnings per share ("EPS") for the three and nine months ended September 30, 2005 and 2004:

	THREE MONTHS ENDED SEPTEMBER 30, 2005	THREE MONTHS ENDED SEPTEMBER 30, 2004	NINE MONTHS ENDED SEPTEMBER 30, 2005	NINE MONTHS ENDED SEPTEMBER 30, 2004
Weighted average shares of common stock outstanding used in the computation of basic earnings per share	92.4	92.3	92.3	92.3
Common stock equivalents	2.1	2.0	2.0	2.1
Shares used in the computation of diluted earnings per share	94.5	94.3	94.3	94.4

There were no significant amounts of outstanding antidilutive common stock options excluded from the computation of diluted EPS for the three months ended September 30, 2005.

Options to purchase 0.1 shares of common stock at an average price of $105.17 per share were outstanding for the nine months ended September 30, 2005 but were not included in the computation of diluted EPS, because the options' exercise prices were greater than the average market price of the common shares. These options expire in 2012.

Options to purchase 0.1 shares of common stock at an average price of $83.02 per share were outstanding for the three months and nine months ended September 30, 2004 but were not included in the computation of diluted EPS, because the options' exercise prices were greater than the average market price of the common shares. These options expire in 2014.

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS, UNLESS OTHERWISE STATED)

The amount of antidilutive restricted common stock excluded from the computation of diluted EPS for the three months and nine months ended September 30, 2005 and 2004 was insignificant.

7) STOCK-BASED EMPLOYEE COMPENSATION

At September 30, 2005, the Company has one stock-based employee compensation plan that is issuing new options and restricted shares of common stock. The Company also has one stock-based employee compensation plan and two stock-based non-employee director's compensation plans that have options and restricted shares outstanding, but will not be issuing additional stock-based compensation. These plans are described more fully in Note 20, "Shareholders' Equity," within the Notes to Consolidated Financial Statements of the 2004 Annual Report on Form 10-K. 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 expense 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 SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2005	2004	2005	2004
Net income as reported	$189.3	$109.8	$443.5	$310.7
Deduct: Total stock-based employee compensation expense determined under the fair value based method for awards not reflected in net income -- net of tax	(3.8)	(2.0)	(24.0)	(20.1)
Pro forma net income	$185.5	$107.8	$419.5	$290.6
Basic earnings per share				
As reported	$ 2.05	$ 1.19	$ 4.80	$ 3.36
Pro forma	$ 2.01	$ 1.17	$ 4.54	$ 3.15
Diluted earnings per share				
As reported	$ 2.00	$ 1.16	$ 4.70	$ 3.29
Pro forma	$ 1.96	$ 1.14	$ 4.43	$ 3.07

The Company used the binomial lattice option pricing model to calculate the fair value of all options granted during the first nine months of 2005 as of the applicable grant dates. During 2004, the Company used the Black-Scholes option-pricing model to calculate the fair value of each option grant as of the applicable grant dates. The Company used the following weighted-average assumptions for grants in the three and nine months ended September 30, 2005 and 2004:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2005	2004	2005	2004
Dividend yield	0.63%	1.33%	0.78%	1.39%
Expected volatility	23.00%	25.14%	23.00%	25.80%
Expected life	4.5 years	6.0 years	4.6 years	6.0 years
Risk-free rates	4.22%	4.33%	4.00%	3.71%

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS, UNLESS OTHERWISE STATED)

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 nine month periods ended September 30, 2005 and 2004 was:

THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
2005	2004	2005	2004
$0.8	$0.6	$2.2	$0.9

8) RESTRUCTURING AND ASSET IMPAIRMENT CHARGES

2005 RESTRUCTURING ACTIVITIES

During the third quarter of 2005, the Company recognized a $30.0 restructuring charge. New actions represent $29.7 of the charge. Costs associated with actions announced during previous quarters of 2005 represent $0.3 of the charge. The actions by segment are as follows:

- The Fluid Technology segment recorded $15.2 of severance costs for the termination of 139 employees, including 69 factory workers, 68 office workers and 2 management employees. The charges reflect a reduction in structural costs.

- The Electronic Components segment recorded $10.2 for the reduction of 1,024 employees, including 866 factory workers, 150 office workers and 8 management employees. Other costs totaling $1.2, primarily representing contract termination costs, were also recognized during the quarter. These actions reflect the continued reorganization of the segment, including the closure of two facilities.

- The Motion & Flow Control segment recognized $2.5 for the termination of 66 employees, including 44 factory workers, 21 office workers and 1 management employee. Other costs totaling $0.2 were also recognized during the quarter. The headcount reductions relate to workforce reductions and the consolidation of functions.

- Corporate headquarters recorded $0.4 for the termination of one management employee.

During the second quarter of 2005, the Company recognized a $6.8 restructuring charge. New actions represent $6.3 of the charge. Severance costs associated with actions announced during the first quarter of 2005 represent $0.5 of the charge. The actions by segment are as follows:

- The Fluid Technology segment recorded $1.4 of severance costs for the termination of 36 employees, including 14 factory workers, 21 office workers and 1 management employee. Lease cancellation costs and other costs were $0.7. Additionally, asset impairment costs were $0.4. The charges reflect a reduction in structural costs.

- The Electronic Components segment recorded $2.6 of the charge for the reduction of 38 employees, including 21 factory workers, 14 office workers and 3 management employees. Other costs totaling $0.4 were also recognized during the quarter. These actions reflect the reorganization of the segment and a consolidation of functions.

- The Motion & Flow Control segment recognized $0.8 primarily for the termination of 10 employees, including 5 factory workers, 4 office workers and 1 management employee. The headcount reductions relate to workforce reductions and the consolidation of functions.

During the first quarter of 2005, the Company recognized a $19.4 restructuring charge. New actions represent $18.6 of the charge. Other costs totaling $0.8 relate to actions announced prior to 2005. The actions by segment are as follows:

- The Fluid Technology segment recorded $6.5 primarily for the termination of 105 employees, including 33 factory workers, 62 office workers and 10 management employees. The charge reflects a reduction in structural costs.

- The Electronic Components segment recorded $6.5 of the charge primarily for the reduction of 155 employees, including 36 factory workers, 101 office workers and 18 management employees. These actions reflect the reorganization of the segment and a consolidation of functions.

- The Motion & Flow Control segment recognized $5.0 for the termination of 115 employees, including 49 factory workers, 58 office workers and 8 management employees. The headcount reductions relate to the closure of one facility, the transfer of production of selected products from France to Holland, the outsourcing of selected functions to Eastern Europe, and the consolidation of other functions. Additionally, lease cancellation costs of $0.2 and other costs of $0.4 were recorded during the first quarter of 2005.

2004 RESTRUCTURING ACTIVITIES

During 2004, the Company recognized $38.8 of restructuring charges. Of this amount, $37.7 related to new actions announced during 2004, primarily the planned severance of 1,319 employees and lease cancellation costs. Additionally, $1.1 of expenditures were incurred relating to actions announced prior to 2004.

The actions announced during 2004 by segment are as follows:

- The Fluid Technology segment recorded $17.7 for the planned termination of 211 employees, including 52 factory workers, 155 office workers and four management employees. Additionally, $0.7 of lease costs, $0.6 of asset write-offs and $0.7 of other costs were also recognized during 2004.

- The Electronic Components segment recorded a $4.5 charge for the recognition of lease cancellation costs and a $4.5 charge for the planned termination of 972 employees, including 883 factory workers, 84 office workers and five management employees. The segment also recorded $1.1 and $0.8 for the disposal of machinery and equipment, and other costs, respectively.

- The Motion & Flow Control segment recorded $4.6 for the planned termination of 133 employees, including 47 factory workers, 77 office workers and nine management employees. Other costs totaling $0.7 were also recognized during 2004.

- Corporate headquarters recorded $1.8 for the planned termination of one office worker and two management employees.

The following table summarizes the accrued cash restructuring balances for the first nine months of 2005:

DEFENSE MOTION FLUID ELECTRONICS
& FLOW ELECTRONIC CORPORATE
TECHNOLOGY & SERVICES CONTROL
COMPONENTS AND OTHER TOTAL -----
----- ---------- ------- ------
---- --------- ------ Balance
January 1, 2005.......... $11.1
$ 0.1 $ 4.2 $ 6.2 $ 1.1 $ 22.7
Additional charges for prior
year
plans.........................
-- -- -- 0.8 -- 0.8 Payments for
prior year plans.... (7.9) (0.1)
(3.1) (5.0) (0.8) (16.9) 2005
restructuring charges.......
23.8 -- 9.6 21.2 0.4 55.0
Reversals.......................
(0.2) -- (0.1) -- -- (0.3)
Payments for 2005
charges........ (8.6) -- (5.9)
(8.4) (0.1) (23.0)
Translation.....................
(0.8) -- (0.3) -- -- (1.1)
Other...........................
0.1 -- 0.1 -- 0.1 0.3 ----- ----
- ----- ----- ----- ------
Balance September 30,
2005....... $17.5 $ -- $ 4.5
$14.8 $ 0.7 $ 37.5 ===== =====
===== ===== ===== ======

During the first nine months of 2005, $0.3 of restructuring accruals were reversed into income reflecting lower than anticipated severance costs (due to employee attrition). During the first nine months of 2004, $1.0 of restructuring accruals related to 2004, 2003, 2002 and 2001 restructuring actions were reversed into income. The reversals related to lower than anticipated severance costs on completed actions due to favorable employee attrition and lower than anticipated closed facility costs.

As of December 31, 2004, remaining actions under restructuring activities announced in 2004 and earlier were to reduce headcount by 685 employees. During the first nine months of 2005, the Company announced the additional planned termination of 1,689 employees, and reduced headcount by 2,062 employees related to all plans, leaving a balance of 312 planned reductions. Actions announced during 2005 will be completed during 2006. Actions announced during 2004 will be substantially completed by the end of 2005. Future restructuring expenditures will be funded with cash from operations, supplemented on an interim basis, if required, with commercial paper borrowings.

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, "Summary of Significant Accounting Policies," and 18, "Financial Instruments," within the Notes to Consolidated Financial Statements of the 2004 Annual Report on Form 10-K, the Company uses derivative financial instruments to mitigate or eliminate certain of those risks.

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 nine months of 2005 and 2004. 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 September 30, 2005 the Company had two foreign currency cash flow hedges outstanding with an aggregate notional amount of $4.1. At December 31, 2004 the

Company had one foreign currency cash flow hedge outstanding with a notional amount of $0.1.

HEDGES OF RECOGNIZED ASSETS, LIABILITIES AND FIRM COMMITMENTS

At September 30, 2005 and December 31, 2004, the fair values of the Company's interest rate swaps were $89.5 and $84.9, including $7.1 and $3.3 of accrued interest, respectively.

At September 30, 2005 and December 31, 2004, the Company had foreign currency forward contracts with notional amounts of $122.1 and $93.3, respectively, to hedge the value of recognized assets, liabilities and firm commitments. The fair value of the 2005 and 2004 contracts were $0.3 and $(0.4) at September 30, 2005 and December 31, 2004, respectively. The ineffective portion of changes in fair values of such hedge positions reported in operating income during the first nine months of 2005 and 2004 was $(0.1) and $(0.3), respectively. There were no ineffective changes in the Company's fair value hedges during the first nine months of 2004. There were no amounts excluded from the measure of effectiveness.

The fair values associated with the foreign currency contracts have been valued using the net position of the contracts and the applicable spot rates and forward rates as of the reporting date.

10) GOODWILL AND OTHER INTANGIBLE ASSETS

The Company follows the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets," which requires that goodwill and indefinite-lived intangible assets be tested for impairment on an annual basis, or more frequently if circumstances warrant. Annual goodwill impairment tests were completed in the first quarters of 2005 and 2004 (as of the beginning of the year) and it was determined that no impairment exists.

Changes in the carrying amount of goodwill for the nine months ended September 30, 2005, by business segment, are as follows:

DEFENSE MOTION FLUID
ELECTRONICS & FLOW ELECTRONIC
CORPORATE TECHNOLOGY & SERVICES
CONTROL COMPONENTS AND OTHER
TOTAL ---------- ----------- --
----- ---------- --------- ----
---- Balance as of January 1,
2005..... $1,080.9 $904.8
$187.3 $336.1 $ 5.0 $2,514.1
Goodwill acquired during the
period.........................
16.1 -- -- -- -- 16.1 Other,
including foreign currency
translation....................
(41.3) 14.1 (7.0) (28.2) --
(62.4) -------- ------ ------ -
----- ----- -------- Balance as
of September 30,
2005...........................
$1,055.7 $918.9 $180.3 $307.9 $
5.0 $2,467.8 ======== ======
====== ====== ===== ========

During the third quarter of 2005, the Company recorded purchase price adjustments of $(22.0) and $13.0 to goodwill related to acquisitions included in the Electronic Components and Defense Electronics & Services segments, respectively. The adjustments represent refinements of preliminary data used in the original purchase price allocations.

During the third quarter of 2005, the Company completed the acquisition of Ellis K. Phelps & Company ("Phelps"). As of September 30, 2005, intangible assets related to the acquisition of Phelps included $16.1 of goodwill added to the Fluid Technology segment.

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS, UNLESS OTHERWISE STATED)

The Company's other intangible assets are summarized as follows:

	SEPTEMBER 30, 2005	DECEMBER 31, 2004
Finite-lived intangibles -- Customer Relationships	$139.1	$138.8
Proprietary Technology	20.7	21.4
Patents and other	46.2	44.1
Accumulated amortization	(34.5)	(18.8)
Indefinite-lived intangibles -- Brands and trademarks	28.8	29.7
Pension related	25.1	25.1
Net intangibles	$225.4	$240.3

During the first quarter of 2004, the Company completed the acquisition of WEDECO AG Water Technology ("WEDECO"). As of September 30, 2005, intangible assets related to the acquisition of WEDECO include $234.6 of goodwill, $11.1 of intangibles for tradenames, $20.7 of proprietary technology, $18.0 of customer relationships and $4.6 of patents and other. During the third quarter of 2004, the Company completed the acquisition RSS. As of September 30, 2005, intangible assets related to the acquisition of RSS include $611.7 of goodwill, $120.0 of intangible assets related to customer relationships and $4.9 of other intangible assets.

Amortization expense related to intangible assets for the nine month periods ended September 30, 2005 and 2004 was $15.7 and $4.8, respectively.

Estimated amortization expense for each of the five succeeding years is as follows:

2006	2007	2008	2009	2010
$22.0	$21.8	$19.8	$17.1	$15.1

11) DISCONTINUED OPERATIONS

AUTOMOTIVE -- 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 and 1999, 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 September 30, 2005, the Company had automotive discontinued operations accruals of $34.5 that are primarily related to product recalls of $7.8, environmental obligations of $14.1 and employee benefits of $12.6.

Also, in the third quarter of 2005, the Company finalized an IRS tax settlement that covered the periods from 1998 to 2000 and included the sale of the Electrical Systems business and the Brake and Chassis unit. As a result of this agreement, the Company paid $100.6 to settle tax matters related to the sale of the automotive business. Remaining tax reserves of $53.6 relating to this matter were reversed and included in income from discontinued operations.

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS, UNLESS OTHERWISE STATED)

The Company forecasts that it will spend between $1.0 and $4.0 on an annual basis related to its other remaining automotive discontinued operations.

12) PENSION AND POSTRETIREMENT MEDICAL BENEFIT EXPENSES

The components of net periodic pension cost consisted of the following:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2005	2004	2005	2004
Components of net periodic pension cost:				
Service cost	$ 24.0	$ 20.8	$ 72.0	$ 62.4
Interest cost	70.5	66.0	211.5	198.2
Expected return on plan assets	(91.0)	(83.7)	(271.4)	(251.1)
Amortization of prior service cost	1.2	1.6	3.6	5.0
Recognized actuarial loss	17.8	12.7	53.4	38.1
Net periodic pension cost	$ 22.5	$ 17.4	$ 69.1	$ 52.6

Net periodic pension expense increased in the first nine months of 2005 as a result of the lower discount rate adopted at year end 2004, higher average foreign exchange rates, a higher amortization of actuarial losses and an increase in costs associated with the 2004 acquisition of RSS.

The Company contributed approximately $118.7 to its various plans during the first nine months of 2005. Additional contributions ranging between $5.0 and $10.0 are expected over the balance of 2005.

The components of net periodic postretirement cost consisted of the following:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2005	2004	2005	2004
Components of net periodic postretirement cost:				
Service cost	$ 1.9	$ 1.8	$ 5.7	$ 5.4
Interest cost	10.8	9.8	32.4	29.4
Expected return on plan assets	(5.2)	(4.7)	(15.6)	(14.1)
Amortization of prior service benefit	(0.5)	(1.0)	(1.5)	(3.0)
Recognized actuarial loss	3.6	3.5	10.8	10.5
Net periodic postretirement cost	$10.6	$ 9.4	$ 31.8	$ 28.2

Net periodic postretirement expense increased in the first nine months of 2005 as a result of lower discount rates and an increase in the assumed rate of medical inflation adopted at year end 2004 and the inclusion of costs associated with the 2004 acquisition of RSS.

In January 2004, FASB Staff Position ("FSP") No. 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" ("FSP No. 106-1") was issued. Subsequently, FSP No. 106-2 was issued, which amends FSP No. 106-1 and discusses the recognition of the effects for the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Medicare Modernization Act") in the accounting for postretirement health care plans under SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and in providing disclosures related to the plan required by SFAS No. 132. The Company adopted this pronouncement effective July 1, 2004, but was unable to conclude whether benefits of its plans are actuarially equivalent based on the proposed regulations released in August 2004. Currently, the Company is analyzing the effect of the Medicare Modernization Act on the Company's plans based on the final regulations issued at the end of January 2005 and has not taken any action at this time to reflect the Medicare Modernization Act changes. In addition, it was assumed that the adoption of this pronouncement did not affect demographic factors used to determine plan assets and obligations at December 31, 2004, the Company's measurement date. See Note 19, "Employee Benefit Plans," in the Notes to Consolidated Financial Statements of the 2004 Annual Report on Form 10-K for discussion of postretirement benefits.

13) 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, 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, "Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements of the 2004 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 September 30, 2005, the Company is responsible, or is alleged to be responsible, for approximately 75 environmental investigation and remediation sites in various countries. In many of these proceedings, the Company's liability is considered de minimis. At September 30, 2005, the Company calculated a best estimate of $96.3, which approximates its accrual, related to the cleanup of soil and ground water. The low range estimate for its environmental liabilities is $73.3 and the high range estimate for those liabilities is $150.2. On an annual basis the Company spends between $8.0 and $11.0 on its environmental remediation liabilities. These estimates, and related accruals, 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 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 September 30, 2005, the Company's accrual for this liability was $9.9 representing its best estimate; its low estimate for the liability is $6.5 and its high estimate is $15.4.

ITT Corporation operated a facility in Madison County, Florida from 1968 until 1989. In 1995, elevated levels of contaminants were detected at the site. Since then, ITT has completed the investigation of the site in coordination with state and federal environmental authorities and is in the process of evaluating various remedies. A remedy for the site has not yet been selected. Currently, the estimated range for the remediation is between $4.8 and $18.7. The Company has accrued $7.4 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 Corporation, Higbie Manufacturing, prior to the time ITT acquired Higbie. The Company 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 $6.6 and $13.8. It has an accrual for this matter of $10.0 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. However, recently the California Supreme Court issued a decision, in a separate but similar case, allowing administrative claims against excess insurers. As a result, it is expected that the Court of Appeals will remand this matter to the Superior Court which in turn will allow the Company to pursue its administrative claims against the 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.

PRODUCT LIABILITY

The Company 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 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 former 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 2004, ITT and Goulds resolved in excess of 4,200 claims through settlement or dismissal. The average amount of settlement per plaintiff has been nominal and substantially 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 ("ACE") 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 since 1991. The New York action has been stayed in favor of the California suit. ITT has successfully resolved the matter with two of its primary insurers, ACE and Wausau, and established coverage in place agreements committing the insurers to pay a portion of ITT's defense and indemnity costs going forward. The Company is working with other parties in the suit to resolve the matter as to those insurers. In addition, Utica National, Goulds' historic insurer, has requested that the Company negotiate a coverage in place agreement to allocate the Goulds' asbestos liabilities between insurance policies issued by Utica and those issued by others. The Company is continuing to receive the benefit of insurance payments during the pendency of these proceedings. 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. Numerous motions are currently pending before the Court. A hearing on class certification is expected in late 2005. On October 5, 2004, the Company filed an action, ITT Industries, Inc. et al. v. Fireman's Fund Insurance Company et al., Superior Court, County of Los Angeles, C.A. No. B.C. 322546, against various insurers who issued historic aircraft products coverage to the Company seeking a declaration that each is liable for the costs of defense of the El Paso matter. The parties have reached an agreement resolving this matter whereby the Company will receive over 80% of the costs of defense of this matter from the insurers. Management believes that the El Paso suit will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

The Company provides an indemnity to U.S. Silica for silica personal injury suits filed against its former subsidiary Pennsylvania Glass Sand prior to September 12, 2005. ITT sold the stock of Pennsylvania Glass Sand to U.S. Silica in 1985. The Company's indemnity had been paid in part by its historic product liability carrier, however, in September 2005, the carrier communicated to ITT that it would no longer pay a share of the costs. On October 4, 2005, ITT filed a suit against its insurer, ITT v. Pacific Employers Insurance Co., CA No. 05CV 5223, seeking its defense costs and indemnity from the carrier for Pennsylvania Glass Sand product liabilities. All silica related costs, net of insurance recoveries, are shared pursuant to the Distribution Agreement. See "Company History and Certain Relationships" within Part I, Item 1 of the 2004 Annual Report on Form 10-K 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.

14) 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 the 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 September 30, 2005 the Company has an accrual of $7.8 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 September 30, 2005 the Company has an accrual of $14.1 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 nine 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 bond issuances were used primarily for the construction of infrastructure, such as water and sewage utilities and a bridge. The Company has been released from its obligation to perform under both of these guarantees in the third quarter of 2004. 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 September 30, 2005, the Company has an accrual related to the expansion of a 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 $44.8, 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 September 30, 2005, the Company does not believe that a loss contingency is probable and therefore does not have an accrual recorded in its financial statements.

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS, UNLESS OTHERWISE STATED)

The Company has a number of individually immaterial guarantees outstanding at September 30, 2005 that may be affected by various conditions and external forces, some of which could require that payments be made under such guarantees. The Company does not believe these payments 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.

PRODUCT WARRANTIES

Accruals for estimated expenses related to product 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 September 30, 2005, the Company has a product warranty accrual in the amount of $38.6.

PRODUCT WARRANTY LIABILITIES

BEGINNING BALANCE JANUARY 1, 2005	ACCRUALS FOR PRODUCT WARRANTIES ISSUED IN THE PERIOD	CHANGES IN PRE-EXISTING WARRANTIES INCLUDING CHANGES IN ESTIMATES	(PAYMENTS)	ENDING BALANCE SEPTEMBER 30, 2005
$40.3	$21.3	$(3.8)	$(19.2)	$38.6

ACCRUALS
FOR
PRODUCT
CHANGES IN
PRE-
EXISTING
BEGINNING

BALANCE
WARRANTIES
ISSUED
WARRANTIES
INCLUDING
ENDING
BALANCE
JANUARY 1,
2004 IN
THE PERIOD
CHANGES IN
ESTIMATES
(PAYMENTS)
SEPTEMBER
30, 2004 -

------ ---

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-------- -

- $34.3
$18.2
$(2.2)
$(16.8)
$33.5 ----
- ----- --
--- ------
-----

15) ACQUISITIONS

During the first nine months of 2005, the Company spent $38.4 for the acquisition of Phelps the largest U.S. distributor of products sold under ITT's Flygt brand for the wastewater pumping and treatment market and for the acquisition of additional shares of WEDECO AG Water Technology ("WEDECO") a company acquired in 2004.

As of September 30, 2005, the excess of the purchase price over the fair value of Phelp's net assets acquired of $16.1 is recorded as goodwill.

During the first nine months of 2004, the Company spent $994.6 primarily for the acquisitions of the following:

- The Remote Sensing Systems ("RSS") business from Eastman Kodak Company. RSS is a leading supplier of high resolution satellite imaging systems and information services.

- WEDECO, the world's largest manufacturer of UV disinfection and ozone oxidation systems, which are alternatives to chlorine treatment.

- Allen Osborne Associates, a leader in the development of global positioning system receivers for both portable and fixed sites.

- Shanghai Hengtong Purified Water Development Co. Ltd. and Shanghai Hengtong Water Treatment Engineering Co. Ltd. ("Hengtong"), a Shanghai-based producer of reverse-osmosis, membrane and other water treatment systems for the power, pharmaceutical, chemical and manufacturing markets in China.

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS, UNLESS OTHERWISE STATED)

As of September 30, 2005, the excess of the purchase price over the fair value of net assets acquired of $851.6 is recorded as goodwill.

The Company has assigned preliminary values to the assets and liabilities of RSS; however, the allocation is subject to further refinement.

16) BUSINESS SEGMENT INFORMATION

Unaudited financial information of the Company's business segments for the three and nine months ended September 30, 2005 and 2004 were as follows:

THREE MONTHS ENDED SEPTEMBER 30, 2005	DEFENSE ELECTRONICS & SERVICES	FLUID TECHNOLOGY	MOTION & FLOW CONTROL	ELECTRONIC COMPONENTS	CORPORATE, ELIMINATIONS & OTHER	TOTAL
Sales and revenues	$ 704.1	$ 806.7	$249.2	$170.3	$ (2.7)	$1,927.6
Costs of sales and revenues	464.1	534.5	181.8	128.3	(2.7)	1,306.0
Selling, general, and administrative expenses	128.5	44.5	24.5	31.7	18.7	247.9
Research, development, and engineering expenses	20.1	130.9	10.6	7.2	--	168.8
Restructuring and asset impairment charges	15.2	--	3.0	11.4	0.4	30.0
Reversal of restructuring charge	--	--	(0.1)	--	--	(0.1)
Total costs and expenses	627.9	709.9	219.8	178.6	16.4	1,752.6
Operating income (expense)	$ 76.2	$ 96.8	$ 29.4	$ (8.3)	$ (19.1)	$ 175.0
Total assets	$2,557.3	$1,876.7				

$740.2 $731.3 $1,630.9
$7,536.4

DEFENSE MOTION &
CORPORATE, THREE
MONTHS ENDED FLUID
ELECTRONICS & FLOW
ELECTRONIC
ELIMINATIONS &
SEPTEMBER 30, 2004
TECHNOLOGY SERVICES
CONTROL COMPONENTS
OTHER TOTAL - --------
---------- ----------
------------ --------
---------- ----------
--- -------- Sales and
revenues....... $
619.2 $ 630.2 $242.8
$174.3 $ (3.3)
$1,663.2 -------- ----
---- ------ ------ ---
----- -------- Costs
of sales and
revenues...............
405.0 395.0 177.5
124.1 (4.3) 1,097.3
Selling, general, and
administrative
expenses...............
122.8 43.7 21.6 31.6
23.0 242.7 Research,
development, and
engineering
expenses...............
10.9 119.7 10.5 9.1 --
150.2 Restructuring
and asset impairment
charges..... 3.5 --
1.2 1.0 -- 5.7
Reversal of
restructuring
charge.................
-- -- -- -- (0.1)
(0.1) -------- -------
- ------ ------ ------
-- -------- Total
costs and
expenses...............
542.2 558.4 210.8
165.8 18.6 1,495.8 ---
----- -------- ------
------ -------- ------
-- Operating income
(expense)..............
$ 77.0 $ 71.8 $ 32.0 $
8.5 $ (21.9) $ 167.4
======== ========
====== ====== ========
======== Total
assets.............
$2,424.5 $1,807.2
$723.6 $765.7 $1,514.4
$7,235.4

DEFENSE MOTION &
CORPORATE, NINE MONTHS
ENDED FLUID
ELECTRONICS & FLOW
ELECTRONIC
ELIMINATIONS &
SEPTEMBER 30, 2005
TECHNOLOGY SERVICES
CONTROL COMPONENTS
OTHER TOTAL - --------
---------- ----------

Sales and revenues.......	$2,078.2	$2,361.9	$837.7	$525.7	$ (9.6)	$5,793.9
Costs of sales and revenues...............	1,367.9	1,562.0	606.5	386.5	(11.1)	3,911.8
Selling, general, and administrative expenses...............	408.4	150.2	75.1	92.2	64.5	790.4
Research, development, and engineering expenses...............	51.4	390.2	33.6	26.5	--	501.7
Restructuring and asset impairment charges.....	24.2	--	9.6	22.0	0.4	56.2
Reversal of restructuring charge.................	(0.2)	--	(0.1)	--	--	(0.3)
Total costs and expenses...............	1,851.7	2,102.4	724.7	527.2	53.8	5,259.8
Operating income (expense).............	$ 226.5	$ 259.5	$113.0	$ (1.5)	$ (63.4)	$ 534.1
Total assets.............	$2,557.3	$1,876.7	$740.2	$731.3	$1,630.9	$7,536.4

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS, UNLESS OTHERWISE STATED)

NINE MONTHS ENDED SEPTEMBER 30, 2004	FLUID TECHNOLOGY	DEFENSE ELECTRONICS & SERVICES	MOTION & FLOW CONTROL	ELECTRONIC COMPONENTS	CORPORATE, ELIMINATIONS & OTHER	TOTAL
Sales and revenues	$1,845.0	$1,667.4	$798.1	$518.3	$ (7.7)	$4,821.1
Costs of sales and revenues	1,215.5	1,024.3	577.5	364.9	(6.9)	3,175.3
Selling, general, and administrative expenses	374.5	104.4	72.8	96.7	58.0	706.4
Research, development, and engineering expenses	39.9	362.4	31.6	27.3	--	461.2
Restructuring and asset impairment charges	10.1	--	3.8	9.6	1.8	25.3
Reversal of restructuring charge	(0.4)	--	--	(0.5)	(0.1)	(1.0)
Total costs and expenses	1,639.6	1,491.1	685.7	498.0	52.8	4,367.2
Operating income (expense)	$ 205.4	$ 176.3	$112.4	$ 20.3	$ (60.5)	$ 453.9
Total assets	$2,424.5	$1,807.2	$723.6	$765.7	$1,514.4	$7,235.4

17) QUARTERLY FINANCIAL PERIODS

The Company's 2005 quarterly financial periods end on the Saturday after the last day of the quarter, except for the last quarterly period of the fiscal year, which ends on December 31st. During 2004, the Company's quarterly financial periods ended on the Saturday before the last day of the quarter, except for the last quarterly period of the fiscal year, which ended on December 31st. For simplicity of presentation, the quarterly financial statements included herein are presented as ending on the last day of the quarter.

18) SUBSEQUENT EVENT

On October 28, 2005, the Company terminated five interest rate swap contracts with an aggregate notional value of $333.3. These contracts effectively converted fixed-rate debt to variable rate debt. The Company realized approximately $77.8 of proceeds from the transaction. Of the proceeds received, an immaterial amount represented accrued interest earned on the swap prior to the terminate date. The remainder is being amortized over the remaining life of the notes as a reduction to interest expense.

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

RESULTS OF OPERATIONS

EXECUTIVE SUMMARY

THREE MONTHS

The Company had strong operating performance in the third quarter of 2005. Revenues grew 15.9% from the comparable prior year quarter. The contributions from the Company's existing businesses, led by the Defense Electronics & Services and Fluid Technology segments, accounted for 12.0% of the growth. Acquisitions and foreign currency translations comprised the remaining 3.9% of the growth. These results reflect the strength of the Company's portfolio of businesses and the introduction of new products.

Operating income in the third quarter of 2005 was 4.5% higher than the third quarter of 2004. The increase reflects higher volume partially offset by higher employee benefit costs, additional expenditures for process improvements, and increased marketing costs. Increased restructuring costs related to the Company's efforts to streamline its operations also partially offset the impact of increased volume.

Diluted earnings per share were $2.00 for the third quarter of 2005 and include the favorable settlement of tax matters and interest income $0.45, income from discontinued operations $0.37, restructuring $(0.22) and gain on the sale of a joint venture $0.03. Diluted earnings per share for the comparable prior year quarter were $1.16 and includes the impact of favorable tax settlements $0.04, restructuring costs $(0.04) and losses from discontinued operations $(0.01).

NINE MONTHS

The Company's revenues grew 20.2% in the first nine months of 2005 from the comparable prior year period. Higher volume in all segments contributed 12.4% of the growth and acquisitions and foreign currency translations contributed the remaining 7.8% of the growth. Based on these results and current and projected market conditions, the Company forecasts full year 2005 revenue to be between $7,825 million and $7,845 million.

Operating income in the first nine months of 2005 was 17.7% higher than the first nine months of 2004. The increase reflects higher volume, partially offset by higher employee benefit costs, additional expenditures for process improvements, increased marketing costs and higher restructuring costs. The Company forecasts full year 2005 segment operating income to be between approximately $880 million and $895 million.

Diluted earnings per share were $4.70 for the first nine months of 2005 and include the favorable settlement of a tax matter and interest income $0.88, restructuring $(0.41), income from discontinued operations $0.27, and gain on the sale of a joint venture $0.03. Diluted earnings per share for the comparable prior year period were $3.29 and include the impact of favorable tax settlements/rulings, $0.20, restructuring costs $(0.18) and discontinued operations $(0.2).

THREE MONTHS ENDED SEPTEMBER 30, 2005 COMPARED WITH THREE MONTHS ENDED SEPTEMBER 30, 2004

Sales and revenues for the third quarter of 2005 were $1,927.6 million, an increase of $264.4 million, or 15.9%, from the same period for 2004. Costs of sales and revenues of $1,306.0 million for the third quarter of 2005 increased $208.7 million, or 19.0%, from the comparable 2004 period. The increases in sales and revenues and costs of sales and revenues are primarily attributable to higher volume in most segments, contributions from a 2004 acquisition made by the Defense Electronics & Services segment and the impact of foreign currency translation. The increase in costs of sales and revenues also reflects a change in product mix.

Selling, general and administrative ("SG&A") expenses for the third quarter of 2005 were $247.9 million, an increase of $5.2 million, or 2.1%, from the third quarter of 2004. The increase in SG&A expenses was primarily due to increased marketing expense in most segments, including expenses from a 2004 acquisition made by the Defense Electronics & Services segment, higher general and administrative expenses and the impact of foreign currency translation. Higher general and administrative costs reflect additional employee benefit costs, the cost of process improvement initiatives, administrative expenses and increased expenditures for tax planning initiatives.

Research, development and engineering ("RD&E") expenses for the third quarter of 2005 increased $18.6 million, or 12.4%, compared to the third quarter of 2004. The increase is attributable to increased spending in most segments.

During the third quarter of 2005, the Company recorded a $30.0 million restructuring charge to streamline its operating structure. The charge primarily reflects severance costs for the planned termination of 1,230 employees. Additionally, $0.1 million of restructuring accruals related to first and second quarter 2005 restructuring actions were reversed into income during the third quarter of 2005, as management determined that certain cash expenditures would not be incurred. During the third quarter of 2004, the Company recorded a $5.7 million restructuring charge. The charge primarily reflected the planned reduction of 71 employees. Additionally, $0.1 million of restructuring accruals were reversed into income during the third quarter of 2004, as management determined that certain cash expenditures would not be incurred (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 third quarter of 2005 was $175.0 million, an increase of $7.6 million, or 4.5%, over the third quarter of 2004. The increase is primarily due to improved sales and revenues at most of the segments offset by increased SG&A, RD&E expenses and restructuring charges. Segment operating margin for the third quarter of 2005 was 10.1%, or 130 basis points below the comparable prior year quarter. The variance in segment operating margin is due to increased restructuring charges.

Interest expense during the third quarter of 2005 was $17.9 million, an increase of $5.1 million, or 39.8% from the comparable prior year period. This increase reflects higher interest rates and higher average debt balances (reflecting a 2004 acquisition). Additionally, the Company recognized $16.6 million of interest income during the third quarter of 2005 compared to $4.2 million during the third quarter of 2004. The increase of $12.4 million primarily reflects the recognition of interest income associated with tax settlements related to prior year tax filings.

During the third quarter of 2005, the Company recognized a gain on the sale of a joint venture of $7.1 million. Proceeds from the sale of the joint venture were $15.3 million.

During the third quarter of 2005, income tax expense was $23.9 million, or 46.2% less than the applicable prior year period. The variance primarily reflects the recognition of tax settlements relating to prior year tax audits. Partially offsetting these items is the increase in taxable income during the third quarter of 2005 compared to the third quarter of 2004.

Income from continuing operations for the third quarter of 2005 was $154.1 million, or $1.63 per diluted share compared to $110.3 million, or $1.17 per diluted share for the third quarter of 2004. The increase reflects the results discussed above.

During the third quarter of 2005, the Company recognized $35.2 million of income from discontinued operations compared to a loss of $0.5 million in the comparable prior year period. The 2005 income primarily relates to a tax settlement associated with automotive businesses sold in 1998.

Fluid Technology's sales and revenues and costs of sales and revenues increased $84.9 million, or 13.7%, and $59.1 million, or 14.6%, respectively, in the third quarter of 2005 compared to the third quarter of 2004. Higher sales in the water/wastewater markets and industrial businesses were the primary factors for the increases. SG&A expenses for the third quarter of 2005 increased $5.7 million, or 4.6%, compared to the same period in 2004, mainly due to increased advertising costs, sales commissions and administrative costs in most businesses and foreign currency translation. During the third quarter of 2005, the segment recorded a $15.2 million restructuring charge related to activities to reduce structural costs. During the third quarter of 2004, the segment recorded a $3.5 million restructuring charge mainly related to planned reductions 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 for the third quarter of 2005 decreased $0.8 million, or 1.0%, compared to the third quarter of 2004 due to the activities discussed above.

Defense Electronics & Services' sales and revenues and costs of sales and revenues for the third quarter of 2005 increased $176.5 million, or 28.0%, and $139.5 million, or 35.3%, respectively, from the comparable prior year period. The increases are due to higher volume in all businesses, and the contribution of a third quarter 2004 acquisition, which accounted for 9.3%. Additionally, a change in product mix also contributed to the increase in costs of sales and revenues. SG&A expenses increased $0.8 million, or 1.8% primarily due to increased employee benefit and administrative costs, higher marketing costs and administrative costs associated with a third quarter 2004 acquisition. RD&E expenses increased $11.2 million, or 9.4%, primarily due to increased spending in most businesses. Operating income for the third quarter of 2005 was $96.8 million, an increase of $25.0 million, or 34.8%, compared to the same quarter in 2004. The increase reflects the results discussed above.

Motion & Flow Control recorded sales and revenues and costs of sales and revenues of $249.2 million and $181.8 million, respectively, during the third quarter of 2005, reflecting increases of $6.4 million, or 2.6%, and $4.3 million, or 2.4%, respectively, from the third quarter of 2004. The increases were mainly due to higher volume in the friction material, aerospace controls and leisure marine businesses and the impact of foreign currency translation. Lower volume in the shock absorbers business partially offset the increase in sales. SG&A expenses increased $2.9 million, or 13.4%, compared to the prior year period primarily due to higher marketing costs and administrative costs. During the third quarters of 2005 and 2004, the segment recorded $3.0 million and $1.2 million of restructuring charges, respectively, mainly related to actions to reduce operating costs. Additionally, during the third quarter of 2005, $0.1 million of restructuring accruals were reversed into income (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 $29.4 million was $2.6 million, or 8.1%, lower in the third quarter of 2005 compared to the third quarter of 2004, primarily due to the items mentioned above.

Electronic Components' sales and revenues of $170.3 million and costs of sales and revenues of $128.3 million in the third quarter of 2005, decreased $4.0 million, or 2.3%, and increased $4.2 million, or 3.4%, respectively, from the comparable prior year period. The decrease in sales and revenues reflect lower volume in the industrial businesses. Manufacturing inefficiencies and higher scrap contributed to the increase in costs of sales and revenues. SG&A expenses were flat with the comparable prior year period. During the third quarters of 2005 and 2004, the segment recorded $11.4 million and $1.0 million of restructuring charges, respectively, relating to planned actions to reduce structural costs (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 third quarter of 2005 decreased $16.8 million from the third quarter of 2004. The decrease was due to the factors discussed above.

Corporate expenses decreased $2.8 million in the third quarter of 2005, primarily due to lower Sarbanes Oxley spending and other professional fees in the third quarter of 2005.

NINE MONTHS ENDED SEPTEMBER 30, 2005 COMPARED WITH NINE MONTHS ENDED SEPTEMBER 30, 2004

Sales and revenues for the first nine months of 2005 were $5,793.9 million, an increase of $972.8 million, or 20.2%, from the same period for 2004. Costs of sales and revenues of $3,911.8 million for the first nine months of 2005 increased $736.5 million, or 23.2%, from the comparable 2004 period. The increases in sales and revenues and costs of sales and revenues are primarily attributable to higher volume in all segments, contributions from a 2004 acquisition made by the Defense Electronics & Services segment and the impact of foreign currency translation. The increase in costs of sales and revenues also reflects a change in product mix.

SG&A expenses for the first nine months of 2005 were $790.4 million, an increase of $84.0 million, or 11.9%, from the first nine months of 2004. The increase in SG&A expenses was primarily due to increased marketing expense in most segments, including expenses from a 2004 acquisition made by the Defense Electronics & Services segment, higher general and administrative expenses and the impact of foreign currency translation. Higher general and administrative costs reflect additional employee benefit costs, the cost of process improvement initiatives, administrative expenses and increased expenditures for tax planning initiatives.

RD&E expenses for the first nine months of 2005 increased $40.5 million, or 8.8%, compared to the first nine months of 2004. The increase is attributable to increased spending in most segments.

During the first nine months of 2005, the Company recorded a $56.2 million restructuring charge to streamline its operating structure. The charge primarily reflects severance costs for the planned termination of 1,689 employees. Additionally, $0.3 million of restructuring accruals related to previously announced restructuring actions were reversed into income during the first nine months of 2005, as management determined that certain cash expenditures would not be incurred. During the first nine months of 2004, the Company recorded a $25.3 million restructuring charge. The charge primarily reflected the planned reduction of 592 employees, the closure of two facilities and lease cancellation costs. Additionally, $1.0 million of restructuring accruals related to previously announced restructuring actions were reversed into income during the first quarter of 2004, as management determined that certain cash expenditures would not be incurred (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 nine months of 2005 was $534.1 million, an increase of $80.2 million, or 17.7%, over the first nine months of 2004. The increase is primarily due to improved sales and revenues at each of the segments offset by increased SG&A, RD&E expenses and restructuring charges. Segment operating margin for the first nine months of 2005 was 10.3%, or 40 basis points below the comparable prior year period. The variance in segment operating margin is due to increased restructuring charges.

Interest expense during the first nine months of 2005 was $51.9 million, an increase of $18.0 million, or 53.1% from the comparable prior year period. This increase reflects higher interest rates and higher average debt balances (reflecting 2004 acquisitions). Additionally, the Company recognized $36.3 million of interest income during the first nine months of 2005 compared to $18.8 million during the first nine months of 2004. The increase of $17.5 million, or 93.1%, primarily reflects the recognition of interest income during 2005 associated with tax settlements related to the closure of the IRS tax audit for the years 1998 through 2000.

During the first nine months of 2005, the Company recognized a gain on the sale of a joint venture of $7.1 million. Proceeds from the sale of the joint venture were $15.3 million.

During the first nine months of 2005, income tax expense was $93.9 million, or 18.4% less than the applicable prior year period. The variance primarily reflects the recognition of tax settlements relating to prior year tax filings. Partially offsetting these items is the increase in taxable income during the first nine months of 2005 compared to the first nine months of 2004.

Income from continuing operations was $418.2 million, or $4.43 per diluted share for the first nine months of 2005 compared to $312.9 million, or $3.31 per diluted share for the first nine months of 2004. The increase reflects the results discussed above.

During the first nine months of 2005, the Company recognized $25.3 million of income from discontinued operations compared to a loss of $2.2 million in the comparable prior year period. The 2005 income primarily relates to a tax settlement offset by losses and asset write-downs associated with the Company's Network Systems & Services business and costs related to other discontinued operations.

Fluid Technology's sales and revenues and costs of sales and revenues increased $233.2 million, or 12.6%, and $152.4 million, or 12.5%, respectively, in the first nine months of 2005 compared to the first nine months of 2004. Higher sales in the water/wastewater markets, industrial businesses, acquisition revenue from the water treatment business and the impact of foreign currency translation were the primary factors for the increases. SG&A expenses for the first nine months of 2005 increased $33.9 million, or 9.1%, compared to the same period in 2004, mainly due to increased advertising costs, sales commissions and administrative costs in most businesses, and foreign currency translation. During the first nine months of 2005, the segment recorded a $24.2 million restructuring charge related to activities to reduce structural costs. Additionally, during the first nine months of 2005, $0.2 million of restructuring accruals were reversed into income. During the first nine months of 2004, the segment recorded a $10.1 million restructuring charge mainly related to a planned reduction in headcount and the closure of two facilities. Additionally, during the first nine months of 2004, $0.4 million of restructuring accruals were reversed into income as costs were less than initially anticipated (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 nine months of 2005 increased $21.1 million, or 10.3%, compared to the first nine months of 2004 due to the activities discussed above.

Defense Electronics & Services' sales and revenues and costs of sales and revenues for the first nine months of 2005 increased $694.5 million, or 41.7%, and $537.7 million, or 52.5%, respectively, from the comparable prior year period. The increases are primarily due to higher volume in the night vision, aerospace communications, electronic warfare and systems businesses. A third quarter 2004 acquisition also contributed to the increase in revenues, accounting for 18.3%. Additionally, a change in product mix also contributed to the increase in costs of sales and revenues. SG&A expenses increased $45.8 million, or 43.9%, primarily due to increased employee benefit and administrative costs, higher marketing costs and costs associated with a third quarter 2004 acquisition. RD&E expenses increased $27.8 million, or 7.7%, primarily due to increased spending in most businesses. Operating income for the first nine months of 2005 was $259.5 million, an increase of $83.2 million, or 47.2%, compared to the same period in 2004. The increase reflects the results discussed above.

Motion & Flow Control recorded sales and revenues and costs of sales and revenues of $837.7 million and $606.5 million, respectively, during the first nine months of 2005, reflecting increases of $39.6 million, or 5.0%, and $29.0 million, or 5.0%, from the first nine months of 2004. The increases were mainly due to higher volume in the friction material, aerospace controls and leisure marine businesses and the impact of foreign currency translation partially offset by volume declines in the fluid handling and shock absorbers businesses. SG&A expenses increased $2.3 million, or 3.2%, compared to the prior year period primarily due to higher marketing costs in the leisure marine and shock absorbers businesses and higher administrative costs. During the first nine months of 2005 and 2004, the segment recorded $9.6 million and $3.8 million of restructuring charges, respectively, mainly related to actions to reduce operating costs. Additionally, during the first nine months of 2005, $0.1 million of restructuring accruals were reversed into income (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 $113.0 million was $0.6 million, or 0.5%, higher in the first nine months of 2005 compared to the first nine months of 2004, primarily due to the items mentioned above.

Electronic Components' sales and revenues of $525.7 million and costs of sales and revenues of $386.5 million in the first nine months of 2005, increased $7.4 million, or 1.4%, and $21.6 million, or 5.9%, respectively, from the comparable prior year period. The increases reflect higher volume in most businesses and the impact of foreign currency translation. Additionally, manufacturing inefficiencies, and higher scrap, also contributed to the increase in costs of sales and revenues. SG&A expenses decreased $4.5 million or 4.7%, due to lower marketing and administrative costs in most businesses. During the first nine months of 2005 and 2004, the segment recorded $22.0 million and $9.6 million of restructuring charges, respectively, relating to planned actions to reduce structural costs. Additionally, during the first nine months of 2004, $0.5 million of restructuring accruals were reversed into income reflecting lower than anticipated severance costs (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 nine months of 2005 decreased $21.8 million from the first nine months of 2004. The decrease was due to the factors discussed above.

Corporate expenses increased $2.9 million in the first nine months of 2005, primarily due to costs related to process improvement initiatives, employee benefit costs and increased expenditures for tax planning.

STATUS OF RESTRUCTURING AND ASSET IMPAIRMENTS

2005 RESTRUCTURING ACTIVITIES

During the third quarter of 2005, the Company recognized a $30.0 million restructuring charge. New actions represent $29.7 million of the charge. Costs associated with actions announced during previous quarters represent $0.3 million of the charge. The actions by segment are as follows:

- The Fluid Technology segment recorded $15.2 million of severance costs for the termination of 139 employees, including 69 factory workers, 68 office workers and 2 management employees. The charges reflect a reduction in structural costs.

- The Electronic Components segment recorded $10.2 million for the reduction of 1,024 employees, including 866 factory workers, 150 office workers and 8 management employees. Other costs totaling $1.2 million, primarily representing contract termination costs, were also recognized during the quarter. These actions reflect the continued reorganization of the segment, including the closure of two facilities.

- The Motion & Flow Control segment recognized $2.5 million for the termination of 66 employees, including 44 factory workers, 21 office workers and 1 management employee. Other costs totaling $0.2 million were also recognized during the quarter. The headcount reductions relate to workforce reductions and the consolidation of functions.

- Corporate headquarters recorded $0.4 million for the termination of one management employee.

During the third quarter of 2005, the Company made $7.9 million of payments attributable to the 2005 third quarter restructuring actions. Future restructuring expenditures will be funded with cash from operations, supplemented on an interim basis, if required, with commercial paper borrowings.

The projected future cash savings from the restructuring actions announced during the third quarter of 2005 are approximately $4.7 million during 2005 and $110.4 million between 2006 and 2010. The savings primarily represent lower salary and wage expenditures and will be reflected in "Costs of Sales and Revenues" and "Selling, General and Administrative Expenses".

During the second quarter of 2005, the Company recognized a $6.8 million restructuring charge. New actions represent $6.3 million of the charge. Severance costs associated with actions announced during the first quarter of 2005 represent $0.5 million of the charge. The actions by segment are as follows:

- The Fluid Technology segment recorded $1.4 million of severance costs for the termination of 36 employees, including 14 factory workers, 21 office workers and 1 management employee. Lease cancellation costs and other costs were $0.7 million. Additionally, asset impairment costs were $0.4 million. The charges reflect a reduction in structural costs.

- The Electronic Components segment recorded $2.6 million of the charge primarily for the reduction of 38 employees, including 21 factory workers, 14 office workers and 3 management employees. Other costs totaling $0.4 million were also recognized during the quarter. These actions reflect the reorganization of the segment and a consolidation of functions.

- The Motion & Flow Control segment recognized $0.8 million primarily for the termination of 10 employees, including 5 factory workers, 4 office workers and 1 management employee. The headcount reductions relate to workforce reductions and the consolidation of functions.

During 2005, the Company made $3.2 million of payments attributable to the 2005 second quarter restructuring actions. Future restructuring expenditures will be funded with cash from operations, supplemented on an interim basis, if required, with commercial paper borrowings.

The projected future cash savings from the restructuring actions announced during the second quarter of 2005 are approximately $2.8 million during 2005 and $26.4 million between 2006 and 2010. The savings primarily represent lower salary and wage expenditures and will be reflected in "Costs of Sales and Revenues" and "Selling, General and Administrative Expenses".

During the first quarter of 2005, the Company recognized a $19.4 million restructuring charge. New actions represent $18.6 million of the charge. Other costs totaling $0.8 million relate to actions announced prior to 2005. The actions by segment are as follows:

- The Fluid Technology segment recorded $6.5 million primarily for the termination of 105 employees, including 33 factory workers, 62 office workers and 10 management employees. The charge reflects a reduction in structural costs.

- The Electronic Components segment recorded $6.5 million of the charge primarily for the reduction of 155 employees, including 36 factory workers, 101 office workers and 18 management employees. These actions reflect the reorganization of the segment and a consolidation of functions.

- The Motion & Flow Control segment recognized $5.0 million for the termination of 115 employees, including 49 factory workers, 58 office workers and 8 management employees. The headcount reductions relate to the closure of one facility, the transfer of production of selected products from France to Holland, the outsourcing of selected functions to Eastern Europe, and the consolidation of other functions. Additionally, lease cancellation costs of $0.2 million and other costs of $0.4 million were recorded during the first quarter of 2005.

During 2005, the Company made $11.9 million of payments attributable to the 2005 first quarter restructuring actions. Future restructuring expenditures will be funded with cash from operations, supplemented on an interim basis, if required, with commercial paper borrowings.

The projected future cash savings from the restructuring actions announced during the first quarter of 2005 are approximately $16.4 million during 2005 and $131.6 million between 2006 and 2010. The savings primarily represent 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 2005 restructuring programs (in millions):

	CASH CHARGES			
	SEVERANCE	LEASE COMMITMENTS	OTHER	TOTAL
Establishment of 2005 Plans	$ 51.6	$ 0.8	$ 2.6	$ 55.0
Reversal of Charges	(0.3)	--	--	(0.3)
Payments	(20.8)	(0.3)	(1.9)	(23.0)
Other, including translation	(0.3)	--	--	(0.3)
Balance September 30, 2005	$ 30.2	$ 0.5	$ 0.7	$ 31.4

During the first nine months of 2005, $0.3 million of restructuring accruals were reversed into income reflecting lower than anticipated severance costs (due to employee attrition).

During the first nine months of 2005, headcount was reduced by 1,505 persons and the Company experienced employee attrition, leaving a balance of 184 planned reductions related to the 2005 restructuring plans.

2004 RESTRUCTURING ACTIVITIES

During 2004, the Company recognized $38.8 million of restructuring charges. Of this amount, $37.7 million related to new actions announced during 2004, primarily the planned severance of 1,319 employees and lease cancellation costs. Additionally, $1.1 million of expenditures were incurred relating to actions announced prior to 2004.

The actions announced during 2004 by segment are as follows:

- The Fluid Technology segment recorded $17.7 million for the planned termination of 211 employees, including 52 factory workers, 155 office workers and four management employees. Additionally, $0.7 million of lease costs, $0.6 million of asset write-offs and $0.7 million of other costs were also recognized during 2004.

- The Electronic Components segment recorded a $4.5 million charge for the recognition of lease cancellation costs and a $4.5 million charge for the planned termination of 972 employees, including 883 factory workers, 84 office workers and five management employees. The segment also recorded $1.1 million and $0.8 million for the disposal of machinery and equipment, and other costs, respectively.

- The Motion & Flow Control segment recorded $4.6 million for the planned termination of 133 employees, including 47 factory workers, 77 office workers and nine management employees. Other costs totaling $0.7 million were also recognized during 2004.

- Corporate headquarters recorded $1.8 million for the planned termination of one office worker and two management employees.

During the first nine months of 2005, the Company made $14.5 million of payments attributable to 2004 restructuring actions. Future restructuring expenditures will be funded with cash from operations, supplemented on an interim basis, if required, with commercial paper borrowings.

The projected future cash savings from the restructuring actions announced during 2004 are approximately $30.8 million during 2005 and $130.0 million between 2006 and 2009. The savings primarily represent 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 2004 restructuring programs (in millions):

	CASH CHARGES			
	SEVERANCE	LEASE COMMITMENTS	OTHER	TOTAL
Establishment of 2004 Plans	$ 28.6	$ 5.2	$ 2.2	$ 36.0
Payments	(14.5)	(0.7)	(1.8)	(17.0)
Reversals	(0.2)	--	--	(0.2)
Translation	0.5	--	--	0.5
Balance December 31, 2004	$ 14.4	$ 4.5	$ 0.4	$ 19.3
Additional charges	0.8	--	--	0.8
Payments	(10.7)	(3.7)	(0.1)	(14.5)
Translation & Other	(0.7)	(0.1)	0.1	(0.7)
Balance September 30, 2005	$ 3.8	$ 0.7	$ 0.4	$ 4.9

During the nine months of 2005, headcount was reduced by 557 persons, leaving a balance of 127 planned reductions related to the 2004 restructuring plans.

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. During 1999, those claims were submitted to arbitration. In 2001 and early in 2002, both claims were favorably resolved.

The following table displays a rollforward of the automotive discontinued operations accruals from January 1, 2005 to September 30, 2005 (in thousands):

AUTOMOTIVE DISCONTINUED OPERATIONS ACCRUALS	BEGINNING BALANCE JANUARY 1, 2005	2005 SPENDING	2005 SETTLEMENTS	2005 OTHER ACTIVITY	ENDING BALANCE SEPTEMBER 30, 2005
Other Deferred Liabilities.............	$ --	$ --	$ --	$ --	$ --
Accrued Expenses.......................	20,370	--	--	--	20,370
Environmental..........................	14,156	(68)	--	--	14,088
Income Tax.............................	154,151	(100,551)	--	(53,600)	--
Total..................................	$188,677	$(100,619)	$ --	$(53,600)	$34,458

At September 30, 2005, the Company has automotive discontinued operations accruals of $34.5 million that primarily relate to the following: product recalls $7.8 million -- related to nine potential product recall issues which are recorded in Accrued Expenses; environmental obligations $14.1 million -- for the remediation and investigation of groundwater and soil contamination at thirteen sites which are recorded in Other Liabilities; employee benefits $12.6 million -- for workers compensation issues which are recorded in Accrued Expenses.

In the third quarter of 2005, the Company finalized an IRS tax settlement that covered the periods from 1998 to 2000 and included the sale of the Electrical Systems business and the Brake and Chassis unit. As a result of this agreement, the Company paid $100.6 million to settle tax matters related to the sale of the automotive business. Remaining tax reserves of $53.6 million relating to this matter were reversed and included in income from discontinued operations.

The Company forecasts that it will spend between $1.0 million and $4.0 million on an annual basis related to its other remaining automotive obligations.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW OVERVIEW

The Company realized $511.3 million of cash from operating activities during the first nine months of 2005. The primary factors for this performance were net income generated from continuing operations of $418.2 million, which includes $162.0 million of depreciation and amortization, and an increase in accounts payable and accrued expenses of $148.9 million. Lower cash tax payments, as a result of the IRS tax audit settlement for the years 1998 through 2000, provided an additional $83.1 million to cash from operating activities. The conclusion of the tax audit, referenced above, also required the payment of $100.6 million to settle tax matters related to the sale of the Company's automotive businesses in 1998. This expenditure was recorded in the Net Cash From Operations -- Discontinued Operations caption in the Company's Consolidated Condensed Statement of Cash Flows. Partially offsetting these items were a $100.0 million prepaid pension contribution and a $191.0 million increase in accounts receivable, reflecting increased sales volume and the timing of collections.

The Company projects cash from operating activities to be between $725.0

million and $750.0 million for the twelve months ending December 31, 2005.

Cash Flows: Cash generated by operating activities during the first nine months of 2005 was $511.3 million, or a $258.1 million improvement over the first nine months of 2004. The improvement is primarily attributable to a $105.3 million increase in income from operations, including an increase in non-cash charges of $48.4 million, and a $93.9 million increase in accounts payable and accrued expenses. Another factor contributing to the positive variance in cash from operations is a $34.6 million reduction in the funding of inventory levels. Partially offsetting these items was a $50.4 million increase in accounts receivable reflecting increased volume and the timing of collections.

Status of Restructuring Activities: Restructuring payments during the first nine months of 2005 totaled $39.9 million and were comprised of $23.0 million of expenditures for 2005 plans and $16.9 million of expenditures for prior years plans. Future restructuring expenditures will be funded with cash from operations, supplemented on an interim basis, if required, with commercial paper borrowings.

Additions to Plant, Property and Equipment: Capital expenditures during the first nine months of 2005 were $119.4 million, an increase of $19.4 million from the first nine months of 2004. The increase was seen across the Defense Electronics & Services and Fluid Technology segments.

Acquisitions: During the first nine months of 2005, the Company spent $38.4 million for the acquisition of Ellis K. Phelps & Company ("Phelps"), the largest U.S. distributor of products sold under ITT's Flygt brand for the wastewater pumping and treatment market and for additional shares of WEDECO AG Water Technology, a company acquired in 2004. The excess of the purchase price over the fair value of net assets acquired of $16.1 million was recorded as goodwill.

During the first nine months of 2004, the Company spent $994.6 million primarily for the acquisitions of the following:

- The Remote Sensing Systems ("RSS") business from Eastman Kodak Company. RSS is a leading supplier of high resolution satellite imaging systems and information services.

- WEDECO AG Water Technology ("WEDECO"), the world's largest manufacturer of UV disinfection and ozone oxidation systems, which are alternatives to chlorine treatment.

- Allen Osborne Associates, a leader in the development of global positioning system receivers for both portable and fixed sites

- Shanghai Hengtong Purified Water Development Co. Ltd. and Shanghai Hengtong Water Treatment Engineering Co. Ltd. ("Hengtong"), a Shanghai-based producer of reverse-osmosis, membrane and other water treatment systems for the power, pharmaceutical, chemical and manufacturing markets in China.

Divestitures: During the first nine months of 2005, the Company generated $15.3 million from the sale of a joint venture, $2.5 million from the sale of one property and $7.4 million from the sales of plant and equipment. In the first nine months of 2004, the Company generated $5.1 million of cash proceeds primarily from the sale of two properties.

Financing Activities: Debt at September 30, 2005 was $1,441.1 million, compared with $1,272.0 million at December 31, 2004. Cash and cash equivalents were $470.3 million at September 30, 2005, compared to $262.9 million at December 31, 2004. The change in debt and cash levels primarily reflects the generation of cash from operating activities and the funding of capital expenditures, the repurchase of common stock, and the payment of dividends. At September 30, 2005, the Company had $1.4 billion of revolving credit agreements, which provide back-up for the Company's commercial paper program.

Status of Automotive Discontinued Operations: During the first nine months of 2005, the Company made payments of approximately $100.6 million for matters attributable to its automotive discontinued operations. In addition, the Company forecasts between $1.0 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 contaminant 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 September 30, 2005, the Company's best estimate for environmental liabilities is $96.3 million, which approximates the accrual related to the remediation of ground water and soil. The low range estimate for environmental liabilities is $73.3 million and the high range estimate is $150.2 million. On an annual basis the Company spends between $8.0 million and $11.0 million on its environmental remediation liabilities. These estimates, and related accruals, 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 75 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 13, "Commitments and Contingencies," in the Notes to Consolidated Condensed Financial Statements.

EMPLOYEE BENEFIT PLANS

The Company sponsors numerous employee pension and welfare benefit plans. The determination of projected benefit obligations and the recognition of expenses related to pension and other postretirement obligations are dependent on assumptions used in calculating these amounts. These assumptions include: discount rates, expected rates of return on plan assets, rate of future compensation increases, mortality, termination, health care inflation trend rates (some of which are disclosed in Note 19, "Employee Benefit Plans," within the Notes to Consolidated Financial Statements of the 2004 Annual Report on Form 10-K) and other factors.

KEY ASSUMPTIONS

The Company determines its expected return on plan assets assumption by evaluating both historical returns and 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, which is detailed in Note 19, "Employee Benefit Plans," in the Notes to Consolidated Financial Statements of the 2004 Annual Report on Form 10-K.

Based on the approach described above, the Company estimates the long-term annual rate of return on assets for domestic pension plans at 9.0%. For reference, the Company's actual geometric average annual return on plan assets for domestic pension plans stood at 12.1%,11.2%, 12.6% and 12.7%, 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, 2004, is 8.89%.

The Company utilizes the assistance 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, 2004, the Company lowered the discount rate on most of its domestic pension plans, which represent about 90% of the Company's total pension obligations, from 6.25% to 6.00%. The Company's weighted average discount rate for all pension plans, including foreign affiliate plans, at December 31, 2004, is 5.94%. Also, at December 31, 2004, the Company lowered the discount rate on its postretirement welfare plans from 6.25% to 5.75% and increased the medical trend rate for 2005 to 10% decreasing ratably to 5% in 2010.

At December 31, 2003, the Company also lowered its expected rate of future compensation increases for its domestic plan participants to 4.5%, from 5.0%, based on recent historical experience and expectations for future economic conditions.

ASSUMPTION	2004	2003
Long-Term Rate of Return on Assets at Dec. 31...............	8.89%	8.86%
Discount Rate used to determine benefit obligation at Dec. 31..	5.94%	6.18%
Discount Rate used to determine net periodic benefit cost...	6.18%	6.44%
Rate of future compensation increase used to determine benefit obligation at Dec. 31............................	4.41%	4.42%

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

With respect to its qualified U.S. defined benefit pension plans and one of its retiree medical plans, the Company has set up a U.S. Master Trust to pay future benefits to eligible retirees and dependents.

The Company's strategic asset allocation target 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, 2004, the Company's actual asset allocation was 66.2% in equity instruments, 16.4% in fixed income instruments and 9.9% in hedge funds, with the remainder in cash and other.

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.

See Note 19, "Employee Benefit Plans," in the Notes to Consolidated Financial Statements of the 2004 Annual Report on Form 10-K for more information.

	2004	2003	2002	2001	2000
Expected Return on Assets	9.00%	9.00%	9.75%	9.75%	9.75%
Actual Return on Assets	15.2%	27.5%	(11.4)%	(4.0)%	(0.7)%

The Company's Defense Electronics & Services segment represents approximately 60% of the active U.S. Salaried Pension 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. U.S. Government Cost Accounting Standards (CAS) govern the extent to which pension costs are allocable to and recoverable under contracts with the U.S. Government. Reimbursements of pension costs are made over time through the pricing of the Company's products and services on U.S. Government contracts, and therefore, are recognized in the Defense Electronics & Services segment's net sales.

Funding requirements under IRS rules are a major consideration in making contributions to our domestic pension plans. With respect to its qualified pension plans, the Company intends to contribute annually not less than the minimum required by applicable law and regulations. The Company contributed $120.1 million to the U.S. Master Trust in 2004, and an additional $105.2 million in the first nine months of 2005. As a result, the Company will not face material minimum required contributions to its U.S. Salaried Pension Plan in 2006 and 2007, under current IRS contribution rules and barring any major disruptions in the equity and bond markets. Furthermore, we currently estimate that we will not make significant additional contributions to the Company's U.S. Salaried Pension Plan during the remainder of 2005.

FUNDED STATUS

Funded status is derived by subtracting the value of the projected benefit obligations at December 31, 2004 from the end of year fair value of plan assets. The Company's U.S. Salaried Pension Plan represents approximately 80% of the Company's total pension obligation, and therefore the funded status of the U.S. Salaried Pension Plan has a considerable impact on the overall funded status of the Company's pension plans.

During 2004, the Company's U.S. Salaried Pension Plan assets grew by $575.4 million to $3,564.6 million at the end of 2004. This increase primarily reflected return on assets of $474.3 million, Company contributions of $100.0 million and the addition of $235.0 million in assets as a result of the acquisition of RSS, offset by payments to plan beneficiaries of $233.6 million.

Also during 2004, the projected benefit obligation for the U.S. Salaried Pension Plan increased by $458.2 million to $3,907.6 million. The increase included the $126.4 million impact of a 25 basis point decline in the discount rate at year end and the assumption of $260.0 million in liabilities as part of the acquisition of RSS. As a result, the funded status for the Company's U.S. Salaried Pension Plan improved by $116.6 million to $(343.0) million at the end of 2004. Funded status for the Company's total pension obligations, including foreign and affiliate plans, improved by $105.5 million to $(754.9) million at the end of 2004.

Funded status at the end of 2005 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 point change in the discount rate impacts the funded status of the U.S. Salaried Pension Plan, which represents about 80% of the Company's pension obligations, by approximately $126 million. Similarly, every five percentage point change in the actual 2005 rate of return on assets impacts the same plan by approximately $178 million.

MINIMUM PENSION LIABILITY

SFAS No. 87 "Employers' Accounting for Pensions," ("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. Accordingly, during 2002, the Company recorded a total after-tax reduction of $765.5 million to its shareholders' equity. As a result of the improved financial markets in 2003 and 2004, the Company recorded total after-tax increases to its shareholders' equity of $182.5 million and $81.8 million at year-end 2003, and 2004, respectively. It is important to note that these actions did not cause a default in any of the Company's debt covenants.

Future recognition or reversal of additional minimum pension liabilities will depend primarily on the rate of return on assets and the prevailing discount rate.

PENSION EXPENSE

The Company uses the market-related value of assets method, as described in paragraph 30 of SFAS No. 87, 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. In addition, in accordance with paragraph 32 of SFAS No. 87, a portion of the Company's unrecognized net actuarial loss is amortized and this cost is included in the net periodic benefit cost.

The Company recorded $62.1 million of net periodic pension cost ($65.4 million after considering the effects of curtailment losses and settlements) into its Consolidated Income Statement in 2004, compared with pension cost of $33.0 million ($35.4 million including curtailments) in 2003. The 2004 net periodic pension cost reflected benefit service cost of $87.9 million and interest cost on accrued benefits of $267.9 million, offset by the expected return on plan assets of $344.2 million. In addition, the 2004 pension expense included $43.3 million of amortization of past losses, up from $23.5 million in 2003. The primary drivers behind the increase in the net periodic pension cost were the effect of the change in the discount rate, the increase in amortization of past losses in 2004 and the inclusion of RSS in the cost from the date of acquisition.

In 2005, the Company expects to incur approximately $93.0 million of pension expense that will be recorded into its Consolidated Income Statement. The increase in pension expense is primarily due to the effect of the change in discount rate, higher amortization of past losses and the full year impact of the RSS acquisition.

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. Sales under cost-reimbursement contracts are recorded as costs are incurred and include estimated earned fees or profits calculated on the basis of the relationship between costs incurred and total estimated costs. For time-and-material contracts, revenue is recognized to the extent of billable rates times hours incurred plus material and other reimbursable costs incurred.

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 September 30, 2005 and 2004 was $38.6 million and $33.5 million, respectively. See Note 14, "Guarantees, Indemnities and Warranties," in the Notes to Consolidated Condensed Financial Statements for additional details.

ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123 (revised 2004) "Share-Based Payment" ("SFAS 123R") which is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation." This statement eliminates the option of using the intrinsic value method of accounting for employee stock options (historically utilized by the Company), which generally resulted in the recognition of no compensation cost. The provisions of SFAS No. 123R require the recognition of employee services received in exchange for awards of equity instruments based on the grant-date fair value of the awards as determined by option pricing models. The calculated compensation cost is recognized over the period that the employee is required to provide services per the conditions of the award. SFAS No. 123R is effective for the Company on January 1, 2006. The Company is currently in the process of determining the impact of this statement on its financial statements.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs -- an amendment of ARB No. 43, Chapter 4" ("SFAS No. 151"). This statement clarifies the criteria of "abnormal amounts" of freight, handling costs, and spoilage that are required to be expensed as current period charges rather than deferred in inventory. In addition, this statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS No. 151 is effective for the Company as of July 1, 2005. Adoption of SFAS No. 151 did not have a material effect on the Company's financial statements.

In January 2004, FASB Staff Position ("FSP") No. 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" ("FSP No. 106-1") was issued. Subsequently, FSP No. 106-2 was issued, which amends FSP No. 106-1 and discusses the recognition of the effects for the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Medicare Modernization Act") in the accounting for postretirement health care plans under SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and in providing disclosures related to the plan required by SFAS No. 132. The Company adopted this pronouncement effective July 1, 2004, but was unable to conclude whether benefits of its plans are actuarially equivalent based on the proposed regulations released in August 2004. Currently, the Company is analyzing the effect of the Medicare Modernization Act on the Company's plans based on the final regulations issued at the end of January 2005 and has not taken any action at this time to reflect the Medicare changes. In addition, it was assumed that the adoption of this pronouncement did not affect demographic factors used to determine plan assets and obligations at December 31, 2004, the Company's measurement date. See Note 12, "Pension and Postretirement Medical Benefit Expenses," in the Notes to Consolidated Condensed Financial Statements for discussion of postretirement benefits.

In December 2004, the FASB issued FSP 109-1, "Application of FASB Statement No. 109, Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004" ("FSP 109-1"). The American Jobs Creation Act of 2004 (the "AJCA") provides for a tax relief for U.S. domestic manufacturers. FSP 109-1 states that tax benefit should be recorded in the year in which it can be taken in the Company's tax return rather than reflecting a deferred tax asset in the period the AJCA was enacted. FSP 109-1 was effective upon issuance. Adoption of FSP 109-1 did not have a material effect on the Company's financial statements.

In December 2004, the FASB issued FSP 109-2, "Accounting Disclosures Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004" ("FSP 109-2"). The Foreign Earnings Repatriation Provision Within the Act (the "Provision") provides a special limited-time dividends received deduction on the repatriation of certain foreign earnings to a U.S. taxpayer. FSP 109-2 states that a company should recognize the income tax effect related to the Provision when it decides on a plan for reinvestment or repatriation of foreign earnings. At this time, the Company does not expect to elect to apply the Provision.

In March 2005, the FASB issued Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations (an interpretation of FASB Statement No. 143)" (the "Interpretation"). This Interpretation provides clarification with respect to the timing of liability recognition for legal obligations associated with the retirement of tangible long-lived assets when the timing and/or method of settlement of the obligation are conditional on a future event. The Company is currently evaluating the potential impact of the Interpretation.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS No. 154"), which replaces Accounting Principles Board ("APB") Opinion No. 20 "Accounting Changes," and SFAS No. 3 "Reporting Accounting Changes in Interim Financial Statements." SFAS No. 154 changes the requirements for the accounting and reporting of a change in accounting principle, and applies to all voluntary changes in accounting principles, as well as changes required by an accounting pronouncement in the unusual instance that it does not include specific transition provisions. Specifically, SFAS No. 154 requires retrospective application to prior periods' financial statements, unless it is impracticable to determine the period specific effects or the cumulative effect of the change. SFAS No. 154 does not change the transition provisions of any existing pronouncement. SFAS No. 154 is effective for the Company for all accounting changes and corrections of errors made beginning January 1, 2006.

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 accounting principles generally accepted within the United States. 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 2004 Annual Report on Form 10-K.

FORWARD-LOOKING STATEMENTS

"Safe Harbor Statement" under the Private Securities Litigation Reform Act of 1995 ("the Act"):

Certain material presented herein includes forward-looking statements intended to qualify for the safe harbor from liability established by the Act. These forward-looking statements include statements that describe the Company's business strategy, outlook, objectives, plans, intentions or goals, and any discussion of future operating or financial performance. Whenever used words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "target" and other terms of similar meaning are intended to identify such forward-looking statements. Forward-looking statements are uncertain and to some extent unpredictable, and involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from those expressed in, or implied from, such forward-looking statements. Factors that could cause results to differ materially from those anticipated by the Company include general global economic conditions, decline in consumer spending, interest and foreign currency exchange rate fluctuations, availability of commodities, supplies and raw materials, competition, acquisitions or divestitures, changes in government defense budgets, employment and pension matters, contingencies related to actual or alleged environmental contamination, claims and concerns, intellectual property matters, personal injury claims, governmental investigations, tax obligations, and changes in generally accepted accounting principles. Other factors are 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. Annual Report on Form 10-K for the fiscal year ended December 31, 2004, and other of its filings with the Securities and Exchange Commission. The Company undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the information concerning market risk as stated in the Company's 2004 Annual Report on Form 10-K.

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-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, such officers have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures are effective 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 in our internal control over financial reporting during the last fiscal quarter 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 13 to the unaudited interim consolidated condensed financial statements in Part I of this report, as well as Part I, Item 3 of the Company's 2004 Annual Report on Form 10-K.

The Company and its subsidiaries from time to time are 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, intellectual property matters, copyright infringement, personal injury claims, 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. 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 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ISSUER PURCHASES OF EQUITY SECURITIES

PERIOD	TOTAL NUMBER OF SHARES PURCHASED(1)	AVERAGE PRICE PAID PER SHARE(2)
7/1/05 - 7/31/05	334,749	$102.68
8/1/05 - 8/31/05	890,800	$108.14
9/1/05 - 9/30/05	270,442	$111.53

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(1) All share repurchases were made in open-market transactions. None of these transactions were made pursuant to a publicly announced repurchase plan.

(2) Average price paid per share is calculated on a settlement basis and excludes commission.

The Company's strategy for cash flow utilization is to pay dividends first and then repurchase Company common stock to cover option exercises made pursuant to the Company's stock option programs. The remaining cash is then available for strategic acquisitions and discretionary repurchases of the Company's common stock.

ITEM 6. EXHIBITS

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

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/ ROBERT J. PAGANO, JR.

Robert J. Pagano, Jr.
Vice President and Corporate
Controller
(Principal accounting officer)

November 7, 2005

EXHIBIT INDEX

EXHIBIT NUMBER DESCRIPTION LOCATION - ------- ----------- --------
(3) (a) ITT Industries, Inc.'s Restated Articles of Incorporation...... Incorporated by reference to Exhibit 3(a) of ITT Industries' Form 10-Q for the quarter ended June 30, 2005. (CIK No. 216228, File No. 1-5672). (b) Form of Rights Agreement between ITT Indiana, Inc. and The Bank of New York, as Rights Agent.................................. Incorporated by reference to Exhibit 1 to ITT Industries' Form 8-A dated December 20, 1995 (CIK No. 216228, File No. 1-5672). (c) ITT Industries, Inc.'s By-laws, as amended December 7, 2004.... Incorporated by reference to Exhibit 99.2 to ITT Industries' Form 8-K Current Report dated December 9, 2004. (CIK No. 216228, File No. 1-5672). (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. (10) Material contracts... (10.1)* Employment Agreement dated as of February 5, 2004 between ITT Industries, Inc. and Edward W. Williams........................... Incorporated by reference to Exhibit 10.1 of ITT Industries' Form 10-K for the year ended December 31, 2004 (CIK No. 216228, File No. 1-5672). (10.2)* Employment Agreement dated as of September 28, 2004 between ITT Industries, Inc. and Steven R. Loranger........................... Incorporated by reference to Exhibit 10.2 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672). (10.3)* Form of Non-Qualified Stock Option Award Agreement for Band A Employees.. Incorporated by reference to Exhibit 10.3 of ITT Industries' Form 10-K for the year ended December 31, 2004 (CIK No. 216228, File No. 1-5672). (10.4)* Form of Non-Qualified Stock Option Award Agreement for Band B Employees.. Incorporated by reference to Exhibit 10.4 of ITT Industries' Form 10-K for the year ended December 31, 2004 (CIK No. 216228, File No. 1-5672).

EXHIBIT NUMBER DESCRIPTION LOCATION - ------- -------- --- -------- (10.5)* ITT Industries, Inc. 2003 Equity Incentive Plan (amended and restated as of July 13, 2004).................................... Incorporated by reference to Exhibit 10.4 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672). (10.6)* ITT Industries, Inc. 1997 Long-Term Incentive Plan (amended and restated as of July 13, 2004).................................... Incorporated by reference to Exhibit 10.5 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672). (10.7)* ITT Industries, Inc. 1997 Annual Incentive Plan for Executive Officers (amended and restated as of July 13, 2004)................ Incorporated by reference to Exhibit 10.6 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672). (10.8)* 1994 ITT Industries Incentive Stock Plan (amended and restated as of July 13, 2004)... Incorporated by reference to Exhibit 10.7 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672). (10.9)* ITT Industries Special Senior Executive Severance Pay Plan (amended and restated as of July 13, 2004)................................ Incorporated by reference to Exhibit 10.8 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672). (10.10)* ITT Industries 1996 Restricted Stock Plan for Non-Employee Directors (amended and restated as of July 13, 2004)............... Incorporated by reference to Exhibit 10.9 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672). (10.11)* ITT Industries Enhanced Severance Pay Plan (amended and restated as of July 13, 2004)... Incorporated by reference to Exhibit 10.10 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672). (10.12)* ITT Industries Deferred Compensation Plan (Effective as of January 1, 1995 including amendments through July 13, 2004)................ Incorporated by reference to Exhibit 10.11 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672). (10.13)* ITT Industries 1997 Annual Incentive Plan (amended and restated as of July 13, 2004)... Incorporated by reference to Exhibit 10.12 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672).

EXHIBIT NUMBER DESCRIPTION LOCATION - ------- ----------- --- ----- (10.14)* ITT Industries Excess Pension Plan IA............................ Incorporated by reference to Exhibit 10.13 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672). (10.15)* ITT Industries Excess Pension Plan IB............................ Incorporated by reference to Exhibit 10.14 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672). (10.16)* ITT Industries Excess Pension Plan II (as amended and restated as of July 13, 2004)... Incorporated by reference to Exhibit 10.15 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672). (10.17)* ITT Industries Excess Savings Plan (as amended and restated as of July 13, 2004).. Incorporated by reference to Exhibit 10.16 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672). (10.18)* ITT Industries Excess Benefit Trust............................... Incorporated by reference to Exhibit 10.17 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672). (10.19) Form of indemnification agreement with directors.................. Incorporated by reference to Exhibit 10(h) to ITT Industries' Form 10-K for the fiscal year ended December 31, 1996 (CIK No. 216228, File No. 1-5672). (10.20) Distribution Agreement among ITT Corporation, ITT Destinations, Inc. and ITT Hartford Group, Inc. .... Incorporated by reference to Exhibit 10.1 listed under ITT Industries' Form 8-B dated December 20, 1995 (CIK No. 216228, File No. 1-5672). (10.21) Intellectual Property License Agreement between and among ITT Corporation, ITT Destinations, Inc. and ITT Hartford Group, Inc. .... Incorporated by reference to Exhibit 10.2 to ITT Industries' Form 8-B dated December 20, 1995 (CIK No. 216228, File No. 1-5672). (10.22) Tax Allocation Agreement among ITT Corporation, ITT Destinations, Inc. and ITT Hartford Group, Inc. .... Incorporated by reference to Exhibit 10.3 to ITT Industries' Form 8-B dated December 20, 1995 (CIK No. 216228, File No. 1-5672).

EXHIBIT NUMBER DESCRIPTION LOCATION - ------- ----------- -------- (10.23) Employee Benefit Services and Liability Agreement among ITT Corporation, ITT Destinations, Inc. and ITT Hartford Group, Inc. .... Incorporated by reference to Exhibit 10.7 to ITT Industries' Form 8-B dated December 20, 1995 (CIK No. 216228, File No. 1-5672). (10.24) Five-year Competitive Advance and Revolving Credit Facility Agreement dated as of November 10, 2000........................... Incorporated by reference to Exhibit 10 to ITT Industries' Form 8-K Current Report dated November 20, 2000 (CIK No. 216228, File No. 1-5672). (10.25) Agreement with Valeo SA with respect to the sale of the Automotive Electrical Systems Business...................................... Incorporated by reference to Exhibit 10(b) to ITT Industries' Form 10-Q Quarterly Report for the quarterly period ended September 30, 1998 (CIK No. 216228, File No. 1-5672). (10.26) Agreement with Continental AG with respect to the sale of the Automotive Brakes and Chassis Business............................ Incorporated by reference to Exhibit 2.1 to ITT Industries' Form 8-K Current Report dated October 13, 1998 (CIK No. 216228, File No. 1-5672). (10.27) Participation Agreement among ITT Industries, Rexus L.L.C. (Rexus) and Air Bail S.A.S. and RBS Lombard, Inc., as investors, and master lease agreement, lease supplements and related agreements between Rexus as lessor and ITT Industries, as lessee..................... Incorporated by Reference to Exhibits listed under Item 9.01 to ITT Industries Form 8-K Current Report dated December 20, 2004 (CIK No. 216228, File No. 1-5672). (10.28)* Form of Restricted Stock Award for Non-Employee Directors.......... Incorporated by reference to Exhibit 10.28 of ITT Industries' Form 10-Q for the quarter ended March 31, 2005 (CIK No. 216228, File No. 1-5672). (10.29)* Form of Restricted Stock Award for Employees...................... Incorporated by reference to Exhibit 10.29 of ITT Industries' Form 10-Q for the quarter ended March 31, 2005 (CIK No. 216228, File No. 1-5672). (10.30) Amended and Restated 364-day Revolving Credit Agreement............ Incorporated by reference to Exhibits 10.1 and 10.2 to ITT Industries' Form 8-K dated March 28, 2005 (CIK No. 216228, File No. 1-5672).

EXHIBIT NUMBER DESCRIPTION LOCATION - ------- ----------- --------
(10.31)* Employment Agreement dated as of May 31, 2005 and effective as of July 1, 2005 between ITT Industries, Inc. and George E. Minnich.... Incorporated by reference to Exhibit 10.31 of ITT Industries' Form 10-Q for the quarter ended June 30, 2005. (CIK No. 216228, File No. 1-5672). (10.32)* Separation Agreement dated September 7, 2005 and effective as of September 30, 2005 between ITT Industries, Inc. and Robert Ayers... Incorporated by reference to Exhibit 99.1 to ITT Industries' Form 8-K dated September 8, 2005 (CIK No. 216228, File No. 1-5672). (11) Statement re computation of per share earnings..................... Not required to be filed. (18) Letter re change in accounting principles......................... None. (22) Published report regarding matters submitted to vote of security holders.. Not required to be filed. (24) Power of attorney.. None. (31.1) Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002................................. Filed herewith. (31.2) Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002................................. Filed herewith. (32.1) Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.......... 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 or the Securities Exchange Act of 1934, 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.......... 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 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference.

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* Management compensatory plan

EXHIBIT 31.1

CERTIFICATION OF STEVEN R. LORANGER PURSUANT TO SEC. 302
OF THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

I, Steven R. Loranger, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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/ STEVEN R. LORANGER

Steven R. Loranger
President and Chief Executive Officer

Date: November 7, 2005

EXHIBIT 31.2

CERTIFICATION OF GEORGE E. MINNICH PURSUANT TO SEC. 302
OF THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

I, George E. Minnich, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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/ GEORGE E. MINNICH

George E. Minnich
Senior Vice President and Chief
Financial Officer

Date: November 7, 2005

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 ended September 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven R. Loranger, President and Chief Executive 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/ STEVEN R. LORANGER

Steven R. Loranger
President and
Chief Executive Officer

November 7, 2005

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 ended September 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George E. Minnich, Senior Vice President and 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/ GEORGE E. MINNICH

George E. Minnich
Senior Vice President and
Chief Financial Officer

November 7, 2005

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.