SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K
ANNUAL REPORT

(MARK ONE)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1999

OR

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

For the Transition period from ________________ to _______________

COMMISSION FILE NO. 1-5627

ITT INDUSTRIES, INC.

INCORPORATED IN THE STATE OF INDIANA

13-5158950
(I.R.S. EMPLOYER IDENTIFICATION NO.)

4 WEST RED OAK LANE, WHITE PLAINS, NY 10604
(PRINCIPAL EXECUTIVE OFFICE)

TELEPHONE NUMBER: (914) 641-2000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT, ALL OF WHICH ARE REGISTERED ON THE NEW YORK STOCK EXCHANGE, INC.:

COMMON STOCK, $1 PAR VALUE (ALSO REGISTERED ON PACIFIC STOCK EXCHANGE)
SERIES A PARTICIPATING CUMULATIVE PREFERRED STOCK PURCHASE RIGHTS (ALSO REGISTERED ON PACIFIC STOCK EXCHANGE)
8 7/8% SENIOR DEBENTURES DUE JUNE 2003

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE.

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (sec.229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the Common Stock of the registrant held by non-affiliates of the registrant on January 31, 2000, was approximately $2.8 billion.

As of February 29, 2000, there were outstanding 87,914,595 shares of Common Stock, $1 par value, of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant's definitive proxy statement filed or to be filed with the Securities and Exchange Commission pursuant to Regulation 14A involving the election of directors at the annual meeting of the shareholders of the registrant scheduled to be held on May 9, 2000, is incorporated by reference in Part III of this Form 10-K.

TABLE OF CONTENTS

	ITEM		PAGE
PART I	1	Business of ITT Industries	1
	2	Properties	10
	3	Legal Proceedings	11
	4	Submission of Matters to a Vote of Security Holders	12
	*	Executive Officers of ITT Industries	12
PART II	5	Market for Common Stock and Related Stockholder Matters	13
	6	Selected Financial Data	14
	7	Management's Discussion and Analysis of Financial Condition and Results of Operations	15
	7A	Quantitative and Qualitative Disclosures About Market Risk	23
	8	Financial Statements and Supplementary Data	23
	9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	23
PART III	10	Directors and Executive Officers of the Registrant	23
	11	Executive Compensation	23
	12	Security Ownership of Certain Beneficial Owners and Management	23
	13	Certain Relationships and Related Transactions	23
PART IV	14	Exhibits, Financial Statement Schedules, and Reports on Form 8-K	23
	Signatures		II-1
	Exhibit Index		II-2

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* Included pursuant to Instruction 3 to Item 401(b) of Regulation S-K.

PART I

ITEM 1. BUSINESS OF ITT INDUSTRIES

ITT Industries, Inc., with 1999 sales of approximately $4.6 billion, is a global manufacturing company that is engaged directly and through its subsidiaries in the design and manufacture of a wide range of engineered products and the provision of related services. We are focused on the four principal business segments of Connectors & Switches, Defense Products & Services, Pumps & Complementary Products, and Specialty Products.

Our World Headquarters is located at 4 West Red Oak Lane, White Plains, NY 10604. We have approximately 38,000 employees based in 47 countries. Unless the context otherwise indicates, references herein to "ITT Industries," the "Company," and such words as "we," "us," and "our" include ITT Industries, Inc. and its subsidiaries. ITT Industries, Inc. was incorporated on September 5, 1995 in Indiana. Reference is made to "-- COMPANY HISTORY AND CERTAIN RELATIONSHIPS." Our telephone number is (914) 641-2000.

The table below shows, in percentage terms, our consolidated sales and revenues and operating income (excluding restructuring and other special items) attributable to each of our ongoing lines of business for the last three years:

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
SALES AND REVENUES			
Connectors & Switches	11%	12%	13%
Defense Products & Services	31	29	26
Pumps & Complementary Products	37	39	35
Specialty Products	21	19	20
Other	--	1	6
	100%	100%	100%
OPERATING INCOME			
Connectors & Switches	15%	16%	15%
Defense Products & Services	27	30	29
Pumps & Complementary Products	40	45	47
Specialty Products	32	28	32
Other	(14)	(19)	(23)
	100%	100%	100%

BUSINESS AND PRODUCTS

CONNECTORS & SWITCHES

Connectors & Switches, with sales and revenues of approximately $516.0 million, $527.9 million, and $537.7 million for 1999, 1998, and 1997, respectively, is a significant connector and switch company and a leading supplier to the industrial, communications, and military/aerospace sectors. Its products are used in telecommunications, computing, aerospace, and industrial applications, as well as network services.

Connectors & Switches develops and manufactures interconnects, cable assemblies, switches, key pads, multi-function grips, panel switch assemblies, input/output card kits, smart card systems, LAN components, high speed/high band-width network systems, and related services.

Order backlog for Connectors & Switches in 1999 was $158.6 million, compared with $130.2 million in 1998 and $131.7 million in 1997.

Connectors & Switches products are marketed primarily under the Cannon(R) brand name.

The level of activity for Connectors & Switches is affected by overall economic conditions in the markets served and the competitive position with respect to price, quality, technical expertise, and customer service. See " -- COMPETITION."

Connectors & Switches companies have an aggregate of approximately 10,000 employees and have 18 facilities located in 9 countries.

DEFENSE PRODUCTS & SERVICES

Defense Products & Services, with sales and revenues of approximately $1.41 billion, $1.29 billion, and $1.10 billion for 1999, 1998, and 1997, respectively, develops, manufactures, and supports high technology electronic systems and components for worldwide defense and commercial markets. Operations are in North America, Europe, and the Middle East. Product groups are government services; tactical communications; night vision; airborne electronic warfare; satellite instruments; and radar and other.

Defense Products & Services concentrates its efforts primarily in those market segments where management believes it can be a market leader. It is a leading supplier of products that management believes will be critical to the armed forces in the 21st century. This particularly includes products designated to facilitate communications in the forward area battlefield, night vision devices that enable soldiers to conduct night combat operations, and airborne electronic warfare systems that protect aircraft from enemy missiles. Management believes that Defense Products & Services may also benefit from trends to commercialize and outsource military support services.

In government services, ITT Systems provides military base operations support, equipment and facility maintenance, and training services for government sites around the world. It also provides advanced technology services and customized products to government, industrial, and commercial customers in the areas of information technology, consulting and technical assistance, military systems effects and analysis, and hardware design, test and evaluation.

In tactical communications, the ITT Aerospace/Communications Division manufactures products, including voice and data systems, that facilitate communications in the forward area battlefield. The ITT Aerospace/Communications Division produces the Single Channel Ground and Airborne Radio System ("SINCGARS") and has a contract to produce the Near Term Digital Radio ("NTDR"), which has data transmission capacity twenty times greater than SINCGARS.

ITT Night Vision provides advanced goggles for airborne and ground applications which give United States and allied soldiers the capability to conduct night combat operations. ITT Night Vision is the leading full service supplier to the United States and allied military forces of Generation III night vision products. ITT Night Vision also produces a commercial line of night vision products for law enforcement, marine, and recreational applications.

In airborne and electronic warfare, ITT Avionics produces airborne electronic warfare systems, such as the Airborne Self-Protection Jammer ("ASPJ"), to help protect aircraft from radar-guided weapons. ITT Avionics is developing for the United States Army the next-generation fully integrated airborne electronic warfare system for rotary wing aircraft called a Suite of Integrated Radio Frequency Countermeasures ("SIRFC"). ITT Avionics, teamed with Lockheed Martin Sanders, is also developing the United States Integrated Defensive Countermeasures ("IDECM") system for fixed wing aircraft such as the F/A-18 E/F fighter fleet.

In satellite instruments, the ITT Aerospace/Communications Division produces sophisticated sounding and imaging instruments such as those used by the National Oceanographic and Atmospheric Agency in remote sensing/navigation space payloads to track hurricanes, tornadoes, and other weather patterns.

Defense Products and Services also produces and installs ship and air defense radar and air traffic control systems both in the United States and elsewhere.

The following table illustrates the percentage of sales and revenues by product group for the periods specified:

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
Government Services	30%	33%	28%
Tactical Communications	27	20	29
ITT Night Vision	14	12	11
Airborne Electronic Warfare	12	11	10
Satellite Instruments	9	16	14
Radar and Other	8	8	8
	100%	100%	100%

Defense Products & Services sells its products to a wide variety of governmental and non-governmental entities located throughout the world. Approximately 94% of 1999 sales and revenues of Defense Products & Services was to governmental entities, of which approximately 75% was to the United States Government (principally in defense programs). Defense Products & Services, Racal Electronics, and BAE Systems are participating in a joint venture to develop the Bowman Program, a tactical communications system for the British Armed Forces.

A substantial portion of the work of Defense Products & Services is performed in the United States under prime contracts and subcontracts, some of which by statute are subject to profit limitations and all of which are subject to termination by the United States Government. Apart from the United States Government, no other governmental or commercial customer accounted for more than 5.4% of 1999 sales and revenues for Defense Products & Services.

Sales and revenues to non-governmental entities as a percentage of total sales and revenues for Defense Products & Services were 3% in 1999, 2% in 1998, and 1% in 1997. Certain products sold by Defense Products & Services have particular commercial application, including night vision devices and radar systems. In addition, Defense Products & Services, in partnership with California Commercial Spaceport, Inc. in a venture known as Spaceport Systems International, provides full service payload processing and launch capability for small to medium satellite systems in low polar earth orbits.

Order backlog for Defense Products & Services in 1999 was $1.84 billion, compared with $2.22 billion in 1998 and $2.11 billion in 1997.

The level of activity in Defense Products & Services is affected by overall defense budgets, the portion of those budgets devoted to products and services of the type provided by Defense Products & Services, demand and budget availability for such products and services in areas other than defense, and other factors. See "-- COMPETITION."

Defense Products & Services companies have an aggregate of approximately 10,000 employees and have 75 facilities in 11 countries.

PUMPS & COMPLEMENTARY PRODUCTS

Pumps & Complementary Products, with sales and revenues of approximately $1.74 billion, $1.77 billion, and $1.46 billion for 1999, 1998, and 1997, respectively, is engaged in the design, development, production, sale, and after-sale support of products, systems and services used to move, handle, transfer, control, and contain fluids. Pumps & Complementary Products is a leading worldwide supplier of a broad range of pumps, mixers, heat exchangers, valves, and systems for residential, agricultural, commercial, municipal, and industrial applications. Principal customers are in North America, Western Europe, the Asia/Pacific region, and Latin America. No single customer accounted for more than 1% of 1999 sales for Pumps & Complementary Products. Sales are made directly and through independent distributors and representatives.

Pumps & Complementary Products concentrates on three major markets: industrial, water supply and wastewater, and construction.

Pumps & Complementary Products serves the chemical processing, pulp and paper, hydrocarbon processing, power, and mining industries. However, more than half of its sales in the industrial market are to a wide range of other industrial customers. Our Pro Service Centers and industrial distributor network provide comprehensive service and after-sale support to these industrial customers. A-C Pump, Goulds, ITT Standard, Richter and Vogel serve the industrial market.

A-C Pump, Goulds, and Vogel manufacture a broad range of pumps and accessories for a broad range of industrial applications. ITT Standard manufactures a complete line of heat transfer products used in industrial and marine applications such as heating or cooling liquids or gases, heat recovery, and co-generation. Richter Chemie-Technik is a leading producer of corrosion resistant, leak proof pumps and valves primarily used by the chemical industry to handle highly aggressive fluids where human health and safety and concern for the environment are critical considerations.

Water supply and wastewater applications include residential and municipal wastewater treatment and transportation, flood control, irrigation, and other agricultural fluid handling applications. This market is served through leading brands, by A-C Pump, Flygt, Goulds, and Lowara.

Flygt is the world's leader in submersible technology, offering a strong product mix of submersible pumps, mixers, and aerators and has the ability to provide system solutions to wastewater treatment requirements. A-C Pump and Goulds are leaders in pumps for residential water well systems, agriculture, and irrigation. Lowara is a leader in stainless steel manufacturing technology. Its pumps are used in residential, agriculture, and irrigation applications.

Pumps & Complementary Products sells a broad range of pumps, heat exchangers, controls, and complementary products to the HVAC segment of the residential and commercial construction and replacement markets. These markets are served by Bell & Gossett, Goulds, ITT Standard, Lowara, and McDonnell & Miller. Flygt is also a global leader and pioneer in submersible pumping technology for construction site dewatering. Its pumps are found at some of the world's most demanding construction sites, including the Euro Tunnel.

Bell & Gossett designs and manufactures pumps and complementary products for large commercial HVAC applications and multi-family and single-family residential hot water heating systems. McDonnell & Miller designs and manufactures a comprehensive line of steam and hot water boiler liquid level control products for the industrial, commercial, and residential construction and replacement markets.

The following table illustrates the percentage of sales and revenues by product group for the periods specified:

	YEAR ENDED DECEMBER 31, 1999	1998	1997
Industrial	39%	40%	43%
Water Supply & Wastewater	38	38	36
Construction	23	22	21
	100%	100%	100%

Our management believes that Pumps & Complementary Products has a solid technology base and proven expertise in designing its products to meet customer needs. Management believes that the continuing development of new products will enable Pumps & Complementary Products to maintain and build market leadership positions in served markets.

Order backlog for Pumps & Complementary Products was $273.8 million in 1999, compared with $274.4 million in 1998 and $266.8 million in 1997.

The level of activity in Pumps & Complementary Products is dependent upon economic conditions in the markets served; weather conditions; in the case of municipal markets, the ability of municipalities to fund projects for our products and services; and other factors. See "-- COMPETITION."

Pumps & Complementary Products companies have an aggregate of approximately 10,500 employees and have 318 facilities in 45 countries.

SPECIALTY PRODUCTS

Specialty Products, with sales and revenues of approximately $959.5 million, $849.3 million, and $823.2 million for 1999, 1998, and 1997, respectively, comprises a group of units operating in a range of specialty market segments. Operations are located principally in North America and Europe, with sales in Latin America and Asia supported through joint ventures or distribution arrangements. The group consists of fluid handling systems, friction material, marine and leisure, engineered valves, shock absorbers, and aerospace controls.

ITT Fluid Handling Systems, with 1999 sales of approximately $429 million, designs and produces engineered tubing systems and connectors for use in applications such as braking systems, fuel supply, and other fluid transfer applications in transportation or industrial uses. Fluid Handling System's principle customers are the major North American and European automotive makers, their key Tier 1 suppliers, and other similar customers. Ford and General Motors, with their respective affiliates, each accounts for approximately 25% of the sales of this unit. Fluid handling also owns 50% of a joint venture with Sanoh Industrial Co. of Japan that supplies similar products to the major transplant manufacturers in the United States.

ITT Industries Galfer, with 1999 sales of approximately $157 million, designs and manufactures quality friction pads for braking applications on vehicles. From three facilities in Italy, Galfer services most European OEM auto makers and also operates a substantial facility for research and testing of new materials. Approximately 67% of Galfer's business is in aftermarket activity.

Specialty Products' marine and leisure business had 1999 sales of approximately $132 million. Its Jabsco division is the world's leading producer of pumps and related products for the leisure marine market. Products are sold worldwide under the brand names Jabsco(R), Rule(R), Flojet(R), and Danforth(R). Flojet is also a leading producer of pumps and components for beverage and other specialty industrial fluid dispensing applications. Specialty Products' units, under the brand names Hydroair(R) and Marlow(R), design and manufacture pumps and other components for manufacturers of whirlpool and spa baths.

ITT Engineered Valves, with 1999 sales of $82 million, designs and manufactures precision valves for Bio-pharmaceutical and other similar applications under the brand name Pure-Flo(R), and for severe service chemical and mining applications under brand names including Dia-Flo(R) and Fabri-valve(R). Sales are achieved through a worldwide network of distributors and service organizations.

Our shock absorber unit, with 1999 sales of approximately $90 million, designs and markets adjustable shock absorbers under the brand name KONI(R) for high performance vehicles, trucks, buses, and railways. Customers are principally in Europe, North America, and Asia.

ITT Aerospace Controls, with 1999 sales of $59 million, designs switches, valves, and controls for aerospace applications. Principal customers are North American aircraft manufacturers where the quality and performance required for FAA certification is a key factor. This unit also sells switches to industrial customers for severe service applications.

Speciality Products also markets pressure regulators and diaphragm seals for industrial applications and natural gas vehicles under the brand name Conoflow(R).

The following table illustrates the percentage of sales by product group for the periods specified:

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
Fluid Handling Systems	45%	43%	45%
Friction Material	16	18	18
Marine & Leisure	14	10	10
Engineered Valves	10	9	9
Shock Absorbers	9	11	10
Aerospace Controls	6	8	7
Other	--	1	1
	100%	100%	100%

The level of activity for Specialty Products depends upon economic conditions in the served markets, particularly the automotive and the marine and leisure markets. See "-- COMPETITION." Order backlog is not a significant factor in this segment.

Specialty Products companies have an aggregate of approximately 7,200 employees and have 43 facilities located in 10 countries.

See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" and "BUSINESS SEGMENT INFORMATION" in the "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS" for further details with respect to business segments.

ACQUISITIONS, DIVESTITURES, AND RELATED MATTERS

We have been involved in an ongoing restructuring that includes continuing process improvement and structural cost reduction programs. Actions being taken include the rationalization of operating facilities, consolidation of sales and distribution facilities, workforce reductions, and product pruning. Also involved are acquisitions of businesses that provide a rational fit with businesses we presently conduct and divestitures of businesses that do not enhance that fit.

During 1999 we acquired STX Pte. Ltd. for our Connectors & Switches segment, the space and defense communications businesses of Stanford Telecommunications, Inc. and K and M Electronics, Inc. for our Defense Products & Services segment, Water Pollution Control Corp. (renamed Sanitaire Corporation) and assets of Energy Machine Service, Inc. for our Pumps & Complementary Products segment, and Hydro Air Industries and Flojet Corp. for our Specialty Products segment, and made an investment in EarthWatch Incorporated also for our Defense Products & Services segment. Also during 1999 we divested all or portions of our Community Development Corporation, Carbon Industries and Palm Coast Utility businesses.

In 1998, we acquired Great American Gumball Corporation for our Connectors & Switches segment and A.G. Johansons Metallfabrik AB, Rule Industries, Inc., Sinton Engineering Co. Limited, and Sinton (UK) Limited for our Specialty Products segment.

On September 25, 1998, we completed the sale to Continental AG and certain of its subsidiaries of our business of designing, developing, manufacturing, and marketing brake systems and chassis modules for the automotive industry worldwide for approximately $1.93 billion in cash. That business was conducted through various direct and indirect subsidiaries, and joint ventures in which we held an ownership interest.

On September 28, 1998, we completed the sale to Valeo SA and certain of its subsidiaries of our business of designing, developing, manufacturing, and marketing electrical motors and actuators, air management and engine cooling products, wiper and washer systems, lamps, power antennas, switches, and sensors for the automotive industry worldwide for approximately $1.7 billion in cash. That business was conducted through various direct and indirect subsidiaries and joint ventures in which we held an ownership interest.

After-tax proceeds from the sales of our automotive Brake and Chassis and our automotive Electrical Systems businesses were directed to reducing debt, funding acquisitions, investing in our remaining businesses and repurchasing approximately 30.5 million of our shares. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- RISKS AND UNCERTAINTIES -- SALES OF AUTOMOTIVE BUSINESSES" AND NOTE 5 "DISCONTINUED OPERATIONS" TO "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS" for further information regarding sales of automotive businesses. Also during 1998 we divested our Barton fluid measurement and Pomona Electronics businesses.

We made significant acquisitions in 1997 with Goulds Pumps, Incorporated for our Pumps & Complementary Products segment and Kaman Sciences Corporation for our Defense Products & Services segment. Also during 1997 we divested our silicon semiconductor business and several of our automotive product lines.

See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- RESTRUCTURING AND OTHER SPECIAL ITEMS."

GEOGRAPHIC MARKETS

The geographic sales base of Connectors & Switches is predominantly in Europe, which accounted for 47% of 1999 sales and revenues, and the United States, which accounted for 39% of 1999 sales and revenues. Connectors & Switches has two joint ventures in China, a wholly-owned subsidiary in Japan, and the San Teh key pad unit (STX Pte. Ltd.) headquartered in Singapore with four manufacturing locations in China. These Asia/Pacific operations supply connectors and switch products across a broad market spectrum, including the communications, industrial, and consumer sectors.

The geographic sales base of Defense Products & Services is predominantly the United States, which accounted for approximately 84% of 1999 sales and revenues. Management of Defense Products & Services has been in the process of increasing its international defense business and anticipates growth opportunities in the Asia/Pacific region, Europe, and the Middle East.

The geographic sales base of Pumps & Complementary Products is broad. In 1999, approximately 45% of the sales and revenues of Pumps & Complementary Products was derived from the United States, while approximately 31% was derived from Western Europe. The geographic sales mix differs among products and among divisions of Pumps & Complementary Products. Our management anticipates growth opportunities in Eastern Europe and Central Asia, Africa/Middle East, Latin America, and the Asia/Pacific region. In China, Pumps & Complementary Products has manufacturing and distribution facilities to produce and sell submersible pumps for the sewage handling and mining markets and a joint venture that produces vertical turbine pumps and includes a foundry operation. It also has joint venture sales and manufacturing and other operations in Eastern Europe, Latin America, Africa/Middle East, and other locations in the Asia/Pacific region.

The geographic sales base of Specialty Products is predominantly in North America and Europe. In 1999, approximately 55% of sales and revenues of Specialty Products were to customers in the United States, and approximately 35% of sales were to customers in Western Europe. Management of ITT Industries sees growth opportunities in South America, Mexico, and Asia, particularly in China.

See "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS" for further geographical information concerning sales and revenues and long lived assets.

COMPETITION

Substantially all of our operations are in highly competitive businesses. The nature of the competition varies across all business segments. A number of large companies engaged in the manufacture and sale of similar lines of products and the provision of similar services are included in the competition, as are many small enterprises with only a few products or services. Technological innovation, price, quality, reliability, and service are primary factors in the markets served by the various segments of our businesses.

In Connectors & Switches, competitive pressures continue on a global basis. In most of the markets served, competition is based primarily upon price, quality, technical expertise, and customer service.

In Defense Products & Services, government defense budgets, particularly in the United States, generally have leveled off after years of significant declines. Business consolidations continue to change the competitive environment. We have adjusted to these changes by focusing on the defense electronics and services markets, by making process improvements, and through capacity rationalization. In most of the markets served by Defense Products & Services, competition is based primarily upon price, quality, technological expertise, cycle time, and service.

The Pumps & Complementary Products segment is affected by strong competition, changing economic conditions, industry overcapacity that leads to intense pricing pressures, and public bidding in some markets. Management of Pumps & Complementary Products responds to competitive pressures by utilizing strong distribution networks, strong brand names, broad product lines focused on market niches, a global customer base, a continuous stream of new products developed from a strong technology base, a focus on quality and customer service, and through continuous cost improvement programs.

In Specialty Products, competition is a significant factor which has resulted in increased pressure to reduce prices and, therefore, costs. Product capability, quality, engineering support, and experience are also important competitive factors.

EXPOSURE TO CURRENCY FLUCTUATIONS

Our companies conduct operations worldwide. We, therefore, are exposed to the effects of fluctuations in relative currency values. Although our companies engage in various hedging strategies with respect to their foreign currency exposure where appropriate, it is not possible to hedge all such exposure. Accordingly, our operating results may be impacted by fluctuations in relative currency values.

See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- MARKET RISK EXPOSURES".

CYCLICALITY

Many of the markets in which our businesses operate are cyclical and can be affected by general economic conditions in those markets. Since we manufacture and sell products used in historically cyclical industries, such as the construction, mining and minerals, transportation, automotive, and aerospace industries, we could be adversely affected by negative cycles affecting those and other industries.

GOVERNMENTAL REGULATION AND RELATED MATTERS

A number of our businesses are subject to governmental regulation by law or through contractual arrangements. Our Defense Products & Services businesses perform work under contracts with the United States Department of Defense and similar agencies in certain other countries. These contracts are subject to security and facility clearances under applicable governmental regulations, including regulations requiring background investigations for high-level security clearances for our executive officers. Most of such contracts are subject to termination by the respective governmental parties on various grounds, although such terminations have rarely occurred in the past.

ENVIRONMENTAL MATTERS

We are subject to stringent environmental laws and regulations concerning air emissions, water discharges and waste disposal. Such environmental laws and regulations 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 ("CERCLA" or "Superfund"). Environmental requirements are significant factors affecting all operations. Management believes that our companies closely monitor all of their respective environmental responsibilities, together with trends in environmental laws. We have established an internal program to assess compliance with applicable environmental requirements for all of our facilities, both domestic and overseas. The program is designed to identify problems in a timely manner, correct deficiencies and prevent future noncompliance. Over the past several years we have conducted regular, thorough audits of our major operating facilities. As a result, management believes that our companies are in substantial compliance with current environmental regulations. Management does not believe, based on current circumstances, that we will incur compliance costs pursuant to such regulations that will have a material adverse effect on our financial position, results of operations or cash flows.

See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- RISKS AND UNCERTAINTIES -- ENVIRONMENTAL MATTERS" and "LEGAL PROCEEDINGS".

RAW MATERIALS

All of our businesses require various raw materials (e.g., metals and plastics), the availability and prices of which may fluctuate. Although some cost increases may be recovered through increased prices to customers, our operating results are exposed to such fluctuations. We attempt to control such costs through purchasing and various other programs. In recent years, our businesses have not experienced significant difficulties in obtaining an adequate supply of raw materials necessary for our manufacturing processes.

RESEARCH, DEVELOPMENT, AND ENGINEERING

Our businesses require substantial commitment of resources for research, development, and engineering activities to maintain significant positions in the markets we serve. Such activities are conducted in laboratory and engineering facilities at several of our major manufacturing locations. Although most of our funds dedicated to research, development, and engineering activities are applied to areas of high technology, such as aerospace and applications involving electronic components, these activities are important in all of our business segments. Expenditures by ITT Industries for research, development, and engineering relating to our on-going lines of business totaled $264.4 million in 1999, $267.6 million in 1998, and $266.6 million in 1997. Of those amounts 57.8% in 1999, 67.4% in 1998, and 68.4% in 1997 was expended pursuant to customer contracts.

INTELLECTUAL PROPERTY

While we own and control a number of patents, trade secrets, confidential information, trademarks, trade names, copyrights, and other intellectual property rights which, in the aggregate, are of material importance to our business, management believes that our business, as a whole, is not materially dependent upon any one intellectual property or related group of such properties. We are licensed to use certain patents, technology, and other intellectual property rights owned and controlled by others, and, similarly, other companies are licensed to use certain patents, technology, and other intellectual property rights owned and controlled by us.

Patents, patent applications, and license agreements will expire or terminate over time by operation of law, in accordance with their terms or otherwise. Such expiration or termination of patents, patent applications, and license agreements is not expected by our management to have a material adverse effect on our financial position, results of operations or cash flows.

At the time of the Distribution (see -- "COMPANY HISTORY AND CERTAIN RELATIONSHIPS"), we obtained from ITT Destinations certain exclusive rights and licenses to use the "ITT" name, mark, and logo. In 1999 we acquired all right, title, and interest in and to the "ITT" name, mark, and logo and took an assignment of certain agreements granting The Hartford and ITT Educational Services, Inc. (ESI) limited rights to use the "ITT" name, mark, and logo in their businesses. These agreements are perpetual, and the licenses are subject to maintenance of certain quality standards by both The Hartford and ESI.

EMPLOYEES

As of December 31, 1999, ITT Industries and its subsidiaries employed an aggregate of approximately 38,000 people. Of this number, approximately 19,000 are employees in the United States, of whom approximately 30% are represented by labor unions. Generally, labor relations have been maintained in a normal and satisfactory manner.

DISCONTINUED OPERATIONS

In September, 1998 we completed the sale of our automotive Brake and Chassis business and the sale of our automotive Electrical Systems business. As a result of these sales, these two units, as well as several other small previously sold automotive units, have been accounted for as discontinued operations.

See Note 5 -- "DISCONTINUED OPERATIONS" in the "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS" for further information concerning discontinued operations.

COMPANY HISTORY AND CERTAIN RELATIONSHIPS

ITT Industries, Inc. is an Indiana corporation incorporated on September 5, 1995 as ITT Indiana, Inc. It is the successor pursuant to a statutory merger of ITT Corporation, a Delaware corporation ("ITT Delaware"), into ITT Indiana, Inc. effective December 20, 1995, whereupon its name became ITT Industries, Inc. ITT Delaware, originally incorporated in Maryland in 1920 as International Telephone and Telegraph Corporation, was reincorporated in Delaware in 1968. It changed its name to ITT Corporation in 1983. On December 19, 1995, ITT Delaware made a distribution (the "Distribution") to its stockholders consisting of all the shares of common stock of ITT Destinations, Inc., a Nevada corporation ("ITT Destinations"), and all the shares of common stock of ITT Hartford Group, Inc., a Delaware corporation (now known as Hartford Financial Services Group, Inc. or "The Hartford"), both of which were wholly-owned subsidiaries of ITT Delaware. In connection with the Distribution, ITT Destinations changed its name to ITT Corporation. On February 23, 1998, ITT Corporation was acquired by Starwood Hotels & Resorts Worldwide, Inc.

ITT Delaware, ITT Destinations and The Hartford entered into a Distribution Agreement (the "Distribution Agreement") providing for, among other things, certain corporate transactions required to effect the Distribution and other arrangements among the three parties subsequent to the Distribution.

The Distribution Agreement provides for, among other things, assumptions of liabilities and cross-indemnities generally designed to allocate the financial responsibility for the liabilities arising out of or in connection with (i) the former automotive, defense & electronics, and fluid technology segments to ITT Industries and its subsidiaries, (ii) the hospitality, entertainment, and information services businesses to ITT Destinations and its subsidiaries, and (iii) the insurance businesses to The Hartford and its subsidiaries. The Distribution Agreement also provides for the allocation of the financial responsibility for the liabilities arising out of or in connection with former and present businesses not described in the immediately preceding sentence to or among ITT Industries, ITT Destinations, and The Hartford on a shared basis. The Distribution Agreement provides that neither ITT Industries, ITT Destinations nor The Hartford will take any action that would jeopardize the intended tax consequences of the Distribution.

ITT Industries, ITT Destinations, and The Hartford also entered into agreements in connection with the Distribution relating to intellectual property, tax, and employee benefit matters.

Two members of the Board of Directors of ITT Industries also serve on the Board of Directors of The Hartford.

See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- FORWARD-LOOKING STATEMENTS" for information regarding forward-looking statements and cautionary statements relating thereto.

ITEM 2. PROPERTIES

Our principal executive offices are in leased premises located in White Plains, NY. We consider the many offices, plants, warehouses, and other properties that we own or lease to be in good condition and generally suitable for the purposes for which they are used. These properties are located in several states in the United States, as well as in numerous countries throughout the world. See "BUSINESS OF ITT INDUSTRIES" for further information with respect to properties in each of our business segments, including the numbers of facilities and countries in which they are located.

ITEM 3. LEGAL PROCEEDINGS

ITT Industries and its subsidiaries are responsible, in whole or in part, or are alleged to be responsible for environmental investigation and remediation at approximately 130 sites in various countries. Of those sites, ITT Industries has received notice that it is considered a Potentially Responsible Party ("PRP") at approximately 40 sites by the United States Environmental Protection Agency ("EPA") and/or a similar state agency under CERCLA or its state equivalent. In approximately 15 of these proceedings, ITT Industries' liability is considered de minimis. At 16 of these sites, formerly operated by subsidiaries of the Company, liability and/or defense costs are being divided equally among the three parties to the Distribution Agreement. Other situations generally involve either actions brought by private parties relating to sites formerly owned or operated by subsidiaries of the Company seeking to recoup incurred costs or shift environmental liability to ITT Industries pursuant to contractual language, or situations discovered by ITT Industries through its internal environmental assessment program.

In Gendale, California ITT Industries has been involved in an environmental proceeding relating to the San Fernando Valley aquifer. ITT Industries 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 ITT Industries and Lockheed Martin Corporation, United States v. ITT Industries, Inc. and Lockheed Martin Corp. CV99-00552 SVW AIJX, to recover costs it has incurred in connection with the foregoing. In May 1999, the EPA and the PRPs, including ITT Industries and Lockheed Martin, reached an agreement in principle on a consent decree settling that case. The consent decree is awaiting approval from the EPA.

In a suit filed several years ago by ITT Industries in the California Superior Court, Los Angeles County. ITT Corporation, et al. v. Pacific Indemnity Corporation et al. against its insurers, ITT Industries is seeking recovery of costs it incurred in connection with this and other environmental matters. In April 1999, the Superior Court granted partial summary judgment under California law, dismissing certain claims in the California action. The California Court of Appeals has accepted ITT Industries' petition for review of the Superior Court's order. Argument was scheduled for August 1999; however, it has been continued to an indefinite date pending further developments in other similar cases in California to which the Company is not a party. In April 1999, ITT Industries initiated a new coverage action in New Jersey, ITT Industries, Inc. et al. v. Federal Ins. Co. et al., (Middlesex County, No. L-1919-99), involving new environmental insurance claims as well as claims pending but dormant before the court in California. ITT Industries' insurers challenged the convenience of New Jersey as the forum for this action. In its ruling on the motion, the Court dismissed the non-New Jersey claims, deferred action on certain New Jersey claims and retained jurisdiction over one New Jersey claim. ITT Industries has negotiated settlements with certain defendant insurance companies, is engaged in negotiations with others, and is prepared to pursue its legal remedies where reasonable negotiations are not productive.

While there can be no assurance as to the ultimate outcome of any litigation involving ITT Industries, management does not believe any pending legal proceeding will result in a judgment or settlement that will have, after taking into account ITT Industries' existing provisions for such liabilities, a material adverse effect on ITT Industries' financial position, results of operations or cash flows.

Reference is made to "BUSINESS OF ITT INDUSTRIES -- COMPANY HISTORY AND CERTAIN RELATIONSHIPS" for information concerning the allocation of certain liabilities among the parties to the Distribution Agreement.

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

No matter was submitted to a vote of our shareholders during the fourth quarter of the fiscal year covered by this report.

EXECUTIVE OFFICERS OF ITT INDUSTRIES

The following information is provided regarding the executive officers of ITT Industries:

NAME	AGE AT FEBRUARY 1, 2000	POSITION	YEAR OF INITIAL ELECTION AS AN OFFICER	DATE OF ELECTION TO PRESENT POSITION
David J. Anderson	50	Senior Vice President and Chief Financial Officer	1999	12/13/99
Robert L. Ayers	54	Vice President, ITT Industries; President, Fluid Technology	1998	10/1/99
Travis Engen	55	Chairman and Chief Executive and Director	1987	12/19/95
Donald E. Foley	48	Vice President and Treasurer	1996	5/21/96
Gerard Gendron	47	Vice President, ITT Industries; President, Cannon Worldwide	1998	10/27/98
Louis J. Giuliano	53	President and Chief Operating Officer	1988	10/27/98
Richard J. M. Hamilton	50	Vice President, ITT Industries; President, Specialty Products	1992	9/1/99
Martin Kamber	51	Senior Vice President, Director of Corporate Development	1995	12/19/95
Vincent A. Maffeo	49	Senior Vice President and General Counsel	1995	12/19/95
Thomas R. Martin	46	Senior Vice President, Director of Corporate Relations	1996	3/9/99
Richard W. Powers	58	Vice President, Director of Taxes and Assistant Secretary	1991	12/19/95
Marvin R. Sambur	53	Vice President, ITT Industries; President, Defense	1998	10/27/98
James P. Smith, Jr.	57	Senior Vice President, Director of Human Resources	1995	12/19/95
Edward W. Williams	61	Vice President and Corporate Controller	1998	10/27/98

Each of the above-named officers was elected to his present position to serve at the pleasure of the Board of Directors.

Throughout the past five years, all of the above-named officers have held executive positions with ITT Industries or with its predecessor, ITT Delaware, bearing at least substantially the same responsibilities as those borne in their present offices, except that (i) Mr. Anderson, prior to his election as Senior Vice President and Chief Financial Officer (1999), was Senior Vice President and Chief Financial Officer of Newport News Shipbuilding (1996) and, prior to that, Executive Vice President and Chief Financial Officer of RJR Tobacco; (ii) Mr. Ayers, prior to his election as Vice President (1998) and President of Fluid Technology (1999), was President of Sulzer Bingham Pumps Inc. (1990); (iii) Mr. Engen, prior to his election as Chairman and Chief Executive (1995) (having yielded his position as President in 1998), was Executive Vice President of ITT Delaware (1991); (iv) Mr. Foley, prior to his election as Vice President and Treasurer, was Assistant Treasurer of International Paper Company; (v) Mr. Gendron, prior to his election as Vice President, was and continues as President of Cannon Worldwide (1997) and, prior to that, its Vice President (1995), and, prior to that, its Controller (1992); (vi) Mr. Giuliano, prior to his election as President and Chief Operating Officer, was Senior Vice President (1995) and, prior to that was Senior Vice President of ITT Delaware in addition to being President of our Defense & Electronics business; (vii) Mr. Hamilton, in addition to his election as Vice President (1992) and President of Specialty Products (1999), held other senior positions with ITT Industries, including Senior Vice President and Controller; (viii) Mr. Kamber, prior to his election as Senior Vice President, Director of Corporate Development, was Vice President, Corporate Development, of ITT Automotive, Inc. (1993); (ix) Mr. Maffeo, prior to his election as Senior Vice President and General Counsel, was Vice President and General Counsel of ITT Automotive, Inc.; (x) Mr. Martin, prior to his election as Senior Vice President, Director of Corporate Relations, was Vice President, Director of Corporate Relations (1996), and, prior to that, was Vice President of Corporate Communications of Federal Express Corp. (1995) and, prior to that, was Managing Director of Public Relations of Federal Express Corp. (xi) Mr. Powers, prior to his election as Vice President, Director of Taxes, was Vice President of ITT Delaware; (xii) Mr. Sambur, prior to his election as Vice President (1998) and President of Defense (1998), was President of our Aerospace/Communications Division (1991); (xiii) Mr. Smith, prior to his election as Senior Vice President, was Executive Vice President of ITT Sheraton Corporation (1993); and (xiv) Mr. Williams, prior to his election as Vice President and Corporate Controller (1998), was Vice President and Controller of our Defense & Electronics business.

PART II

ITEM 5. MARKET FOR COMMON STOCK AND RELATED STOCKHOLDER MATTERS

COMMON STOCK -- MARKET PRICES AND DIVIDENDS

	1999		1998	
	HIGH	LOW	HIGH	LOW
	IN DOLLARS			
Three Months Ended				
March 31	$40.88	$35.00	$38.94	$28.13
June 30	41.50	34.88	38.44	32.88
September 30	40.00	30.50	38.13	29.50
December 31	36.25	31.38	40.88	30.69

The above table reflects the range of market prices of our common stock as reported in the consolidated transaction reporting system of the New York Stock Exchange, the principal market in which this security is traded (under the trading symbol "IIN"). During the period from January 1, 2000 through February 29, 2000, the high and low reported market prices of our common stock were $34.94 and $22.38, respectively.

We declared dividends of $.15 per share of common stock in each of the four quarters of 1998 and 1999 and in the first quarter of 2000.

Dividend decisions are subject to the discretion of our Board of Directors and will be based on, and affected by, a number of factors, including operating results and financial requirements. Therefore, there can be no assurance as to what level of dividends, if any, will be paid in the future.

There were 38,871 holders of record of our common stock on February 29, 2000.

ITT Industries common stock is listed on the following exchanges: Frankfurt, London, Midwest, New York, Pacific, and Paris.

ITEM 6. SELECTED FINANCIAL DATA

	1999	1998	1997	1996	1995
	(In millions, except per share amounts)				
RESULTS AND POSITION					
Sales and revenues	$4,632.2	$4.492.7	$4,207.6	$3,744.5	$3,726.7
Operating income (loss)(a)	415.2	(74.6)	141.3	246.0	(41.6)
Income (loss) from continuing operations(a)	232.9	(97.6)	11.9	66.4	(130.8)
Net income	232.9	1,532.5	108.1	222.6	707.9
Income from continuing operations, as adjusted(b)	230.0	146.0	95.9	66.4	19.7
Expenditures on plant additions	227.9	212.9	212.5	176.0	213.2
Depreciation and amortization	181.1	195.6	196.9	187.3	177.8
Total assets	4,529.8	5,048.8	5,058.4	3,976.9	4,290.6
Total assets, excluding discontinued operations	4,529.8	5,048.8	4,127.0	2,929.6	3,216.8
Long-term debt	478.8	515.5	531.2	582.2	930.7
Total debt	1,088.1	767.1	2,172.6	1,368.0	1,554.4
Cash dividends declared per common share	.60	.60	.60	.60	.99
EARNINGS PER SHARE					
Income from continuing operations, as adjusted(b)					
Basic	$ 2.58	$ 1.29	$ .81	$ .56	$ .18
Diluted	$ 2.50	$ 1.29	$ .79	$ .55	$ .18
Net income					
Basic	$ 2.61	$ 13.55	$ .91	$ 1.89	$ 6.24
Diluted	$ 2.53	$ 13.55	$ .89	$ 1.85	$ 6.18

(a) Income from continuing operations in 1999, 1998 and 1997 includes (income) charges of $(4.6), $399.4 and $137.8 pretax, respectively, or $(2.9), $243.6 and $84.0, after-tax, respectively, for restructuring and other items as described in Note 4.

(b) Income from continuing operations in 1999, as adjusted, excludes restructuring and other items of $(2.9) after tax. Income from continuing operations in 1998, as adjusted, excludes the items in note (a) above and $83.2, after-tax, for operating income from discontinued operations; $1,546.9, after-tax, for gain on sale of ITT Automotive operations. The 1997 net income from continuing operations, as adjusted, excludes the items in note (a) above and operating income from discontinued operations of $101.8, after-tax; and a charge for the cumulative effect of accounting change of $5.6, after-tax. The 1996 net income from continuing operations, as adjusted, excludes operating income from discontinued operations of $156.2, after-tax.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

HIGHLIGHTS

For the years ended December 31, ITT Industries, Inc. (the "Company") reported the following (in millions):

	1999(a)	1998(b)	1997(c)
Sales and revenues from continuing operations..............	$4,632.2	$4,492.7	$4,207.6
Operating income from continuing operations................	$ 410.6	$ 324.8	$ 279.1
Income from continuing operations, after-tax...............	$ 230.0	$ 146.0	$ 95.9

(a) 1999 figures are adjusted to exclude restructuring and other special items of $(4.6) pretax or $(2.9) after-tax.

(b) 1998 figures are adjusted to exclude restructuring and other special items of $399.4 pretax or $243.6 after-tax.

(c) 1997 figures are adjusted to exclude restructuring and other special items of $137.8 pretax or $84.0 after-tax.

ACQUISITIONS: During 1999, the Company continued to make acquisitions intended to strengthen market positions and present the highest potential for creating value. Most notably, the Company acquired six significant businesses with combined annualized revenues of approximately $325 million. These acquisitions include the space and defense communications businesses of Stanford Telecommunications, Inc., Flojet Corporation, STX Pte. Ltd., Water Pollution Control Corporation (renamed Sanitaire Corporation), Hydro Air Industries and K and M Electronics, Inc.

SHARE REPURCHASE COMPLETED: During the first quarter of 1999, the Company completed a $1.1 billion stock repurchase instituted in conjunction with the sale of the automotive businesses in 1998. During the entire course of the program, the Company repurchased 30.5 million of its shares on the open market. This reduced the number of shares outstanding by approximately 25% and enabled the Company to contain the EPS dilution from the 1998 sale of its automotive businesses to 10%.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 1999 COMPARED WITH THE YEAR ENDED DECEMBER 31, 1998: Sales and revenues in 1999 were $4.6 billion, an increase of $139.5 million, or 3.1% over 1998. Specialty Products' sales increased $110.2 million, or 13%, primarily due to strong 1999 vehicle build rates in North America and Europe. Other factors that contributed to the increase at Specialty Products were the impact of the General Motors strike in 1998, and the benefit of acquisitions, which include the full year impact of Rule Industries, Inc., acquired in June 1998, as well as the impact of Hydro Air Industries and Flojet Corporation, both acquired during 1999. Defense Products & Services' sales and revenues increased by $120.5 million, or 9.3%, primarily due to increased domestic SINCGARS sales and increased Night Vision sales. These increases more than offset a decrease of $11.9 million in our Connectors & Switches segment, caused by weak first half 1999 demand within the European connector market and total year softness within the North American military aerospace market, a decrease of $35.0 million in our Pumps & Complementary Products' segment due to weakness in the industrial end-users markets, and lost revenue due to discontinued product lines and higher selectivity with products and customers and lower sales of $44.3 million from companies held for disposition.

Gross margin of 23.8% improved slightly over the 23.6% in 1998, reflecting the improvements from restructuring actions.

Selling, general and administrative expenses decreased $43.0 million from 1998 due to cost reductions. This reduction improved the ratio of selling, general and administrative expenses to sales, from 16.3% in 1998 to 14.9% in 1999.

Operating income for 1999 was $415.2 million and included a $4.6 million credit related to restructuring and other special items. The 1998 operating loss of $74.6 million included restructuring and other special items of $399.4 million. Excluding restructuring and other special items in both years, the comparative operating income was $410.6 million for 1999 and $324.8 million for 1998. The related operating margin improved to 8.9% in 1999 from 7.2% in 1998. The year-to-year increases in operating income and margin were the result of higher sales volumes, cost reductions, and the contribution from acquisitions.

Net interest expense of $46.8 million represented a 43.2% reduction from the prior year's net expense of $82.4 million. The decrease was due to using a portion of the proceeds from the automotive sales to significantly lower the Company's debt level.

Net income from continuing operations excluding restructuring and other special items in 1999 was $230.0 million, or $2.50 per diluted share, compared to $146.0 million, or $1.29 per diluted share in 1998. The increase was due to higher sales volume, benefits from restructuring and other cost reduction initiatives, a significant reduction in interest expense, and a lower effective tax rate.

YEAR ENDED DECEMBER 31, 1998 COMPARED WITH THE YEAR ENDED DECEMBER 31, 1997: Net sales and revenues in 1998 were $4.5 billion, an increase of $285.1 million, or 6.8% over 1997. Defense Products & Services' sales and revenues increased by $197.7 million, or 18%, primarily due to the Kaman Sciences acquisition at the end of 1997 and increases in international sales. Pumps & Complementary Products' sales increased $309.8 million, or 21.2%, due primarily to the inclusion of Goulds (a 1997 acquisition) for an additional five months. Specialty Products' sales increased $26.1 million, or 3.2%, due to increased sales volume in aerospace controls, friction material, and shock absorber businesses as well as the acquisitions of Rule, Sinton, and A.G. Johansons. These improvements were partially offset by the impact of the 1998 General Motors strike. These increases more than offset the loss of sales due to the dispositions of non-core businesses.

Gross margin increased to 23.6% in 1998 compared to 22.8% in 1997. This improvement was largely due to cost reductions implemented early in the year at Connectors & Switches, to offset the weakening market conditions in Asia and a decline in sales of Mobile Communications products.

Selling, general and administrative expenses of $734.4 million reflected an increase of $55.2 million, or 8.1% over 1997. This increased the ratio to sales from 16.1% in 1997 to 16.3% in 1998. The increase in selling, general and administrative expense was primarily due to the inclusion of Goulds for an additional five months and Kaman Sciences (a year-end 1997 acquisition) for the full year. Other operating expenses of $4.4 million in 1998 and $15.5 million in 1997 that are included in selling, general and administrative expenses, included gains and losses from foreign exchange transactions, gains and losses on sales of assets, and other charges. The $11.1 million favorable variance was mostly due to higher gains on the sales of fixed assets offset partially by unfavorable foreign exchange effects.

The total operating loss in 1998 of $74.6 million included restructuring and other special items of $399.4 million. Excluding the restructuring and other special items, operating income was $324.8 million, an improvement of 16.4% over the 1997 amount of $279.1 million. Restructuring and other special items excluded from the 1997 figures were $137.8 million. The increase in operating income was attributable to improvements across all segments.

Net interest expense decreased $33.3 million in 1998 compared to 1997. A portion of the proceeds from the automotive sales was used to significantly reduce the Company's debt level. The debt reduction primarily occurred late in the third quarter; thus, the entire annualized interest cost savings was not realized until 1999. The reduction in debt and subsequent reduction in interest expense toward the end of 1998 more than offset increases in interest expense earlier in the year.

Operating income from discontinued operations, net of tax, declined to $83.2 million in 1998 from $101.8 million in 1997. The decline was primarily due to the absence of any income being reflected in the fourth quarter of 1998 for the automotive businesses that were sold at the end of the third quarter. In addition, after-tax charges of $18.5 million were recorded in the fourth quarter of 1998 for residual exposures related to discontinued businesses sold in previous years as provided for in the 1995 Distribution Agreement under which ITT Corporation, a Delaware corporation, was divided into three separate and unrelated entities.

Net income in 1998 was $1.5 billion, or $13.55 per diluted share, compared to $108.1 million, or $.89 per diluted share in 1997. Included in 1998 net income was income from discontinued operations of $1.6 billion, or $14.41 per diluted share, which included the gain on the sales of automotive operations of $1.6 billion.

In 1997, the Company implemented Emerging Issues Task Force Issue No. 97-13, which required that reengineering costs incurred in connection with software installation efforts be expensed as incurred and that costs previously capitalized be written off. As a consequence, net income for 1997 was adversely impacted by $5.6 million after-tax, or $.05 per diluted share.

BUSINESS SEGMENTS

Sales and revenues and operating income for each of the Company's business segments were as follows (in millions):

Year Ended December 31,	Connectors & Switches	Defense Products & Services	Pumps & Complementary Products	Specialty Products	Dispositions, Other & Eliminations	Corporate	Total
1999							
Sales and revenues.............	$516.0	$1,413.9	$1,735.0	$959.5	$ 7.8	$ --	$4,632.2
Operating income (loss):							
Before restructuring and other special items........	62.1	108.8	164.4	132.9	0.5	(58.1)	410.6
Restructuring and other special items..............	9.7	3.9	(5.5)	(3.5)	--	--	4.6
Total operating income (loss).......................	$ 71.8	$ 112.7	$ 158.9	$129.4	$ 0.5	$ (58.1)	$ 415.2
1998							
Sales and revenues.............	$527.9	$1,293.4	$1,770.0	$849.3	$ 52.1	$ --	$4,492.7
Operating income (loss):							
Before restructuring and other special items........	52.7	97.9	145.5	90.9	5.4	(67.6)	324.8
Restructuring and other special items..............	(102.4)	(69.6)	(147.6)	(9.0)	31.0	(101.8)	(399.4)
Total operating income (loss).......................	$(49.7)	$ 28.3	$ (2.1)	$ 81.9	$ 36.4	$(169.4)	$ (74.6)
1997							
Sales and revenues.............	$537.7	$1,095.7	$1,460.2	$823.2	$290.8	$ --	$4,207.6
Operating income (loss):							
Before restructuring and other special items........	41.9	81.4	130.2	89.6	(4.1)	(59.9)	279.1
Restructuring and other special items..............	--	--	(44.1)	(12.9)	(65.8)	(15.0)	(137.8)
Total operating income (loss).......................	$ 41.9	$ 81.4	$ 86.1	$ 76.7	$(69.9)	$ (74.9)	$ 141.3

Connectors & Switches' sales and revenues decreased $11.9 million, or 2.3%, compared to 1998. The first half 1999 weak demand in the European connector market and total year softness within the North American military aerospace market was partially offset by strong demand for the Company's communications connectors and switches, and the acquisition of the keypad business of San Teh, Ltd. (STX Pte. Ltd.) during the fourth quarter. Operating income before restructuring and other special items was $62.1 million, up $9.4 million, or 17.8% from 1998. Operating margin, before restructuring and other special items, expanded by 2.1 percentage points in 1999. New products, together with ongoing cost control efforts, contributed to the operating income increase. In 1998, sales and revenues were off $9.8 million or 1.8% from 1997 due to lower demand in Asia and a decline in sales of Mobile Communications products. Operating income, excluding restructuring and other special items, increased $10.8 million or 25.8% over 1997 due to improved cost structure and the launch of new commercial products.

Defense Products & Services' sales and revenues were $1.41 billion, up 9.3% or $120.5 million over 1998. Higher domestic SINCGARS sales, higher export sales, particularly a large radar sale to Korea in the fourth quarter, higher sales volume in our Night Vision unit, as well as a $25.6 million claim settlement on a prior year project at the ITT Aerospace/Communications Division drove the revenue increase in this segment. Operating margin remained flat for the year. Operating income excluding restructuring and other special items was $108.8 million, an increase of $10.9 million or 11.1% over 1998, mainly due to higher sales volume and the receipt of a $5.3 million settlement during the second quarter. During 1999, the Company recorded $28.3 million in charges for loss contracts, warranty provisions and other matters. The 1998 sales and revenues increased $197.7 million or 18% over 1997 due to the acquisition of Kaman Sciences and an increase in international sales. Excluding restructuring and other special items, operating income increased $16.5 million or 20.3% over 1997 due to increased sales and revenues and continued productivity improvements.

Pumps & Complementary Products' sales of $1.74 billion, decreased $35.0 million, or 2.0%, from 1998. The acquisition of Sanitaire and strength in the water and wastewater markets were offset by continued weakness in the industrial end-user markets, and lost revenue due to discontinued product lines and higher selectivity with products and customers. Operating income before restructuring and other special items was $164.4 million, up $18.9 million or 13.0% over the prior year. Sales for 1998 increased $309.8 million or 21.2% over 1997 primarily due to the inclusion of Goulds for an additional five months during 1998. Excluding restructuring and other special items, operating income increased $15.3 million or 11.8% over 1997 due to the inclusion of Goulds for an additional five months and continued cost controls and consolidation efforts in this segment.

Specialty Products recorded revenues of $959.5 million for the year, representing an increase of 13% over prior year. Strong sales to OEM Automotive customers resulting from high North American and European vehicle build rates, the impact of the 1998 General Motors strike, higher sales in the pharmaceutical industry, along with the impact of acquisitions fueled the revenue growth. Operating income before restructuring and other special items for the year rose 46.2% or $42.0 million over 1998, to $132.9 million. Operating margins, before restructuring and other special items, were up 3.1 percentage points. The 1998 sales were $26.1 million or 3.2% higher than 1997 due to increased sales volume in the aerospace controls, friction material and shock absorber businesses. Excluding restructuring and other special items, 1998 operating income increased $1.3 million or 1.5% compared to 1997.

RESTRUCTURING AND OTHER SPECIAL ITEMS

The Company has undertaken a number of actions in recent years to improve operating efficiencies and reduce structural costs. The following is a brief summary of the activity recorded in 1999 and 1998. See Note 4, Restructuring and Other Special Items, in the Notes to the Consolidated Financial Statements for a detailed discussion.

During 1998, the Company recorded restructuring and other special items of $20.1 million in the first quarter, $10.7 million in the second quarter, and $368.6 million in the fourth quarter. The actions taken affected all four business segments and included rationalization of operating locations, consolidations of sales and distribution facilities, workforce reductions and product pruning. The items included write-downs of businesses to be sold and an increase in reserves for environmental exposure. As of December 31, 1999, the Company had closed 16 of the planned 25 facilities, discontinued 18 of the planned 19 product lines, and reduced the workforce by 1,680, or approximately 70% of the planned aggregate reduction of approximately 2,400 persons. The remaining activities will be completed in 2000 and early 2001.

In the fourth quarter of 1999, the Company recorded $20.2 million of charges related to new restructuring activities, primarily for the closure of four facilities and severance of 326 persons. It is expected that a large majority of these costs will be expended in 2000. Also in the fourth quarter, the Company recorded $20.0 million of goodwill write-offs.

During the fourth quarter of 1999, the Company assessed its restructuring reserves established in 1998, determined that activities related to those reserves will be completed for $44.8 million less than originally estimated, and reversed the related reserves into income. The net effect of the reversal of 1998 reserves and the 1999 restructuring and asset write-offs was an increase to 1999 operating income of $4.6 million and EPS of $.03.

During 1997, the Company recorded charges for restructuring and other special items of $137.8 million. The 1997 restructuring charges were taken across the business segments as follows: Pumps & Complementary Products $44.1 million; Specialty Products $12.9 million; and Corporate and Other $80.8 million. The charges comprised $64.7 million for the write-down to fair value of the net assets of two non-core businesses expected to be divested and which have since been sold, $57.0 million for asset write-offs and severance costs associated with the closure and consolidation of facilities and related workforce reductions of 25 persons, $15.0 million to increase environmental reserves, and $1.1 million to recognize the loss on the sale of a non-core business. All activities associated with the 1997 charges were completed according to the plan.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at the beginning of the year were $880.9 million. During the year, cash from operating activities of $343.2 million, net borrowings of $345.3 million, and divestiture proceeds of $107.7 million were used primarily for repurchases of common stock of $402.6 million, capital expenditures of $227.9 million, acquisitions of $544.8 million, dividend payments of $55.5 million, and $284.4 million for costs primarily related to taxes resulting from discontinued operations.

DIVESTITURES: During 1999, the Company made three significant divestitures, Palm Coast Utility Corporation, Carbon Industries, Inc. and assets of Community Development Corporation which in aggregate generated $96.5 million of cash. The remaining $11.2 million of proceeds from the sale of assets in 1999 represented plant, property and equipment sales across all businesses. In 1998, the Company sold its automotive Brake and Chassis and Electrical Systems businesses, and the Barton fluid measurement and Pomona Electronics units for a total of $3.75 billion.

SHARE REPURCHASE: During 1999, the Company repurchased 8.1 million shares as part of its share repurchase program announced on July 29, 1998. The total cost of the share repurchases was $318.3 million in 1999. In addition, 2.2 million, 1.3 million and 2.3 million shares in 1999, 1998 and 1997, respectively, were repurchased to offset the dilutive effect of stock option exercises.

CASH FLOWS: Cash flows from operating activities were $343.2 million in 1999, an increase of $154.7 million, or 82%, from $188.5 million generated in 1998. In 1999, the Company maintained its investment in working capital despite making several large acquisitions. In 1998, working capital requirements increased due to higher inventory levels, the timing of accounts receivable collection and lower payables throughout the business segments. The slight improvement in other net operating activities was mainly due to a reduction in long-term third party receivables.

DEBT AND CREDIT FACILITIES: External debt at December 31, 1999 was $1.09 billion, compared to $767.1 million at December 31, 1998. The increase was mainly due to acquisitions in 1999. The maximum amount of borrowing available under the Company's revolving credit agreement at December 31, 1999 was $1.5 billion.

ADDITIONS TO PLANT, PROPERTY AND EQUIPMENT: Capital expenditures during 1999 were $227.9 million, an increase from $212.9 million in 1998. Approximately 31% of the 1999 spending was incurred at Pumps & Complementary Products primarily related to expansion of existing product lines, new product lines, and custodial replacements. Approximately 20% was incurred at Specialty Products related to product line changes resulting in product improvements and expansion of the capacity for established products as well as new products. Approximately 24% was spent at Connectors & Switches, where key capital investment programs included manufacturing cost reduction initiatives, implementation of an enterprise resource planning system and spending for new product introductions. Defense Products & Services expended approximately 24% of the 1999 total, primarily related to a purchase by the Avionics division of its major facility and completion of expanded production facility at its Night Vision division. At December 31, 1999, contractual commitments have been made for future expenditures totaling $37.4 million.

ACQUISITIONS: During 1999, the Company acquired Stanford Telecommunications, Inc.'s space and defense communications businesses, Flojet Corporation, STX Pte. Ltd., Sanitaire Corporation, Hydro Air Industries, K and M Electronics, the assets of Energy Machine Service, Inc. and made an equity investment in EarthWatch. The Company paid a total of $544.8 million for these acquisitions. The acquisitions were accounted for as purchases and, accordingly, the results of operations of each acquired company are included in the consolidated income statement from the date of acquisition. The excess of the purchase prices over the fair values of the net assets acquired and the liabilities assumed of $416.1 million has been recorded as goodwill and will be amortized over periods not to exceed 40 years. In 1998, the Company acquired Rule Industries, Inc., Sinton Engineering Co. Limited and Sinton (UK) Limited, A.G. Johansons Metallfabrik AB and The Great American Gumball Corporation for which it paid a total of $79.6 million.

MARKET RISK EXPOSURES

The Company, in the normal course of doing business, is exposed to the risks associated with changes in interest rates, currency exchange rates, and commodity prices. To limit the risks from such fluctuations, the Company enters into various hedging transactions that have been authorized pursuant to the Company's policies and procedures. See Note 1, Accounting Policies, and Note 16, Financial Instruments, in the Notes to Consolidated Financial Statements.

To manage exposure to interest rate movements and to reduce its borrowing costs, the Company has borrowed in several currencies and from various sources and has used interest rate swaps. At December 31, 1999, the Company's short-term and long-term debt obligations, net of cash, were $906.4 million. Based on this position and the Company's overall exposure to interest rate changes, a 67 basis point change in interest rates (which is equivalent to 10% of the Company's weighted average short-term interest rate at December 31, 1999) on the Company's cash and marketable securities, and on its floating rate debt obligations and related interest rate derivatives, would have a $2.8 million effect on the Company's pretax earnings for the year ending December 31, 1999. A 74 basis point increase in long-term interest rates (equivalent to 10% of the company's weighted average long-term interest rates at December 31, 1999) would have a $3.5 million effect on the fair value of the Company's fixed rate debt and related interest rate derivatives.

The multinational operations of the Company are exposed to foreign currency exchange rate risk. The Company utilizes foreign currency denominated forward contracts to hedge against adverse changes in foreign exchange rates. Such contracts generally have durations of less than one year. The Company has also utilized foreign currency denominated derivative instruments to selectively hedge its net long-term investments in foreign countries. The Company's largest exposures to foreign exchange rates exist primarily with the Deutsche Mark, Belgian Franc, Swedish Krona, and Italian Lira against the U.S. Dollar.

A 10% adverse change in currency exchange rates for the Company's foreign currency derivatives and other foreign currency denominated financial instruments, held as of December 31, 1999, would have an impact of approximately $2.0 million on the fair value of such instruments. The Company uses derivative instruments to hedge exposures, and as such, the quantification of the Company's market risk for foreign exchange financial instruments does not account for the offsetting impact of the Company's underlying investment and transactional positions.

INCOME TAXES

FOREIGN TAX CREDITS: As a global company, the Company makes provisions for, and pays, taxes in numerous jurisdictions, some of which impose income taxes in excess of equivalent U.S. domestic rates. Credit for such taxes is generally available under U.S. tax laws when earnings are remitted or deemed to be remitted to the U.S. As of the end of 1999, the Company was not able to fully utilize credits for income taxes paid in foreign jurisdictions in its U.S. consolidated tax return.

DEFERRED TAX ASSETS: The Company had net deferred tax assets of $373.6 million at December 31, 1999 and $367.4 million at December 31, 1998. The deferred tax assets for both periods are composed of U.S., foreign, and state and local deferred tax assets. These assets arise from temporary differences between assets and liabilities for financial reporting and tax purposes and primarily relate to reserves, employee benefits, and accelerated depreciation. It is management's expectation that the Company will have sufficient future taxable income from continuing operations to utilize its deductions in future periods.

RISKS AND UNCERTAINTIES

SALES OF AUTOMOTIVE BUSINESSES: The Company has received notifications of claims from the buyers of the automotive businesses requesting post-closing adjustments to the purchase price under the provisions of the sales agreements. Those claims have been submitted to arbitration. After a thorough review, the Company believes that the claims have little merit and intends to vigorously dispute them. Although it cannot be determined at this time whether or to what extent, if any, there will be a post-closing adjustment of the purchase prices as a result of the arbitration, the Company does not believe such adjustments would have a material adverse effect on the cash flow, results of operations, or financial condition of the Company and its subsidiaries on a consolidated basis.

ENVIRONMENTAL MATTERS: The Company is subject to stringent environmental laws and regulations that affect its operating facilities and impose liability for the clean up 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 clean-up standards. When it is possible to create reasonable estimates of liability with respect to environmental matters, the Company establishes reserves in accordance with generally accepted accounting principles. Insurance recoveries are recorded when it is probable that they will be received. 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.

YEAR 2000 READINESS DISCLOSURE: The Company completed its year 2000 ("Y2K") program and successfully transitioned its information systems into the new year. The Company and its major customers, suppliers, and financial institutions have not yet experienced any significant systems or other Y2K related problems. In addition, there were no discernable effects of the date change on the Company's operations. Costs incurred for our Y2K readiness efforts amounted to $20.3 million. There has been no material deferral of expenditures related to the development of the Company's regular information technology systems due to spending on the Y2K readiness efforts. Further, since the transition to the year 2000, no known trends or problems related to Y2K readiness have been identified.

EURO CONVERSION ISSUE: The Company is addressing issues raised by the conversion to the Euro, such as assessing whether cross-border price transparency will affect price structures for similar products and adapting its information technology systems. The Company's efforts to adapt its systems differ at its various European operations. All operations are able to accommodate Euro-denominated invoicing and purchasing transactions. The Company's European operations are formulating plans to accommodate all Euro-denominated transactions and triangulation conventions by January 1, 2002, and some of these operations have already implemented the utilization of the Euro as a transactional currency. The Company anticipates that its costs in connection with the Euro conversion will not be material. Further, the Company does not anticipate that the conversion from the legacy currencies to the Euro would have a material adverse impact on its consolidated financial position, results of operations, or cash flows.

PENSION PLAN: Effective January 1, 2000, the Company's primary salaried pension plan was revised to allow employees a choice for future accruals between the existing pension formula or a pension equity formula which provides enhanced portability of benefits. Based on the nature of this change, there is no effect on liabilities accrued to date and no expected material change in the cost of the plan with respect to future expense accruals. In addition, the Company revised the plan's formula with respect to employees who first became eligible for membership in the plan on or after January 1, 2000 by reducing the basic formula accrual rate. While it is expected that future costs will decrease over time as a result, the effect is not currently measurable.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this document, including within this Management's Discussion and Analysis of Financial Condition and Results of Operations (most particularly, material presented under "Restructuring and Other Special Items," "Liquidity and Capital Resources," "Market Risk Exposures," and "Risks and Uncertainties"), that are not historical facts, constitute "Forward-Looking Statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements, in general, predict, forecast, indicate or imply future results, performance or achievements and generally use words so indicative. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results or performance of the Company and its businesses to be materially different from that expressed or implied by such forward-looking statements. Such factors may be described or referred to from time to time in filings made by the Company with the Securities and Exchange Commission. Included in those factors are the following: general economic and business conditions; political, social and economic conditions and local regulations in the countries in which the Company conducts its businesses; government regulations and compliance therewith; demographic changes; sales and revenues mix; pricing levels; changes in sales and revenues to, or the identity of, significant customers; changes in technology; industry capacity and production rates; ability of outside third parties to comply with their commitments; competition; capacity constraints; availability of raw materials and adequate labor; availability of appropriate professional expertise; availability of liquidity sufficient to meet the Company's needs; the ability to adapt to changes resulting from acquisitions and divestitures and to effect cost reduction programs and various other factors referenced in this Management's Discussion and Analysis. In addition to these factors, our business segments may be affected by the more specific factors referred to below.

Our Connectors & Switches business will be affected by the economic conditions in foreign markets, both those in which we currently participate, and those that we are trying to enter; the level of defense funding by domestic and foreign governments; and the cyclical nature of the industry.

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

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

Our Specialty Products' business will be affected by the cyclical nature of the transportation industries; application rates of products per vehicle; strikes at major auto producers; and international demand for fluid management products.

The Company assumes no obligation to update forward-looking statements to reflect actual results or changes in or additions to the factors affecting such forward-looking statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information called for by Item 7A is provided under the caption "Market Risk Exposures" in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and in Note 16, Financial Instruments, in the Notes to Consolidated Financial Statements herein.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Index to Consolidated Financial Statements and Schedule herein.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information called for by Item 10 with respect to directors is incorporated herein by reference to the definitive proxy statement involving the election of directors filed or to be filed by ITT Industries with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Form 10-K Annual Report.

The information called for by Item 10 with respect to executive officers is set forth above in Part I under the caption "Executive Officers of ITT Industries."

ITEM 11. EXECUTIVE COMPENSATION

The information called for by Item 11 is incorporated herein by reference to the definitive proxy statement referred to above in Item 10.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information called for by Item 12 is incorporated herein by reference to the definitive proxy statement referred to above in Item 10.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information called for by Item 13 is incorporated herein by reference to the definitive proxy statement referred to above in Item 10.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Documents filed as a part of this report:

1. See Index to Consolidated Financial Statements and Schedule appearing on page F-1 for a list of the financial statements and schedule filed as a part of this report.

2. See Exhibit Index appearing on pages II-2, II-3 and II-4 for a list of the exhibits filed or incorporated herein as a part of this report.

(b) There were no reports on Form 8-K filed by ITT Industries during the last quarter of the period covered by this report.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE

	PAGE
Report of Management	F-2
Report of Independent Public Accountants	F-3
Consolidated Income Statements for the three years ended December 31, 1999	F-4
Consolidated Statements of Comprehensive Income for the three years ended December 31, 1999	F-5
Consolidated Balance Sheets as of December 31, 1999 and 1998	F-6
Consolidated Statements of Cash Flows for the three years ended December 31, 1999	F-7
Consolidated Statements of Changes in Shareholders' Equity for the three years ended December 31, 1999	F-8
Notes to Consolidated Financial Statements	F-9
Business Segment Information	F-26
Geographical Information	F-28
Sales and Revenues by Product Category	F-28
Quarterly Results for 1999 and 1998	F-30
Valuation and Qualifying Accounts	S-1

ITT INDUSTRIES, INC. AND SUBSIDIARIES

REPORT OF MANAGEMENT

The management of ITT Industries, Inc. is responsible for the preparation and integrity of the information contained in the consolidated financial statements and other sections of this document. The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States and, where necessary, include amounts that are based on management's informed judgments and estimates. Other information herein is consistent with the consolidated financial statements.

ITT Industries' consolidated financial statements are audited by Arthur Andersen LLP, independent public accountants, whose appointment is ratified by the shareholders. Management has made ITT Industries' financial records and related data available to Arthur Andersen LLP, and believes that the representations made to the independent public accountants are valid and complete.

ITT Industries' system of internal controls is a major element in management's responsibility to assure that the consolidated financial statements present fairly the Company's financial condition. The system includes both accounting controls and the internal auditing program, which are designed to provide reasonable assurance that the Company's assets are safeguarded, that transactions are properly recorded and executed in accordance with management's authorization, and that fraudulent financial reporting is prevented or detected.

ITT Industries' internal controls provide for the careful selection and training of personnel and for appropriate divisions of responsibility. The controls are documented in written codes of conduct, policies, and procedures that are communicated to ITT Industries' employees. Management continually monitors the system of internal controls for compliance. In addition, based upon management's assessment of risk, both operational and financial, special reviews are performed by contracted auditors to periodically test the effectiveness of selected controls. The independent public accountants also evaluate internal controls and perform tests of procedures and accounting records to enable them to express their opinion on ITT Industries' consolidated financial statements. They also make recommendations for improving internal controls, policies, and practices. Management takes appropriate action in response to each recommendation.

The Audit Committee of the Board of Directors, composed of non-employee directors, meets periodically with management and with the independent public accountants and contracted auditors to evaluate the effectiveness of the work performed by them in discharging their respective responsibilities.

/s/ TRAVIS ENGEN

- ---

Travis Engen
Chairman and
Chief Executive

/s/ DAVID J. ANDERSON

- ---

David J. Anderson
Senior Vice President and
Chief Financial Officer

ITT INDUSTRIES, INC AND SUBSIDIARIES
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of ITT Industries, Inc.:

We have audited the consolidated financial statements of ITT Industries, Inc. (an Indiana corporation) and subsidiaries as of December 31, 1999 and 1998, and for each of the three years in the period ended December 31, 1999, as set forth on the accompanying Index to Consolidated Financial Statements and Schedule. These consolidated financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ITT Industries, Inc. and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the consolidated financial statements, in 1997, the Company changed its method of accounting for reengineering costs incurred in connection with the development and installation of software for internal use in accordance with the Emerging Issues Task Force Issue No. 97-13.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the Index to Consolidated Financial Statements and Schedule is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

STAMFORD, CONNECTICUT
JANUARY 24, 2000

ITT INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

	Year Ended December 31,		
	1999	1998	1997
	(in millions, except per share amounts)		
Sales and revenues	$4,632.2	$4,492.7	$4,207.6
Costs of sales and revenues	3,265.8	3,165.9	2,982.7
Selling, general and administrative expenses	691.4	734.4	679.2
Research, development and engineering expenses	264.4	267.6	266.6
Restructuring and other special items	(4.6)	399.4	137.8
Total costs and expenses	4,217.0	4,567.3	4,066.3
Operating income (loss)	415.2	(74.6)	141.3
Interest expense	(84.8)	(125.8)	(133.2)
Interest income	38.0	43.4	17.5
Miscellaneous income (expense)	1.3	(3.0)	(6.1)
Income (loss) from continuing operations before income tax expense	369.7	(160.0)	19.5
Income tax (expense) benefit	(136.8)	62.4	(7.6)
Income (loss) from continuing operations	232.9	(97.6)	11.9
Discontinued operations:			
Operating income, net of tax of $53.1, $65.1	--	83.2	101.8
Gain on sales of ITT Automotive, net of tax of $835.0	--	1,546.9	--
Cumulative effect of accounting change, net of tax benefit of $3.6	--	--	(5.6)
Net income	$ 232.9	$1,532.5	$ 108.1
EARNINGS (LOSS) PER SHARE			
Income (loss) from continuing operations			
Basic	$ 2.61	$ (.86)	$ .10
Diluted	$ 2.53	$ (.86)	$ .10
Discontinued operations			
Basic	$ --	$ 14.41	$ .86
Diluted	$ --	$ 14.41	$ .84
Cumulative effect of accounting change			
Basic	$ --	$ --	$ (.05)
Diluted	$ --	$ --	$ (.05)
Net income			
Basic	$ 2.61	$ 13.55	$ .91
Diluted	$ 2.53	$ 13.55	$ .89
AVERAGE COMMON SHARES -- BASIC	89.2	113.1	118.4
AVERAGE COMMON SHARES -- DILUTED	92.0	113.1	121.0

The accompanying Notes to Consolidated Financial Statements are an integral part of the above statements.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31, 1999		
	Pretax Income (Expense)	Tax (Expense) Benefit	After-Tax Amount
	(in millions)		
Net income			$232.9
Other income (loss):			
Foreign currency translation:			
Adjustments arising during period	$(23.3)	$(11.6)	(34.9)
Unrealized gain (loss) on investment securities	(0.2)	--	(0.2)
Total other income (loss)	$(23.5)	$(11.6)	(35.1)
Comprehensive income			$197.8

	Year ended December 31, 1998		
	Pretax Income (Expense)	Tax (Expense) Benefit	After-Tax Amount
	(in millions)		
Net income			$1,532.5
Other income (loss):			
Foreign currency translation:			
Adjustments arising during period	$ 18.0	$ 3.0	21.0
Reclassifications included in net income	(182.7)	(22.1)	(204.8)
Unrealized gain (loss) on investment securities	(2.1)	--	(2.1)
Total other income (loss)	$(166.8)	$(19.1)	(185.9)
Comprehensive income			$1,346.6

	Year ended December 31, 1997		
	Pretax Income (Expense)	Tax (Expense) Benefit	After-Tax Amount
	(in millions)		
Net income			$108.1
Other income (loss):			
Foreign currency translation:			
Adjustments arising during period	$ 38.3	$(7.5)	30.8
Reclassifications included in net income	(24.1)	(1.1)	(25.2)
Unrealized gain (loss) on investment securities	1.6	--	1.6
Total other income (loss)	$ 15.8	$(8.6)	7.2
Comprehensive income			$115.3

The accompanying Notes to Consolidated Financial Statements are an integral part of the above statements.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 1999	December 31, 1998
	(dollars in millions, except per share amounts)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 181.7	$ 880.9
Receivables, net	834.7	842.6
Inventories, net	545.8	578.9
Other current assets	66.1	80.0
Total current assets	1,628.3	2,382.4
Plant, property and equipment, net	847.0	991.6
Deferred income taxes	373.6	367.4
Goodwill, net	1,206.0	865.3
Other assets	474.9	442.1
Total non-current assets	2,901.5	2,666.4
TOTAL ASSETS	$4,529.8	$5,048.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 383.1	$ 396.2
Accrued expenses	753.1	932.9
Accrued taxes	364.9	570.1
Notes payable and current maturities of long-term debt	609.3	251.6
Total current liabilities	2,110.4	2,150.8
Pension benefits	170.8	178.0
Postretirement benefits other than pensions	211.3	268.0
Long-term debt	478.8	515.5
Other liabilities	459.4	636.5
Total non-current liabilities	1,320.3	1,598.0
TOTAL LIABILITIES	3,430.7	3,748.8
Shareholders' Equity:		
Common stock: Authorized -- 200,000,000 shares, $1 par value per share Outstanding -- 87,914,595 shares and 95,967,976 shares	87.9	96.0
Retained earnings	1,113.8	1,271.5
Accumulated other comprehensive loss	(102.6)	(67.5)
Total shareholders' equity	1,099.1	1,300.0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$4,529.8	$5,048.8

The accompanying Notes to Consolidated Financial Statements are an integral part of the above statements.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	1999	1998	1997
	Year ended December 31, (in millions)		
OPERATING ACTIVITIES			
Net income	$232.9	$1,532.5	$ 108.1
Discontinued operations:			
Operating income	--	(83.2)	(101.8)
Gain on sales of ITT Automotive	--	(1,546.9)	--
Cumulative effect of accounting change	--	--	5.6
Income (loss) from continuing operations	232.9	(97.6)	11.9
Adjustments to income (loss) from continuing operations:			
Depreciation	144.3	157.5	166.9
Amortization	36.8	38.1	30.0
Restructuring and other special items	(4.6)	430.5	136.7
Payments made for restructuring and other special items	(60.0)	(25.1)	--
Change in receivables, inventories, accounts payable, and accrued expenses	4.5	(112.5)	100.0
Change in accrued and deferred taxes	43.4	(136.4)	(43.9)
Other, net	(54.1)	(66.0)	(3.9)
Cash from operating activities	343.2	188.5	397.7
INVESTING ACTIVITIES			
Additions to plant, property and equipment	(227.9)	(212.9)	(212.5)
Acquisitions	(544.8)	(79.6)	(1,026.2)
Proceeds from sale of assets and businesses	107.7	3,745.1	21.1
Other, net	4.5	3.9	(0.8)
Cash from (used for) investing activities	(660.5)	3,456.5	(1,218.4)
FINANCING ACTIVITIES			
Short-term debt, net	426.0	(1,419.8)	1,058.6
Long-term debt repaid	(83.8)	(61.4)	(259.7)
Long-term debt issued	3.1	9.0	1.4
Repurchase of common stock	(402.6)	(830.8)	(67.8)
Dividends paid	(55.5)	(70.5)	(71.1)
Other, net	29.8	39.5	36.0
Cash from (used for) financing activities	(83.0)	(2,334.0)	697.4
EXCHANGE RATE EFFECTS ON CASH AND CASH EQUIVALENTS	(14.5)	2.4	(10.9)
CASH FROM (USED FOR) DISCONTINUED OPERATIONS	(284.4)	(624.7)	204.5
Increase (decrease) in cash and cash equivalents	(699.2)	688.7	70.3
Cash and cash equivalents -- beginning of year	880.9	192.2	121.9
CASH AND CASH EQUIVALENTS -- END OF YEAR	$181.7	$ 880.9	$ 192.2
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest	$ 76.4	$ 121.8	$ 111.9
Income taxes	$ 42.1	$ 107.1	$ 84.2

The accompanying Notes to Consolidated Financial Statements are an integral part of the above statements.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Shares Outstanding			Dollars		
	1999	1998	1997	1999	1998	1997
	(amounts in millions, except per share amounts)					
COMMON STOCK						
Beginning balance	96.0	118.4	118.4	$ 96.0	$ 118.4	$118.4
Stock incentive plans	2.2	1.3	2.3	2.2	1.3	2.3
Repurchases	(2.2)	(1.3)	(2.3)	(2.2)	(1.3)	(2.3)
Stock repurchase program	(8.1)	(22.4)	--	(8.1)	(22.4)	--
Ending balance	87.9	96.0	118.4	$ 87.9	$ 96.0	$118.4
CAPITAL SURPLUS						
Beginning balance				$ --	$ 397.0	$418.2
Stock incentive plans				--	28.7	43.3
Repurchases				--	(46.9)	(64.5)
Stock repurchase program				--	(378.8)	--
Ending balance				$ --	$ --	$397.0
RETAINED EARNINGS						
Beginning balance				$1,271.5	$ 188.5	$151.4
Net income				232.9	1,532.5	108.1
Common stock dividend declared -- $.60, $.60 and $.60				(53.4)	(68.1)	(71.0)
Stock repurchase program				(337.2)	(381.4)	--
Ending balance				$1,113.8	$1,271.5	$188.5
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):						
Unrealized Gain (Loss) on Investment Securities						
Beginning balance				$ (0.5)	$ 1.6	$ --
Unrealized gain (loss)				(0.2)	(2.1)	1.6
Ending balance				$ (0.7)	$ (0.5)	$ 1.6
Cumulative Translation Adjustments						
Beginning balance				$ (67.0)	$ 116.8	$111.2
Translation of foreign currency financial statements				(34.9)	21.0	30.8
Sale of net foreign investments				--	(204.8)	(25.2)
Ending balance				$ (101.9)	$ (67.0)	$116.8
TOTAL SHAREHOLDERS' EQUITY				$1,099.1	$1,300.0	$822.3

The accompanying Notes to Consolidated Financial Statements are an integral part of the above statements.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

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

1. ACCOUNTING POLICIES

CONSOLIDATION PRINCIPLES: The consolidated financial statements include the accounts of ITT Industries, Inc. (the "Company") and all majority owned subsidiaries. Investments in unconsolidated companies where management exercises significant influence are accounted for using the equity method. All significant intercompany transactions have been eliminated.

SALES AND REVENUE RECOGNITION: The Company recognizes revenues as services are rendered and recognizes sales as products are shipped to customers. Our Defense business recognizes revenues based on unit of delivery, milestone achievements, completion of contract or based on costs incurred for cost reimbursable contracts, depending on the type of contract and contract terms and conditions. Expected losses on long-term contracts are recognized when events and circumstances indicate that a loss will be incurred.

RESEARCH, DEVELOPMENT AND ENGINEERING: Significant costs are incurred each year in connection with research, development, and engineering ("RD&E") programs that are expected to contribute to future earnings. Such costs are charged to income as incurred, except to the extent recoverable under existing contracts. Approximately 57.8%, 67.4% and 68.4% of total RD&E costs were expended pursuant to customer contracts for each of the three years ended December 31, 1999, 1998, and 1997, respectively.

CASH AND CASH EQUIVALENTS: The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

INVENTORIES: Most inventories are valued at the lower of cost (first-in, first-out or "FIFO") or market. A full absorption procedure is employed using standard cost techniques that are customarily reviewed and adjusted annually. Potential losses from obsolete and slow-moving inventories are provided for when identified. Domestic inventories valued under the last-in, first-out ("LIFO") method represent 11.3% of total 1999 inventories. There would not have been a material difference in the value of inventories, if the FIFO method had been used by the Company to value all inventories.

ASSET IMPAIRMENT LOSSES: The Company records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets may be impaired and the undiscounted net cash flows estimated to be generated by those assets are less than their carrying amounts.

PLANT, PROPERTY AND EQUIPMENT: Plant, property and equipment, including capitalized interest applicable to major project expenditures, are recorded at cost. The Company normally claims the maximum depreciation deduction allowable for tax purposes. In general, for financial reporting purposes, depreciation is provided on a straight-line basis over the useful economic lives of the assets involved as follows: buildings and improvements -- 5 to 40 years, machinery and equipment -- 2 to 10 years, and other -- 5 to 40 years. Gains or losses on sale or retirement of assets are included in income.

GOODWILL: The excess of cost over the fair value of net assets acquired is amortized on a straight-line basis over periods not exceeding 40 years. Goodwill is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

FOREIGN CURRENCY TRANSLATION: Balance sheet accounts are translated at the exchange rate in effect at each year-end and income accounts are translated at the average rates of exchange prevailing during the year. The national currencies of the foreign companies are generally the functional currencies. (Gains) losses from foreign currency transactions are reported currently in selling, general and administrative expenses and were $2.8, $(2.2) and $(5.5) in 1999, 1998, and 1997, respectively.

DERIVATIVE FINANCIAL INSTRUMENTS: The Company uses a variety of derivative financial instruments, including interest rate swaps and foreign currency forward contracts and/or swaps as a means of hedging exposure to interest rate and foreign currency risks. Changes in the spot rate of instruments designated as hedges of the net investment in a foreign subsidiary are reflected in the cumulative translation adjustment component of shareholders' equity. The Company and its subsidiaries are end-users and do not utilize these instruments for speculative purposes. The Company has rigorous standards regarding the financial stability and credit standing of its major counterparties.

Interest rate swaps involve the periodic exchange of payments without the exchange of underlying principal or notional amounts. Net payments are recognized as an adjustment to interest. Should the swap be terminated, unrealized gains or losses are deferred and amortized over the shorter of the remaining original term of the hedging instrument or the remaining life of the underlying debt instrument.

ENVIRONMENTAL REMEDIATION COSTS: 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 of the liability can be reasonably estimated, based on current law and existing technologies. The Company's estimated liability is reduced to reflect the anticipated participation of other potentially responsible parties in those instances where it is probable that such parties are legally responsible and financially capable of paying their respective shares of the relevant costs. These accruals are adjusted periodically as assessment and remediation efforts progress or as additional technical or legal information becomes available. Actual costs to be incurred at identified sites in future periods may vary from the estimates, given inherent uncertainties in evaluating environmental exposures. Accruals for environmental liabilities are generally included in the balance sheet as "Other liabilities" at undiscounted amounts and exclude claims for recoveries from insurance companies or other third parties. Recoveries from insurance companies or other third parties are recorded as "Other assets" when it is probable that a claim will be realized.

EARNINGS PER SHARE: Basic earnings per share is based on the weighted average number of common shares outstanding. Diluted earnings per share is based on the weighted average number of common shares outstanding and potentially dilutive common shares, which include stock options. However, potential common shares are not included in the computation of any diluted per share amount when a loss from continuing operations exists, even when the Company reports net income.

USE OF ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RECLASSIFICATIONS: Certain amounts in the prior years' consolidated financial statements have been reclassified to conform with the current year presentation.

2. CHANGES IN ACCOUNTING POLICIES

In June 1999, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities -- Deferral of the Effective Date of FASB Statement No. 133." Consequently, SFAS No. 133 will now be effective for all fiscal quarters of all fiscal years beginning after June 15, 2000, which, for the Company would be the calendar year beginning January 1, 2001. SFAS No. 133 establishes accounting and reporting standards that require every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 also requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement and requires companies to formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. The Company has not yet quantified the impacts of adopting SFAS No. 133 on reported financial results and has not determined the timing of, or method of, adoption. However, given the current level of the Company's derivative and hedging activities, the impact is not expected to be material to the Company's financial position, results of operations, or cash flows.

In January 1998, the Company adopted SFAS No. 130, "Reporting Comprehensive Income". SFAS No. 130 requires the disclosure of comprehensive income, which includes, in addition to net income, other comprehensive income consisting of unrealized gains and losses which bypass the traditional income statement and are recorded directly into a separate section of shareholders' equity on the balance sheet. The components of other comprehensive income for the Company consist of unrealized gains and losses relating to the translation of foreign currency financial statements, as adjusted by hedges of net foreign investments, and certain investment securities.

In December 1997, the Company changed its method of accounting for reengineering costs incurred in connection with the development and installation of software for internal use in accordance with Emerging Issues Task Force ("EITF") Issue No. 97 -- 13. EITF Issue No. 97 -- 13 requires that reengineering costs which previously could be deferred and amortized be expensed as incurred and costs previously capitalized be written off in the current year.

3. ACQUISITIONS

On December 14, 1999 the Company completed the purchase of Stanford Telecommunications Inc.'s space and defense communications businesses for $192.7. The purchase price exceeded the fair value of the net assets acquired by $160.6 and the excess has been recorded as goodwill, which is being amortized over a 40 year period. These units of Stanford Telecommunications have annual sales of approximately $142 and are leading designers, manufacturers and marketers of advanced digital communication products and systems.

On September 10, 1999 the Company acquired Flojet Corporation ("Flojet"), a privately held company, for $141.0, consisting of $131.0 in cash and $10.0 in notes payable. The purchase price exceeded the fair value of the net assets acquired by $103.3 and the excess has been recorded as goodwill, which is being amortized over a 40 year period. Flojet manufactures air and electric driven pumps, motors, and dispensing equipment for a variety of industries, including beverage, general industrial equipment, agricultural/lawn and garden, recreational vehicle, leisure marine, and water purification. Flojet has annual sales of approximately $50.

On October 29, 1999 the Company completed the purchase of STX Pte. Ltd. ("STX") from Singapore-based San Teh, Ltd., for $119.4. The purchase price exceeded the fair value of the net assets acquired by $82.1 and the excess has been recorded as goodwill, which is being amortized over a 40 year period. STX manufactures conductive rubber switches used in keypads for mobile telephones, high-end remote control units, and keyless entry systems. STX has annual sales of approximately $64.

The Company also acquired Sanitaire Corporation, Hydro Air Industries, K and M Electronics, Inc., the assets of Energy Machine Service, Inc., and made an equity investment in EarthWatch, for a combined total of $101.7.

All acquisitions were accounted for using the purchase method. The purchase price allocations have been prepared on a preliminary basis and changes are expected as evaluations of assets and liabilities are completed and as additional information becomes available.

On June 25, 1998 the Company acquired Rule Industries, Inc. ("Rule") from Kennametal, Inc. for $62.6. The purchase price exceeded the fair value of the net assets acquired by $53.1 and the excess was recorded as goodwill, and is being amortized over a 40 year period. Rule manufactures marine products, including submersible pumps, anchors and compasses, and has annual sales of approximately $25. The Company also made three other small acquisitions during 1998: A.G. Johansons Metallfabrik AB, Sinton Engineering Co. Limited and Sinton (UK) Limited, and The Great American Gumball Corporation.

4. RESTRUCTURING AND OTHER SPECIAL ITEMS

During 1998, the Company recorded restructuring and other special items of $20.1 in

ITT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

the first quarter, $10.7 in the second quarter and $368.6 in the fourth quarter. The actions taken affected all four segments. Restructuring and other special items for the year ended December 31, 1998 are detailed in the following table:

	Restructuring	Write-offs	Other	Total
Connectors & Switches	$ 61.2	$ 41.2	$ --	$102.4
Defense Products & Services	20.5	49.1	--	69.6
Pumps & Complementary Products	94.7	52.9	--	147.6
Specialty Products	4.2	1.5	3.3	9.0
Corporate and Other	5.0	35.6	30.2	70.8
TOTAL 1998 CHARGES	$185.6	$180.3	$33.5	$399.4

The 1998 charges related to restructuring activities which involved the closure of facilities, sales offices and distribution centers worldwide; facility consolidations; the discontinuance of product lines; and reductions in workforce to reduce cost and improve profitability. In Connectors & Switches, several labor intensive operations in Europe have, or are being consolidated into a low wage facility in Eastern Europe and other site consolidations occurred to eliminate duplication of process and to relocate to lower cost areas. Defense Products & Services exited two facilities in the United States. In Pumps & Complementary Products, twenty facilities, including distribution centers, sales offices and manufacturing locations, have, or are being closed and eight product lines were discontinued. Costs not directly related to exit activities and which are expected to benefit future periods, such as costs to relocate and train employees were expensed as incurred. Estimated severance costs included in restructuring were $92.5.

Asset write-offs were taken when current events and circumstances indicated that asset values were impaired using the criteria of SFAS No. 121. Write-offs of Connectors & Switches related to assets which were idle or taken out of service, because sales volumes did not materialize, and to assets which were deemed to be impaired because their net book values exceeded the estimated future cash flows to be generated by those assets. The majority of the idle assets had no value because of their specialized nature or because of their poor condition and have been written off. The impaired assets were written down to estimated fair values. Write-offs also include certain capitalized software costs which had no future utility since the business chose to implement a new software platform. Goodwill in the amount of $6.6 related to two products which were also written off. Assets in Defense Products & Services that were expected to be sold were written down to fair value. Pumps & Complementary Products undertook a review of certain of its operations where current events and circumstances indicated that asset values may be impaired. It was determined that goodwill of $22.5 related to operations in Venezuela and Mexico had no value, and that assets of the Richter business were overvalued by approximately $9.1. Also included in the charge were write-offs of $11.1 related to information systems which were no longer used due to migrations to new information system platforms, and other asset write-downs of $10.2. At Corporate, the Company wrote the net assets of three non-core businesses down to fair value.

Other at Corporate of $30.2 included a charge of $44.2, net of expected future recoveries, for anticipated costs to remediate certain environmental sites and gains on the sale of two non-core businesses. Additional environmental charges of $3.3 were recorded in Specialty Products.

As of December 31, 1999, the Company had closed 16 of the planned 25 facilities, discontinued 18 of the planned 19 product lines, and reduced the workforce by 1,680, or approximately 70% of the planned aggregate reduction of approximately 2,400 persons. During the fourth quarter of 1999, the Company assessed its 1998 restructuring reserves, determined that activities related to those reserves will be completed for $44.8 less than originally estimated, and reversed the related reserve into income. The $44.8 of excess was primarily the result of favorable experience in employee separations and asset disposal costs which were not

ITT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

required. The remaining 1998 restructuring programs will be completed in 2000 and early 2001.

During 1999, in connection with carrying out the aforementioned restructuring programs, the Company identified other facilities to be shutdown and relocated to lower cost areas or consolidated into existing facilities. In the fourth quarter of 1999, the Company also identified asset impairments at two facilities. Restructuring and other special items for the year ended December 31, 1999 are detailed in the following table:

	Restructuring	Write-offs	Total
Connectors & Switches	$ 6.8	$ --	$ 6.8
Defense Products & Services	0.3	4.4	4.7
Pumps & Complementary Products	9.6	15.6	25.2
Specialty Products	3.5	--	3.5
TOTAL 1999 CHARGES	$20.2	$20.0	$40.2

The projected cash impact to complete these 1999 actions is approximately $14.8. The projected aggregate future cash savings for the period 2000 to 2004 are approximately $40.6 and consist of decreased facility operating costs and lower salary and wage expenditures. The projected future non-cash savings for the same period are $6.1 and consist of decreased depreciation and goodwill amortization. All of the actions contemplated by the 1999 plans will be completed in 2000 with some residual payments occurring in 2001.

The 1999 restructuring activities involve the closure of facilities and sales offices and reduction of workforce. In Connectors & Switches a factory will be closed with a portion of the business being relocated. In Defense Products & Services, several positions at two divisions are being eliminated. Pumps & Complementary Products will close two facilities and related service offices and also consolidate the operations of one warehouse into existing facilities. In Specialty Products, a workforce reduction will occur at one facility. Among the business segments, estimated severance costs are $12.1 and represent costs to reduce the workforce by an aggregate of 326 persons.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Pumps & Complementary Products wrote down $15.6 of goodwill at an unprofitable Far East operation based on the management's future cash flow projections of the business. Defense Products & Services wrote off $4.4 of goodwill related to a product line sold in January 2000.

At December 31, 1999 and 1998, reserve balances for restructuring activities were $44.7 and $138.4, respectively. In 1999, payments for restructuring totaled $60.0. The following table displays a rollforward of the restructuring reserves for 1999:

	Balance December 31, 1998	Payments and Other	Reversals	1999 Cash Charges	Balance December 31,1999
Connectors & Switches	$ 42.7	$(13.4)	$(16.5)	$ 5.7	$18.5
Defense Products & Services	15.1	(3.6)	(8.6)	0.3	3.2
Pumps & Complementary Products	73.8	(43.5)	(19.7)	6.4	17.0
Specialty Products	1.8	(0.7)	--	2.4	3.5
Corporate and Other	5.0	(2.5)	--	--	2.5
TOTAL	$138.4	$(63.7)	$(44.8)	$14.8	$44.7

During 1997, the Company recorded charges for restructuring and other special items of $137.8. The 1997 restructuring charges were taken across the business segments as follows: Pumps & Complementary Products $44.1; Specialty Products $12.9; and Corporate and Other $80.8. The charges comprised $64.7 for the write-down to fair value of the net assets of two non-core businesses expected to be divested and which have since been sold, $57.0 for asset write-offs and severance costs associated with the closure and consolidation of facilities and related workforce reductions of 25 persons, $15.0 to increase environmental reserves, and $1.1 to recognize the loss on the sale of a non-core business. All activities associated with the 1997 charges were completed according to the plan.

5. DISCONTINUED OPERATIONS

On September 28, 1998, the Company closed the sale of its automotive Electrical Systems business to Valeo, SA of France for approximately $1,700. This transaction followed the sale of the Company's Brake and Chassis unit to Continental AG of Germany for approximately $1,930 completed on September 25, 1998. As a result of the sales, these two units, as well as several other small previously sold automotive units, have been accounted for as discontinued operations.

The Company received notifications of claims from Valeo, SA and Continental AG requesting post-closing adjustments to the purchase price under the provisions of the sales contracts, based upon a number of accounting issues relating to the calculation of the net worth of the businesses sold. Those claims have been submitted to arbitration. After a thorough review, the Company believes that the claims have little merit and intends to vigorously dispute them. Although it cannot be determined at this time whether or to what extent, if any, there will be post-closing adjustments of the purchase price as a result of the arbitration, management does not believe such adjustments would have a material adverse effect on the cash flow, results of operations or financial condition of the Company and its subsidiaries on a consolidated basis.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

6. INCOME TAXES

Income tax data from continuing operations is as follows:

	1999	1998	1997
Pretax income (loss)			
U.S.	$ 154.4	$(142.0)	$ (4.0)
Foreign	215.3	(18.0)	23.5
	$ 369.7	$(160.0)	$ 19.5
(Provision) benefit for income tax			
Current			
U.S. federal	$ 3.8	$ 14.8	$(36.6)
State and local	(15.2)	(7.3)	(2.9)
Foreign	(107.9)	15.7	(38.7)
	(119.3)	23.2	(78.2)
Deferred			
U.S. federal	(52.1)	48.0	40.3
State and local	6.4	(0.1)	0.7
Foreign	28.2	(8.7)	29.6
	(17.5)	39.2	70.6
Total income tax (expense) benefit	$(136.8)	$ 62.4	$ (7.6)

ITT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

A reconciliation of the tax (provision) benefit at the U.S. statutory rate to the effective income tax (expense) benefit rate as reported is as follows:

	1999	1998	1997
Tax (provision) benefit at U.S. statutory rate	(35.0)%	35.0%	(35.0)%
Foreign tax rate differential	9.0	2.0	(4.8)
Taxes on repatriation of foreign earnings	(6.9)	5.7	(4.9)
State income taxes, net of federal benefit	(1.5)	(3.0)	(7.2)
Goodwill	(4.5)	(5.3)	(19.0)
Research & development credit	1.3	3.9	18.7
Tax benefit of foreign sales corporation	0.5	0.8	7.9
Other	0.1	(0.1)	5.3
Effective income tax (expense) benefit rate	(37.0)%	39.0%	(39.0)%

Deferred income taxes are established for all temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and for tax purposes.

Deferred tax assets (liabilities), for which no valuation allowances have been provided, include the following:

	December 31,	
	1999	1998
Employee benefits	$ 30.0	$ 26.9
Accelerated depreciation	(19.6)	(92.8)
Reserves	285.5	357.8
Long-term contracts	9.0	7.7
Uniform capitalization	7.2	11.3
Other	44.7	31.7
	$356.8	$342.6

No provision was made for U.S. taxes payable on accumulated undistributed foreign earnings of certain subsidiaries amounting to approximately $258.4, since these amounts are permanently reinvested.

Shareholders' equity at December 31, 1999 and 1998 reflects tax benefits related to the exercise of stock options of approximately $11.5 and $4.5, respectively.

7. EARNINGS PER SHARE

A reconciliation of the data used in the calculation of basic and diluted earnings per share computations for income from continuing operations is as follows:

	For the years ended December 31, 1999	1998	1997
Basic Earnings (Loss) Per Share			
Income (loss) from continuing operations available to common shareholders	$232.9	$(97.6)	$11.9
Average common shares outstanding	89.2	113.1	118.4
Basic earnings (loss) per share	$ 2.61	$ (.86)	$ .10
Diluted Earnings (Loss) Per Share			
Income (loss) from continuing operations available to common shareholders	$232.9	$(97.6)	$11.9
Average common shares outstanding	89.2	113.1	118.4
Add: Stock options	2.8(1)	--(2)	2.6(3)
Average common shares outstanding on a diluted basis	92.0	113.1	121.0
Diluted earnings (loss) per share	$ 2.53	$ (.86)	$ .10

(1) Options to purchase 1,559,201 shares of common stock at an average price of $39.54 per share were outstanding at December 31, 1999 but were not included in the computation of diluted EPS, because the options' exercise price was greater than the annual average market price of the common shares. These options, which expire in 2009, were outstanding at the end of 1999.

(2) Stock options of 3,291,544 at the end of 1998 were not included in the computation of diluted earnings per share, because the Company had a loss from continuing operations and inclusion of the options would be antidilutive.

(3) Options to purchase 205,900 shares of common stock at $31.94 per share were outstanding at December 31, 1997 but were not included in the computation of diluted EPS because the options' exercise price was greater than the annual average market price of the common shares. These options, which expire in 2007, were outstanding at the end of 1997.

8. RECEIVABLES, NET

Receivables consist of the following:

	December 31, 1999	1998
Trade	$738.5	$753.5
Accrued for completed work	32.3	22.3
Other	86.0	89.5
Less -- reserves	(22.1)	(22.7)
	$834.7	$842.6

9. INVENTORIES, NET

Inventories consist of the following:

	December 31, 1999	1998
Finished goods	$203.7	$206.2
Work in process	287.3	511.6
Raw materials	228.4	209.8
Less -- reserves	(60.7)	(115.0)
-- progress payments	(112.9)	(233.7)
	$545.8	$578.9

10. OTHER CURRENT ASSETS

At December 31, 1999 and 1998, other current assets consist primarily of advance payments on contracts and prepaid expenses.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

11. PLANT, PROPERTY AND EQUIPMENT, NET

Plant, property and equipment consists of the following:

	DECEMBER 31, 1999	DECEMBER 31, 1998
Land and improvements	$ 66.1	$ 51.5
Buildings and improvements	343.4	346.7
Machinery and equipment	1,186.0	1,295.8
Construction work in progress	86.3	103.9
Other	368.9	509.1
	2,050.7	2,307.0
Less -- accumulated depreciation and amortization	(1,203.7)	(1,315.4)
	$ 847.0	$ 991.6

12. GOODWILL, NET

Goodwill consists of the following:

	DECEMBER 31, 1999	DECEMBER 31, 1998
Goodwill	$1,271.1	$916.1
Less -- accumulated amortization	65.1	50.8
	$1,206.0	$865.3

13. OTHER ASSETS

At December 31, 1999 and 1998, other assets primarily consists of prepaid pension and employee benefit plan costs, equity investments, and expected recoveries from third parties in relation to environmental and other claims.

14. LEASES AND RENTALS

The Company leases certain offices, manufacturing buildings, land, machinery, automobiles, computers, and other equipment. Such leases expire at various dates and may include renewals and escalations. The Company often pays maintenance, insurance, and tax expense related to leased assets. Rental expenses under operating leases were $51.8, $45.3 and $55.0 for 1999, 1998 and 1997, respectively. Future minimum operating lease payments under long-term operating leases as of December 31, 1999 are shown below.

2000	$ 47.0
2001	39.0
2002	29.2
2003	19.8
2004	17.8
2005 and thereafter	128.2
Total minimum lease payments	$281.0

15. DEBT

Debt consists of the following:

	DECEMBER 31, 1999	DECEMBER 31, 1998
Commercial paper	$512.6	$ --
Short-term loans	85.1	201.6
Current maturities of long-term debt	11.6	50.0
Notes payable and current maturities of long-term debt	$609.3	$251.6

Long-term debt	Maturity	Interest rate	1999	1998
Notes and debentures:				
	4/5/1999	10.125%	$ --	$ 30.7
	7/1/2001	6.500%	58.6	58.6
	8/1/2001	8.250%	13.6	13.6
	6/15/2003	8.875%	13.5	13.5
	2/1/2008	8.875%	13.2	13.2
	5/1/2011	6.500%	31.7	31.7
	7/1/2011	7.500%	37.4	37.4
	2/15/2021	9.750%	19.1	19.1
	4/15/2021	9.500%	13.6	13.6
	11/15/2025	7.400%	250.0	250.0
	8/25/2048	6.195%	42.7	42.7
Other	2000--2014	6.974%(1)	31.2	79.2
Subtotal notes and debentures			524.6	603.3
Less -- unamortized discount			(36.8)	(42.2)
Capital leases			2.6	4.4
Long-term debt			490.4	565.5
Less -- current maturities			(11.6)	(50.0)
Net long-term debt			$478.8	$515.5

(1) Weighted average rate

Principal payments required on long-term debt for the next five years are:

2000	2001	2002	2003	2004
$11.6	$76.9	$ 1.7	$15.7	$1.0

The weighted average interest rate for short-term borrowings was 6.70% and 3.61% at December 31, 1999 and 1998, respectively. The fair value of the Company's short-term loans approximates carrying value. The fair value of the Company's long-term debt is estimated based on current rates indicated to the Company for debt with similar remaining maturities. As of December 31, 1999, the fair value of the long-term debt was $484.9, compared to the fair value of $626.8, at December 31, 1998. The year to year decline in fair value reflects the increase in interest rates experienced during 1999.

On August 1, 1999, the Company redeemed all of its outstanding 9 1/4% senior debentures with a maturity date of July 15, 2001 and a value at maturity of $18.9, and it redeemed all of its 8 3/4% senior debentures with a maturity date of March 1, 2006 and a value at maturity of $7.8.

The Company maintains a revolving credit agreement which expires in November, 2000 with 61 domestic and foreign banks providing aggregate commitments of $1.5 billion. These commitments were unused at December 31, 1999. The interest rate for borrowings under these agreements is generally based on the London Interbank Offered Rate (LIBOR), plus a spread which reflects the Company's debt rating. The provisions of these agreements require the Company to maintain certain financial ratios and restrict indebtedness. Commitment fees on these revolving credit agreements range from .060% to .150% of the total commitment, based on the Company's current debt ratings.

Assets pledged to secure indebtedness (including mortgage loans) amount to approximately $48.9 as of December 31, 1999.

16. FINANCIAL INSTRUMENTS

The Company uses a variety of derivative financial instruments, including interest rate swaps, foreign currency forward contracts and/or swaps, and on a limited basis, commodity collar contracts, as a means of hedging exposure to interest rate, foreign currency, and commodity price risks.

The Company's credit risk associated with these derivative contracts is generally limited to the unrealized gain on those contracts with a positive fair market value, reduced by the effects of master netting agreements, should any counterparty fail to perform as contracted. The counterparties to the Company's derivative contracts consist of a number of major international financial institutions. The Company continually monitors the credit quality of these financial institutions and does not expect non-performance by any counterparty.

FINANCING STRATEGIES AND INTEREST RATE RISK MANAGEMENT: The Company maintains a multi-currency debt portfolio to fund its operations. The Company and its subsidiaries at times use interest rate swaps to manage the Company's debt portfolio, the related financing costs, and interest rate structure.

During 1997, the Company effectively terminated interest rate swaps with notional values totaling 260 million Deutsche Marks and original maturities ranging from 1998 to 2000 by entering into offsetting swaps with identical terms and maturities. These swaps and related counterswaps were accounted for at fair market value at the time of termination. Related gains and losses were recorded in income because such swaps no longer were deemed effective as hedges of the Company's underlying Deutsche Mark debt. At December 31, 1999 and 1998, the Company had interest rate swaps outstanding with notional values totaling 150 million Deutsche Marks. These swaps were designed to manage the interest exposure of the Company's short-term debt. The outstanding 150 million Deutsche Mark interest rate swap agreements maturing in March and April of 2000 require the Company to pay interest at fixed rates averaging 6.96% and receive interest at floating rates based on the Frankfurt Interbank Offered Rate (FIBOR) which averaged 3.40% on December 31, 1999.

FOREIGN CURRENCY RISK MANAGEMENT: The Company and its subsidiaries have significant foreign operations and conduct business in various foreign currencies. The Company and its subsidiaries may periodically hedge net investments in currencies other than their own functional currency and non-functional currency cash flows and obligations, including intercompany financings. Changes in the spot rate of debt instruments designated as hedges of the net investment in a foreign subsidiary are reflected in the cumulative translation adjustment component of shareholders' equity. The Company regularly monitors its foreign currency exposures and ensures that hedge contract amounts do not exceed the amounts of the underlying exposures.

At December 31, 1999, the Company held foreign currency forward contracts with notional amounts totaling approximately $79.0 million to hedge European and Asian currency exposures. These contracts mature during 2000.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS: The fair values of the Company's derivative financial instruments are as follows:

	(Payable)/Receivable			
	DEC. 31, 1999		Dec. 31, 1998	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Interest rate swaps	$(2.3)	$ (2.3)	$(3.7)	$(8.5)
Currency forwards/swaps	1.9	2.6	(1.9)	(2.1)

The following method and assumptions were used to estimate the fair value of these derivative financial instruments:

INTEREST RATE SWAP AGREEMENTS: The fair value of interest rate swap agreements is estimated based on quotes from the market makers of these instruments and represents the estimated amounts that the Company would expect to receive or pay to terminate the agreements at the reporting date.

FOREIGN CURRENCY EXCHANGE CONTRACTS: The fair values associated with the foreign currency contracts has been estimated by valuing the net position of the contracts using the applicable spot rates and forward rates as of the reporting date.

17. EMPLOYEE BENEFIT PLANS

PENSION PLANS: The Company and its subsidiaries sponsor numerous defined benefit pension plans. The Company funds employee pension benefits, except in some countries outside the U.S. where funding is not required. The plans' assets are comprised of a broad range of domestic and foreign securities, fixed income investments and real estate. In addition to Company sponsored pension plans, certain employees of the Company participate in multi-employer pension plans sponsored by local or national unions. The Company's contribution to such plans amounted to $1.3, $1.1, and $3.9 for the years ended 1999, 1998, and 1997, respectively.

POSTRETIREMENT HEALTH AND LIFE: The Company and its subsidiaries provide health care and life insurance benefits for certain eligible retired employees. The Company has prefunded a portion of the health care and life insurance obligations, where such prefunding can be accomplished on a tax effective basis. The plans' assets are comprised of a broad range of domestic and foreign securities, fixed income investments, and real estate.

INVESTMENT AND SAVINGS PLANS: The Company sponsors numerous defined contribution savings plans which allow employees to contribute a portion of their pretax and/or after-tax income in accordance with specified guidelines. Several of the plans require the Company to match a percentage of the employee contributions up to certain limits. Matching contributions charged to income amounted to $18.2, $17.9, $14.6 for the years ended 1999, 1998, and 1997, respectively.

The first table below contains a reconciliation of the changes in the benefit obligations, the changes in plan assets, and the weighted average assumptions for the periods ending December 31, 1999 and 1998, respectively. The second table below contains the components of net periodic benefit cost for the years ended 1999, 1998, and 1997, respectively.

	Pension		Other Benefits	
	1999	1998	1999	1998
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year	$3,334.1	$3,055.5	$ 469.2	$ 447.7
Service cost	70.9	58.4	5.1	4.8
Interest cost	216.7	215.4	30.6	31.2
Amendments made during the year	4.6	(25.3)	--	--
Actuarial (gain) loss	(294.9)	206.3	(40.5)	24.8
Obligations of acquired companies (transferred to others)	--	32.4	--	(4.8)
Effect of plan curtailment	--	--	(3.1)	--
Benefits paid	(229.5)	(205.5)	(36.2)	(34.5)
Effect of currency translation	(10.9)	(3.1)	--	--
Benefit obligation at end of year	$3,091.0	$3,334.1	$ 425.1	$ 469.2
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	$3,382.2	$3,067.7	$ 203.8	$ 187.5
Actual return on plan assets	692.0	438.9	31.7	20.3
Assets of acquired companies (transferred to others)	--	29.6	--	--
Employer contributions	5.9	55.9	25.5	--
Employee contributions	0.8	1.0	--	--
Benefits paid	(217.6)	(206.0)	(5.3)	(4.0)
Effect of currency translation	(3.8)	(4.9)	--	--
Fair value of plan assets at end of year	$3,859.5	$3,382.2	$ 255.7	$ 203.8
Funded status	$ 768.5	$ 48.1	$(169.4)	$(265.4)
Unrecognized net transition asset	(5.4)	(11.3)	--	--
Unrecognized net actuarial (gain) loss	(779.2)	(59.8)	(21.5)	22.6
Unrecognized prior service cost	48.8	53.3	(20.4)	(25.2)
Prepaid (accrued) benefit cost recognized in the balance sheet	$ 32.7	$ 30.3	$(211.3)	$(268.0)
WEIGHTED-AVERAGE ASSUMPTIONS AS OF DECEMBER 31,				
Discount rate	7.60%	6.70%	7.75%	6.75%
Expected return on plan assets	9.62%	9.63%	9.75%	9.75%
Rate of future compensation increase	4.90%	4.91%	5.00%	5.00%

	Pension			Other Benefits		
	1999	1998	1997	1999	1998	1997
COMPONENTS OF NET PERIODIC BENEFIT COST						
Service cost	$ 70.9	$ 58.4	$ 54.2	$ 5.1	$ 4.8	$ 5.0
Interest cost	216.7	215.4	211.5	30.6	31.2	28.7
Expected return on plan assets	(270.8)	(252.4)	(230.8)	(19.4)	(18.1)	(15.5)
Amortization of transitional asset	(5.8)	(5.9)	(5.9)	--	--	--
Amortization of net actuarial (gain) loss	9.8	6.4	7.4	0.2	(0.7)	(1.4)
Amortization of prior service cost	8.3	10.7	11.4	(4.7)	(4.7)	(4.7)
Effect of plan curtailment	--	--	--	(3.1)	--	--
Net periodic benefit cost	$ 29.1	$ 32.6	$ 47.8	$ 8.7	$ 12.5	$ 12.1

The assumed rate of future increases in the per capita cost of health care (the health care trend rate) was 7.1% for 1999, decreasing ratably to 6.0% in the year 2001. Increasing the table of health care trend rates by one percent per year would have the effect of increasing the benefit obligation by $24.0 and the aggregate service and interest cost components by $2.3; a decrease of one percent in the trend rate would reduce the benefit obligation by $21.2 and the aggregate service and interest cost components by $2.0. To the extent that actual experience differs from the inherent assumptions, the effect will be amortized over the average future service of the covered active employees.

18. SHAREHOLDERS' EQUITY

CAPITAL STOCK: The Company has authority to issue an aggregate of 250,000,000 shares of capital stock, of which 200,000,000 have been designated as "Common Stock" having a par value of $1 per share and 50,000,000 have been designated as "Preferred Stock" not having any par or stated value. Of the

shares of Preferred Stock, 300,000 shares have initially been designated as
"Series A Participating

Cumulative Preferred Stock" (the "Series A Stock"). Such Series A Stock is issuable pursuant to the provisions of a Rights Agreement dated as of November 1, 1995 between the Company and The Bank of New York, as Rights Agent (the "Rights Agreement"). Capitalized terms herein not otherwise defined are as defined in the Rights Agreement.

The rights issued pursuant to the Rights Agreement (the "Rights") are currently attached to, and trade with, the Common Stock. The Rights Agreement provides, among other things, that if any person acquires more than 15% of the outstanding Common Stock, the Rights will entitle the holders other than the Acquiring Person (or its Affiliates or Associates) to purchase Series A Stock at a significant discount to its market value. Rights beneficially owned by the Acquiring Person, including any of its Affiliates or Associates, become null and void and nontransferable. Rights generally are exercisable at any time after the Distribution Date and at, or prior to, the earlier of the 10th anniversary of the date of the Rights Agreement or the Redemption Date. The Company may, subject to certain exceptions, redeem the Rights as provided for in the Rights Agreement. Each 1/1,000th of a share of Series A Stock would be entitled to vote and participate in dividends and certain other distributions on an equivalent basis with one share of Common Stock. Under certain circumstances specified in the Rights Agreement, the Rights become nonredeemable for a period of time and the Rights Agreement may not be amended during such period.

As of December 31, 1999 and 1998, 57,243,719 and 49,180,032 shares of Common Stock were held in treasury, respectively.

STOCK INCENTIVE PLANS: The Company's stock option incentive plans provide for the awarding of options on common shares to employees, exercisable over ten-year periods. Certain options become exercisable upon the attainment of specified market price appreciation of the Company's common shares or at nine years after the date of grant. Other options become exercisable upon the earlier of the attainment of specified market price appreciation of the Company's common shares or over a three-year period commencing with the date of grant. The exercise price per share is the fair market value on the date each option is granted. In 1999, 1998, and 1997, the Company made shares available for the exercise of stock options by purchasing shares in the open market.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

A summary of the status of the Company's stock option incentive plans as of December 31, 1999, 1998, and 1997, and changes during the years then ended is presented below (shares in thousands):

	1999		1998		1997	
	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year....	12,175	$21.24	11,457	$19.31	11,764	$17.53
Granted................	1,835	39.22	2,108	31.18	2,367	25.60
Exercised.............	(2,166)	21.06	(1,255)	19.62	(2,324)	16.21
Canceled or expired....	(92)	38.23	(135)	28.11	(350)	22.44
Outstanding at end of year.................	11,752	$23.95	12,175	$21.24	11,457	$19.31
Options exercisable at year-end............	10,030	$21.34	10,347	$19.47	10,573	$18.92
Weighted-average fair value of options granted during the year.................		$17.78		$11.68		$ 8.53

The Company accounts for these plans using the intrinsic value method pursuant to Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," under which no compensation cost has been recognized. Had compensation cost for these plans been determined based on the fair value at the grant dates consistent with 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:

	1999	1998	1997
Net income			
As reported..	$232.9	$1,532.5	$108.1
Pro forma..	217.2	1,520.1	99.0
Basic earnings per share			
As reported..	$ 2.61	$ 13.55	$ .91
Pro forma..	2.44	13.44	.84
Diluted earnings per share			
As reported..	$ 2.53	$ 13.55	$ .89
Pro forma..	2.36	13.44	.82

Because the method of accounting prescribed by SFAS No. 123 is not required to be applied to options granted prior to January 1, 1995, the resulting pro forma effect may not be representative of that expected in future years.

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model and the following weighted-average assumptions for grants in 1999, 1998, and 1997: dividend yield of 2.01%, 2.14%, and 2.35% respectively; expected volatility of 51%, 38%, and 31%, respectively; expected life of six years; and risk-free interest rates of 4.82%, 5.66%, and 6.45%, respectively.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following table summarizes information about the Company's stock options at December 31, 1999 (shares in thousands):

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number	Weighted-Average Exercise Price
$ 8.31 -- 9.89...........	774	1.7 years	$ 8.61	774	$ 8.61
13.78 -- 17.91...........	3,018	4.4 years	15.74	3,018	15.74
20.32 -- 28.38...........	4,370	6.1 years	23.12	4,369	23.12
31.13 -- 40.00...........	3,590	8.5 years	35.15	1,869	31.47
	11,752			10,030	

As of December 31, 1999, 3,647,495 shares were available for future grants. Effective January 1, 2000, option shares available for future grants increased to 5,824,845 as a result of the annual limitation formula established in the ITT Industries, Inc. 1994 Incentive Stock Plan. The incentive stock plan also provides for awarding restricted stock subject to a restriction period in which the stock cannot be sold, exchanged, or pledged. During 1999, 30,000 shares of restricted stock were awarded under this plan.

During 1999, pursuant to the ITT Industries, Inc. 1996 Restricted Stock Plan for Non-Employee Directors, the Company awarded 10,248 restricted shares with five-year restriction periods in payment of the annual retainer for such directors.

19. COMMITMENTS AND CONTINGENCIES

The Company and its subsidiaries are involved in various legal actions including those related to government contracts and environmental matters. Some of these actions include claims for substantial amounts. Reserves have been established where the outcome is probable and can be reasonably estimated. While the ultimate results of these legal actions and related claims cannot be determined, the Company does not expect that they will have a material adverse effect on its 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. As of December 31, 1999, the Company or its subsidiaries are responsible, or are alleged to be responsible for environmental investigation and remediation at sites in various countries. The Company has received notice that it is considered a potentially responsible party (PRP) at a number of those 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. In many of these proceedings, the Company's liability is considered de minimis. In Glendale, California, the Company has been involved in an environmental proceeding 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 has incurred in connection with the foregoing. In May 1999, the EPA and the PRPs, including the Company and Lockheed Martin, reached an agreement in principle on a consent decree settling that case. The consent decree is awaiting approval from the EPA.

In a suit filed several years ago 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 this and other environmental matters. In April 1999, the Superior Court granted partial summary judgment under California law, dismissing certain claims in

ITT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

the California action. The California Court of Appeals has accepted the Company's petition for review of the Superior Court's order. Argument was scheduled for August 1999; however, it has now been continued to an indefinite date pending further developments in other similar cases in California to which the Company is not a party. In April 1999, the Company initiated a new coverage action in New Jersey, ITT Industries, Inc. et al. v. Federal Ins. Co. et al., (Middlesex County, No. L-1919-99), involving new environmental insurance claims as well as claims pending but dormant before the court in California. The Company's insurers challenged the convenience of New Jersey as the forum for this action. In its ruling on the motion, the Court dismissed the non-New Jersey claims, deferred action on certain New Jersey claims and retained jurisdiction over one New Jersey claim. The Company has negotiated settlements with certain defendant insurance companies, is engaged in negotiations with others, and is prepared to pursue its legal remedies where reasonable negotiations are not productive.

The Company has accrued for environmental remediation costs associated with identified sites consistent with the policy set forth in Note 1, "Accounting Policies." In management's opinion, the total amounts 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 problems, 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 liquidity of the Company.

20. BUSINESS SEGMENT INFORMATION

	Connectors & Switches	Defense Products & Services	Pumps & Complementary Products	Specialty Products	Dispositions, Other & Eliminations(b)	Corporate	Total
1999							
Sales and revenues..........	$516.0	$1,413.9	$1,735.0	$959.5	$ 7.8	$ --	$4,632.2
Operating income:							
Before restructuring and other special items.....	62.1	108.8	164.4	132.9	0.5	(58.1)	410.6
Restructuring and other special items...........	9.7	3.9	(5.5)	(3.5)	--	--	4.6
After restructuring and other special items.....	71.8	112.7	158.9	129.4	0.5	(58.1)	415.2
Earnings (loss) of companies on an equity basis........	--	2.1	(0.2)	1.2	--	--	3.1
Total segment profit........	71.8	114.8	158.7	130.6	0.5	(58.1)	418.3
Net interest expense........							(46.8)
Miscellaneous expense(a)....							(1.8)
Income from continuing operations before income tax expense...............							$ 369.7

()(a) Excludes earnings of companies on an equity basis

()(b) Includes net assets from discontinued operations 1997 -- $931.4.

	Connectors & Switches	Defense Products & Services	Pumps & Complementary Products	Specialty Products	Dispositions, Other & Eliminations(b)	Corporate	Total
Long-lived assets...........	137.0	146.0	334.7	202.0	1.3	26.0	847.0
Investment in companies on an equity basis...........	0.5	29.9	8.5	6.2	--	--	45.1
Total assets................	463.6	839.1	1,670.3	741.7	24.2	790.9	4,529.8
Gross plant additions.......	55.7	55.7	70.4	45.3	0.4	0.4	227.9
Depreciation................	28.1	26.0	54.0	33.8	0.3	2.1	144.3
Amortization................	0.8	3.1	18.2	7.2	2.1	5.4	36.8
1998							
Sales and revenues..........	$527.9	$1,293.4	$1,770.0	$849.3	$ 52.1	$ --	$4,492.7
Operating income:							
Before restructuring and other special items.....	52.7	97.9	145.5	90.9	5.4	(67.6)	324.8
Restructuring and other special items...........	(102.4)	(69.6)	(147.6)	(9.0)	31.0	(101.8)	(399.4)
After restructuring and other special items.....	(49.7)	28.3	(2.1)	81.9	36.4	(169.4)	(74.6)
Earnings (loss) of companies on an equity basis........	(0.3)	(1.6)	0.5	0.3	--	--	(1.1)
Total segment profit........	(50.0)	26.7	(1.6)	82.2	36.4	(169.4)	(75.7)
Net interest expense........							(82.4)
Miscellaneous expense(a)....							(1.9)
Income from continuing operations before income tax.......................							$ (160.0)
Long-lived assets...........	128.3	122.8	347.3	206.8	156.5	29.9	991.6
Investment in companies on an equity basis...........	0.1	13.2	11.9	5.1	--	0.5	30.8
Total assets................	333.1	644.8	1,741.1	588.3	252.6	1,488.9	5,048.8
Gross plant additions.......	39.2	26.4	75.1	53.5	5.1	13.6	212.9
Depreciation................	33.9	25.3	56.6	34.3	5.3	2.1	157.5
Amortization................	1.0	3.1	20.6	7.3	6.1	--	38.1
1997							
Sales and revenues..........	$537.7	$1,095.7	$1,460.2	$823.2	$290.8	$ --	$4,207.6
Operating income:							
Before restructuring and other special items.....	41.9	81.4	130.2	89.6	(4.1)	(59.9)	279.1
Restructuring and other special items...........	--	--	(44.1)	(12.9)	(65.8)	(15.0)	(137.8)
After restructuring and other special items.....	41.9	81.4	86.1	76.7	(69.9)	(74.9)	141.3
Earnings (loss) of companies on an equity basis........	(0.5)	(2.5)	1.0	(0.1)	--	--	(2.1)
Total segment profit........	41.4	78.9	87.1	76.6	(69.9)	(74.9)	139.2
Net interest expense........							(115.7)
Miscellaneous expense(a)....							(4.0)
Income (loss) from continuing operations before income tax.........							$ 19.5

()(a) Excludes earnings of companies on an equity basis

()(b) Includes net assets from discontinued operations 1997 -- $931.4.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	Connectors & Switches	Defense Products & Services	Pumps & Complementary Products	Specialty Products	Dispositions, Other & Eliminations(b)	Corporate	Total
Long-lived assets...........	135.1	121.5	355.0	219.2	172.6	27.8	1,031.2
Investment in companies on an equity basis...........	0.5	13.2	14.4	4.7	--	1.1	33.9
Total assets................	323.6	585.1	1,818.7	504.7	1,274.5	551.8	5,058.4
Gross plant additions.......	31.8	35.6	53.9	53.7	30.5	7.0	212.5
Depreciation................	33.6	24.7	44.3	32.4	29.8	2.1	166.9
Amortization................	1.5	0.3	16.1	10.1	2.0	--	30.0

(a) Excludes earnings of companies on an equity basis

(b) Includes net assets from discontinued operations 1997 -- $931.4.

	Net Sales and Revenues			Long-Lived Assets		
	1999	1998	1997	1999	1998	1997
GEOGRAPHICAL INFORMATION						
United States..........................	$2,696.1	$2,570.4	$2,377.3	$504.1	$639.0	$ 679.1
Western Europe.........................	1,194.7	1,227.8	1,229.6	282.0	312.3	308.2
Asia Pacific...........................	339.7	280.5	260.2	48.5	22.6	25.6
Other..................................	401.7	414.0	340.5	12.4	17.7	18.3
Total Segments.........................	$4,632.2	$4,492.7	$4,207.6	$847.0	$991.6	$1,031.2

	1999	1998	1997
SALES AND REVENUES BY PRODUCT CATEGORY			
Pumps & Complementary Products............................	$1,732.0	$1,767.8	$1,457.3
Defense Products..	844.4	765.7	720.1
Defense Services..	554.5	527.7	375.6
Connectors & Switches.....................................	550.3	577.7	591.7
Fluid Handling..	442.8	362.2	366.0
Brakes..	157.4	150.6	146.9
Engineered Valves...	116.2	116.5	108.7
Marine Products...	114.9	87.8	76.9
Shock Absorbers...	90.3	91.5	85.6
Measuring Devices...	--	17.3	78.6
Semiconductors..	--	--	162.3
Other...	29.4	27.9	37.9
Total...	$4,632.2	$4,492.7	$4,207.6

Combined Defense Products & Services had sales and revenues from the United States government of $1,054.0, $1,008.6, and $925.2 for 1999, 1998, and 1997, respectively. Apart from the United States government, no other government or commercial customer accounted for 10% or more of sales and revenues for the Company.

CONNECTORS & SWITCHES: This business consists of the Company's products marketed under the Cannon(R) brand. These products include connectors, switches and cabling used in telecommunications, computing aerospace and industrial applications as well as network services. The Connectors & Switches segment represents about 11% of the Company's sales and revenues and 15% of its operating income before restructuring and other items for 1999.

DEFENSE PRODUCTS & SERVICES: The businesses in this segment are those that directly serve the military and government agencies with products and services. These include air traffic control systems, jamming devices that guard military planes against radar guided missiles, digital combat radios, night vision devices and satellite instruments. Approximately 39% of the sales and revenues in this segment are generated through contracts for technical and support services which the Company provides for the military and other government agencies. Approximately 75%, 78% and 85% of 1999, 1998 and 1997 Defense Products & Services sales and revenues, respectively, were to the U.S. government. The Defense Products & Services segment represents about 31% of the Company's sales and revenues and 27% of its operating income before restructuring and other items in 1999.

PUMPS & COMPLEMENTARY PRODUCTS: This segment contains the Company's pump businesses, including brands such as Flygt,(R) Goulds,(R) Bell and Gossett,(R) A-C Pump,(R) Lowara(R) and Vogel,(R) making the Company the world's largest pump producer. Businesses within this segment also supply mixers, heat exchangers and related products with brand names such as McDonnell & Miller(R) and ITT Standard(R) in addition to those mentioned above. This segment represents approximately 37% of the Company's sales and revenues and approximately 40% of its operating income before restructuring and other items for 1999.

SPECIALTY PRODUCTS: Businesses in the Specialty Products segment produce engineered valves and switches for industrial and aerospace applications, products for the marine and leisure markets, fluid handling materials such as tubing systems and connectors for various automotive and industrial markets, and specialty shock absorbers and brake friction materials for the transportation industry. The Specialty Products segment accounts for approximately 21% of the Company's sales and revenues and approximately 32% of its operating income before restructuring and other items for 1999.

DISPOSITIONS AND OTHER: This includes the operating results and assets of units other than "Discontinued Operations," including other non-core businesses and other businesses which have been sold.

CORPORATE: This primarily includes the operating results and assets of corporate headquarters.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

21. QUARTERLY RESULTS FOR 1999 AND 1998

	Three Months Ended				
	Mar. 31	June 30	Sept. 30	Dec. 31	Year
	In millions, except per share amounts; (unaudited)				
1999					
Sales and revenues	$1,091.7	$1,191.7	$1,106.4	$1,242.4	$4,632.2
Costs of sales and revenues(a)	840.9	908.5	844.2	936.6	3,530.2
Income from continuing operations(b)	42.5	63.3	54.4	72.7	232.9
Net income	42.5	63.3	54.4	72.7	232.9
Income from continuing operations per share					
-- Basic(c)	$ .46	$ .72	$ .62	$ .83	$ 2.61
-- Diluted(c)	$ .45	$ .70	$ .60	$ .80	$ 2.53
Net income per share					
-- Basic	$ .46	$ .72	$ .62	$ .83	$ 2.61
-- Diluted	$ .45	$ .70	$ .60	$ .80	$ 2.53
Common stock information					
Price range: High	$ 40.88	$ 41.50	$ 40.00	$ 36.25	$ 41.50
Low	$ 35.00	$ 34.88	$ 30.50	$ 31.38	$ 30.50
Close	$ 35.38	$ 38.13	$ 31.81	$ 33.44	$ 33.44
Dividends per share	$ .15	$ .15	$ .15	$ .15	$ .60
1998					
Sales and revenues	$1,099.2	$1,125.3	$1,048.0	$1,220.2	$4,492.7
Costs of sales and revenues(a)	848.8	850.5	798.5	935.7	3,433.5
Income (loss) from continuing operations(b)	8.0	30.2	26.9	(162.7)	(97.6)
Net income (loss)	55.6	69.3	1,588.8	(181.2)	1,532.5
Income (loss) from continuing operations per share					
-- Basic	$ .07	$ .25	$ .23	$ (1.59)	$ (.86)
-- Diluted	$ .07	$ .25	$ .23	$ (1.59)	$ (.86)
Net income (loss) per share					
-- Basic(c)	$ .47	$ .59	$ 13.82	$ (1.77)	$ 13.55
-- Diluted(c)	$ .46	$ .57	$ 13.45	$ (1.77)	$ 13.55
Common stock information					
Price range: High	$ 38.94	$ 38.44	$ 38.13	$ 40.88	$ 40.88
Low	$ 28.13	$ 32.88	$ 29.50	$ 30.69	$ 28.13
Close	$ 38.06	$ 37.38	$ 33.88	$ 39.75	$ 39.75
Dividends per share	$ .15	$ .15	$ .15	$ .15	$ .60

(a) Includes research, development, and engineering expenses.

(b) 1999 income from continuing operations includes restructuring and other special income of $2.9 after-tax. Income from continuing operations in 1998 for the quarters ended March 31, June 30 and December 31 includes restructuring and other special items of $12.3, $6.5 and $224.8, respectively, as described in Note 4.

(c) Quarterly and full year earnings per share amounts were calculated independently based on the average common shares and potentially dilutive shares applicable to each period. Because of the repurchase of common stock in the first quarter 1999 and during 1998, the sum of the four quarters does not equal the calculation for the full years 1999 and 1998.

The above table reflects the range of market prices of the Company's common stock for 1999 and 1998. The prices are as reported in the consolidated transaction reporting system of the New York Stock Exchange, the principal market in which the Company's common stock is traded, under the symbol "IIN". The Company's common stock is listed on the following exchanges: Frankfurt, London, Midwest, New York, Pacific, and Paris.

During the period from January 1, 2000 through February 29, 2000, the high and low reported market prices of the Company's common stock were $34.94 and $22.38. The Company declared dividends of $.15 per common share in the first quarter of 2000. There were approximately 38,871 holders of record of the Company's common stock on February 29, 2000.

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS
(IN MILLIONS)

	BALANCE AT JANUARY 1	CHARGED TO COSTS AND EXPENSES	TRANSLATION ADJUSTMENT	WRITE-OFF/ PAYMENTS OTHER	BALANCE AT DECEMBER 31
YEAR ENDED DECEMBER 31, 1999					
Trade Receivables -- Allowance for doubtful accounts................	$ 22.7	$ 5.0	$ (1.3)	$ (4.3)	$ 22.1
Restructuring......................	138.4	(4.6)	--	(89.1)	44.7
YEAR ENDED DECEMBER 31, 1998					
Trade Receivables -- Allowance for doubtful accounts................	$ 19.0	$ 9.5	$ 0.2	$ (6.0)	$ 22.7
Restructuring......................	22.2	185.6		(69.4)	138.4
YEAR ENDED DECEMBER 31, 1997					
Trade Receivables -- Allowance for doubtful accounts................	$ 14.6	$ 7.9	$ (0.4)	$ (3.1)	$ 19.0
Restructuring......................	--	57.0		(34.8)	22.2

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 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, AND BY THE UNDERSIGNED IN THE CAPACITY INDICATED.

ITT INDUSTRIES, INC.

By /s/ EDWARD W. WILLIAMS

EDWARD W. WILLIAMS
VICE PRESIDENT AND CORPORATE CONTROLLER
(PRINCIPAL ACCOUNTING OFFICER)

March 28, 2000

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE	TITLE	DATE
/s/ TRAVIS ENGEN TRAVIS ENGEN (PRINCIPAL EXECUTIVE OFFICER)	Chairman and Chief Executive and Director	March 14, 2000
/s/ DAVID J. ANDERSON DAVID J. ANDERSON (PRINCIPAL FINANCIAL OFFICER)	Senior Vice President and Chief Financial Officer	March 14, 2000
/s/ ROBERT A. BURNETT ROBERT A. BURNETT	Director	March 14, 2000
/s/ CURTIS J. CRAWFORD CURTIS J. CRAWFORD	Director	March 14, 2000
/s/ MICHEL DAVID-WEILL MICHEL DAVID-WEILL	Director	March 14, 2000
/s/ EDWARD C. MEYER EDWARD C. MEYER	Director	March 14, 2000
/s/ LINDA S. SANFORD LINDA S. SANFORD	Director	March 14, 2000
/s/ SIDNEY TAUREL SIDNEY TAUREL	Director	March 14, 2000

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION	LOCATION
3		
	(a) ITT Industries, Inc.'s Restated Articles of Incorporation..........	Incorporated by reference to Exhibit 3(i) to ITT Industries' Form 10-Q for the quarterly period ended June 30, 1997 (CIK No. 216228, File No. 1-5627).
	(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. 1-5627).
	(c) ITT Industries, Inc.'s By-laws, as amended............................	Filed herewith.
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.
9	Voting Trust Agreement....................	None.
10	Material contracts	
	(a) ITT Industries 1997 Long-Term Incentive Plan.....................	Incorporated by reference to Appendix II to ITT Industries' Proxy Statement dated March 26, 1997 (CIK No. 216228, File No. 1-5627).
	(b) ITT Industries 1997 Annual Incentive Plan for Executive Officers.........	Incorporated by reference to Appendix I to ITT Industries' Proxy Statement dated March 26, 1997 (CIK No. 216228, File No. 1-5627).
	(c) Form of group life insurance plan for non-employee members of the Board of Directors..........................	Incorporated by reference to exhibits to ITT Delaware's Form 10-K for the fiscal year ended December 31, 1983 (CIK No. 216228, File No. 1-5627).
	(d) ITT Industries, Inc. 1986 Incentive Stock Plan...............................	Incorporated by reference to ITT Delaware's Registration Statement on Form S-8 (Registration No. 33-5412) (CIK No. 216228, File No. 1-5627).
	(e) 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. 1-5627).
	(f) ITT Industries, Inc. Senior Executive Severance Pay Plan.................	Incorporated by reference to Exhibit 10.15 to ITT Industries' Form 8-B dated December 20, 1995 (CIK No. 216228, File No. 1-5627).

EXHIBIT NUMBER	DESCRIPTION	LOCATION
(g)	ITT Industries Special Senior Executive Severance Pay Plan........	Incorporated by reference to Exhibit 10(j) to ITT Industries' Form 10-K for the fiscal year ended December 31, 1996 (CIK No. 216228, File No. 1-5627).
(h)	1994 ITT Industries, Inc. Incentive Stock Plan..........................	Incorporated by reference to Appendix A to ITT Delaware's Proxy Statement dated March 28, 1994 (CIK No. 216228, File No. 1-5627).
(i)	ITT Industries, Inc. 1996 Restricted Stock Plan for Non-Employee Directors, as amended...............	Incorporated by reference to Exhibit 10(k) to ITT Industries' Form 10-Q for the quarterly period ended September 30, 1999.
(j)	Distribution Agreement among ITT Corporation, ITT Destinations, Inc. and ITT Hartford Group, Inc.........	Incorporated by reference to Exhibit 10.1 to ITT Industries' Form 8-B dated December 20, 1995 (CIK No. 216228, File No. 1-5627).
(k)	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. 1-5627).
(l)	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. 1-5627).
(m)	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. 1-5627).
(n)	Five-year Competitive Advance and Revolving Credit Facility Agreement dated as of November 10, 1995.......	Incorporated by reference to Exhibit 10.9 to ITT Industries' Form 8-B dated December 20, 1995 (CIK No. 216228, File No. 1-5627).
(o)	ITT Industries Enhanced Severance Pay Plan................................	Incorporated by reference to Exhibit 10(s) to ITT Industries' Form 8-K Current Report dated June 5, 1997 (CIK No. 216228, File No. 1-5627).
(p)	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 June 30, 1998 (CIK No. 216228, File No. 1-5627).

EXHIBIT NUMBER	DESCRIPTION	LOCATION
	(q) 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. 1-5627).
11	Statement re computation of per share earnings.................................	Not required to be filed.
12	Statement re computation of ratios.........	Filed herewith.
13	Annual report to security holders, Form 10-Q or quarterly report to security holders..................................	Not required to be filed.
16	Letter re change in certifying accountant.................................	None.
18	Letter re change in accounting principles.................................	None.
21	Subsidiaries of the Registrant............	Filed herewith.
22	Published report regarding matters submitted to vote of security holders....	Not required to be filed.
23	Consent of Arthur Andersen LLP............	Filed herewith.
24	Power of attorney.........................	None.
27	Financial data schedule....................	Filed herewith.
99	Additional exhibits........................	None.

EXHIBIT 3 (C)

[ITT INDUSTRIES LOGO]

BY-LAWS

BY-LAWS

OF

ITT INDUSTRIES, INC.

1. SHAREHOLDERS.

1.1 Place of Shareholders' Meetings. All meetings of the shareholders of the Corporation shall be held at such place or places, within or outside the state of Indiana, as may be fixed by the Corporation's Board of Directors (the "Board", and each member thereof a "Director") from time to time or as shall be specified in the respective notices thereof.

1.2 Day and Time of Annual Meetings of Shareholders. An annual meeting of shareholders shall be held at such place (within or outside the state of Indiana), date and hour as shall be determined by the Board and designated in the notice thereof. Failure to hold an annual meeting of shareholders at such designated time shall not affect otherwise valid corporate acts or work a forfeiture or dissolution of the Corporation.

1.3 Purposes of Annual Meetings. (a) At each annual meeting, the shareholders shall elect the members of the Board for the succeeding term. At any such annual meeting any business properly brought before the meeting may be transacted.

(b) To be properly brought before an annual meeting, business must be (i) specified in the notice of the meeting (or any supplement thereto) given by or at the direction of the Board, (ii) otherwise properly brought before the meeting by or at the direction of the Board or (iii) otherwise properly brought before the meeting by a shareholder. For business to be properly brought before an annual meeting by a shareholder, the shareholder must have given written notice thereof, either by personal delivery or by United States mail, postage prepaid, to the Secretary, received at the principal executive offices of the Corporation, not less than 120 calendar days prior to the date of the Corporation's proxy statement released to shareholders in connection with the previous year's annual meeting; provided, however, that in the event that no annual meeting was held in the previous year or the date of the annual meeting was changed by more than 30 days from the anniversary date of the previous year's annual meeting, notice by the shareholder must be so received not later than 120 calendar days prior to such annual meeting or 10 calendar days following the date on which public announcement of the date of the meeting is first made. Any such notice shall set forth as to each matter the shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting and, in the event that such business includes a proposal to amend either the Articles of Incorporation or By-laws of the Corporation, the language of the proposed amendment, (ii) the name and address of the shareholder proposing such business, (iii) a representation that the shareholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business, (iv) any material interest of the shareholder in such business and (v) if the shareholder intends to solicit proxies in support of such shareholder's proposal, a representation to that effect. The foregoing notice requirements shall be deemed satisfied by a shareholder if the shareholder has notified the Corporation of his or her intention to present a proposal at an annual meeting and such shareholder's proposal has been included in a proxy statement that has been prepared by management of the Corporation to solicit proxies for such annual meeting; provided, however, that, if such shareholder does not appear or send a qualified representative to present such proposal at such annual meeting, the Corporation need not present such proposal for a vote at such meeting, notwithstanding that proxies in respect of such vote may have been received by the Corporation. No business shall be conducted at an annual meeting of shareholders except in accordance with this Section 1.3(b), and the chairman of any annual meeting of shareholders may refuse to permit any business to be brought before an annual meeting without compliance with the foregoing procedures or if the shareholder solicits proxies in support of such shareholder's proposal without such shareholder having made the representation required by clause (v) of the preceding sentence.

1.4 Special Meetings of Shareholders. Except as otherwise expressly required by applicable law, special meetings of the shareholders or of any class or series entitled to vote may be called for any purpose or purposes by the Chairman or by a majority vote of the entire Board, to be held at such place (within or outside the state of Indiana), date and hour as shall be determined by the Board and designated in the notice thereof. Only such business as is specified in the notice of any special meeting of the shareholders shall come before such meeting.

1.5 Notice of Meetings of Shareholders. Except as otherwise expressly required or permitted by applicable law, not less than ten days nor more than sixty days before the date of every shareholders' meeting the Secretary shall give to each shareholder of record entitled to vote at such meeting written notice stating the place, day and time of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Except as provided in Section 1.6(d) or as otherwise expressly required by applicable law, notice of any adjourned meeting of shareholders need not be given if the time and place thereof are announced at the meeting at which the adjournment is taken. Any notice, if mailed, shall be deemed to be given when deposited in the United States mail, postage prepaid, addressed to the shareholder at the address for notices to such shareholder as it appears on the records of the Corporation.

1.6 Quorum of Shareholders. (a) Unless otherwise expressly required by applicable law, at any meeting of the shareholders, the presence in person or by proxy of shareholders entitled to cast a majority of votes thereat shall constitute a quorum. Shares of the Corporation's stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in an election of the directors of such other corporation is held by the Corporation, shall neither be counted for the purpose of determining the presence of a quorum nor entitled to vote at any meeting of the shareholders.

(b) At any meeting of the shareholders at which a quorum shall be present, a majority of those present in person or by proxy may adjourn the meeting from time to time without notice other than announcement at the meeting. In the absence of a quorum, the officer presiding thereat shall have power to adjourn the meeting from time to time until a quorum shall be present. Notice of any adjourned meeting other than announcement at the meeting shall not be required to be given, except as provided in Section 1.6(d) below and except where expressly required by applicable law.

(c) At any adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting originally called, but only those shareholders entitled to vote at the meeting as originally noticed shall be entitled to vote at any adjournment or adjournments thereof unless a new record date is fixed by the Board.

(d) If a new date, time and place of an adjourned meeting is not announced at the original meeting before adjournment, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given in the manner specified in Section 1.5 to each shareholder of record entitled to vote at the meeting.

1.7 Chairman and Secretary of Meeting. The Chairman or, in his or her absence, another officer of the Corporation designated by the Chairman, shall preside at meetings of the shareholders. The Secretary shall act as secretary of the meeting, or in the absence of the Secretary, an Assistant Secretary shall so act, or if neither is present, then the presiding officer may appoint a person to act as secretary of the meeting.

1.8 Voting by Shareholders. (a) Except as otherwise expressly required by applicable law, at every meeting of the shareholders each shareholder shall be entitled to the number of votes specified in the Articles of Incorporation, in person or by proxy, for each share of stock standing in his or her name on the books of the Corporation on the date fixed pursuant to the provisions of Section 5.6 of these By-laws as the record date for the determination of the shareholders who shall be entitled to receive notice of and to vote at such meeting.

(b) When a quorum is present at any meeting of the shareholders, action on a matter (other than the election of directors) by a voting group is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless express provision of law or the Articles of Incorporation require a greater number of affirmative votes.

(c) Except as required by applicable law, the vote at any meeting of shareholders on any question need not be by ballot, unless so directed by the chairman of the meeting. On a vote by ballot, each ballot shall be signed by the shareholder voting, or by his or her proxy, if there be such proxy, and shall state the number of shares voted.

1.9 Proxies. Any shareholder entitled to vote at any meeting of shareholders may vote either in person or by proxy. A shareholder may authorize a person or persons to act for the shareholder as proxy by (i) the shareholder or the shareholder's designated officer, director, employee or agent executing a writing by signing it or by causing the shareholder's signature or the signature of the designated officer, director, employee or agent of the shareholder to be affixed to the writing by any reasonable means, including by facsimile signature; (ii) the shareholder transmitting or authorizing the transmission of an electronic submission which may be by any electronic means, including data and voice telephonic communications and computer network to (a) the person who will be the holder of the proxy; (b) a proxy solicitation firm; or (c) a proxy support service organization or similar agency authorized by the person who will be the holder of the proxy to receive the electronic submission, which electronic submission must either contain or be accompanied by information from which it can be determined that the electronic submission was transmitted by or authorized by the shareholder; or (iii) any other method allowed by law.

1.10 Inspectors. (a) The election of Directors and any other vote by ballot at any meeting of the shareholders shall be supervised by at least two inspectors. Such inspectors may be appointed by the Chairman before or at the meeting. If the Chairman shall not have so appointed such inspectors or if one or both inspectors so appointed shall refuse to serve or shall not be present, such appointment shall be made by the officer presiding at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability.

(b) The inspectors shall (i) ascertain the number of shares of the Corporation outstanding and the voting power of each, (ii) determine the shares represented at any meeting of shareholders and the validity of the proxies and ballots, (iii) count all proxies and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares represented at the meeting, and their count of all proxies and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of their duties.

1.11 List of Shareholders. (a) At least five business days before every meeting of shareholders, the Corporation shall cause to be prepared and made a complete list of the shareholders entitled to vote at the meeting, arranged in alphabetical order by voting group, if any, and showing the address of each shareholder and the number of shares registered in the name of each shareholder.

(b) During ordinary business hours for a period of at least five business days prior to the meeting, such list shall be open to examination by any shareholder for any purpose germane to the meeting, either at the Corporation's principal office or a place identified in the meeting notice in the city where the meeting will be held.

(c) The list shall also be produced and kept at the time and place of the meeting, and it may be inspected during the meeting by any shareholder or the shareholder's agent or attorney authorized in writing.

(d) The stock ledger shall be the only evidence as to who are the shareholders entitled to examine the stock ledger, the list required by this Section 1.11 or the books of the Corporation, or to vote in person or by proxy at any meeting of shareholders.

1.12 Confidential Voting. (a) Proxies and ballots that identify the votes of specific shareholders shall be kept in confidence by the tabulators and the inspectors of election unless (i) there is an opposing solicitation with respect to the election or removal of Directors, (ii) disclosure is required by applicable law, (iii) a shareholder expressly requests or otherwise authorizes disclosure, or (iv) the Corporation concludes in good faith that a bona fide dispute exists as to the authenticity of one or more proxies, ballots or votes, or as to the accuracy of any tabulation of such proxies, ballots or votes.

(b) The tabulators and inspectors of election and any authorized agents or other persons engaged in the receipt, count and tabulation of proxies and ballots shall be advised of this By-law and instructed to comply herewith.

(c) The inspectors of election shall certify, to the best of their knowledge based on due inquiry, that proxies and ballots have been kept in confidence as required by this Section 1.12.

2. DIRECTORS.

2.1 Powers of Directors. The business and affairs of the Corporation shall be managed by or under the direction of the Board, which may exercise all the powers of the Corporation except such as are by applicable law, the Articles of Incorporation or these By-laws required to be exercised or performed by the shareholders.

2.2 Number, Method of Election, Terms of Office of Directors. The number of Directors which shall constitute the whole Board shall be such as from time to time shall be determined by resolution adopted by a majority of the entire Board, but the number shall not be less than three nor more than twenty-five, provided that the tenure of a Director shall not be affected by any decrease in the number of Directors so made by the Board. Each Director shall hold office until the next annual meeting of shareholders and until his or her successor is elected and qualified or until his or her earlier death, retirement, resignation or removal. Directors need not be shareholders of the Corporation or citizens of the United States of America.

Nominations of persons for election as Directors may be made by the Board or by any shareholder who is a shareholder of record at the time of giving of the notice of nomination provided for in this Section 2.2 and who is entitled to vote for the election of Directors. Any shareholder of record entitled to vote for the election of Directors at a meeting may nominate a person or persons for election as Directors only if written notice of such shareholder's intent to make such nomination is given in accordance with the procedures for bringing business before the meeting set forth in Section 1.3(b) of these By-Laws, either by personal delivery or by United States mail, postage prepaid, to the Secretary, received at the principal executive offices of the Corporation, not later than (i) with respect to an election to be held at an annual meeting of shareholders, not less than 120 calendar days prior to the date of the Corporation's proxy statement released to shareholders in connection with the previous year's annual meeting; provided, however, that in the event that no annual meeting was held in the previous year or the date of the annual meeting was changed by more than 30 days from the anniversary date of the previous year's annual meeting, notice by the shareholder must be so received not later than 120 calendar days prior to such annual meeting or 10 calendar days following the date on which public announcement of the date of the meeting is first made, and (ii) with respect to an election to be held at a special meeting of shareholders for the election of Directors, not later than 120 calendar days prior to such special meeting or 10 calendar days following the date on which public announcement of the date of the special meeting is first made and of the nominees to be elected at such meeting. Each such notice shall set forth: (a) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the shareholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (d) such other information regarding each nominee proposed by such shareholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had each nominee been nominated, or intended to be nominated, by the Board; (e) the consent of each nominee to serve as a Director if so elected and (f) if the shareholder intends to solicit proxies in support of such shareholder's nominee(s), a representation to that effect. The chairman of any meeting of shareholders to elect Directors and the Board may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure or if the shareholder solicits proxies in support of such shareholder's nominee(s) without such shareholder having made the representation required by (f) of the preceding sentence.

At each meeting of the shareholders for the election of Directors at which a quorum is present, the persons receiving the greatest number of votes, up to the number of Directors to be elected, shall be the Directors.

2.3 Vacancies on Board. (a) Any Director may resign from office at any time by delivering a written resignation to the Chairman or the Secretary. The resignation will take effect at the time specified therein, or, if no time is specified, at the time of its receipt by the Corporation. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

(b) Any vacancy and any newly created Directorship resulting from any increase in the authorized number of Directors may be filled by vote of a majority of the Directors then in office, though less than a quorum, and any Director so chosen shall hold office until the next annual election of Directors by the shareholders and until a successor is duly elected and qualified or until his or her earlier death, retirement, resignation or removal. If there are no Directors in office, then an election of Directors may be held in the manner provided by applicable law.

2.4 Meetings of the Board. (a) The Board may hold its meetings, both regular and special, either within or outside the state of Indiana, at such places as from time to time may be determined by the Board or as may be designated in the respective notices or waivers of notice thereof.

(b) Regular meetings of the Board shall be held at such times and at such places as from time to time shall be determined by the Board.

(c) The first meeting of each newly elected Board shall be held as soon as practicable after the annual meeting of the shareholders and shall be for the election of officers and the transaction of such other business as may come before it.

(d) Special meetings of the Board shall be held whenever called by direction of the Chairman or at the request of Directors constituting one-third of the number of Directors then in office.

(e) Members of the Board or any Committee of the Board may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at such meeting.

(f) The Secretary shall give notice to each Director of any meeting of the Board by mailing the same at least two days before the meeting or by telegraphing or delivering the same not later than the day before the meeting. Such notice need not include a statement of the business to be transacted at, or the purpose of, any such meeting. Any and all business may be transacted at any meeting of the Board. No notice of any adjourned meeting need be given. No notice to or waiver by any Director shall be required with respect to any meeting at which the Director is present.

2.5 Quorum and Action. Except as otherwise expressly required by applicable law, the Articles of Incorporation or these By-laws, at any meeting of the Board, the presence of at least one-third of the entire Board shall constitute a quorum for the transaction of business; but if there shall be less than a quorum at any meeting of the Board, a majority of those present may adjourn the meeting from time to time. Unless otherwise provided by applicable law, the Articles of Incorporation or these By-laws, the vote of a majority of the Directors present (and not abstaining) at any meeting at which a quorum is present shall be necessary for the approval and adoption of any resolution or the approval of any act of the Board.

2.6 Presiding Officer and Secretary of Meeting. The Chairman or, in the absence of the Chairman, a member of the Board selected by the members present, shall preside at meetings of the Board. The Secretary shall act as secretary of the meeting, but in the Secretary's absence the presiding officer may appoint a secretary of the meeting.

2.7 Action by Consent without Meeting. Any action required or permitted to be taken at any meeting of the Board or of any Committee thereof may be taken without a meeting if all members of the Board or Committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of their proceedings.

2.8 Standing Committees. By resolution adopted by a majority of the entire Board, the Board shall elect, from among its members, individuals to serve on the Standing Committees established by this Section 2.8. Each Standing Committee shall be comprised of such number of Directors, not less than three, as shall be elected to such Committee. Each Committee shall keep a record of all its proceedings and report the same to the Board. One-third of the members of a Committee, but not less than two, shall constitute a quorum, and the act of a majority of the members of a Committee present at any meeting at which a quorum is present shall be the act of the Committee. Each Standing Committee shall meet at the call of its chairman or any two of its members. The chairmen of the various Committees shall preside, when present, at all meetings of such Committees, and shall have such powers and perform such duties as the Board may from time to time prescribe. The Standing Committees of the Board, and functions of each, are as follows:

(a) Compensation and Personnel Committee. The Compensation and Personnel Committee shall exercise the power of oversight of the compensation and benefits of the employees of the Corporation, and shall be charged with evaluating management performance, and establishing executive compensation. This Committee shall have access to its own independent outside compensation counsel and shall consist of a majority of independent directors. For purposes of this Section 2.8(a), "independent director" shall mean a Director who: (i) has not been employed by the Corporation in an executive capacity within the past five years; (ii) is not, and is not affiliated with a company or firm that is, an advisor or consultant to the Corporation; (iii) is not affiliated with a significant customer or supplier of the Corporation; (iv) has no personal services contract(s) with the Corporation; (v) is not affiliated with a tax-exempt entity that receives significant contributions from the Corporation; and (vi) is not a familial relative of any person described by Clauses (i) through (v). This By-law shall not be amended or repealed except by a majority of the voting power of the shareholders present in person or by proxy and entitled to vote at any meeting at which a quorum is present.

(b) Audit Committee. The Audit Committee and the Board shall be the bodies to whom the independent auditors of the Corporation shall be ultimately accountable and shall have ultimate authority and responsibility to select, evaluate and, where appropriate, replace the independent auditors (or to nominate the independent auditors to be proposed for shareholder approval). The Audit Committee shall be responsible for assessing the objectivity and independence of said auditors; confirming the scope of audits to be performed by said auditors; reviewing audit results, internal accounting and control procedures and policies, fees paid to said auditors, and expense accounts of senior executives; reviewing and recommending approval of the audited financial statements of the Corporation and the annual reports to shareholders; and otherwise complying with the responsibilities and obligations of the Securities and Exchange Commission and the New York Stock Exchange applicable from time to time to audit committees. The Audit Committee shall consist entirely of "independent directors" as provided for in Section 2.12 of these By-Laws and shall be in compliance with the requirements of the Securities and Exchange Commission and the New York Stock Exchange applicable from time to time to audit committee members.

(c) Capital Committee. The Capital Committee shall have the responsibility for maximizing the effective use of the assets of the Corporation and its subsidiaries and reviewing capital expenditures and appropriations.

(d) Corporate Responsibility Committee. The Corporate Responsibility Committee shall review and define social responsibilities and shall review and consider major claims and litigation and legal, regulatory, intellectual property and related governmental policy matters affecting the Corporation and its subsidiaries. The Corporate Responsibility Committee shall also review and approve management policies and programs relating to compliance with legal and regulatory requirements and business ethics.

(e) Nominating and Governance Committee. The Nominating and Governance Committee shall consider and make recommendations as to the composition, structure, organization and future requirements of the Board and Committees thereof and as to other corporate governance issues relating to the Corporation; administer the Board evaluation process; propose nominees for election to the Board and Committees thereof; consider shareholder nominees for election to the Board; and consider matters concerning the qualifications, compensation and retirement of Directors. The Nominating and Governance Committee shall consist entirely of "independent directors" as provided for in Section 2.12 of these By-Laws.

2.9 Other Committees. By resolution passed by a majority of the entire Board, the Board may also appoint from among its members such other Committees, Standing or otherwise, as it may from time to time deem desirable and may delegate to such Committees such powers of the Board as it may consider appropriate, consistent with applicable law, the Articles of Incorporation and these By-laws.

2.10 Limitations on Committees. (a) Notwithstanding any other provision of these By-laws, and except as otherwise expressly required by applicable law, no Standing Committee created by Section 2.8, nor any other committee hereafter established, may:

(1) authorize dividends or other distributions, except a committee may authorize or approve a reacquisition of shares if done according to a formula or method prescribed by the Board of Directors;

(2) approve or propose to shareholders action that is required to be approved by shareholders;

(3) fill vacancies on the Board of Directors or on any of its committees;

(4) except as permitted under Section 2.10(a)(7) below, amend the Corporation's Articles of Incorporation under IC 23-1-38-2;

(5) adopt, amend, repeal or waive provisions of these By-laws;

(6) approve a plan of merger not requiring shareholder approval; or

(7) authorize or approve the issuance or sale or a contract for sale of shares, or determine the designation and relative rights, preferences, and limitations of a class or series of shares, except the Board of Directors may authorize a committee (or an executive officer of the Corporation designated by the Board of Directors) to take action described in this Section 2.10(a)(7) within limits prescribed by the Board of Directors.

(b) Except to the extent inconsistent with the resolutions creating a Standing Committee, Sections 2.2 to 2.7 and Section 10 of these By-laws, which govern meetings, action without meetings, notice and waiver of notice, quorum and voting requirements and telephone participation in meetings of the Board of Directors, apply to each committee and its members as well.

2.11 Compensation of Directors. Unless otherwise restricted by the Articles of Incorporation or these By-laws, Directors shall receive for their services on the Board or any Committee thereof such compensation and benefits, including the granting of options, together with expenses, if any, as the Board may from time to time determine. The Directors may be paid a fixed sum for attendance at each meeting of the Board or Committee thereof and/or a stated annual sum as a Director, together with expenses, if any, of attendance at each meeting of the Board or Committee thereof. Nothing herein contained shall be construed to preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

2.12 Independent Directors. (a) Independence of Nominees for Election as Directors at the Annual Meeting. The persons nominated by the Board for election as Directors at any annual meeting of the shareholders of the Corporation shall include a sufficient number of persons who have been, on the date of their nomination, determined by the Board to be eligible to be classified as independent directors such that if all such nominees are elected, the majority of all Directors holding office would be independent directors.

(b) Directors Elected to Fill Vacancies on the Board. If the Board elects Directors between annual meetings of shareholders to fill vacancies or newly created Directorships, the majority of all Directors holding office immediately after such elections shall be independent directors.

(c) Definition of Independent Director. For purposes of this Section 2.12, "independent director" shall mean a Director who: (i) has not been employed by the Corporation in an executive capacity within the past five years; (ii) is not, and is not affiliated with a company or a firm that is, an adviser or consultant to the Corporation; (iii) is not affiliated with a significant customer or supplier of the Corporation; (iv) has no personal services contract(s) with the Corporation; (v) is not affiliated with a tax-exempt entity that receives significant contributions from the Corporation; (vi) is not a familial relative of any person described by Clauses (i) through (v); and (vii) is free of any other relationship which would interfere with the exercise of independent judgment by such Director.

3. OFFICERS.

3.1 Officers, Titles, Elections, Terms. (a) The Board may from time to time elect a Chairman, a Vice Chairman, a President, one or more Executive Vice Presidents, one or more Senior Vice Presidents, one or more Vice Presidents, a Chief Financial Officer, a Controller, a Treasurer, a Secretary, a General Counsel, one or more Assistant Controllers, one or more Assistant Treasurers, one or more Assistant Secretaries, and one or more Associate or Assistant General Counsels, to serve at the pleasure of the Board or otherwise as shall be specified by the Board at the time of such election and until their successors are elected and qualified or until their earlier death, retirement, resignation or removal.

(b) The Board may elect or appoint at any time such other officers or agents with such duties as it may deem necessary or desirable. Such other officers or agents shall serve at the pleasure of the Board or otherwise as shall be specified by the Board at the time of such election or appointment and, in the case of such other officers, until their successors are elected and qualified or until their earlier death, retirement, resignation or removal. Each such officer or agent shall have such authority and shall perform such duties as may be provided herein or as the Board may prescribe. The Board may from time to time authorize any officer or agent to appoint and remove any other such officer or agent and to prescribe such person's authority and duties.

(c) No person may be elected or appointed an officer who is not a citizen of the United States of America if such election or appointment is prohibited by applicable law or regulation.

(d) Any vacancy in any office may be filled for the unexpired portion of the term by the Board. Each officer elected or appointed during the year shall hold office until the next annual meeting of the Board at which officers are regularly elected or appointed and until his or her successor is elected or appointed and qualified or until his or her earlier death, retirement, resignation or removal.

(e) Any officer or agent elected or appointed by the Board may be removed at any time by the affirmative vote of a majority of the entire Board.

(f) Any officer may resign from office at any time. Such resignation shall be made in writing and given to the President or the Secretary. Any such resignation shall take effect at the time specified therein, or, if no time is specified, at the time of its receipt by the Corporation. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

3.2 General Powers of Officers. Except as may be otherwise provided by applicable law or in Article 6 or Article 7 of these By-laws, the Chairman, any Vice Chairman, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Chief Financial Officer, the General Counsel, the Controller, the Treasurer and the Secretary, or any of them, may (i) execute and deliver in the name of the Corporation, in the name of any Division of the Corporation or in both names any agreement, contract, instrument, power of attorney or other document pertaining to the business or affairs of the Corporation or any Division of the Corporation, including without limitation agreements or contracts with any government or governmental department, agency or instrumentality, and (ii) delegate to any employee or agent the power to execute and deliver any such agreement, contract, instrument, power of attorney or other document.

3.3 Powers and Duties of the Chairman. The Chairman shall be the Chief Executive of the Corporation and shall report directly to the Board. Except in such instances as the Board may confer powers in particular transactions upon any other officer, and subject to the control and direction of the Board, the Chairman shall manage and direct the business and affairs of the Corporation and shall communicate to the Board and any Committee thereof reports, proposals and recommendations for their respective consideration or action. He or she may do and perform all acts on behalf of the Corporation and shall preside at meetings of the Board and the shareholders.

3.4 Powers and Duties of a Vice Chairman. A Vice Chairman shall have such powers and perform such duties as the Board or the Chairman may from time to time prescribe or as may be prescribed in these By-laws.

3.5 Powers and Duties of the President. The President shall have such powers and perform such duties as the Board or the Chairman may from time to time prescribe or as may be prescribed in these By-laws.

3.6 Powers and Duties of Executive Vice Presidents, Senior Vice Presidents and Vice Presidents. Executive Vice Presidents, Senior Vice Presidents and Vice Presidents shall have such powers and perform such duties as the Board or the Chairman may from time to time prescribe or as may be prescribed in these By-laws.

3.7 Powers and Duties of the Chief Financial Officer. The Chief Financial Officer shall have such powers and perform such duties as the Board, the Chairman or any Vice Chairman may from time to time prescribe or as may be prescribed in these By-laws. The Chief Financial Officer shall cause to be prepared and maintained (i) a stock ledger containing the names and addresses of all shareholders and the number of shares of each class and series held by each and (ii) the list of shareholders for each meeting of the shareholders as required by Section 1.11 of these By-laws. The Chief Financial Officer shall be responsible for the custody of all stock books and of all unissued stock certificates.

3.8 Powers and Duties of the Controller and Assistant Controllers. (a) The Controller shall be responsible for the maintenance of adequate accounting records of all assets, liabilities, capital and transactions of the Corporation. The Controller shall prepare and render such balance sheets, income statements, budgets and other financial statements and reports as the Board or the Chairman may require, and shall perform such other duties as may be prescribed or assigned pursuant to these By-laws and all other acts incident to the position of Controller.

(b) Each Assistant Controller shall perform such duties as from time to time may be assigned by the Controller or by the Board. In the event of the absence, incapacity or inability to act of the Controller, then any Assistant Controller may perform any of the duties and may exercise any of the powers of the Controller.

3.9 Powers and Duties of the Treasurer and Assistant Treasurers. (a) The Treasurer shall have the care and custody of all the funds and securities of the Corporation except as may be otherwise ordered by the Board, and shall cause such funds (i) to be invested or reinvested from time to time for the benefit of the Corporation as may be designated by the Board, the Chairman, any Vice Chairman, the President, the Chief Financial Officer or the Treasurer or (ii) to be deposited to the credit of the Corporation in such banks or depositories as may be designated by the Board, the Chairman, any Vice Chairman, the President, the Chief Financial Officer or the Treasurer, and shall cause such securities to be placed in safekeeping in such manner as may be designated by the Board, the Chairman, any Vice Chairman, the President, the Chief Financial Officer or the Treasurer.

(b) The Treasurer, any Assistant Treasurer or such other person or persons as may be designated for such purpose by the Board, the Chairman, any Vice Chairman, the President, the Chief Financial Officer or the Treasurer may endorse in the name and on behalf of the Corporation all instruments for the payment of money, bills of lading, warehouse receipts, insurance policies and other commercial documents requiring such endorsement.

(c) The Treasurer, any Assistant Treasurer or such other person or persons as may be designated for such purpose by the Board, the Chairman, any Vice Chairman, the President, the Chief

Financial Officer or the Treasurer (i) may sign all receipts and vouchers for payments made to the Corporation, (ii) shall render a statement of the cash account of the Corporation to the Board as often as it shall require the same; and (iii) shall enter regularly in books to be kept for that purpose full and accurate account of all moneys received and paid on account of the Corporation and of all securities received and delivered by the Corporation.

(d) The Treasurer shall perform such other duties as may be prescribed or assigned pursuant to these By-laws and all other acts incident to the position of Treasurer. Each Assistant Treasurer shall perform such duties as may from time to time be assigned by the Treasurer or by the Board. In the event of the absence, incapacity or inability to act of the Treasurer, then any Assistant Treasurer may perform any of the duties and may exercise any of the powers of the Treasurer.

3.10 Powers and Duties of the Secretary and Assistant Secretaries. (a) The Secretary shall keep the minutes of all proceedings of the shareholders, the Board and the Committees of the Board. The Secretary shall attend to the giving and serving of all notices of the Corporation, in accordance with the provisions of these By-laws and as required by applicable law. The Secretary shall be the custodian of the seal of the Corporation. The Secretary shall affix or cause to be affixed the seal of the Corporation to such contracts, instruments and other documents requiring the seal of the Corporation, and when so affixed may attest the same and shall perform such other duties as may be prescribed or assigned pursuant to these By-laws and all other acts incident to the position of Secretary.

(b) Each Assistant Secretary shall perform such duties as may from time to time be assigned by the Secretary or by the Board. In the event of the absence, incapacity or inability to act of the Secretary, then any Assistant Secretary may perform any of the duties and may exercise any of the powers of the Secretary.

4. INDEMNIFICATION.

4.1(a) Right to Indemnification. The Corporation, to the fullest extent permitted by applicable law as then in effect, shall indemnify any person who is or was a Director or officer of the Corporation and who is or was involved in any manner (including, without limitation, as a party or a witness) or is threatened to be made so involved in any threatened, pending or completed investigation, claim, action, suit or proceeding, whether civil, criminal, administrative or investigative (including, without limitation, any action, suit or proceeding by or in the right of the Corporation to procure a judgment in its favor) (a "Proceeding") by reason of the fact that such person is or was a Director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee, fiduciary or agent of another corporation, partnership, joint venture, trust or other enterprise (including, without limitation, any employee benefit plan) (a "Covered Entity"), against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such Proceeding; provided, however, that the foregoing shall not apply to a Director or officer of the Corporation with respect to a Proceeding that was commenced by such Director or officer prior to a Change in Control (as defined in Section 4.4(e)(i) of this Article 4). Any Director or officer of the Corporation entitled to indemnification as provided in this Section 4.1(a) is hereinafter called an "Indemnitee". Any right of an Indemnitee to indemnification shall be a contract right and shall include the right to receive, prior to the conclusion of any Proceeding, payment of any expenses incurred by the Indemnitee in connection with such Proceeding, consistent with the provisions of applicable law as then in effect and the other provisions of this Article 4.

(b) Effect of Amendments. Neither the amendment or repeal of, nor the adoption of a provision inconsistent with, any provision of this Article 4 (including, without limitation, this Section 4.1(b)) shall adversely affect the rights of any Director or officer under this Article 4 (i) with respect to any Proceeding commenced or threatened prior to such amendment, repeal or adoption of an inconsistent provision or (ii) after the occurrence of a Change in Control, with respect to any Proceeding arising out of any action or omission occurring prior to such amendment, repeal or adoption of an inconsistent provision, in either case without the written consent of such Director or officer.

4.2 Insurance, Contracts and Funding. The Corporation may purchase and maintain insurance to protect itself and any indemnified person against any expenses, judgments, fines and amounts paid in settlement as specified in Section 4.1(a) or Section 4.5 of this Article 4 or incurred by any indemnified person in connection with any Proceeding referred to in such Sections, to the fullest extent permitted by applicable law as then in effect. The Corporation may enter into contracts with any Director, officer, employee or agent of the Corporation or any director, officer, employee, fiduciary or agent of any Covered Entity in furtherance of the provisions of this Article 4 and may create a trust fund or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Article 4.

4.3 Indemnification; Not Exclusive Right. The right of indemnification provided in this Article 4 shall not be exclusive of any other rights to which any indemnified person may otherwise be entitled, and the provisions of this Article 4 shall inure to the benefit of the heirs and legal representatives of any indemnified person under this Article 4 and shall be applicable to Proceedings commenced or continuing after the adoption of this Article 4, whether arising from acts or omissions occurring before or after such adoption.

4.4 Advancement of Expenses; Procedures; Presumptions and Effect of Certain Proceedings; Remedies. In furtherance, but not in limitation, of the foregoing provisions, the following procedures, presumptions and remedies shall apply with respect to the advancement of expenses and the right to indemnification under this Article 4:

(a) Advancement of Expenses. All reasonable expenses incurred by or on behalf of the Indemnitee in connection with any Proceeding shall be advanced to the Indemnitee by the Corporation within 20 days after the receipt by the Corporation of a statement or statements from the Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Any such statement or statements shall reasonably evidence the expenses incurred by the Indemnitee and shall include any written affirmation or undertaking required by applicable law in effect at the time of such advance.

(b) Procedures for Determination of Entitlement to Indemnification. (i) To obtain indemnification under this Article 4, an Indemnitee shall submit to the Secretary of the Corporation a written request, including such documentation and information as is reasonably available to the Indemnitee and reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification (the "Supporting Documentation"). The determination of the Indemnitee's entitlement to indemnification shall be made not later than 60 days after receipt by the Corporation of the written request for indemnification together with the Supporting Documentation. The Secretary of the Corporation shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that the Indemnitee has requested indemnification.

(ii) The Indemnitee's entitlement to indemnification under this Article 4 shall be determined in one of the following ways: (A) by a majority vote of the Disinterested Directors (as hereinafter defined), if they constitute a quorum of the Board; (B) by a written opinion of Independent Counsel as hereinafter defined) if (x) a Change in Control (as hereinafter defined) shall have occurred and the Indemnitee so requests or (y) a quorum of the Board consisting of Disinterested Directors is not obtainable or, even if obtainable, a majority of such Disinterested Directors so directs; (C) by the shareholders of the Corporation (but only if a majority of the Disinterested Directors, if they constitute a quorum of the Board, presents the issue of entitlement to indemnification to the shareholders for their determination); or (D) as provided in Section 4.4(c) of this Article 4.

(iii) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 4.4(b)(ii), a majority of the Disinterested Directors shall select the Independent Counsel, but only an Independent Counsel to which the Indemnitee does not reasonably object; provided, however, that if a Change in Control shall have occurred, the Indemnitee shall select such Independent Counsel, but only an Independent Counsel to which a majority of the Disinterested Directors does not reasonably object.

(c) Presumptions and Effect of Certain Proceedings. Except as otherwise expressly provided in this Article 4, if a Change in Control shall have occurred, the Indemnitee shall be presumed to be entitled to indemnification under this Article 4 (with respect to actions or failures to act occurring prior to such Change in Control) upon submission of a request for indemnification together with the Supporting Documentation in accordance with Section 4.4(b) of this Article 4, and thereafter the Corporation shall have the burden of proof to overcome that presumption in reaching a contrary determination. In any event, if the person or persons empowered under Section 4.4(b) of this Article 4 to determine entitlement to indemnification shall not have been appointed or shall not have made a determination within 60 days after receipt by the Corporation of the request therefor together with the Supporting Documentation, the Indemnitee shall be deemed to be, and shall be, entitled to indemnification unless (A) the Indemnitee misrepresented or failed to disclose a material fact in making the request for indemnification or in the Supporting Documentation or (B) such indemnification is prohibited by law. The termination of any Proceeding described in Section 4.1 of this Article 4, or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, adversely affect the right of the Indemnitee to indemnification or create a presumption that the Indemnitee did not act in good faith and in a manner which the Indemnitee reasonably believed to be in or not opposed to the best interests of the Corporation or, with respect to any criminal Proceeding, that the Indemnitee had reasonable cause to believe that his or her conduct was unlawful.

(d) Remedies of Indemnitee. (i) In the event that a determination is made pursuant to Section 4.4(b) of this Article 4 that the Indemnitee is not entitled to indemnification under this Article 4, (A) the Indemnitee shall be entitled to seek an adjudication of his or her entitlement to such indemnification either, at the Indemnitee's sole option, in (x) an appropriate court of the state of Indiana or any other court of competent jurisdiction or (y) an arbitration to be conducted by a single arbitrator pursuant to the rules of the American Arbitration Association; (B) any such judicial proceeding or arbitration shall be de novo and the Indemnitee shall not be prejudiced by reason of such adverse determination; and (C) if a Change in Control shall have occurred, in any such judicial proceeding or arbitration the Corporation shall have the burden of proving that the Indemnitee is not entitled to indemnification under this Article 4 (with respect to actions or failures to act occurring prior to such Change in Control).

(ii) If a determination shall have been made or deemed to have been made, pursuant to Section 4.4(b) or (c) of this Article 4, that the Indemnitee is entitled to indemnification, the Corporation shall be obligated to pay the amounts constituting such indemnification within five days after such determination has been made or deemed to have been made and shall be conclusively bound by such determination unless (A) the Indemnitee misrepresented or failed to disclose a material fact in making the request for indemnification or in the Supporting Documentation or (B) such indemnification is prohibited by law. In the event that (x) advancement of expenses is not timely made pursuant to Section 4.4(a) of this Article 4 or (y) payment of indemnification is not made within five days after a determination of entitlement to indemnification has been made or deemed to have been made pursuant to Section 4.4(b) or (c) of this Article 4, the Indemnitee shall be entitled to seek judicial enforcement of the Corporation's obligation to pay to the Indemnitee such advancement of expenses or indemnification. Notwithstanding the foregoing, the Corporation may bring an action, in an appropriate court in the state of Indiana or any other court of competent jurisdiction, contesting the right of the Indemnitee to receive indemnification hereunder due to the occurrence of an event described in Subclause (A) or (B) of this Clause (ii) (a "Disqualifying Event"); provided, however, that in any such action the Corporation shall have the burden of proving the occurrence of such Disqualifying Event.

(iii) The Corporation shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 4.4(d) that the procedures and presumptions of this Article 4 are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Corporation is bound by all the provisions of this Article 4.

(iv) In the event that the Indemnitee, pursuant to this Section 4.4(d), seeks a judicial adjudication of or an award in arbitration to enforce his or her rights under, or to recover damages for breach of, this Article 4, the Indemnitee shall be entitled to recover from the Corporation, and shall be indemnified by the Corporation against, any expenses actually and reasonably incurred by the Indemnitee if the Indemnitee prevails in such judicial adjudication or arbitration. If it shall be determined in such judicial adjudication or arbitration that the Indemnitee is entitled to receive part but not all of the indemnification or advancement of expenses sought, the expenses incurred by the Indemnitee in connection with such judicial adjudication or arbitration shall be prorated accordingly.

(e) Definitions. For purposes of this Article 4:

(i) "Change in Control" means a change in control of the Corporation of a nature that would be required to be reported in response to Item 6(e) (or any successor provision) of Schedule 14A of Regulation 14A (or any amendment or successor provision thereto) promulgated under the Securities Exchange Act of 1934 (the "Act"), whether or not the Corporation is then subject to such reporting requirement; provided that, without limitation, such a change in control shall be deemed to have occurred if (A) any "person" (as such term is used in Sections 13(d) and 14(d) of the Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Corporation representing 20% or more of the voting power of all outstanding shares of stock of the Corporation entitled to vote generally in an election of Directors without the prior approval of at least two-thirds of the members of the Board in office immediately prior to such acquisition; (B) the Corporation is a party to any merger or consolidation in which the Corporation is not the continuing or surviving corporation or pursuant to which shares of the Corporation's common stock would be converted into cash, securities or other property, other than a merger of the Corporation in which the holders of the Corporation's common stock immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, (C) there is a sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, the assets of the Corporation, or liquidation or dissolution of the Corporation; (D) the Corporation is a party to a merger, consolidation, sale of assets or other reorganization, or a proxy contest, as a consequence of which members of the Board in office immediately prior to such transaction or event constitute less than a majority of the Board thereafter; or (E) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board (including for this purpose any new Director whose election or nomination for election by the shareholders was approved by a vote of at least two-thirds of the Directors then still in office who were Directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board.

(ii) "Disinterested Director" means a Director who is not or was not a party to the proceeding in respect of which indemnification is sought by the Indemnitee.

(iii) "Independent Counsel" means a law firm or a member of a law firm that neither presently is, nor in the past five years has been, retained to represent: (a) the Corporation or the Indemnitee in any matter material to either such party or (b) any other party to the Proceeding giving rise to a claim for indemnification under this Article 4. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under applicable standards of professional conduct, would have a conflict of interest in representing either the Corporation or the Indemnitee in an action to determine the Indemnitee's rights under this Article 4.

4.5 Indemnification of Employees and Agents. Notwithstanding any other provision of this Article 4, the Corporation, to the fullest extent permitted by applicable law as then in effect, may indemnify any person other than a Director or officer of the Corporation who is or was an employee or agent of the Corporation and who is or was involved in any manner (including, without limitation, as a party or a witness) or is threatened to be made so involved in any threatened, pending or completed Proceeding by reasons of the fact that such person is or was an employee or agent of the Corporation or, at the request of the Corporation, a director, officer, employee, fiduciary or agent of a Covered Entity against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such Proceeding. The Corporation may also advance expenses incurred by such employee, fiduciary or agent in connection with any such Proceeding, consistent with the provisions of applicable law as then in effect.

4.6 Severability. If any of this Article 4 shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (i) the validity, legality and enforceability of the remaining provisions of this Article 4 (including, without limitation, all portions of any Section of this Article 4 containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (ii) to the fullest extent possible, the provisions of this Article 4 (including, without limitation, all portions of any Section of this Article 4 containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

5. CAPITAL STOCK.

5.1 Stock Certificates. (a) Every holder of stock in the Corporation shall be entitled to have a certificate, which shall state on its face the name of the Corporation and that it is organized under the laws of the State of Indiana, the name of the person to whom the certificate was issued, and the number and class of shares and the designation of the series, if any, the certificate represents, and shall state conspicuously on its front or back that the Corporation will furnish the shareholder, upon his written request and without charge, a summary of the designations, relative rights, preferences, and limitations applicable to each class and the variations in rights, preferences, and limitations determined for each series (and the authority of the Board of Directors to determine variations for future series), which certificate shall otherwise be in such form as the Board shall prescribe and as provided in Section 5.1(d). Each such certificate shall be signed by, or in the name of, the Corporation by the Chairman or any Vice Chairman or the President or any Vice President, and by the Treasurer or any Assistant Treasurer or the Secretary or any Assistant Secretary.

(b) If such certificate is countersigned by a transfer agent other than the Corporation or its employee, or by a registrar other than the Corporation or its employee, the signatures of the officers of the Corporation may be facsimiles, and, if permitted by applicable law, any other signature on the certificate may be a facsimile.

(c) In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer at the date of issue.

(d) Certificates of stock shall be issued in such form not inconsistent with the Articles of Incorporation. They shall be numbered and registered in the order in which they are issued. No certificate shall be issued until fully paid.

(e) All certificates surrendered to the Corporation shall be cancelled (other than treasury shares) with the date of cancellation and shall be retained by or under the control of the Chief Financial Officer, together with the powers of attorney to transfer and the assignments of the shares represented by such certificates, for such period of time as such officer shall designate.

5.2 Record Ownership. A record of the name of the person, firm or corporation and address of such holder of each certificate, the number of shares of each class and series represented thereby and the date of issue thereof shall be made on the Corporation's books. The Corporation shall be entitled to treat the holder of record of any share of stock as the holder in fact thereof, and accordingly shall not be bound to recognize any equitable or other claim to or interest in any share on the part of any person, whether or not it shall have express or other notice thereof, except as required by applicable law.

5.3 Transfer of Record Ownership. Transfers of stock shall be made on the books of the Corporation only by direction of the person named in the certificate or such person's attorney, lawfully constituted in writing, and only upon the surrender of the certificate therefor and a written assignment of the shares evidenced thereby. Whenever any transfer of stock shall be made for collateral security, and not absolutely, it shall be so expressed in the entry of the transfer if, when the certificates are presented to the Corporation for transfer, both the transferor and transferee request the Corporation to do so.

5.4 Lost, Stolen or Destroyed Certificates. Certificates representing shares of the stock of the Corporation shall be issued in place of any certificate alleged to have been lost, stolen or destroyed in such manner and on such terms and conditions as the Board from time to time may authorize in accordance with applicable law.

5.5 Transfer Agent; Registrar; Rules Respecting Certificates. The Corporation shall maintain one or more transfer offices or agencies where stock of the Corporation shall be transferable. The

Corporation shall also maintain one or more registry offices where such stock shall be registered. The Board may make such rules and regulations as it may deem expedient concerning the issue, transfer and registration of stock certificates in accordance with applicable law.

5.6 Fixing Record Date for Determination of Shareholders of Record. (a) The Board may fix, in advance, a date as the record date for the purpose of determining the shareholders entitled to notice of, or to vote at, any meeting of the shareholders or any adjournment thereof, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall not be more than sixty days nor less than ten days before the date of a meeting of the shareholders. If no record date is fixed by the Board, the record date for determining the shareholders entitled to notice of or to vote at a shareholders' meeting shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting and shall fix a new record date if such adjourned meeting is more than 120 days after the date of the original meeting.

(b) The Board may fix, in advance, a date as the record date for the purpose of determining the shareholders entitled to receive payment of any dividend or other distribution or the allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or in order to make a determination of the shareholders for the purpose of any other lawful action, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall not be more than sixty calendar days prior to such action. If no record date is fixed by the Board, the record date for determining the shareholders for any such purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

6. SECURITIES HELD BY THE CORPORATION.

6.1 Voting. Unless the Board shall otherwise order, the Chairman, any Vice Chairman, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Chief Financial Officer, the Controller, the Treasurer or the Secretary shall have full power and authority, on behalf of the Corporation, (i) to attend, act and vote at any meeting of the shareholders of any corporation in which the Corporation may hold stock and at such meeting to exercise any or all rights and powers incident to the ownership of such stock, and to execute on behalf of the Corporation a proxy or proxies empowering another or others to act as aforesaid, and (ii) to delegate to any employee or agent such power and authority.

6.2 General Authorization to Transfer Securities Held by the Corporation. (a) Any of the following officers, to wit: the Chairman, any Vice Chairman, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Chief Financial Officer, the Controller, the Treasurer, any Assistant Controller, any Assistant Treasurer, and each of them, hereby is authorized and empowered (i) to transfer, convert, endorse, sell, assign, set over and deliver any and all shares of stock, bonds, debentures, notes, subscription warrants, stock purchase warrants, evidences of indebtedness, or other securities now or hereafter standing in the name of or owned by the Corporation and to make, execute and deliver any and all written instruments of assignment and transfer necessary or proper to effectuate the authority hereby conferred, and (ii) to delegate to any employee or agent such power and authority.

(b) Whenever there shall be annexed to any instrument of assignment and transfer executed pursuant to and in accordance with the foregoing Section 6.2(a), a certificate of the Secretary or any Assistant Secretary in office at the date of such certificate setting forth the provisions hereof, stating that they are in full force and effect, setting forth the names of persons who are then officers of the corporation, and certifying as to the employees or agents, if any, to whom any such power and authority have been delegated, all persons to whom such instrument and annexed certificate shall thereafter come shall be entitled, without further inquiry or investigation and regardless of the date of such certificate, to assume and to act in reliance upon the assumption that (i) the shares of stock or other securities named in such instrument were theretofore duly and properly transferred, endorsed, sold, assigned, set over and delivered by the Corporation, and (ii) with respect to such securities, the authority of these provisions of these By-laws and of such officers, employees and agents is still in full force and effect.

7. DEPOSITARIES AND SIGNATORIES.

7.1 Depositaries. The Chairman, any Vice Chairman, the President, the Chief Financial Officer, and the Treasurer are each authorized to designate depositaries for the funds of the Corporation deposited in its name or that of a Division of the Corporation, or both, and the signatories with respect thereto in each case, and from time to time, to change such depositaries and signatories, with the same force and effect as if each such depositary and the signatories with respect thereto and changes therein had been specifically designated or authorized by the Board; and each depositary designated by the Board or by the Chairman, any Vice Chairman, the President, the Chief Financial Officer, or the Treasurer shall be entitled to rely upon the certificate of the Secretary or any Assistant Secretary of the Corporation or of a Division of the Corporation setting forth the fact of such designation and of the appointment of the officers of the Corporation or of the Division or of both or of other persons who are to be signatories with respect to the withdrawal of funds deposited with such depositary, or from time to time the fact of any change in any depositary or in the signatories with respect thereto.

7.2 Signatories. Unless otherwise designated by the Board or by the Chairman, any Vice Chairman, the President, the Chief Financial Officer or the Treasurer, each of whom is authorized to execute any of such items individually, all notes, drafts, checks, acceptances, orders for the payment of money and all other negotiable instruments obligating the Corporation for the payment of money, including any form of guaranty by the Corporation with respect to any such item entered into by any direct or indirect subsidiary of the Corporation, shall be (a) signed by any Assistant Treasurer and (b) countersigned by the Controller or any Assistant Controller, or (c) either signed or countersigned by any Executive Vice President, any Senior Vice President or any Vice President in lieu of either the officers designated in Clause (a) or the officers designated in Clause (b) of this Section 7.2.

8. SEAL.

The seal of the Corporation shall be in such form and shall have such content as the Board shall from time to time determine.

9. FISCAL YEAR.

The fiscal year of the Corporation shall end on December 31 in each year, or on such other date as the Board shall determine.

10. WAIVER OF OR DISPENSING WITH NOTICE.

(a) Whenever any notice of the time, place or purpose of any meeting of the shareholders is required to be given by applicable law, the Articles of Incorporation or these By-laws, a written waiver of notice, signed by a shareholder entitled to notice of a shareholders' meeting, whether by telegraph, cable or other form of recorded communication, whether signed before or after the time set for a given meeting, shall be deemed equivalent to notice of such meeting. The waiver must be included in the minutes or filed with the corporate records. Attendance of a shareholder in person or by proxy at a shareholders' meeting shall constitute a waiver of notice to such shareholder of such meeting, except when (i) the shareholder attends the meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting was not lawfully called or convened, or (ii) the shareholder objects to consideration of a particular matter at the meeting at the time such matter is presented because it is not within the purpose or purposes described in the meeting notice.

(b) Whenever any notice of the time or place of any meeting of the Board or Committee of the Board is required to be given by applicable law, the Articles of Incorporation or these By-laws, a written waiver of notice signed by a Director, whether by telegraph, cable or other form of recorded communication, whether signed before or after the time set for a given meeting, shall be deemed equivalent to notice of such meeting. Unless the Director is deemed to have waived notice by attending the meeting, the waiver must be in writing, signed by the Director entitled to the notice and filed with the minutes or corporate records. Attendance of a Director at a meeting shall constitute a waiver of notice to such Director of such meeting, unless the Director at the beginning of the meeting (or promptly upon the Director's arrival) objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

(c) No notice need be given to any person with whom communication is made unlawful by any law of the United States or any rule, regulation, proclamation or executive order issued under any such law.

11. POLITICAL NONPARTISANSHIP OF THE CORPORATION.

The Corporation shall not make, directly or indirectly, any contributions or expenditures in connection with the election of any candidate for federal, state or local political office, or any committee campaigning for such a candidate, except to the extent necessary to permit in the United States the expenditure of corporate assets for the payment of expenses for establishing, registering and administering any political action committee and of soliciting contributions thereto, all as may be authorized by federal or state laws.

12. AMENDMENT OF BY-LAWS.

Except as otherwise provided in Section 2.8(a) of these By-laws, these By-laws, or any of them, may from time to time be supplemented, amended or repealed, or new By-laws may be adopted, by the Board at any regular or special meeting of the Board, if such supplement, amendment, repeal or adoption is approved by a majority of the entire Board. These By-laws, or any of them, may from time to time be supplemented, amended or repealed, or new By-laws may be adopted, by the shareholders at any regular or special meeting of the shareholders at which a quorum is present, if such supplement, amendment, repeal or adoption is approved by the affirmative vote of the holders of at least a majority of the voting power of all outstanding shares of stock of the Corporation entitled to vote generally in an election of directors.

13. OFFICES AND AGENT.

(a) Registered Office and Agent. The registered office of the Corporation in the State of Indiana shall be One North Capitol Avenue, Suite 1180, Indianapolis, Indiana 46204. The name of the registered agent is The Corporation Trust Company. Such registered agent has a business office identical with such registered office.

(b) Other Offices. The Corporation may also have offices at other places, either within or outside the State of Indiana, as the Board of Directors may from time to time determine or as the business of the Corporation may require.

CERTIFICATION

I hereby certify that the foregoing is a true and complete copy of the By-laws of ITT Industries, Inc., an Indiana corporation, as in effect on the date hereof.

WITNESS my hand and the seal of the Corporation.

Dated: , 200 .

Assistant Secretary

ADOPTED
2/8/00

EXHIBIT 12

ITT INDUSTRIES, INC. AND SUBSIDIARIES

CALCULATION OF RATIO OF EARNINGS TO TOTAL FIXED CHARGES
AND CALCULATION OF EARNINGS TO TOTAL FIXED CHARGES AND
PREFERRED DIVIDEND REQUIREMENTS
(IN MILLIONS)

	YEARS ENDED DECEMBER 31,				
	1999	1998	1997	1996	1995
Earnings:					
Income (loss) from continuing operations	$ 232.9	$(97.6)	$ 11.9	$ 66.4	$(130.7)
Add (deduct):					
Adjustment for distributions in excess of (less than) undistributed equity earnings and losses(a)	(3.1)	1.1	2.1	(0.8)	(0.7)
Income taxes (benefits)	136.8	(62.4)	7.6	44.3	(46.6)
	366.6	(158.9)	21.6	109.9	(178.0)
Fixed Charges:					
Interest and other financial charges	84.8	125.8	133.2	169.0	175.2
Interest factor attributable to rentals(b)	17.3	15.1	17.7	15.8	16.0
	102.1	140.9	150.9	184.8	191.2
Earnings, as adjusted, from continuing operations	$ 468.7	$(18.0)	$172.5	$ 294.7	$ 13.2
Fixed Charges:					
Fixed charges above	$ 102.1	$140.9	$150.9	$ 184.8	$191.2
Interest capitalized	--	--	1.1	1.1	2.9
Total fixed charges	102.1	140.9	152.0	185.9	194.1
Dividends on preferred stock (pre-income tax basis)(c)	--	--	--	--	23.4
Total fixed charges and preferred dividend requirements	$ 102.1	$140.9	$152.0	$ 185.9	$217.5
Ratios:					
Earnings, as adjusted, from continuing operations to total fixed charges(d)	4.59	--	1.13	1.59	--
Earnings, as adjusted, from continuing operations to total fixed charges and preferred dividend requirements(d)	4.59	--	1.13	1.59	--

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Notes:

a) The adjustment for distributions in excess of (less than) undistributed equity earnings and losses represents the adjustment to income for companies in which at least 20% but less than 50% equity is owned.

b) One-third of rental expense is deemed to be representative of the interest factor in rental expense.

c) The dividend requirements on preferred stock have been determined by adding to the total preferred dividends an allowance for income taxes, calculated at the effective income tax rate.

d) No ratios are shown for those periods in which earnings were insufficient to cover fixed charges and combined fixed charges and preferred stock dividends. As a result of the net loss incurred for the year ended December 31, 1998, earnings were inadequate to cover fixed charges and preferred stock dividends by $158.9 million. As a result of the net loss incurred for the year ended December 31, 1995, earnings were inadequate to cover fixed charges and combined fixed charges and preferred stock dividends by $180.9 million and $204.3 million, respectively.

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

Set forth below are the names of subsidiaries, divisions and related organizations of ITT Industries, Inc., the respective jurisdiction in which each was organized (in the case of subsidiaries), and the name under which each does business (if other than the name of the entity itself).

NAME	JURISDICTION IN WHICH ORGANIZED	NAME UNDER WHICH DOING BUSINESS
ITT Industries, Inc.	Indiana	
CONNECTORS & SWITCHES		
CableCom Electronics (Shenzhen)Co., Ltd.	China	
CableCom International Limited	Hong Kong	
Great American Gumball Corporation	California	ITT Cannon Santa Clara
ITT Cannon Division	N/A	ITT Cannon/MobileCom, ITT Cannon RF Products, ITT Cannon Switch Products and Cannon SanTeh
ITT Cannon GmbH	Germany	
ITT Cannon (Hong Kong) Limited	Hong Kong	
ITT Cannon International, Inc.	Delaware	ITT Cannon/Network Systems & Services
ITT Cannon Italy S.p.A.	Italy	
ITT Cannon Korea	Korea	
ITT Cannon, Ltd.	Japan	
ITT Cannon Mexico, Inc.	Delaware	
ITT Cannon de Mexico S.A. de C.V.	Mexico	
ITT Cannon (Zhenjiang) Electronics Ltd.	China	
ITT Composants et Instruments	France	
ITT Datacommunications Limited	England	ITT Cannon Network Systems & Services
ITT Industriebeteiligungsgesellschaft mbH	Germany	
ITT Industries Hungary Manufacturing and Trading Limited Liability Company	Hungary	
ITT Schadow Division	N/A	
Rudolf Schadow GmbH	Germany	
Sealectro International, Inc.	New York	
STX PTE. LTD.	Singapore	
Nantong San Teh Coating Technology Co. Ltd.	China	
Nantong San Teh Xing Electronic Industry Co. Ltd.	China	
Nantong San Teh Xing Precision Mechanical Engineering Co. Ltd.	China	
San Teh Precision Engineering Pte. Ltd.	Singapore	
San Teh Products Co. Ltd.	Hong Kong	
San Teh Xing (China) Group Co. Ltd.	China	
San Teh Xing (Tianjin) Industrial Co. Ltd.	China	
Xiamen San Teh Precision Mechanical Engineering Co. Ltd.	China	
Xiamen San Teh Xing Electronic & Science Technology Industry Co.	China	
DEFENSE PRODUCTS & SERVICES		
Advanced Engineering & Sciences Division	N/A	
Felec Services, Inc.	Delaware	
GaAsTEK Division	N/A	
Gilcron Corporation	Delaware	
ITT Aerospace/Communications Division	N/A	
ITT Antarctic Services, Inc.	Delaware	

NAME	JURISDICTION IN WHICH ORGANIZED	NAME UNDER WHICH DOING BUSINESS
ITT Arctic Services, Inc.	Delaware	
ITT Avionics Division	N/A	
ITT Avionics Systems International, Inc.	Delaware	
ITT Commercial Services, Inc.	Delaware	
ITT DCD Saudi Arabia, Inc.	Delaware	
ITT Defence Ltd.	England	
ITT Defense	N/A	
ITT Defense & Electronics	N/A	
ITT Defense International, Inc.	Delaware	
ITT Employment and Training Systems, Inc.	Delaware	
ITT Federal Services Arabia Ltd.	Saudi Arabia	
ITT Federal Services Corporation	Delaware	
ITT Federal Services International Corporation	Delaware	
ITT Federal Services International, Ltd.	Cayman Islands	
ITT FSC Investment Corporation	Delaware	
ITT FSC Management Corporation	Delaware	
ITT Gilfillan	N/A	
ITT Gilfillan Inc.	Delaware	
ITT Job Training Services, Inc.	Delaware	
ITT Night Vision	N/A	
ITT Systems Division	N/A	
ITT Systems & Sciences Corporation	Delaware	
K and M Electronics, Inc.	Massachusetts	
PUMPS AND COMPLEMENTARY PRODUCTS		
A.G. Johansons Metallfabrik AB	Sweden	
Anadolu Flygt Pompa Sanayi Ve Ticaret	Turkey	
Avis Werberg GmbH	Austria	
Bombas Goulds de Mexico	Mexico	Goulds
Bombas Goulds de Venezuela C.A.	Venezuela	Goulds
Flygt Argentina SA	Argentina	Flygt
Flygt do Brazil	Brazil	Flygt
Flygt Chile	Chile	Flygt
Float Control Supplies (PTY) Ltd.	S. Africa	Flygt
Flygt Hellas SA	Greece	Flygt
Flygt Huolto OY	Finland	Flygt
Flygt Korea	Korea	Flygt
Flygt Portugal Technologia Agua do Ambiente	Portugal	Flygt
Flygt Pumpet OY	Finland	Flygt
Goulds Pumps, Incorporated	Delaware	Goulds
Goulds Pumps Canada, Inc.	Canada	Goulds
Goulds Pumps Delaware, Inc.	Delaware	Goulds
Goulds Pumps Europe BV	The Netherlands	Goulds
Goulds Pumps Financial Services	Ireland	Goulds
Goulds Pumps Holdings, Inc.	Delaware	Goulds
Goulds Pumps Investments	Canada	Goulds
Goulds Pumps (IPG), Inc.	Delaware	Goulds
Goulds Pumps (Ireland) Limited	Ireland	Goulds
Goulds Pumps Korea Co., Ltd.	Korea	Goulds
Goulds Pumps (NY), Inc.	New York	Goulds
Goulds Pumps (PA), Inc.	Pennsylvania	Goulds
Goulds Pumps (Philippines), Inc.	Philippines	Goulds

NAME	JURISDICTION IN WHICH ORGANIZED	NAME UNDER WHICH DOING BUSINESS
Goulds Pumps Polska	Poland	Goulds
Grindex AB	Sweden	
ITT Controls and Instruments Division	N/A	
ITT Fluid Technology Asia	Singapore	
ITT Fluid Technology Division	N/A	
ITT Fluid Technology International	Delaware	
ITT Fluid Technology International Asia Pacific	Singapore	
ITT Fluid Technology International (Australia)	Australia	
ITT Fluid Technology International Hong Kong	Hong Kong	
ITT Fluid Technology International (Thailand) Ltd.	Thailand	
ITT Fluid Transfer Division	N/A	
ITT Flygt AB	Sweden	Flygt
ITT Flygt AB	Russia	Flygt
ITT Flygt AS	Denmark	Flygt
ITT Flygt AS	Norway	Flygt
ITT Flygt BV	The Netherlands	Flygt
ITT Flygt Corporation	Delaware	Flygt
ITT Flygt GmbH	Germany	Flygt
ITT Flygt HK Ltd.	Hong Kong	Flygt
ITT Flygt Kft	Hungary	Flygt
ITT Flygt Limited	Australia	Flygt
ITT Flygt Limited	Ireland	Flygt
ITT Flygt Limited	Japan	Flygt
ITT Flygt Lituanica	Lithuania	Flygt
ITT Flygt Ltd.	United Kingdom	Flygt
ITT Flygt NV/SA	Belgium	Flygt
ITT Flygt Pumpen GmbH	Germany	Flygt
ITT Flygt (PTY) Ltd.	S. Africa	Flygt
ITT Flygt SA	France	Flygt
ITT Flygt SDC SA	France	Flygt
ITT Flygt SPA	Italy	Flygt
ITT Flygt sp zoo	Poland	Flygt
ITT Flygt (Shenyang) Pumps Ltd	China	Flygt
ITT Flygt Werk GmbH	Germany	Flygt
ITT FTC Manufacturing Division	N/A	
ITT Goulds Benelux BV	The Netherlands	Goulds
ITT Grindex Pump Division	N/A	
ITT Richter Chemie-Technik GmbH	Germany	Richter
Lowara Deutschland GmbH	Germany	Lowara
Lowara France S.A.	France	Lowara
Lowara (Ireland) Limited	Ireland	Lowara
Lowara Nederland B.V.	The Netherlands	Lowara
Lowara Portugal	Portugal	Lowara
Lowara SpA	Italy	Lowara
Lowara UK Limited	England	Lowara
Nanjing Goulds Pumps Ltd.	China	Goulds
OY Flygt Nova AB	Finland	Flygt
PT Sam McCoy	Indonesia	
Pumpenfabrik Ernst Vogel GmbH	Austria	Vogel
Sagri AB	Sweden	
Sam McCoy Engineering Pte Ltd.	Singapore	
Sam McCoy Engineering SDN BHD	Malaysia	

NAME	JURISDICTION IN WHICH ORGANIZED	NAME UNDER WHICH DOING BUSINESS
Sam McCoy Manufacturing SDN BHD................	Malaysia	
Sanitaire Corporation..........................	Delaware	Sanitaire
Sebenza-Pump Services (PTY) Ltd.	S. Africa	
Shanghai Goulds Pumps Co. Ltd.	China	
Tecnicas de Filtracion Bombeo SA...............	Spain	
Trimate Industries Ltd.	New Zealand	
Vogel Pumpen Drv...............................	Hungary	
SPECIALTY PRODUCTS		
Flojet Corp....................................	California	
Flojet (Europe) Limited........................	England	
Fulton-Rohr GmbH & Co.	Germany	
Hisan do Brasil LTDA...........................	Brazil	
Hisan, Inc.	Michigan	
Hydro Air Industries Division..................	N/A	
ITT Aerospace Controls Division................	N/A	
ITT Automotive Division........................	N/A	
ITT Automotive Europe Beteiligungs GmbH........	Germany	
ITT Automotive Europe GmbH & Co. KG............	Germany	
ITT Automotive Fluid Handling Systems, S.A. de C.V...	Mexico	
ITT Automotive, Inc............................	Delaware	
ITT Automotive Italy S.r.l.....................	Italy	
ITT Conoflow Division..........................	N/A	
ITT Engineered Valves Division.................	N/A	
ITT Industries Fluid Handling Do Brasil Limitada....................................	Brazil	
ITT Industries Galfer S.r.l....................	Italy	
ITT Industries Italia S.r.l....................	Italy	
ITT Industries Vermoegensverwaltungs GmbH......	Germany	
ITT Jabsco Division............................	N/A	Jabsco
ITT Marlow Division............................	N/A	
ITT North American Aftermarket Division........	N/A	
ITT Pure-Flo (UK) Ltd.	England	
Jabsco GmbH....................................	Germany	Jabsco
Koni BV..	The Netherlands	Koni
Koni France SARL...............................	France	Koni
NHK Jabsco.....................................	Japan	Jabsco
Rule Industries, Inc.	Massachusetts	Rule
S.S.L. S.r.l...................................	Italy	
OTHER		
Admiral Corporation............................	Florida	Admiral
Carbon Industries, Inc.	West Virginia	Carbon
Computer & Equipment Leasing Corporation.......	Wisconsin	
Corporp A&F Inc.	Delaware	
International Standard Electric Corporation....	Delaware	
ITT Automotive Enterprises, Inc................	Delaware	
ITT AES Enterprises, Inc.	Delaware	
ITT Benefits Management, Inc...................	Delaware	
ITT Canada Company.............................	Nova Scotia	
ITT Community Development Corporation..........	Delaware	
ITT Delaware Investments, Inc.	Delaware	
ITT Gesellschaft fur Beteiligungen mbH.........	Germany	
ITT Industries (China) Investment Company, Limited..	China	
ITT Industries Limited.........................	England	

NAME	JURISDICTION IN WHICH ORGANIZED	NAME UNDER WHICH DOING BUSINESS
ITT Industries NV	Belgium	
ITT Industries of Canada, Ltd.	Canada	
ITT Manufacturing Enterprises, Inc.	Delaware	
ITT Remediation Management, Inc.	Delaware	
ITT Resource Development Corporation	Delaware	
ITT Transportation Distribution Services Division	N/A	
Palm Coast Construction Company	Florida	
Palm Coast Engineering & Design Services, Inc.	Florida	
Palm Coast Home Realty, Inc.	Florida	
Plam Coast, Inc.	Florida	
PCU Inc.	Florida	
Sunsport Recreation, Inc.	Florida	
Winifrede Railroad Corporation	West Virginia	

Note: The names of certain subsidiaries have been omitted since, considered in the aggregate, they would not constitute a "significant subsidiary" as of the end of the year covered by this report.

EXHIBIT 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

To ITT Industries, Inc.:

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the Company's previously filed Registration Statements on (i) Form S-3 (File No. 33-45756) and (ii) Form S-8 (File Nos. 33-53771, 333-1109, 333-64161, 333-66293 and 333-84917).

ARTHUR ANDERSEN LLP

Stamford, Connecticut
March 28, 2000

This schedule contains summary financial information extracted from the December 31, 1999 Financial Statements included in Form 10-K and is qualified in its entirety by reference to such Financial Statements.

1,000,000

YEAR
DEC-31-1999
DEC-31-1999
132
50
857
22
546
1,628
2,051
1,204
4,530
2,110
479
0
0
88
1,011
4,530
4,632
4,632
3,266
3,530
687
5
85
370
137
233
0
0
0
233
2.61
2.53