

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 30, 1996

TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF  
THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-5627

ITT INDUSTRIES, INC.

Incorporated in the State of Indiana

13-5158950  
(I.R.S. Employer  
Identification Number)

4 West Red Oak Lane, White Plains, NY 10604  
(Principal Executive Office)

Telephone Number: (914) 641-2000

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

As of October 23, 1996, there were outstanding 118,160,196 shares of common stock (\$1 par value per share) of the registrant.

ITT INDUSTRIES, INC.

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## PART I.

## FINANCIAL INFORMATION

## FINANCIAL STATEMENTS

The following unaudited consolidated financial statements, in the opinion of management, reflect all adjustments (which include only normal recurring adjustments) necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. Certain amounts in the prior periods' consolidated financial statements have been reclassified to conform with the current period presentation. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Company's 1995 Annual Report on Form 10-K and subsequent quarterly filings.

## ITT INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS  
(In millions, except per share)  
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
Net sales	\$ 2,045	\$ 2,048	\$ 6,487	\$ 6,633
Cost of sales	1,755	1,776	5,571	5,730
Gross margin	290	272	916	903
Selling, general, and administrative expenses	179	185	544	568
Other operating (income) expenses	1	(8)	5	(2)
Operating income	110	95	367	337
Interest expense	(40)	(44)	(123)	(124)
Interest income	5	11	15	32
Miscellaneous expense, net	(4)	(133)	(5)	(163)
Income (loss) from continuing operations before income taxes	71	(71)	254	82
Income tax (expense) benefit	(28)	17	(103)	(45)
Income (loss) from continuing operations	43	(54)	151	37
Discontinued operations:				
Operating income, net of tax of \$46 and \$208	-	187	-	533
Gain on sale of Financial operations, net of tax of \$264	-	-	-	403
Extraordinary item, net of tax benefit of \$165 and \$165	-	(307)	-	(307)
Net income (loss)	\$ 43	\$ (174)	\$ 151	\$ 666
Earnings (Loss) Per Share:				
Income (loss) from continuing operations				
Primary	\$ .36	\$ (.47)	\$ 1.26	\$ .18
Fully diluted	\$ .36	\$ (.46)	\$ 1.26	\$ .23
Discontinued operations				
Primary	-	1.62	-	8.48
Fully diluted	-	1.58	-	7.97
Extraordinary item				
Primary	-	(2.67)	-	(2.78)
Fully diluted	-	(2.61)	-	(2.61)
Net income (loss)				
Primary	\$ .36	\$ (1.52)	\$ 1.26	\$ 5.88
Fully diluted	\$ .36	\$ (1.49)	\$ 1.26	\$ 5.59
Cash dividends declared per common share	\$ .15	\$ -	\$ .45	\$ .99

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

ITT INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(In millions, except for shares and per share)

	September 30, 1996 (unaudited)	December 31, 1995
Assets		
Current Assets:		
Cash and cash equivalents	\$ 103	\$ 94
Receivables, net	1,411	1,257
Inventories	862	908
Other current assets	232	243
Total current assets	2,608	2,502
Plant, property, and equipment, net	2,095	2,235
Deferred U.S. income taxes	201	218
Goodwill, net	352	363
Other assets	496	561
	\$ 5,752	\$ 5,879
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	\$ 629	\$ 781
Accrued expenses	919	1,072
Accrued taxes	125	162
Notes payable and current maturities of long-term debt	1,152	646
Total current liabilities	2,825	2,661
Pension and postretirement costs	1,059	1,101
Long-term debt	628	961
Deferred foreign, state and local income taxes	121	121
Other liabilities	398	408
	5,031	5,252
Shareholders' Equity:		
Common stock:		
Authorized 200,000,000 shares, \$1 par value per share Outstanding 118,113,324 shares and 117,068,833 shares	118	117
Capital surplus	413	399
Cumulative translation adjustments	92	111
Retained earnings	98	-
	721	627
	\$ 5,752	\$ 5,879

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

## ITT INDUSTRIES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(unaudited)

	Nine Months Ended September 30,	
	1996	1995
<b>Operating Activities</b>		
Net income	\$ 151	\$ 666
Discontinued operations:		
Operating income	-	(533)
Gain on sale of Financial operations	-	(403)
Extraordinary item	-	307
Income from continuing operations	151	37
Adjustments to income from continuing operations:		
Depreciation	301	296
Amortization	25	26
Reserves for divestments -pretax	-	172
Change in receivables, inventories, accounts payable, and accrued expenses	(395)	(173)
Change in accrued and deferred taxes	65	(68)
Other, net	(8)	(74)
Cash from continuing operations	139	216
Cash used for discontinued operations	(142)	(519)
Cash used for operating activities	(3)	(303)
<b>Investing Activities</b>		
Additions to plant, property, and equipment	(265)	(276)
Proceeds from sale of assets	124	12,474
Acquisitions	-	(15)
Other, net	-	(4)
Cash from (used for) investing activities	(141)	12,179
<b>Financing Activities</b>		
Short-term debt, net	342	(182)
Long-term debt repaid	(161)	(25)
Repayment of Financial obligations	-	(11,640)
Repurchase of common stock	-	(38)
Dividends paid	(36)	(193)
Other, net	16	40
Cash from (used for) financing activities	161	(12,038)
<b>Exchange Rate Effects on Cash and Cash Equivalents</b>		
	(8)	23
Increase (decrease) in cash and cash equivalents	9	(139)
Cash and cash equivalents beginning of period	94	322
Cash and cash equivalents end of period	\$ 103	\$ 183
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash paid during the period for:		
Interest	\$ 105	\$ 92
Income taxes	\$ 31	\$ 121

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

(In millions, except per share, unless otherwise stated)

1) Receivables

Receivables consist of the following:

	September 30, 1996	December 31, 1995
Trade	\$ 1,422	\$ 1,254
Accrued for completed work	25	41
Less reserves	(36)	(38)
	\$ 1,411	\$ 1,257

2) Inventories

Inventories consist of the following:

	September 30, 1996	December 31, 1995
Finished goods	\$ 391	\$ 417
Work in process	461	421
Raw materials and supplies	308	333
Less reserves	(79)	(85)
progress payments	(219)	(178)
	\$ 862	\$ 908

3) Plant, Property, and Equipment

Plant, property, and equipment consist of the following:

	September 30, 1996	December 31, 1995
Land and improvements	\$ 100	\$ 115
Buildings and improvements	845	888
Machinery and equipment	3,430	3,425
Construction work in progress	312	297
Other	310	330
	4,997	5,055
Less accumulated depreciation and amortization	(2,902)	(2,820)
	\$ 2,095	\$ 2,235

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(In millions, except per share, unless otherwise stated)

[CAPTION]

4) Discontinued Operations

The accompanying financial statements for the three months and nine months ended September 30, 1995, reflect the results of ITT Corporation, a Delaware corporation ("ITT Delaware"). Discontinued Operations include the results of ITT Delaware's interests in the insurance business segment ("ITT Hartford"), ITT Delaware's interests in the hospitality and entertainment, and information services businesses ("ITT Corporation"), and a wholly-owned Finance business segment ("ITT Financial"). ITT Hartford and ITT Corporation were distributed to ITT Delaware's shareholders on December 19, 1995 (the "Distribution") and ITT Delaware was merged into ITT Industries, Inc. (the "Company"). ITT Delaware realized gross proceeds totaling \$12.4 billion through September 30, 1995 from the sale of the businesses comprising ITT Financial. Proceeds from these transactions were used primarily to repay ITT Financial debt. ITT Delaware recognized an after tax gain of \$403 (\$667 pretax) or \$3.44 per fully diluted share in the second quarter of 1995, including a provision for the final asset sales and close down costs of ITT Financial. Included in Other in the three months ended September 30, 1995 was \$36 million after-tax of severance and other costs related to the rationalization of headquarters operations in connection with the Distribution.

Net income (loss) of the Company's Discontinued Operations, excluding the gain of \$403 on the sale of ITT Financial, was comprised of the following:

	Three Months Ended September 30, 1995	Nine Months Ended September 30, 1995
ITT Corporation	\$ 50	\$ 103
ITT Hartford	173	418
ITT Financial and Other	(36)	12
	\$ 187	\$ 533

[CAPTION]

5) Early Extinguishment of Debt

In July 1995, the Company announced the successful completion of a tender offer for an aggregate of \$4.1 billion of its debt securities, with \$3.4 billion, or 82% of the aggregate principal amount, having been tendered. The tender offer was financed with the proceeds of commercial paper borrowings of approximately \$3.7 billion. The tender offer resulted in the Company paying a tender premium of \$307 after tax (\$472 pretax) or \$2.61 per fully diluted share in the third quarter of 1995 which has been recorded as an extraordinary loss on the early extinguishment of debt.

BUSINESS SEGMENT INFORMATION  
(In millions)  
(unaudited)

Business segment information excluding "Discontinued Operations" is as follows:

Net Sales									Operating Income/(Loss)			
Three months ended		Nine months ended							Three months ended		Nine months ended	
September 30, 1996		September 30, 1995							September 30, 1996		September 30, 1995	
\$1,269	\$1,231	\$4,137	\$4,193	Automotive	\$ 74	\$ 72	\$ 251	\$ 279				
375	395	1,107	1,157	Defense & Electronics	25	23	75	68				
327	305	954	910	Fluid Technology	26	28	78	75				
74	117	289	373	Dispositions & other	(1)	(3)	4	(11)				
2,045	2,048	6,487	6,633	Total Segments	124	120	408	411				
-	-	-	-	Corporate expenses & other	(14)	(25)	(41)	(74)				
\$2,045	\$2,048	\$6,487	\$6,633		\$ 110	\$ 95	\$ 367	\$ 337				

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Three months ended September 30, 1996 compared with three months ended September 30, 1995

The Company reported net income of \$43 million or \$.36 per fully diluted share compared to a net loss from continuing operations of \$54 million or \$.46 per fully diluted share, reported in the 1995 third quarter. The 1995 third quarter results include an after-tax charge of \$86 million associated with the disposition of non-strategic assets. Excluding these charges, the 1995 third quarter earnings would have been \$32 million or \$.27 per share. The increase in net income from continuing operations, in the current quarter, was attributable primarily to lower headquarters expenses and the absence of charges related to ITT Semiconductors and ITT Community Development Corporation recorded in the prior year. In the 1995 third quarter, a net loss of \$174 million or \$1.49 per fully diluted share was reported, including \$187 million of net income from Discontinued Operations and a \$307 million extraordinary loss on the early retirement of debt.

Net sales, excluding Dispositions & Other, for the third quarter of 1996, exceeded the third quarter of 1995, due to increases in sales at Automotive and Fluid Technology offset by a slight decline in sales at Defense and Electronics. Operating income for the third quarter of 1996 of \$110 million was slightly higher than the \$95 million in the third quarter of 1995. The increase in operating income was attributable to slightly higher earnings at Automotive and Defense & Electronics along with significantly lower headquarters expenses. The decrease in headquarters expenses reflects the lower expenses of ITT Industries as an independent entity in 1996 compared to its apportioned share of headquarters expenses off ITT Delaware in 1995. Other operating income/expenses, which include gains and losses from foreign exchange translations and other charges, was expense of \$1 million in the current quarter compared with income of \$8 million in the 1995 third quarter. Operating margins were 5.4% in the third quarter of 1996 compared to 4.6% in the third quarter of 1995, a result of the factors discussed above.

Net interest expense was \$35 million for the third quarter of 1996 and \$33 million in 1995. Interest expense in the 1996 quarter reflects actual interest expenses incurred on debt assumed by ITT Industries on, or subsequent to, the Distribution, while interest expense in the 1995 quarter reflected an allocation of total ITT Delaware's interest between the continuing operations and Discontinued Operations, based on debt outstanding at that time. Interest income decreased from \$11 million in the third quarter of 1995 to \$5 million in the third quarter of 1996. This decrease is a result of maintaining lower cash balances by using available cash to reduce debt.

The effective income tax rate, excluding the charges in 1995 for disposition of non-strategic assets and the related tax, approximated 39% in the 1996 third quarter and 48% in the 1995 third quarter. The 1995 period was impacted by certain domestic losses for which no tax benefit was realized. Income tax expense, excluding \$46 million of tax benefit on charges related to the disposition of non-strategic assets, decreased by \$1 million, to \$28 million in the 1996 third quarter, due to the lower effective tax rate as discussed above offset by higher pretax earnings.

Business Segments--Sales and operating income for each of the Company's three major continuing business segments were as follows for the three months ended September 30, 1996, and 1995 (\$ in millions):

Sales			Operating Income	
Three months			Three months	
1996	1995		1996	1995
\$1,269	\$1,231	Automotive	\$ 74	\$ 72

ITT Automotive's third quarter sales were higher than the 1995 sales level, primarily due to increased market penetration and vehicle production volumes, partially offset by the strength of the U.S. dollar, production mix and lower selling prices. The \$2 million increase in operating income was primarily attributable to cost reduction actions in excess of price reductions.

Sales			Operating Income	
Three months			Three months	
1996	1995		1996	1995
\$ 375	\$ 395	Defense & Electronics	\$ 25	\$ 23

ITT Defense & Electronics revenue was down 5.0%, from the prior year third quarter, due to the timing of shipments at the defense segment and unfavorable foreign exchange translation in the electronics segment. However, operating income was 4.6% higher in the 1996 period due to operating improvements at the interconnect business.

Sales			Operating Income	
Three months			Three months	
1996	1995		1996	1995
\$ 327	\$ 305	Fluid Technology	\$ 26	\$ 28

ITT Fluid Technology's 1996 third quarter sales increased over the comparable 1995 period as a result of growth in emerging markets and strong order input from the industrial, commercial, and aerospace sectors. Operating income for the third quarter of 1996 had a slight decrease from the 1995 third quarter. This decrease in operating income was due primarily to unfavorable foreign exchange and the absence of income from a unit divested earlier this year.

Nine months ended September 30, 1996 compared with nine months ended September 30, 1995

Net income of \$151 million or \$1.26 per fully diluted share exceeded the \$37 million or \$.23 per fully diluted share, of income from continuing operations, reported in the 1995 period. The increase was caused by an after-tax provision, recorded in the nine months of 1995, of \$115 million or \$1.06 per fully diluted share for the expected loss on the disposal of ITT Semiconductors, a portion of ITT Community Development Corporation, and certain other non-strategic assets. Excluding this provision and its related impact on the effective tax rate, 1995 net income from continuing operations would have been \$152 million or \$1.29 per fully diluted share. Net income, for the first nine months of 1995, was \$666 million or \$5.59 per fully diluted share including income from Discontinued Operations of \$936 million (including \$403 million reflecting the gain on the sale of ITT Financial) and a \$307 million extraordinary loss for the early retirement of debt.

Net sales totaling \$6.5 billion, for the first nine months of 1996, were slightly below the \$6.6 billion for the 1995 period. This decrease is attributable to price reductions at Automotive and unfavorable foreign exchange translation and the timing of shipments at Defense & Electronics, partially offset by an increase in ITT Fluid Technology's sales. Operating income for the first nine months of 1996 was \$367 million, which included the impacts of the GM strike and the restructuring charge at ITT Automotive in the first and second quarters of 1996, compared with \$337 million reported in the 1995 period. The increase in operating income was attributable to higher earnings at Defense & Electronics and Fluid Technology, along with significantly lower headquarters expenses. The decrease in headquarters expenses reflects the lower expenses of ITT Industries as an independent entity in 1996 compared to its apportioned share of headquarters expenses of ITT Delaware in 1995. Other operating income/expenses, which includes gains and losses from foreign exchange translations and other charges, was expense of \$5 million in the 1996 period, compared with income of \$2 million in the 1995 period. Operating margins rose to 5.7% in the first nine months of 1996, up from 5.1% in the comparable period of 1995, a result of the factors discussed above.

Net interest expense increased to \$108 million compared with \$92 million in 1995. Interest expense for 1996 reflects actual interest expense incurred on debt assumed by ITT Industries on, or subsequent to, the Distribution, while interest expense in 1995 reflected an allocation of ITT Delaware's total interest expense between the continuing operations and Discontinued Operations, based on debt outstanding in 1995. Interest income for the first nine months of 1996 decreased to \$15 million from \$32 million in the first nine months of 1995, as a result of maintaining lower cash balances by using available cash to reduce debt.

Miscellaneous expense, for the first nine months of 1995, includes the aforementioned provision for the expected loss on the disposal of ITT Semiconductors, a portion of ITT Community Development Corporation and certain other non-strategic assets. The effective income tax rate, excluding the charges in 1995 for disposition of non-strategic assets and the related tax, approximated 40% in 1996 and 38% in 1995. Income tax expense, excluding \$48 million of tax benefit on charges related to the disposition of non-strategic assets, increased by \$10 million, to \$103 million in the 1996 period, due to the higher pretax earnings and higher effective tax rate.

Business Segments -- Sales and operating income for each of the Company's three major continuing business segments were as follows for the nine months ended September 30, 1996, and 1995 (\$ in millions):

Sales			Operating Income	
Nine months	Nine months		1996	1995
1996	1995			
\$ 4,137	\$ 4,193	Automotive	\$ 251	\$ 279

ITT Automotive's revenues, for the first nine months of 1996, were lower than the 1995 nine month period, due primarily to price reductions and unfavorable foreign exchange translation partially offset by increased market penetration and vehicle production volumes. Operating income was reduced in the first nine months of 1996 by the GM strike and a restructuring charge in the first half of 1996. This decrease was partially offset by net cost reduction actions in excess of price reductions.

Sales		Defense & Electronics	Operating Income	
Nine months			Nine months	
1996	1995		1996	1995
\$ 1,107	\$ 1,157		\$ 75	\$ 68

ITT Defense & Electronics revenue was down from the prior year nine month period, due to the timing of shipments at the defense segment and unfavorable foreign exchange translation in the electronics segment. Despite lower sales, operating income was 9.8% higher due to operating efficiencies which enabled improved margins in both the defense and electronics businesses.

[CAPTION]

Sales		Fluid Technology	Operating Income	
Nine months			Nine months	
1996	1995		1996	1995
\$ 954	\$ 910		\$ 78	\$ 75

ITT Fluid Technology's 1996 nine month sales were 4.8% higher than the comparable 1995 period due to higher sales volume, despite weak market conditions in France and Germany and the sale of ITT General Controls product line. Operating income increased slightly over the first nine months of 1995. This improvement was attributable to strong performances from several business lines, as well as continued growth in emerging markets and cost control actions, partially offset by the loss of operating income due to the sale of ITT General Controls product line.

[CAPTION]

#### Liquidity and Capital Resources

Operating cash flow from continuing operations was \$139 million in the first nine months, offset by payments of \$142 million related to Discontinued Operations, principally prior year's tax payments and expenses related to the Distribution. Operating cash flow, including Discontinued Operations, in the first nine months of 1995 was an outflow of \$303 million.

Many of the Company's businesses require substantial investment in plant and tooling in order to produce competitively superior products. Expenditures for plant additions totaled \$265 million in the first nine months of 1996, with approximately 69% of that total incurred at Automotive, primarily in ABS, electric motors, and brake and wiper systems. Spending for the first nine months of 1995 was \$276 million, 61% of which was also at Automotive. Cash expenditures for plant, property, and equipment are projected to approximate last year's level of \$450 million for the full year.

Cash inflows in the first nine months of 1996 included \$124 million from the sale of land and other assets, including a portion of ITT Community Development Corporation and ITT General Controls product line.

The increase in working capital (receivables, inventory, payables, and accrued liabilities) required a cash outflow of approximately \$395 million. This was due largely to an increase in receivables due to seasonality and the timing of a payment to Automotive from a major customer and a reduction of accounts payable at Automotive and Defense & Electronics.

External borrowings were \$1,780 million at September 30, 1996, compared with \$1,607 million at December 31, 1995. Cash and cash equivalents were \$103 million at September 30, 1996, compared to \$94 million at year end 1995. The higher debt level at September 30, 1996, reflects the cash flows discussed above.

Shareholders' equity increased \$94 million during the first nine months of 1996, due primarily to growth in retained earnings. The Company paid dividends of \$.15 per share for each of the first three quarters of 1996. A fourth quarter dividend of the same amount will be paid on January 1, 1997.

Part II.

OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) See the Exhibit Index for a list of exhibits filed herewith.
- (b) ITT Industries did not file any Form 8-K Current Reports during the quarter for which this Report is filed.

SIGNATURE

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

ITT INDUSTRIES, INC.  
(Registrant)

By /s/

Heidi Kunz  
Heidi Kunz

Senior Vice President and  
Chief Financial Officer  
(Principal financial officer)

October 25, 1996  
(Date)

EXHIBIT INDEX

Exhibit No.	Description	Location
(2)	Plan of acquisition, reorganization, arrangement, liquidation or succession	None
(3)	Articles of Incorporation and by-laws	None
(4)	Instruments defining the rights of security holders, including indentures	None
(10)	Material contracts	None
(11)	Statement re: computation of per share earnings	Filed Herewith
(12)	Statements re: computation of ratios Calculation of ratio of earnings to total fixed charges	Filed Herewith
(15)	Letter re: unaudited interim financial information	None
(18)	Letter re: change in accounting principles	None
(19)	Report furnished to security holders	None
(22)	Published report regarding matters submitted to vote of security holders	None
(23)	Consents of experts and counsel	None
(24)	Power of attorney	None
(27)	Financial Data Schedule	Filed Herewith
(99)	Additional Exhibits	None

## ITT INDUSTRIES, INC. AND SUBSIDIARIES

## CALCULATION OF EARNINGS (LOSS) PER SHARE

(In millions, except per share)

	Three Months Ended September 30, 1996		Nine Months Ended September 30, 1995	
<b>PRIMARY BASIS</b>				
Net income (loss)	\$ 43	\$ (174)	\$ 151	\$ 666
ESOP preferred dividends net of tax	-	-	-	(17)
Net income (loss) applicable to primary earnings per share	\$ 43	\$ (174)	\$ 151	\$ 649
Average common shares outstanding	118	113	118	109
Common shares issuable in respect to common stock equivalents	2	2	2	1
Average common equivalent shares	120	115	120	110
<b>Earnings (Loss) Per Share</b>				
Continuing operations	\$ .36	\$ (.47)	\$1.26	\$ .18
Discontinued operations	-	1.62	-	8.48
Extraordinary item	-	(2.67)	-	(2.78)
Net income (loss)	\$ .36	\$ (1.52)	\$1.26	\$5.88
<b>FULLY DILUTED BASIS</b>				
Net income (loss) applicable to primary earnings per share	\$ 43	\$ (174)	\$ 151	\$ 649
ESOP preferred dividends net of tax	-	-	-	17
If converted ESOP expense adjustment net of tax benefit	-	-	-	(10)
Net income (loss) applicable to fully diluted earnings per share	\$ 43	\$ (174)	\$ 151	\$ 656
Average common equivalent shares	120	115	120	110
Additional common shares issuable assuming full dilution	-	3	-	8
Average common equivalent shares assuming full dilution	120	118	120	118
<b>Earnings (Loss) Per Share</b>				
Continuing operations	\$ .36	\$ (.46)	\$1.26	\$ .23
Discontinued operations	-	1.58	-	7.97
Extraordinary item	-	(2.61)	-	(2.61)
Net income (loss)	\$ .36	\$ (1.49)	\$1.26	\$5.59

In 1995, the Series N convertible preferred stock was considered a common stock equivalent. With respect to options, it is assumed that the proceeds to be received upon exercise are used to acquire common stock of the Company. The calculation impact of dilutive securities is determined quarterly based on the forecast of annual earnings.

## ITT INDUSTRIES, INC. AND SUBSIDIARIES

CALCULATION OF RATIOS OF EARNINGS TO TOTAL FIXED CHARGES  
AND CALCULATION OF EARNINGS TO TOTAL FIXED CHARGES AND  
PREFERRED DIVIDEND REQUIREMENTS  
(Dollars in millions)

	Nine Months Ended September 30,		Years Ended December 31,				
	1996	1995	1995	1994	1993	1992	1991
<b>Earnings:</b>							
Income from continuing operations	\$151	\$ 37	\$ 21	\$202	\$ 135	\$655	\$231
<b>Add(deduct):</b>							
Adjustment for distributions in excess of (less than)undistributed equity earnings and losses a)	2	1	1	-	(2)	(31)	(146)
Income taxes	103	45	50	147	65	311	84
Amortization of interest capitalized	-	-	2	1	4	3	2
	256	83	74	350	202	938	171
<b>Fixed Charges:</b>							
Interest and other financial charges	123	124	175	114	153	180	125
Interest factor attributable to rentals b)	22	17	29	22	24	25	25
	145	141	204	136	177	205	150
Earnings, as adjusted, from continuing operations	\$401	\$224	\$278	\$486	\$379	\$1,143	\$321
<b>Fixed Charges:</b>							
Fixed charges above interest capitalized	\$145	\$141	\$204	\$136	\$177	\$ 205	\$150
Total fixed charges	1	2	3	7	8	12	11
	146	143	207	143	185	217	161
Dividends on preferred stock (pre-income tax basis) c)	-	24	24	48	50	63	78
Total fixed charges and preferred dividend requirements	\$146	\$167	\$231	\$191	\$235	\$280	\$239
<b>Ratios:</b>							
Earnings, as adjusted, from continuing operations to total fixed charges	2.75	1.57	1.34	3.40	2.05	5.27	1.99
Earnings, as adjusted, from continuing operations to total fixed charges and preferred dividend requirements	2.75	1.34	1.20	2.54	1.61	4.08	1.34

## Notes:

a) The adjustment for distributions in excess of (less than)

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

b) The interest factor attributable to rentals was computed by calculating the estimated present value of all long-term rental commitments and applying the approximate weighted average interest rate inherent in the lease obligations and adding thereto the interest element assumed in short-term cancelable and contingent rentals excluded from the commitment data but included in rental expense.

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



## ITT INDUSTRIES, INC. AND SUBSIDIARIES

## FINANCIAL DATA SCHEDULE

(In millions)

This schedule contains summary financial information extracted from the September 30, 1996 Financial Statements included in Form 10-Q and is qualified in its entirety by reference to such Financial Statements.

## COMMERCIAL AND INDUSTRIAL COMPANIES

1,000,000

	9-MOS	
	DEC-31-1996	
	SEP-30-1996	
	\$ 103	
	0	
	1,447	
	36	
	862	
	2,608	
		4,997
	2,902	
	5,752	
2,825		
		628
0		
		0
		118
		603
5,752		
		6,487
	6,487	
		5,571
	5,571	
	549	
	3	
	123	
	254	
	103	
151		
	0	
	0	
		0
	151	
	1.26	
	1.26	