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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2005 [ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-5672

ITT INDUSTRIES, INC.

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

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

TELEPHONE NUMBER: (914) 641-2000

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

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

As of July 31, 2005, there were outstanding 92,711,782 shares of common stock ($1 par value per share) of the registrant.
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ITT INDUSTRIES, INC.

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PART I.

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The following unaudited consolidated condensed financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and, in the opinion of management, reflect all adjustments (which include normal recurring adjustments) necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted within the United States have been condensed or omitted pursuant to such SEC rules. The Company believes that the disclosures herein are adequate to make the information presented not misleading. Certain amounts in the prior periods' consolidated condensed financial statements have been reclassified to conform to the current period presentation. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's 2004 Annual Report on Form 10-K.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2005	2004	2005	2004
Sales and revenues	$1,983.2	$1,646.8	$3,866.3	$3,157.9
Costs of sales and revenues	1,318.1	1,074.6	2,605.8	2,078.0
Selling, general, and administrative expenses	271.6	235.7	542.5	463.7
Research, development, and engineering expenses	180.1	166.4	332.9	311.0
Restructuring and asset impairment charges	6.6	14.0	26.0	18.7
Total costs and expenses	1,776.4	1,490.7	3,507.2	2,871.4
Operating income	206.8	156.1	359.1	286.5
Interest expense	13.9	10.8	34.0	21.1
Interest income	5.5	5.4	19.7	14.6
Miscellaneous expense, net	5.7	3.1	10.7	6.7
Income from continuing operations before income taxes	192.7	147.6	334.1	273.3
Income tax expense	55.8	34.0	70.0	70.7
Income from continuing operations	136.9	113.6	264.1	202.6
Discontinued operations: Income (loss) from discontinued operations, including a tax benefit (expense) of $(0.5), $0.8, $5.2 and $0.8	0.8	(1.6)	(9.9)	(1.7)
Net income	$ 137.7	$ 112.0	$ 254.2	$ 200.9

	THREE MONTHS ENDED JUNE 30, 2005	THREE MONTHS ENDED JUNE 30, 2004	SIX MONTHS ENDED JUNE 30, 2005	SIX MONTHS ENDED JUNE 30, 2004
EARNINGS PER SHARE:				
Income from continuing operations:				
Basic...	$ 1.48	$ 1.23	$ 2.85	$ 2.20
Diluted...	$ 1.45	$ 1.20	$ 2.80	$ 2.15
Discontinued operations:				
Basic...	$ 0.01	$ (0.02)	$ (0.10)	$ (0.02)
Diluted...	$ 0.01	$ (0.02)	$ (0.10)	$ (0.02)
Net income:				
Basic...	$ 1.49	$ 1.21	$ 2.75	$ 2.18
Diluted...	$ 1.46	$ 1.18	$ 2.70	$ 2.13
Cash dividends declared per common share.............	$ 0.18	$ 0.17	$ 0.36	$ 0.34
Average Common Shares -- Basic......................	92.3	92.4	92.3	92.3
Average Common Shares -- Diluted....................	94.2	94.5	94.2	94.5

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

ITT INDUSTRIES, INC. AND SUBSIDIARIES

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

	JUNE 30, 2005	DECEMBER 31, 2004
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 384.2	$ 262.9
Receivables, net	1,309.3	1,174.3
Inventories, net	696.1	708.4
Current assets of discontinued operations	--	7.3
Deferred income taxes	99.3	107.2
Other current assets	93.9	69.1
Total current assets	2,582.8	2,329.2
Plant, property and equipment, net	909.3	980.9
Deferred income taxes	233.2	212.1
Goodwill, net	2,447.3	2,514.1
Other intangible assets, net	231.1	240.3
Other assets	1,092.8	1,000.1
Total non-current assets	4,913.7	4,947.5
Total assets	$7,496.5	$7,276.7
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 764.3	$ 719.8
Accrued expenses	729.0	717.2
Accrued taxes	269.8	277.4
Notes payable and current maturities of long-term debt	887.7	729.2
Other current liabilities	10.3	2.2
Total current liabilities	2,661.1	2,445.8
Pension benefits	1,060.4	1,079.7
Postretirement benefits other than pensions	302.5	298.8
Long-term debt	561.3	542.8
Other liabilities	554.4	566.6
Total non-current liabilities	2,478.6	2,487.9
Total liabilities	5,139.7	4,933.7
Shareholders' Equity:		
Cumulative Preferred Stock: Authorized 50,000,000 shares, no par value, none issued	--	--
Common stock: Authorized: 250,000,000 shares, $1 par value per share Outstanding: 92,364,033 shares and 92,289,113 shares	92.4	92.3
Capital Surplus	--	35.6
Retained earnings	2,770.7	2,553.5
Accumulated other comprehensive loss:		
Unrealized loss on investment securities and cash flow hedges	(0.7)	(0.6)
Minimum pension liability	(520.4)	(520.4)
Cumulative translation adjustments	14.8	182.6
Total accumulated other comprehensive loss	(506.3)	(338.4)
Total shareholders' equity	2,356.8	2,343.0
Total liabilities and		

shareholders' equity.........	$7,496.5	$7,276.7
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The accompanying notes to consolidated condensed financial statements are an integral part of the above balance sheets.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

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

SIX MONTHS ENDED JUNE 30,	2005	2004
OPERATING ACTIVITIES		
Net income	$ 254.2	$ 200.9
Loss from discontinued operations	9.9	1.7
Income from continuing operations	264.1	202.6
Adjustments to income from continuing operations:		
Depreciation and amortization	108.8	96.6
Restructuring and asset impairment charges	26.0	18.7
Payments for restructuring	(23.4)	(17.7)
Change in receivables	(197.6)	(193.6)
Change in inventories	(28.3)	(37.3)
Change in accounts payable and accrued expenses	105.2	63.9
Change in accrued and deferred taxes	16.2	38.0
Change in other current and non-current assets	(107.1)	(104.8)
Change in non-current liabilities	(1.8)	(9.1)
Other, net	1.0	1.9
Net cash -- operating activities	163.1	59.2
INVESTING ACTIVITIES		
Additions to plant, property, and equipment	(71.8)	(63.4)
Acquisitions, net of cash acquired	(1.5)	(257.3)
Proceeds from sale of assets and businesses	7.7	4.7
Other, net	0.1	0.3
Net cash -- investing activities	(65.5)	(315.7)
FINANCING ACTIVITIES		
Short-term debt, net	162.6	199.6
Long-term debt repaid	(4.6)	(36.2)
Long-term debt issued	0.4	0.9
Repurchase of common stock	(118.2)	(114.7)
Proceeds from issuance of common stock	56.3	56.4
Dividends paid	(49.8)	(30.5)
Other, net	(0.1)	(0.1)
Net cash -- financing activities	46.6	75.4
EXCHANGE RATE EFFECTS ON CASH AND CASH EQUIVALENTS	(21.9)	(7.6)
NET CASH FROM OPERATIONS -- DISCONTINUED OPERATIONS	(1.0)	(6.0)
Net change in cash and cash equivalents	121.3	(194.7)
Cash and cash equivalents -- beginning of period	262.9	414.2
CASH AND CASH EQUIVALENTS -- END OF PERIOD	$ 384.2	$ 219.5
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: Cash paid during the period for:		
Interest	$ 25.3	$ 21.5
Income taxes	$ 53.8	$ 32.3

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

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

1) RECEIVABLES, NET

Net receivables consist of the following:

	JUNE 30, 2005	DECEMBER 31, 2004
Trade	$1,246.8	$1,124.4
Other	99.8	84.6
Less: allowance for doubtful accounts and cash discounts	(37.3)	(34.7)
	$1,309.3	$1,174.3

2) INVENTORIES, NET

Net inventories consist of the following:

	JUNE 30, 2005	DECEMBER 31, 2004
Finished goods	$165.0	$187.9
Work in process	300.2	294.6
Raw materials	325.3	324.9
Less: progress payments	(94.4)	(99.0)
	$696.1	$708.4

3) PLANT, PROPERTY AND EQUIPMENT, NET

Net plant, property and equipment consist of the following:

	JUNE 30, 2005	DECEMBER 31, 2004
Land and improvements	$ 60.8	$ 65.3
Buildings and improvements	506.2	527.1
Machinery and equipment	1,680.9	1,757.4
Furniture, fixtures and office equipment	244.1	246.3
Construction work in progress	81.2	69.7
Other	55.3	58.7
	2,628.5	2,724.5
Less: accumulated depreciation and amortization	(1,719.2)	(1,743.6)
	$ 909.3	$ 980.9

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

4) SALES AND REVENUES AND COSTS OF SALES AND REVENUES

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

	THREE MONTHS ENDED JUNE 30, 2005	THREE MONTHS ENDED JUNE 30, 2004	SIX MONTHS ENDED JUNE 30, 2005	SIX MONTHS ENDED JUNE 30, 2004
Product sales	$1,614.0	$1,368.2	$3,153.0	$2,616.2
Service revenues	369.2	278.6	713.3	541.7
Total sales and revenues	$1,983.2	$1,646.8	$3,866.3	$3,157.9
Costs of product sales	$1,059.8	$ 879.7	$2,104.8	$1,692.6
Costs of service revenues	258.3	194.9	501.0	385.4
Total costs of sales and revenues	$1,318.1	$1,074.6	$2,605.8	$2,078.0

The Defense Electronics & Services segment comprises $330.8 and $643.1 of total service revenues for the three and six months ended June 30, 2005, respectively, and $225.7 and $442.3 of total costs of service revenues, respectively, during the same period. The Fluid Technology segment comprises the remaining balances of service revenues and costs of service revenues.

The Defense Electronics & Services segment comprises $249.3 and $484.4 of total service revenues for the three and six months ended June 30, 2004, respectively, and $169.8 and $331.7 of total costs of service revenues, respectively, during the same period. The Fluid Technology segment comprises the remaining balances of service revenues and costs of service revenues.

5) COMPREHENSIVE INCOME

Three Months Ended June 30, 2005	PRETAX INCOME (EXPENSE)	TAX (EXPENSE) BENEFIT	NET-OF-TAX AMOUNT
Net income			$ 137.7
Other comprehensive income (loss):			
Foreign currency translation adjustments	$(101.4)	$ --	(101.4)
Unrealized gain (loss) on investment securities and cash flow hedges	--	--	--
Other comprehensive income (loss)	$(101.4)	$ --	(101.4)
Comprehensive income			$ 36.3

Three Months Ended June 30, 2004	PRETAX INCOME (EXPENSE)	TAX (EXPENSE) BENEFIT	NET-OF-TAX AMOUNT
Net income			$112.0
Other comprehensive income (loss):			
Foreign currency translation adjustments	$(5.3)	$ --	(5.3)
Unrealized (loss) gain on investment securities and cash flow hedges	(0.5)	0.2	(0.3)
Other comprehensive (loss) income	$(5.8)	$ 0.2	(5.6)
Comprehensive			

income.. $106.4
======

PRETAX TAX INCOME (EXPENSE) NET-OF-TAX (EXPENSE)
BENEFIT AMOUNT --------- --------- ---------- Six
Months Ended June 30, 2005 Net
income..
$ 254.2 Other comprehensive (loss) income: Foreign
currency translation adjustments..................
$(167.8) $ -- (167.8) Unrealized (loss) gain on
investment securities and cash flow
hedges...
(0.2) 0.1 (0.1) ------- ---- ------- Other
comprehensive (loss) income.....................
$(168.0) $0.1 (167.9) ------- Comprehensive
income.. $ 86.3

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PRETAX TAX INCOME (EXPENSE) NET-OF-TAX (EXPENSE)
BENEFIT AMOUNT --------- --------- ---------- Six
Months Ended June 30, 2004 Net
income..
$200.9 Other comprehensive income (loss): Foreign
currency translation adjustments..................
$(43.2) $ -- (43.2) Unrealized (loss) gain on
investment securities and cash flow
hedges...
(0.3) 0.1 (0.2) ------ ---- ------ Other comprehensive
(loss) income...................... $(43.5) $0.1 (43.4)
------ Comprehensive
income.. $157.5

======

6) EARNINGS PER SHARE

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

THREE MONTHS SIX MONTHS ENDED ENDED JUNE 30, JUNE 30, ---
---------- ---------- 2005 2004 2005 2004 ----- ----- --
-- ---- Weighted average shares of common stock
outstanding used in the computation of basic earnings per
share............... 92.3 92.4 92.3 92.3 Common stock
equivalents.................................... 1.9 2.1
1.9 2.2 ---- ---- ---- ---- Shares used in the
computation of diluted earnings per
share..
94.2 94.5 94.2 94.5 ==== ==== ==== ====

There were no significant amounts of outstanding antidilutive common stock options excluded from the computation of diluted EPS for the three months ended June 30, 2005 and 2004, respectively.

Options to purchase 1.8 shares of common stock at an average price of $91.07 per share were outstanding for the six months ended June 30, 2005 but were not included in the computation of diluted EPS, because the options' exercise prices were greater than the average market price of the common shares. These options expire in 2012.

There were no significant amounts of outstanding antidilutive common stock options excluded from the computation of diluted EPS for the six months ended June 30, 2004.

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

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

7) STOCK-BASED EMPLOYEE COMPENSATION

At June 30, 2005, the Company has one stock-based employee compensation plan that is issuing new options and restricted shares of common stock. The Company also has one stock-based employee compensation plan and two stock-based non-employee director's compensation plans that have options and restricted shares outstanding, but will not be issuing additional stock-based compensation. These plans are described more fully in Note 20, "Shareholders' Equity," within the Notes to Consolidated Financial Statements of the 2004 Annual Report on Form 10-K. The Company accounts for these plans under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Had compensation expense for these plans been determined based on the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," the Company's net income and earnings per share would have been reduced to the following pro forma amounts:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2005	2004	2005	2004
Net income as reported	$137.7	$112.0	$254.2	$200.9
Deduct: Total stock-based employee compensation expense determined under the fair value based method for awards not reflected in net income -- net of tax	(17.6)	(15.0)	(20.2)	(18.1)
Pro forma net income	$120.1	$ 97.0	$234.0	$182.8
Basic earnings per share				
As reported	$ 1.49	$ 1.21	$ 2.75	$ 2.18
Pro forma	$ 1.30	$ 1.05	$ 2.54	$ 1.98
Diluted earnings per share				
As reported	$ 1.46	$ 1.18	$ 2.70	$ 2.13
Pro forma	$ 1.28	$ 1.03	$ 2.48	$ 1.93

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2005	2004	2005	2004
Dividend yield	0.73%	1.37%	0.79%	1.40%
Expected volatility	23.00%	25.84%	23.00%	25.84%
Expected life	5.1 years	6.0 years	4.6 years	6.0 years
Risk-free rates	3.84%	4.30%	3.99%	3.66%

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

The value of stock-based compensation that was recognized in selling, general and administrative expenses within the Consolidated Condensed Income Statements during the three month and six month periods ended June 30, 2005 and 2004 was:

THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
2005	2004	2005	2004
$0.7	$0.2	$1.4	$0.3

8) RESTRUCTURING AND ASSET IMPAIRMENT CHARGES

2005 RESTRUCTURING ACTIVITIES

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

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

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

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

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

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

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

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

2004 RESTRUCTURING ACTIVITIES

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

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

The actions announced during 2004 by segment are as follows:

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

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

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

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

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

	DEFENSE ELECTRONICS & SERVICES	MOTION & FLOW CONTROL	FLUID TECHNOLOGY	ELECTRONIC COMPONENTS	CORPORATE AND OTHER	TOTAL
Balance January 1, 2005	$11.1	$ 0.1	$ 4.2	$ 6.2	$ 1.1	$ 22.7
Additional charges for prior year plans	--	--	--	0.8	--	0.8
Payments for prior year plans	(7.4)	(0.1)	(2.7)	(4.5)	(0.8)	(15.5)
2005 restructuring charges	8.6	--	6.6	9.8	--	25.0
Reversals	(0.2)	--	--	--	--	(0.2)
Payments for 2005 charges	(2.8)	--	(2.4)	(2.7)	--	(7.9)
Translation	(0.8)	--	(0.3)	--	--	(1.1)
Other	--	--	0.1	0.1	0.2	0.4
Balance June 30, 2005	$ 8.5	$ --	$ 5.5	$ 9.7	$ 0.5	$ 24.2

During the second quarter of 2005, $0.2 of restructuring accruals were reversed into income reflecting lower than anticipated severance costs (due to employee attrition). During the first half of 2004, $0.9 of restructuring accruals related to 2003, 2002 and 2001 restructuring actions were reversed into income. The reversals related to lower than anticipated severance costs on completed actions due to favorable employee attrition and lower than anticipated closed facility costs.

As of December 31, 2004, remaining actions under restructuring activities announced in 2004 and earlier were to reduce headcount by 685 employees. During the first six months of 2005, the Company announced the additional planned termination of 459 employees, and reduced headcount by 384 employees related to all plans, leaving a balance of 760 planned reductions. Actions announced during 2005 will be completed by early 2006. Actions announced during 2004 will be substantially completed by the end of 2005. Future restructuring expenditures will be funded with cash from operations, supplemented on an interim basis, if required, with commercial paper borrowings.

9) DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The nature of the Company's business activities necessarily involves the management of various financial and market risks, including those related to changes in interest rates, currency exchange rates, and commodity prices. As discussed more completely in Notes 1, "Summary of Significant Accounting Policies," and 18, "Financial Instruments," within the Notes to Consolidated Financial Statements of the 2004 Annual Report on Form 10-K, the Company uses derivative financial instruments to mitigate or eliminate certain of those risks.

A reconciliation of current period changes contained in the accumulated other comprehensive loss component of shareholders' equity is not required as no material activity occurred during the first six months of 2005 and 2004. Additional disclosures required by SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, are presented below.

HEDGES OF FUTURE CASH FLOWS

At June 30, 2005 the Company had no foreign currency cash flow hedges outstanding. At December 31, 2004 the Company had one foreign currency cash flow hedge outstanding with a notional amount of $0.1.

HEDGES OF RECOGNIZED ASSETS, LIABILITIES AND FIRM COMMITMENTS

At June 30, 2005 and December 31, 2004, the fair values of the Company's interest rate swaps were $103.5 and $84.9, including $2.7 and $3.3 of accrued interest, respectively.

At June 30, 2005 and December 31, 2004, the Company had foreign currency forward contracts with notional amounts of $128.8 and $93.3, respectively, to hedge the value of recognized assets, liabilities and firm commitments. The fair value of the 2005 and 2004 contracts were $(2.5) and $(0.4) at June 30, 2005 and December 31, 2004, respectively. The ineffective portion of changes in fair values of such hedge positions reported in operating income during the first six months of 2005 and 2004 amounted to $(0.2) for both periods. There were no amounts excluded from the measure of effectiveness.

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

10) GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

	DEFENSE ELECTRONICS & SERVICES	FLUID TECHNOLOGY	MOTION & FLOW CONTROL	ELECTRONIC COMPONENTS	CORPORATE AND OTHER	TOTAL
Balance as of January 1, 2005	$1,080.9	$904.8	$187.3	$336.1	$5.0	$2,514.1
Goodwill acquired during the period	--	--	--	--	--	--
Other, including foreign currency translation	(57.9)	1.1	(3.8)	(6.2)	--	(66.8)
Balance as of June 30, 2005	$1,023.0	$905.9	$183.5	$329.9	$5.0	$2,447.3

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

	JUNE 30, 2005	DECEMBER 31, 2004
Finite-lived intangibles -- Customer Relationships	$138.8	$138.8
Proprietary Technology	21.4	21.4
Patents and other	45.3	44.1
Accumulated amortization	(28.3)	(18.8)
Indefinite-lived intangibles -- Brands and trademarks	28.8	29.7
Pension related	25.1	25.1
Net intangibles	$231.1	$240.3

During the first quarter of 2004, the Company completed the acquisition of WEDECO AG Water Technology ("WEDECO"). As of June 30, 2005, intangible assets related to the acquisition of WEDECO include $219.5 of goodwill, $11.1 of intangibles for tradenames, $21.4 of proprietary technology, $18.8 of customer relationships and $4.4 of patents and other. During the third quarter of 2004, the Company completed the acquisition of Remote Sensing Systems ("RSS"). As of June 30, 2005, intangible assets related to the acquisition of RSS include $598.7 of goodwill, $120.0 of intangible assets related to customer relationships and $4.9 of other intangible assets.

Amortization expense related to intangible assets for the six month periods ended June 30, 2005 and 2004 was $9.5 and $2.4, respectively.

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

2006
2007
2008
2009
2010
- ---
- ---
- ---
- ---

- ---
  -
$22.3
$20.2
$17.4
$15.7
$14.3

11) DISCONTINUED OPERATIONS

AUTOMOTIVE -- DISCONTINUED OPERATIONS

In September of 1998, the Company completed the sales of its automotive Electrical Systems business to Valeo SA for approximately $1,700 and its Brake and Chassis unit to Continental AG of Germany for approximately $1,930. These dispositions were treated as discontinued operations. In 1998 and 1999, the

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

Company received notifications of claims from the buyers of the automotive business requesting post-closing adjustments to the purchase prices under the provisions of the sales agreements. In 1999, those claims were submitted to arbitration. In 2001 and early in 2002, both claims were favorably resolved.

At June 30, 2005, the Company had automotive discontinued operations accruals of $188.6 that are primarily related to tax matters of $154.1, product recalls of $7.8, environmental obligations of $14.1 and employee benefits of $12.6. The Company expects that it will resolve the $154.1 of tax matters in the second half of 2005.

12) PENSION AND POSTRETIREMENT MEDICAL BENEFIT EXPENSES

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2005	2004	2005	2004
Components of net periodic pension cost:				
Service cost	$ 24.0	$ 20.8	$ 48.0	$ 41.6
Interest cost	70.5	66.1	141.0	132.2
Expected return on plan assets	(90.2)	(83.7)	(180.4)	(167.4)
Amortization of prior service cost	1.2	1.7	2.4	3.4
Recognized actuarial loss	17.8	12.7	35.6	25.4
Net periodic pension cost	$ 23.3	$ 17.6	$ 46.6	$ 35.2

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

The Company contributed approximately $111.6 to its various plans during the first six months of 2005. Additional contributions ranging between $11.0 and $31.0 are expected over the balance of 2005.

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2005	2004	2005	2004
Components of net periodic postretirement cost:				
Service cost	$ 1.9	$ 1.8	$ 3.8	$ 3.6
Interest cost	10.8	9.8	21.6	19.6
Expected return on plan assets	(5.2)	(4.7)	(10.4)	(9.4)
Amortization of prior service benefit	(0.5)	(1.0)	(1.0)	(2.0)
Recognized actuarial loss	3.6	3.5	7.2	7.0
Net periodic postretirement cost	$10.6	$ 9.4	$ 21.2	$18.8

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

In January 2004, FASB Staff Position ("FSP") No. 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" ("FSP

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

13) COMMITMENTS AND CONTINGENCIES

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

ENVIRONMENTAL

The Company has accrued for environmental remediation costs associated with identified sites consistent with the policy set forth in Note 1, "Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements of the 2004 Annual Report on Form 10-K. In management's opinion, the total amount accrued and related receivables are appropriate based on existing facts and circumstances. It is difficult to estimate the total costs of investigation and remediation due to various factors, including incomplete information regarding particular sites and other potentially responsible parties, uncertainty regarding the extent of contamination and the Company's share, if any, of liability for such conditions, the selection of alternative remedies, and changes in clean-up standards. In the event that future remediation expenditures are in excess of amounts accrued, management does not anticipate that they will have a material adverse effect on the consolidated financial position, results of operations or cash flows.

In the ordinary course of business, and similar to other industrial companies, the Company is subject to extensive and changing federal, state, local, and foreign environmental laws and regulations. The Company has received notice that it is considered a potentially responsible party ("PRP") at a limited number of sites by the United States Environmental Protection Agency ("EPA") and/or a similar state agency under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA" or "Superfund") or its state equivalent. As of June 30, 2005, the Company is responsible, or is alleged to be responsible, for approximately 80 environmental investigation and remediation sites in various countries. In many of these proceedings, the Company's liability is considered de minimis. At June 30, 2005, the Company calculated a best estimate of $96.3, which approximates its accrual, related to the cleanup of soil and ground water. The low range estimate for its environmental liabilities is $73.3 and the high range estimate for those liabilities is

$150.2. On an annual basis the Company spends between $8.0 and $11.0 on its environmental remediation liabilities. These estimates, and related accruals, are reviewed periodically and updated for progress of remediation efforts and changes in facts and legal circumstances. Liabilities for environmental expenditures are recorded on an undiscounted basis.

The Company is involved in an environmental proceeding in Glendale, California relating to the San Fernando Valley aquifer. The Company is one of numerous PRPs who are alleged by the EPA to have contributed to the contamination of the aquifer. In January 1999, the EPA filed a complaint in the United States District Court for the Central District of California against the Company and Lockheed Martin Corporation, United States v. ITT Industries, Inc. and Lockheed Martin Corp. CV99-00552 SVW AIJX, to recover costs it incurred in connection with the foregoing. In May 1999, the EPA and the PRPs, including the Company and Lockheed Martin, reached a settlement, embodied in a consent decree, requiring the PRPs to perform additional remedial activities. Pursuant to the settlement, the PRPs, including the Company, have constructed and are operating a water treatment system. The operation of the water treatment system is expected to continue until 2013. ITT and the other PRPs continue to pay their respective allocated costs of the operation of the water treatment system and the Company does not anticipate a default by any of the PRPs which would increase its allocated share of the liability. As of June 30, 2005, the Company's accrual for this liability was $9.9 representing its best estimate; its low estimate for the liability is $6.5 and its high estimate is $15.4.

ITT Corporation operated a facility in Madison County, Florida from 1968 until 1989. In 1995, elevated levels of contaminants were detected at the site. Since then, ITT has completed the investigation of the site in coordination with state and federal environmental authorities and is in the process of evaluating various remedies. A remedy for the site has not yet been selected. Currently, the estimated range for the remediation is between $4.8 and $18.7. The Company has accrued $7.4 for this matter, which approximates its best estimate.

The Company is involved with a number of PRPs regarding property in the City of Bronson, Michigan operated by a former subsidiary of ITT Corporation, Higbie Manufacturing, prior to the time ITT acquired Higbie. The Company and other PRPs are investigating and remediating discharges of industrial waste which occurred in the 1930's. The Company's current estimates for its exposure are between $6.6 and $13.8. It has an accrual for this matter of $10.0 which represents its best estimate of its current liabilities. The Company does not anticipate a default on the part of the other PRPs.

In a suit filed in 1991 by the Company, in the California Superior Court, Los Angeles County, ITT Corporation, et al. v. Pacific Indemnity Corporation et al., against its insurers, the Company is seeking recovery of costs it incurred in connection with its environmental liabilities including the three listed above. Discovery, procedural matters, changes in California law, and various appeals have prolonged this case. Currently, the matter is before the California Court of Appeals from a decision by the California Superior Court dismissing certain claims of the Company. The dismissed claims were claims where the costs incurred were solely due to administrative (versus judicial) actions. A hearing is expected in the second half of 2005. In the event the appeal is successful, the Company will pursue the administrative claims against its excess insurers. During the course of the litigation the Company has negotiated settlements with certain defendant insurance companies and is prepared to pursue its legal remedies where reasonable negotiations are not productive.

PRODUCT LIABILITY

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

Frequently, the plaintiffs are unable to demonstrate any injury or do not identify any ITT or Goulds product as a source of asbestos exposure. During 2004, ITT and Goulds resolved in excess of 4,200 claims through settlement or dismissal. The average amount of settlement per plaintiff has been nominal and substantially all defense and settlement costs have been covered by insurance. Based upon past claims experience, available insurance coverage, and after consultation with counsel, management believes that these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows.

The Company is involved in two actions, Cannon Electric, Inc. et al. v. Ace Property & Casualty Company ("ACE") et al. Superior Court, County of Los Angeles, CA., Case No. BC 290354, and Pacific Employers Insurance Company et al., v. ITT Industries, Inc., et al., Supreme Court, County of New York, N.Y., Case No. 03600463. The parties in both cases are seeking an appropriate allocation of responsibility for the Company's historic asbestos liability exposure among its insurers. The California action is filed in the same venue where the Company's environmental insurance recovery litigation has been pending since 1991. The New York action has been stayed in favor of the California suit. ITT and ACE have successfully resolved the matter and the Company is working with other parties in the suit to resolve the matter as to those insurers. In addition, Utica National, Goulds' historic insurer, has requested that the Company negotiate a coverage in place agreement to allocate the Goulds' asbestos liabilities between insurance policies issued by Utica and those issued by others. The Company is continuing to receive the benefit of insurance payments during the pendency of these proceedings. The Company believes that these actions will not materially affect the availability of its insurance coverage and will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

The Company is one of several defendants in a suit filed in El Paso, Texas, Bund zur Unterstutzung Radargeschadigter et al. v. ITT Industries et al., Sup. Ct., El Paso, Texas, C.A. No. 2002-4730. This Complaint, filed by both U.S. and German citizens, alleges that ITT and four other major companies failed to warn the plaintiffs of the dangers associated with exposure to x-ray radiation from radar devices. The Complaint also seeks the certification of a class of similarly injured persons. Numerous motions are currently pending before the Court. A hearing on class certification is expected in late 2005. On October 5, 2004, the Company filed an action, ITT Industries, Inc. et al. v. Fireman's Fund Insurance Company et al., Superior Court, County of Los Angeles, C.A. No. B.C. 322546, against various insurers who issued historic aircraft products coverage to the Company seeking a declaration that each is liable for the costs of defense of the El Paso matter. The parties have an agreement in principle to resolve this matter whereby the Company will continue to receive the cost of defense of this matter from the insurers. Management believes that the El Paso suit will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

The Company has received demands from U.S. Silica for partial indemnity regarding personal injury actions alleging injury due to silica. In 1985, the Company sold the stock of its subsidiary Pennsylvania Glass Sand to U.S. Silica. As part of that transaction, the Company provided an indemnity to U.S. Silica for silica personal injury suits. That indemnity expires in September 2005. Costs incurred in these matters related to the defense, settlements or judicial awards are allocated between U.S. Silica and the Company. The Company's allocated portion is paid in part by its historic product liability carriers and then shared pursuant to the Distribution Agreement. See "Company History and Certain Relationships" within Part I, Item 1 of the 2004 Annual Report on Form 10-K for a description of the Distribution Agreement. Management believes that these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

OTHER

The Company is involved in an arbitration with Rayonier, Inc., a former subsidiary of the Company's predecessor ITT Corporation. On May 2, 2005 the arbitrator issued an award directing the Company to make a payment to Rayonier in the amount of $16.2. The Company's appeal of the award was rejected by the United States District Court for the Southern District of New York on July 22, 2005 C.A. No. 05-CV-4322 (CLB). The award will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

14) GUARANTEES, INDEMNITIES AND WARRANTIES

GUARANTEES & INDEMNITIES

In September of 1998, the Company completed the sale of its automotive electrical systems business to Valeo SA for approximately $1,700. As part of the sale, the Company provided Valeo SA with representations and warranties with respect to the operations of the Business, including: Conveyance of Title, Employee Benefits, Tax, Product Liability, Product Recall, Contracts, Environmental, Intellectual Property, etc. The Company also indemnified Valeo SA for losses related to a misrepresentation or breach of the representations and warranties. With a few limited exceptions, the indemnity periods within which Valeo SA may assert new claims have expired. Under the terms of the sales contract, the original maximum potential liability to Valeo SA on an undiscounted basis is $680. However, because of the lapse of time, or the fact that the parties have resolved certain issues, at June 30, 2005 the Company has an accrual of $7.8 which is its best estimate of the potential exposure.

In September of 1998, the Company completed the sale of its brake and chassis unit to Continental AG for approximately $1,930. As part of the sale, the Company provided Continental AG with representations and warranties with respect to the operations of that Business, including: Conveyance of Title, Employee Benefits, Tax, Product Liability, Product Recall, Contracts, Environmental, Intellectual Property, etc. The Company also indemnified Continental AG for losses related to a misrepresentation or breach of the representations and warranties. With a few limited exceptions, the indemnity periods within which Continental AG may assert new claims have expired. Under the terms of the sales contract, the original maximum potential liability to Continental AG on an undiscounted basis is $950. However, because of the lapse of time, or the fact that the parties have resolved certain issues, at June 30, 2005 the Company has an accrual of $14.1 which is its best estimate of the potential exposure.

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

The Company provided three guarantees with respect to its real estate development activities in Flagler County, Florida. Two of these guarantee bonds were issued by the Dunes Community Development District. The bond issuances were used primarily for the construction of infrastructure, such as water and sewage utilities and a bridge. The Company has been released from its obligation to perform under both of these guarantees in the third quarter of 2004. The third guaranty is a performance bond in the amount of $10.0 in favor of Flagler County, Florida. The Company would be required to perform under this guarantee if certain parties did not satisfy all aspects of the development order, the most significant aspect being the expansion of a bridge. The maximum amount of the undiscounted future payments on the third guarantee equals $10.0. At June 30, 2005, the Company has an accrual related to the expansion of a bridge in the amount of $10.0.

In December of 2002, the Company entered into a sales-type lease agreement for its corporate aircraft and then leased the aircraft back under an operating lease agreement. The Company has provided, under the agreement, a residual value guarantee to the counterparty in the amount of $44.8, which is the maximum amount of undiscounted future payments. The Company would have to make payments under the residual value guarantee only if the fair value of the aircraft was less than the residual value guarantee upon termination of the agreement. At June 30, 2005, the Company does not believe that a loss contingency is probable and therefore does not have an accrual recorded in its financial statements.

The Company has a number of individually immaterial guarantees outstanding at June 30, 2005, that may be affected by various conditions and external forces, some of which could require that payments be made under such guarantees. The Company does not believe these payments will have any material adverse impact on the cash flow, results of operations or financial condition of the Company on a consolidated basis in the foreseeable future.

PRODUCT WARRANTIES

Accruals for estimated expenses related to product warranties are made at the time products are sold or services are rendered. These accruals are established using historical information on the nature, frequency, and average cost of warranty claims. The Company warrants numerous products, the terms of which vary widely. In general, the Company warrants its products against defect and specific nonperformance. In the automotive businesses, liability for product defects could extend beyond the selling price of the product and could be significant if the defect shuts down production or results in a recall. At June 30, 2005, the Company has a product warranty accrual in the amount of $39.2.

PRODUCT WARRANTY LIABILITIES

ACCRUALS
FOR
PRODUCT
CHANGES IN
PRE-
EXISTING
BEGINNING
BALANCE
WARRANTIES
ISSUED
WARRANTIES
INCLUDING
ENDING
BALANCE
JANUARY 1,
2005 IN
THE PERIOD
CHANGES IN
ESTIMATES
(PAYMENTS)
JUNE 30,
2005 -----

-- -------

--- ------
---- -----

$40.3
$15.2
$(1.5)

$(14.8)
$39.2 ----
- ----- --
--- ------

ACCRUALS
FOR
PRODUCT
CHANGES IN
PRE-
EXISTING
BEGINNING
BALANCE
WARRANTIES
ISSUED
WARRANTIES
INCLUDING
ENDING
BALANCE
JANUARY 1,
2004 IN
THE PERIOD
CHANGES IN
ESTIMATES
(PAYMENTS)
JUNE 30,
2004 -----

-- -------

--- ------
---- -----

$34.3
$13.0
$(0.5)
$(12.4)
$34.4 ----
- ----- --
--- ------
-----

15) ACQUISITIONS

During the first six months of 2004, the Company spent $257.3 primarily for the acquisitions of the following:

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

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

As of June 30, 2005, the excess of the purchase price over the fair value of net assets acquired of $221.3 is recorded as goodwill.

OTHER 2004 ACQUISITIONS

On August 13, 2004, the Company purchased all of the RSS business from Eastman Kodak for $736.9 in cash. RSS is a leading supplier of high resolution satellite imaging systems and information services. Management believes that the acquisition of RSS will enhance the Company's competitive position in the space payload and service product offering industry and create a full spectrum provider with the latest visible and infrared satellite imaging technology in the remote sensing market.

As of June 30, 2005, the excess of the purchase price of RSS over the fair value of net assets acquired of $598.7 is recorded as goodwill and is deductible for tax purposes. The entire goodwill balance is reflected in the Defense Electronics & Services segment.

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

16) BUSINESS SEGMENT INFORMATION

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

DEFENSE MOTION &
CORPORATE, THREE
MONTHS ENDED FLUID
ELECTRONICS & FLOW
ELECTRONIC
ELIMINATIONS & JUNE
30, 2005 TECHNOLOGY
SERVICES CONTROL
COMPONENTS OTHER TOTAL
- ------------------ -
--------- -----------
- -------- ----------
------------- -------
- Sales and
revenues....... $
734.5 $ 779.5 $290.9
$181.7 $ (3.4)
$1,983.2 -------- ----
---- ------ ------ ---
----- -------- Costs
of sales and
revenues...............
485.7 494.7 208.6
133.4 (4.3) 1,318.1
Selling, general, and
administrative
expenses..............
136.8 56.3 24.9 29.6
24.0 271.6 Research,
development, and
engineering
expenses..............
15.4 143.6 11.4 9.7 --
180.1 Restructuring
and asset impairment
charges..... 2.5 --
1.0 3.3 -- 6.8
Reversal of
restructuring
charge.................
(0.2) -- -- -- --
(0.2) -------- -------

- ------ ------ ------
-- -------- Total
costs and
expenses...............
640.2 694.6 245.9
176.0 19.7 1,776.4 ---
----- -------- ------
------ -------- ------
-- Operating income
(expense)..............
$ 94.3 $ 84.9 $ 45.0 $
5.7 $ (23.1) $ 206.8
======== ========
====== ====== ========
======== Total
assets.............
$2,499.4 $1,868.8
$752.3 $742.4 $1,633.6
$7,496.5

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

THREE MONTHS ENDED JUNE 30, 2004	DEFENSE ELECTRONICS & SERVICES	FLUID TECHNOLOGY	MOTION & FLOW CONTROL	ELECTRONIC COMPONENTS	CORPORATE, ELIMINATIONS & OTHER	TOTAL
Sales and revenues.......	$ 650.9	$530.7	$281.3	$186.6	$ (2.7)	$1,646.8
Costs of sales and revenues...............	429.5	315.3	201.4	131.6	(3.2)	1,074.6
Selling, general, and administrative expenses...............	127.5	28.0	25.5	34.6	20.1	235.7
Research, development, and engineering expenses...............	15.0	131.6	10.7	9.1	--	166.4
Restructuring and asset impairment charges.....	3.4	--	2.4	6.9	1.6	14.3
Reversal of restructuring charge.................	(0.2)	--	--	(0.1)	--	(0.3)
Total costs and expenses...............	575.2	474.9	240.0	182.1	18.5	1,490.7
Operating income (expense)..............	$ 75.7	$ 55.8	$ 41.3	$ 4.5	$ (21.2)	$ 156.1
Total assets.............	$2,430.4	$924.3	$740.2	$767.8	$1,462.7	$6,325.4

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

-------- ---------- --
------------ --------
Sales and
revenues.......
$1,374.1 $1,555.2
$588.5 $355.4 $ (6.9)
$3,866.3 -------- ----
---- ------ ------ ---
----- -------- Costs
of sales and
revenues...............
903.8 1,027.5 424.7
258.2 (8.4) 2,605.8
Selling, general, and
administrative
expenses...............
279.9 105.7 50.6 60.5
45.8 542.5 Research,
development, and
engineering
expenses...............
31.3 259.3 23.0 19.3 -
- 332.9 Restructuring
and asset impairment
charges..... 9.0 --
6.6 10.6 -- 26.2
Reversal of
restructuring
charge.................
(0.2) -- -- -- --
(0.2) -------- -------
- ------ ------ ------
-- -------- Total
costs and
expenses...............
1,223.8 1,392.5 504.9
348.6 37.4 3,507.2 ---
----- -------- ------
------ -------- ------
-- Operating income
(expense).............
$ 150.3 $ 162.7 $ 83.6
$ 6.8 $ (44.3) $ 359.1
======== ========
====== ====== ========
======== Total
assets.............
$2,499.4 $1,868.8
$752.3 $742.4 $1,633.6
$7,496.5

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

SIX MONTHS ENDED JUNE 30, 2004	DEFENSE ELECTRONICS & SERVICES	FLUID TECHNOLOGY	MOTION & FLOW CONTROL	ELECTRONIC COMPONENTS	CORPORATE, ELIMINATIONS & OTHER	TOTAL
Sales and revenues.......	$1,225.8	$1,037.2	$555.3	$344.0	$ (4.4)	$3,157.9
Costs of sales and revenues..............	810.5	629.3	400.0	240.8	(2.6)	2,078.0
Selling, general, and administrative expenses..............	251.7	60.7	51.2	65.1	35.0	463.7
Research, development, and engineering expenses..............	29.0	242.7	21.1	18.2	--	311.0
Restructuring and asset impairment charges.....	6.6	--	2.6	8.6	1.8	19.6
Reversal of restructuring charge................	(0.4)	--	--	(0.5)	--	(0.9)
Total costs and expenses..............	1,097.4	932.7	474.9	332.2	34.2	2,871.4
Operating income (expense)..............	$ 128.4	$ 104.5	$ 80.4	$ 11.8	$ (38.6)	$ 286.5
Total assets............	$2,430.4	$ 924.3	$740.2	$767.8	$1,462.7	$6,325.4

17) QUARTERLY FINANCIAL PERIODS

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

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

RESULTS OF OPERATIONS

EXECUTIVE SUMMARY

THREE MONTHS

The Company had strong operating performance in the second quarter of 2005. Revenues grew 20.4% from the comparable prior year quarter. The contributions from the Company's existing businesses, led by the Defense Electronics & Services and Fluid Technology segments, accounted for 12.2% of the growth. Acquisitions and foreign currency translations comprised the remaining 8.2% of the growth. These results reflect the strength of the Company's portfolio of businesses and the introduction of new products.

Operating income in the second quarter of 2005 was 32.5% higher than the second quarter of 2004. The increase reflects higher volume including the impact of a Defense Electronic & Services related acquisition. This was partially offset by higher employee benefit costs, additional expenditures for process improvements, and increased marketing costs.

Diluted earnings per share were $1.46 for the second quarter of 2005 and include the favorable settlement of a tax matter and interest income $0.07, restructuring $(0.05) and discontinued operations $0.01. Diluted earnings per share for the comparable prior year quarter were $1.18 and include the impact of favorable tax settlements, $0.12, restructuring $(0.10) and discontinued operations $(0.02).

SIX MONTHS

The Company's revenues grew 22.4% in the first six months of 2005 from the comparable prior year period. Higher volume in all segments contributed 12.6% of the growth and acquisitions and foreign currency translations contributed the remaining 9.8% of the growth. Based on these results and current and projected market conditions, the Company forecasts full year 2005 revenue to be between $7,660 million and $7,800 million.

Operating income in the first six months of 2005 was 25.3% higher than the first six months of 2004. The increase reflects higher volume, partially offset by higher employee benefit costs, additional expenditures for process improvements, and increased marketing costs. The Company forecasts full year 2005 segment operating income to be between approximately $870 million and $905 million.

Diluted earnings per share were $2.70 for the first six months of 2005 and include the favorable settlement of a tax matter and interest income $0.43, restructuring $(0.19) and discontinued operations $(0.10). Diluted earnings per share for the comparable prior year period were $2.13 and include the impact of favorable tax settlements/rulings, $0.16, restructuring $(0.14) and discontinued operations $(0.02). Full year 2005 diluted earnings per share are forecasted to be between $5.30 and $5.40.

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

Sales and revenues for the second quarter of 2005 were $1,983.2 million, an increase of $336.4 million, or 20.4%, from the same period for 2004. Costs of sales and revenues of $1,318.1 million for the second quarter of 2005 increased $243.5 million, or 22.7%, from the comparable 2004 period. The increases in sales and revenues and costs of sales and revenues are primarily attributable to higher volume in most segments, contributions from a 2004 acquisition made by the Defense Electronics & Services segment and the impact of foreign currency translation. The increase in costs of sales and revenues also reflects a change in product mix.

Selling, general and administrative ("SG&A") expenses for the second quarter of 2005 were $271.6 million, an increase of $35.9 million, or 15.2%, from the second quarter of 2004. The increase in SG&A expenses was primarily due to increased marketing expense in most segments, including expenses from a 2004 acquisition, higher general and administrative expenses and the impact of foreign currency translation. Higher general and administrative costs reflect additional employee benefit costs, the cost of process improvement initiatives, administrative expenses related to a 2004 acquisition and increased expenditures for tax planning initiatives.

Research, development and engineering ("RD&E") expenses for the second quarter of 2005 increased $13.7 million, or 8.2%, compared to the second quarter of 2004. The increase is attributable to increased spending in all segments.

During the second quarter of 2005, the Company recorded a $6.8 million restructuring charge to streamline its operating structure. The charge primarily reflects severance costs for the planned termination of 84 employees. Additionally, $0.2 million of restructuring accruals related to first quarter 2005 restructuring actions were reversed into income during the second quarter of 2005, as management determined that certain cash expenditures would not be incurred. During the second quarter of 2004, the Company recorded a $14.3 million restructuring charge. The charge primarily reflected the planned reduction of 418 employees, the closure of two facilities and lease cancellation costs. Additionally, $0.3 million of restructuring accruals related to 2003 and 2002 restructuring actions were reversed into income during the second quarter of 2004, as management determined that certain cash expenditures would not be incurred. Refer to the section entitled "Status of Restructuring and Asset Impairments" and Note 8, "Restructuring and Asset Impairment Charges," in the Notes to Consolidated Condensed Financial Statements for additional information.

Operating income for the second quarter of 2005 was $206.8 million, an increase of $50.7 million, or 32.5%, over the second quarter of 2004. The increase is primarily due to improved sales and revenues at most of the segments offset by increased SG&A and RD&E expenses. Segment operating margin for the second quarter of 2005 was 11.6%, or 80 basis points above the comparable prior year quarter. The variance in segment operating margin is due to a reduction in SG&A expenses as a percentage of sales and a decrease in restructuring charges.

Interest expense during the second quarter of 2005 was $13.9 million, an increase of $3.1 million, or 28.7% from the comparable prior year period. This increase reflects higher interest rates and higher debt balances (reflecting a 2004 acquisition). Additionally, the Company recognized $5.5 million of interest income during the second quarter of 2005 compared to $5.4 million during the second quarter of 2004.

During the second quarter of 2005, income tax expense was $55.8 million, or 64.1% more than the applicable prior year period due to the increase in taxable income during the second quarter of 2005 compared to the second quarter of 2004 and the net impact of a favorable tax ruling in 2004.

Income from continuing operations for the second quarter of 2005 was $136.9 million, or $1.45 per diluted share compared to $113.6 million, or $1.20 per diluted share for the second quarter of 2004. The increase reflects the results discussed above.

During the second quarter of 2005, the Company recognized $0.8 million of income from discontinued operations compared to a loss of $1.6 million in the comparable prior year period. The 2005 income primarily relates to a legal settlement.

Fluid Technology's sales and revenues and costs of sales and revenues increased $83.6 million, or 12.8%, and $56.2 million, or 13.1%, respectively, in the second quarter of 2005 compared to the second quarter of 2004. Higher sales in the water/wastewater markets and industrial products businesses, and the impact of foreign currency translation were the primary factors for the increases. SG&A expenses for the second quarter of 2005 increased $9.3 million, or 7.3%, compared to the same period in 2004, mainly due to increased advertising costs, sales commissions and administrative costs in most businesses and foreign currency translation. During the second quarter of 2005, the segment recorded a $2.5 million restructuring charge related to activities to reduce structural costs. Additionally, during the second quarter of 2005, $0.2 million of restructuring accruals were reversed into income. During the second quarter of 2004, the segment recorded a $3.4 million restructuring charge mainly related to a planned reduction in headcount and the closure of two facilities. Additionally, during 2004, $0.2 million of restructuring accruals were reversed into income as costs were less than initially anticipated (refer to the section entitled "Status of Restructuring and Asset Impairments" and Note 8, "Restructuring and Asset Impairment Charges," in the Notes to Consolidated Condensed Financial Statements for additional information). Operating income for the second quarter of 2005 increased $18.6 million, or 24.6%, compared to the second quarter of 2004 due to the activities discussed above.

Defense Electronics & Services' sales and revenues and costs of sales and revenues for the second quarter of 2005 increased $248.8 million, or 46.9%, and $179.4 million, or 56.9%, respectively, from the comparable prior year period. The increases are primarily due to higher volume in the night vision, communications, electronic warfare and systems businesses. A third quarter 2004 acquisition also provided $108.8 million of the increase in revenues. Additionally, a change in product mix also contributed to the increase in costs of sales and revenues. SG&A expenses increased $28.3 million, primarily due to increased employee benefit and administrative costs, higher marketing costs and administrative costs associated with a third quarter 2004 acquisition. RD&E expenses increased $12.0 million, or 9.1%, primarily due to increased spending in the segment's electronic warfare business. Operating income for the second quarter of 2005 was $84.9 million, an increase of $29.1 million, or 52.2%, compared to the same quarter in 2004. The increase reflects the results discussed above.

Motion & Flow Control recorded sales and revenues and costs of sales and revenues of $290.9 million and $208.6 million, respectively, during the second quarter of 2005, reflecting increases of $9.6 million, or 3.4%, and $7.2 million, or 3.6%, from the second quarter of 2004. The increases were mainly due to higher volume in the friction material and aerospace controls businesses and the impact of foreign currency translation partially offset by volume declines in the fluid handling business. SG&A expenses decreased $0.6 million, or 2.4%, compared to the prior year period. During the second quarters of 2005 and 2004, the segment recorded $1.0 million and $2.4 million of restructuring charges, respectively, mainly related to actions to reduce operating costs (refer to the section entitled "Status of Restructuring and Asset Impairments" and Note 8, "Restructuring and Asset Impairment Charges," in the Notes to Consolidated Condensed Financial Statements for additional information). Operating income of $45.0 million was $3.7 million, or 9.0%, higher in the second quarter of 2005 compared to the second quarter of 2004 primarily due to the items mentioned above.

Electronic Components' sales and revenues of $181.7 million and costs of sales and revenues of $133.4 million in the second quarter of 2005, decreased $4.9 million, or 2.6%, and increased $1.8 million, or 1.4%, respectively, from the comparable prior year period. The decrease in sales reflects lower volume in most businesses. The increase in costs of sales and revenues was due to manufacturing inefficiencies in the Company's keypads business. SG&A expenses decreased $5.0 million due to lower marketing and administrative costs. During the second quarters of 2005 and 2004, the segment recorded $3.3 million and $6.9 million of restructuring charges, respectively, relating to planned actions to reduce structural costs. Additionally, during 2004, $0.1 million of restructuring accruals were reversed into income reflecting lower than anticipated severance costs (refer to the section entitled "Status of Restructuring and Asset Impairments" and Note 8, "Restructuring and Asset Impairment Charges," in the Notes to Consolidated Condensed Financial Statements for additional information). Operating income for the second quarter of 2005 increased $1.2 million, or 26.7%, from the second quarter of 2004. The increase was due to the factors discussed above.

Corporate expenses increased $1.9 million in the second quarter of 2005, primarily due to costs related to process improvement initiatives in 2005, employee benefit costs and increased expenditures for tax planning.

SIX MONTHS ENDED JUNE 30, 2005 COMPARED WITH SIX MONTHS ENDED JUNE 30, 2004

Sales and revenues for the first six months of 2005 were $3,866.3 million, an increase of $708.4 million, or 22.4%, from the same period for 2004. Costs of sales and revenues of $2,605.8 million for the first six months of 2005 increased $527.8 million, or 25.4%, from the comparable 2004 period. The increases in sales and revenues and costs of sales and revenues are primarily attributable to higher volume in all segments, contributions from a 2004 acquisition made by the Defense Electronics & Services segment and the impact of foreign currency translation. The increase in costs of sales and revenues also reflects a change in product mix.

SG&A expenses for the first six months of 2005 were $542.5 million, an increase of $78.8 million, or 17.0%, from the first six months of 2004. The increase in SG&A expenses was primarily due to increased marketing expense in most segments, including expenses from a 2004 acquisition, higher general and administrative expenses and the impact of foreign currency translation. Higher general and administrative costs reflect additional employee benefit costs, the cost of process improvement initiatives, administrative expenses related to a 2004 acquisition and increased expenditures for tax planning initiatives.

RD&E expenses for the first six months of 2005 increased $21.9 million, or 7.0%, compared to the first six months of 2004. The increase is attributable to increased spending in all segments.

During the first six months of 2005, the Company recorded a $26.2 million restructuring charge to streamline its operating structure. The charge primarily reflects severance costs for the planned termination of 459 employees. Additionally, $0.2 million of restructuring accruals related to first quarter 2005 restructuring actions were reversed into income during the first six months of 2005, as management determined that certain cash expenditures would not be incurred. During the first six months of 2004, the Company recorded a $19.6 million restructuring charge. The charge primarily reflected the planned reduction of 521 employees, the closure of two facilities and lease cancellation costs. Additionally, $0.9 million of restructuring accruals related to 2003, 2002 and 2001 restructuring actions were reversed into income during the first quarter of 2004, as management determined that certain cash expenditures would not be incurred. Refer to the section entitled "Status of Restructuring and Asset Impairments" and Note 8, "Restructuring and Asset Impairment Charges," in the Notes to Consolidated Condensed Financial Statements for additional information.

Operating income for the first six months of 2005 was $359.1 million, an increase of $72.6 million, or 25.3%, over the first six months of 2004. The increase is primarily due to improved sales and revenues at each of the segments offset by increased SG&A and RD&E expenses. Segment operating margin for the first six months of 2005 was 10.4%, or 10 basis points above the comparable prior year period.

Interest expense during the first six months of 2005 was $34.0 million, an increase of $12.9 million, or 61.1% from the comparable prior year period. This increase reflects higher interest rates and higher debt balances (reflecting 2004 acquisitions). Additionally, the Company recognized $19.7 million of interest income during the first six months of 2005 compared to $14.6 million during the first six months of 2004. The increase of $5.1 million, or 34.9%, primarily reflects the recognition of interest income associated with tax settlements related to prior year tax filings.

During the first six months of 2005, income tax expense was $70.0 million, or 1.0% less than the applicable prior year period. The variance primarily reflects the recognition of tax settlements relating to prior year tax filings. Partially offsetting these items is the increase in taxable income during the first six months of 2005 compared to the first six months of 2004.

Income from continuing operations was $264.1 million, or $2.80 per diluted share for the first six months of 2005 compared to $202.6 million, or $2.15 per diluted share for the first six months of 2004. The increase reflects the results discussed above.

During the first six months of 2005, the Company recognized a $9.9 million loss from discontinued operations compared to a loss of $1.7 million in the comparable period. The 2005 loss primarily relates to losses and asset write-downs associated with the Company's Network Systems & Services business and costs related to other discontinued operations.

Fluid Technology's sales and revenues and costs of sales and revenues increased $148.3 million, or 12.1%, and $93.3 million, or 11.5%, respectively, in the first six months of 2005 compared to the first six months of 2004. Higher sales in the water/wastewater markets and industrial products businesses, acquisition revenue from the water treatment business and the impact of foreign currency translation were the primary factors for the increases. SG&A expenses for the first six months of 2005 increased $28.2 million, or 11.2%, compared to the same period in 2004, mainly due to increased advertising costs, sales commissions and administrative costs in most businesses, and foreign currency translation. During the first six months of 2005, the segment recorded a $9.0 million restructuring charge related to activities to reduce structural costs. Additionally, during the first six months of 2005, $0.2 million of restructuring accruals were reversed into income. During the first six months of 2004, the segment recorded a $6.6 million restructuring charge mainly related to a planned reduction in headcount and the closure of two facilities. Additionally, during the first six months of 2004, $0.4 million of restructuring accruals were reversed into income as closed facility and severance costs were less than initially anticipated (refer to the section entitled "Status of Restructuring and Asset Impairments" and Note 8, "Restructuring and Asset Impairment Charges," in the Notes to Consolidated Condensed Financial Statements for additional information). Operating income for the first six months of 2005 increased $21.9 million, or 17.1%, compared to the first six months of 2004 due to the activities discussed above.

Defense Electronics & Services' sales and revenues and costs of sales and revenues for the first six months of 2005 increased $518.0 million, or 49.9%, and $398.2 million, or 63.3%, respectively, from the comparable prior year period. The increases are primarily due to higher volume in the night vision, communications, electronic warfare and systems businesses. A third quarter 2004 acquisition also provided $244.6 million of the increase in revenues. Additionally, a change in product mix also contributed to the increase in costs of sales and revenues. SG&A expenses increased $45.0 million, or 74.1%, primarily due to increased employee benefit and administrative costs, higher marketing costs and costs associated with a third quarter 2004 acquisition. RD&E expenses increased $16.6 million, or 6.8%, primarily due to increased spending in most businesses. Operating income for the first six months of 2005 was $162.7 million, an increase of $58.2 million, or 55.7%, compared to the same period in 2004. The increase reflects the results discussed above.

Motion & Flow Control recorded sales and revenues and costs of sales and revenues of $588.5 million and $424.7 million, respectively, during the first six months of 2005, reflecting increases of $33.2 million, or 6.0%, and $24.7 million, or 6.2%, from the first six months of 2004. The increases were mainly due to higher volume in the friction material and aerospace controls businesses and the impact of foreign currency translation partially offset by volume declines in the fluid handling business. SG&A expenses decreased $0.6 million, or 1.2%, compared to the prior year period. During the first six months of 2005 and 2004, the segment recorded $6.6 million and $2.6 million of restructuring charges, respectively, mainly related to actions to reduce operating costs (refer to the section entitled "Status of Restructuring and Asset Impairments" and Note 8, "Restructuring and Asset Impairment Charges," in the Notes to Consolidated Condensed Financial Statements for additional information). Operating income of $83.6 million was $3.2 million, or 4.0%, higher in the first six months of 2005 compared to the first six months of 2004 primarily due to the items mentioned above.

Electronic Components' sales and revenues of $355.4 million and costs of sales and revenues of $258.2 million in the first six months of 2005, increased $11.4 million, or 3.3%, and $17.4 million, or 7.2%, respectively, from the comparable prior year period. The increases reflect higher volume in most businesses and the impact of foreign currency translation. Additionally, a change in product mix also contributed to the increase in costs of sales and revenues. SG&A expenses decreased $4.6 million due to lower marketing and administrative costs. During the first six months of 2005 and 2004, the segment recorded $10.6 million and $8.6 million of restructuring charges, respectively, relating to planned actions to reduce structural costs. Additionally, during the first six months of 2004, $0.5 million of restructuring accruals were reversed into income reflecting lower than anticipated severance costs (refer to the section entitled "Status of Restructuring and Asset Impairments" and Note 8, "Restructuring and Asset Impairment Charges," in the Notes to Consolidated Condensed Financial Statements for additional information). Operating income for the first six months of 2005 decreased $5.0 million, or 42.4%, from the first six months of 2004. The decrease was due to the factors discussed above.

Corporate expenses increased $5.7 million in the first six months of 2005, primarily due to costs related to process improvement initiatives, employee benefit costs and increased expenditures for tax planning.

STATUS OF RESTRUCTURING AND ASSET IMPAIRMENTS

2005 RESTRUCTURING ACTIVITIES

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

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

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

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

During the second quarter of 2005, the Company made $1.1 million of payments attributable to the 2005 second quarter restructuring actions. Future restructuring expenditures will be funded with cash from operations, supplemented on an interim basis, if required, with commercial paper borrowings.

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

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

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

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

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

During the first half of 2005, the Company made $6.8 million of payments attributable to the 2005 first quarter restructuring actions. Future restructuring expenditures will be funded with cash from operations, supplemented on an interim basis, if required, with commercial paper borrowings.

The projected future cash savings from the restructuring actions announced during the first quarter of 2005 are approximately $16.1 million during 2005 and $128.7 million between 2006 and 2010. The savings primarily represent lower salary and wage expenditures and will be reflected in "Costs of Sales and Revenues" and "Selling, General and Administrative Expenses".

The following table displays a rollforward of the restructuring accruals for the 2005 restructuring programs (in millions):

	CASH CHARGES			
	SEVERANCE	LEASE COMMITMENTS	OTHER	TOTAL
Establishment of 2005 Plans	$23.3	$ 0.8	$ 0.9	$25.0
Reversal of Charges	(0.2)	--	--	(0.2)
Payments	(6.7)	(0.3)	(0.9)	(7.9)
Rounding	--	0.1	--	0.1
Other, including translation	(0.3)	--	--	(0.3)
Balance June 30, 2005	$16.1	$ 0.6	$ --	$16.7

During the second quarter of 2005, $0.2 million of restructuring accruals were reversed into income reflecting lower than anticipated severance costs (due to employee attrition).

During the first half of 2005, headcount was reduced by 328 persons and the Company experienced employee attrition, leaving a balance of 131 planned reductions related to the 2005 restructuring plans.

2004 RESTRUCTURING ACTIVITIES

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

The actions announced during 2004 by segment are as follows:

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

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

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

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

During the first half of 2005, the Company made $13.6 million of payments attributable to 2004 restructuring actions. Future restructuring expenditures will be funded with cash from operations, supplemented on an interim basis, if required, with commercial paper borrowings.

The projected future cash savings from the restructuring actions announced during 2004 are approximately $30.9 million during 2005 and $130.5 million between 2006 and 2009. The savings primarily represent lower salary and wage expenditures and will be reflected in "Costs of Sales and Revenues" and "Selling, General and Administrative Expenses".

The following table displays a rollforward of the restructuring accruals for the 2004 restructuring programs (in millions):

	CASH CHARGES			
	SEVERANCE	LEASE COMMITMENTS	OTHER	TOTAL
Establishment of 2004 Plans	$ 28.6	$ 5.2	$ 2.2	$ 36.0
Payments	(14.5)	(0.7)	(1.8)	(17.0)
Reversals	(0.2)	--	--	(0.2)
Translation	0.5	--	--	0.5
Balance December 31, 2004	$ 14.4	$ 4.5	$ 0.4	$ 19.3
Additional charges	0.8	--	--	0.8
Payments	(9.8)	(3.7)	(0.1)	(13.6)
Translation & Other	(0.8)	--	0.1	(0.7)
Balance June 30, 2005	$ 4.6	$ 0.8	$ 0.4	$ 5.8

During the first half of 2005, headcount was reduced by 56 persons and the Company experienced employee attrition, leaving a balance of 628 planned reductions related to the 2004 restructuring plans.

DISCONTINUED OPERATIONS

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

In 1998 and 1999, the Company received notifications of claims from the buyers of the automotive businesses requesting post-closing adjustments to the purchase prices under the provisions of the sales agreements. During 1999, those claims were submitted to arbitration. In 2001 and early in 2002, both claims were favorably resolved.

The following tables display a rollforward of the automotive discontinued operations accruals from January 1, 2005 to June 30, 2005 (in thousands):

AUTOMOTIVE DISCONTINUED OPERATIONS ACCRUALS	BEGINNING BALANCE JANUARY 1, 2005	2005 SPENDING	2005 SETTLEMENTS	2005 OTHER ACTIVITY	ENDING BALANCE JUNE 30, 2005
Other Deferred Liabilities	$ --	$ --	$ --	$ --	$ --
Accrued Expenses	20,370	--	--	--	20,370
Environmental	14,156	(46)	--	--	14,110
Income Tax	154,151	--	--	--	154,151
Total	$188,677	$(46)	$ --	$ --	$188,631

At June 30, 2005, the Company has automotive discontinued operations accruals of $188.6 million that primarily relate to the following: tax matters $154.1 million -- which are related to the original transaction and are recorded in Accrued Taxes; product recalls $7.8 million -- related to nine potential product recall issues which are recorded in Accrued Expenses; environmental obligations $14.1 million -- for the remediation and investigation of groundwater and soil contamination at thirteen sites which are recorded in Other Liabilities; employee benefits $12.6 million -- for workers compensation issues which are recorded in Accrued Expenses. The Company expects that it will settle the $154.1 million of tax matters in the second half of 2005. The

Company forecasts that it will spend between $1.0 million and $4.0 million in 2005 related to its other remaining automotive obligations.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW OVERVIEW

The Company realized $163.1 million of cash from operating activities during the first six months of 2005. Net income generated from continuing operations of $264.1 million, which includes $108.8 million of depreciation and amortization, and an increase in accounts payable were the primary factors for this performance. A $100.0 million prepaid pension contribution and a $197.6 million increase in accounts receivable, reflecting increased sales volume and the timing of collections, partially offset these items.

The Company projects cash from operating activities to be between $625.0 million and $660.0 million for the twelve months ending December 31, 2005.

Cash Flows: Cash generated by operating activities during the first six months of 2005 was $163.1 million, or a $103.9 million improvement over the first six months of 2004. The improvement is primarily attributable to a $61.5 million increase in income from operations, including an increase in non-cash charges of $19.5 million, and a $29.0 million increase in accrued expenses. Other factors contributing to the positive variance in cash from operations include a $12.3 million increase in accounts payable and a $9.0 million reduction in the funding of inventory levels. A $21.5 million increase in tax payments partially offset these items.

Status of Restructuring Activities: Restructuring payments during the first six months of 2005 totaled $23.4 million and were comprised of $7.9 million of expenditures for 2005 plans and $15.5 million of expenditures for prior years plans. Future restructuring expenditures will be funded with cash from operations, supplemented on an interim basis, if required, with commercial paper borrowings.

Additions to Plant, Property and Equipment: Capital expenditures during the first six months of 2005 were $71.8 million, an increase of $8.4 million from the first six months of 2004. The increase was seen across several operating segments.

Acquisitions: During the first six months of 2005, the Company spent $1.5 million in additional payments related to the 2004 purchases of WEDECO AG Water Technology ("WEDECO") and Remote Sensing System ("RSS").

During the first six months of 2004, the Company spent $257.3 million primarily for the acquisitions of the following:

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

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

Divestitures: During the first six months of 2005, the Company generated $2.5 million from the sale of one property and $5.2 million from the sales of plant and equipment. In the first six months of 2004, the Company generated $4.7 million of cash proceeds primarily from the sale of two properties.

Financing Activities: Debt at June 30, 2005 was $1,449.0 million, compared with $1,272.0 million at December 31, 2004. Cash and cash equivalents were $384.2 million at June 30, 2005, compared to $262.9 million at December 31, 2004. The change in debt and cash levels primarily reflects the utilization of cash from operating activities and additional debt to fund capital expenditures, the repurchase of common stock, and the payment of dividends. Additionally, the increase in cash balances at June 30, 2005 versus December 31, 2004 is a result of the above-mentioned activities. At June 30, 2005, the Company had $1.4 billion of revolving credit agreements, which provide back-up for the Company's commercial paper program.

Status of Automotive Discontinued Operations: During the first six months of 2005, the Company made immaterial payments for matters attributable to its automotive discontinued operations. Tax obligations of $154.1 million are expected to be resolved in the second half of 2005. In addition, the Company forecasts between $1.0 million and $4.0 million of annual spending related to its remaining automotive obligations. All payments are forecast to be paid with future cash from operations supplemented as required, by commercial paper borrowings.

CRITICAL ACCOUNTING POLICIES

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

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

ENVIRONMENTAL

Accruals for environmental matters are recorded on a site by site basis when it is probable that a liability has been incurred and the amount can be reasonably estimated. The Company calculates the liability by utilizing a cost estimating and weighting matrix that separates costs into recurring and non-recurring categories. The Company then uses internal and external experts to assign confidence levels based on the site's development stage, type of contaminant found, applicable laws, existing technologies and the identification of other potentially responsible parties. This methodology produces a range of estimates, including a best estimate. At June 30, 2005, the Company's best estimate for environmental liabilities is $96.3 million, which approximates the accrual related to the remediation of ground water and soil. The low range estimate for environmental liabilities is $73.3 million and the high range estimate is $150.2 million. On an annual basis the Company spends between $8.0 million and $11.0 million on its environmental remediation liabilities. These estimates, and related accruals, are reviewed periodically and updated for progress of remediation efforts and changes in facts and legal circumstances. Liabilities for environmental expenditures are recorded on an undiscounted basis.

The Company is currently involved in the environmental investigation and remediation of 80 sites, including certain instances where it is considered to be a potentially responsible party by the United States Environmental Protection Agency ("EPA") or similar state agency.

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

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

For additional details on environmental matters see Note 13, "Commitments and Contingencies," in the Notes to Consolidated Condensed Financial Statements.

EMPLOYEE BENEFIT PLANS

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

KEY ASSUMPTIONS

The Company determines its expected return on plan assets assumption by evaluating both historical returns and estimates of future returns. Specifically, the Company analyzes the Plan's actual historical annual return on assets over the past 10, 15, 20 and 25 years; makes estimates of future returns using a Capital Asset Pricing Model; and evaluates historical broad market returns over the past 75 years based on the Company's strategic asset allocation, which is detailed in Note 19, "Employee Benefit Plans," in the Notes to Consolidated Financial Statements of the 2004 Annual Report on Form 10-K.

Based on the approach described above, the Company estimates the long-term annual rate of return on assets for domestic pension plans at 9.0%. For reference, the Company's actual geometric average annual return on plan assets for domestic pension plans stood at 12.1%,11.2%, 12.6% and 12.7%, for the past 10, 15, 20, and 25 year periods, respectively. The Company's weighted average expected return on plan assets for all pension plans, including foreign affiliate plans, at December 31, 2004, is 8.89%.

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

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

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

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

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

PENSION PLAN ACCOUNTING AND INFORMATION

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

The Company's strategic asset allocation target for its U.S. domestic plans apportions 70% of all assets to equity instruments and the remaining 30% to fixed income instruments. At December 31, 2004, the Company's actual asset allocation was 66.2% in equity instruments, 16.4% in fixed income instruments and 9.9% in hedge funds, with the remainder in cash and other.

On an annual basis, the Company's long-term expected return on plan assets will often differ from the actual return on plan assets. The chart below shows actual returns versus the expected long-term returns for the Company's domestic pension plans that are utilized in the calculation of the net periodic benefit cost. Please see Note 19, "Employee Benefit Plans," in the Notes to Consolidated Financial Statements of the 2004 Annual Report on Form 10-K for more information.

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

The Company's Defense Electronics & Services segment represents approximately 60% of the active U.S. Salaried Pension Plan participants. As a result, the Company has sought and will continue to seek reimbursement from the Department of Defense for a portion of its pension costs, in accordance with government regulations. U.S. Government Cost Accounting Standards (CAS) govern the extent to which pension costs are allocable to and recoverable under contracts with the U.S. Government. Reimbursements of pension costs are made over time through the pricing of the Company's products and services on U.S. Government contracts, and therefore, are recognized in the Defense Electronics & Services segment's net sales.

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

FUNDED STATUS

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

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

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

Funded status at the end of 2005 will depend primarily on the actual return on assets during the year and the discount rate at the end of the year. The Company estimates that every 25 basis point change in the discount rate impacts the funded status of the U.S. Salaried Pension Plan, which represents about 80% of the Company's pension obligations, by approximately $126 million. Similarly, every five percentage point change in the actual 2005 rate of return on assets impacts the same plan by approximately $178 million.

MINIMUM PENSION LIABILITY

SFAS No. 87 "Employers' Accounting for Pensions," ("SFAS No. 87"), requires that a minimum pension liability be recorded if a plan's market value of assets falls below the plan's accumulated benefit obligation.

In 2002, the combination of a decline in the discount rate and a decline in assets caused several of the Company's plans to be in a deficit position. Accordingly, during 2002, the Company recorded a total after-tax reduction of $765.5 million to its shareholders' equity. As a result of the improved financial markets in 2003 and 2004, the Company recorded total after-tax increases to its shareholders' equity of $182.5 and $81.8 million at year-end 2003, and 2004, respectively. It is important to note that these actions did not cause a default in any of the Company's debt covenants.

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

PENSION EXPENSE

The Company uses the market-related value of assets method, as described in paragraph 30 of SFAS No. 87, for the calculation of pension expense. This method recognizes investment gains or losses over a five-year period from the year in which they occur. In addition, in accordance with paragraph 32 of SFAS No. 87, a portion of the Company's unrecognized net actuarial loss is amortized and this cost is included in the net periodic benefit cost.

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

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

REVENUE RECOGNITION

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

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

Accruals for estimated expenses related to warranties are made at the time products are sold or services are rendered. These accruals are established using historical information on the nature, frequency and average cost of warranty claims and estimates of future costs. Management believes the warranty accruals are adequate; however, actual warranty expenses could differ from estimated amounts. The accrual for product warranties at June 30, 2005 and 2004 was $39.2 million and $34.4 million, respectively. See Note 14, "Guarantees, Indemnities and Warranties," in the Notes to Consolidated Condensed Financial Statements for additional details.

ACCOUNTING PRONOUNCEMENTS

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

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs -- an amendment of ARB No. 43, Chapter 4" ("SFAS No. 151"). This statement clarifies the criteria of "abnormal amounts" of freight, handling costs, and spoilage that are required to be expensed as current period charges rather than deferred in inventory. In addition, this statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS No. 151 is effective for the Company as of July 1, 2005. The Company is currently in the process of determining the impact of this statement on the Company's financial statements.

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

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

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

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

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

RISKS AND UNCERTAINTIES

ENVIRONMENTAL MATTERS

The Company is subject to stringent environmental laws and regulations that affect its operating facilities and impose liability for the cleanup of past discharges of hazardous substances. In the United States, these laws include the Federal Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, and the Comprehensive Environmental Response, Compensation and Liability Act. Management believes that the Company is in substantial compliance with these and all other applicable environmental requirements. Environmental compliance costs are accounted for as normal operating expenses.

In estimating the costs of environmental investigation and remediation, the Company considers, among other things, regulatory standards, its prior experience in remediating contaminated sites, and the professional judgment of environmental experts. It is difficult to estimate the total costs of investigation and remediation due to various factors, including incomplete information regarding particular sites and other potentially responsible parties, uncertainty regarding the extent of contamination and the Company's share, if any, of liability for such problems, the selection of alternative remedies, and changes in cleanup standards. When it is possible to create reasonable estimates of liability with respect to environmental matters, the Company establishes accruals in accordance with accounting principles generally accepted within the United States. Insurance recoveries are included in other assets when it is probable that a claim will be realized. Although the outcome of the Company's various remediation efforts presently cannot be predicted with a high level of certainty, management does not expect that these matters will have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows. For disclosure of the Company's commitments and contingencies, see Note 21, "Commitments and Contingencies" in the Notes to Consolidated Financial Statements of the 2004 Annual Report on Form 10-K.

FORWARD-LOOKING STATEMENTS

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

Certain material presented herein includes forward-looking statements intended to qualify for the safe harbor from liability established by the Act. These forward-looking statements include statements that describe the Company's business strategy, outlook, objectives, plans, intentions or goals, and any discussion of future operating or financial performance. Whenever used words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "target" and other terms of similar meaning are intended to identify such forward-looking statements. Forward-looking statements are uncertain and to some extent unpredictable, and involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from those expressed in, or implied from, such forward-looking statements. Factors that could cause results to differ materially from those anticipated by the Company include general global economic conditions, decline in consumer spending, interest and foreign currency exchange rate fluctuations, availability of commodities, supplies and raw materials, competition, acquisitions or divestitures, changes in government defense budgets, employment and pension matters, contingencies related to actual or alleged environmental contamination, claims and concerns, intellectual property matters, personal injury claims, governmental investigations, tax obligations, and changes in generally accepted accounting principles. Other factors are more thoroughly set forth in Item 1. Business and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Forward-Looking Statements in the ITT Industries, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2004, and other of its filings with the Securities and Exchange Commission. The Company undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

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

(b) There have been no changes in our internal control over financial reporting during the last fiscal quarter that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II.
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following should be read in conjunction with Note 13 to the unaudited interim consolidated condensed financial statements in Part I of this Report, as well as Part I, Item 3 of the 2004 Annual Report on Form 10-K.

The Company and its subsidiaries from time to time are involved in legal proceedings that are incidental to the operation of their businesses. Some of these proceedings allege damages against the Company relating to environmental liabilities, intellectual property matters, copyright infringement, personal injury claims, employment and pension matters, government contract issues and commercial or contractual disputes, sometimes related to acquisitions or divestitures. The Company will continue to vigorously defend itself against all claims. Although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information including the Company's assessment of the merits of the particular claim, as well as its current reserves and insurance coverage, the Company does not expect that such legal proceedings will have any material adverse impact on the cash flow, results of operations, or financial condition of the Company on a consolidated basis in the foreseeable future.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ISSUER PURCHASES OF EQUITY SECURITIES

PERIOD	TOTAL NUMBER OF SHARES PURCHASED(1)	AVERAGE PRICE PAID PER SHARE(2)
4/1/05 - 4/30/05	59,497	$89.32
5/1/05 - 5/31/05	147,367	$91.84
6/1/05 - 6/30/05	257,083	$97.15

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

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

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

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

At ITT Industries' annual meeting of shareholders held on May 10, 2005, the persons whose names are set forth below were elected as directors, constituting the entire Board of Directors. Relevant voting information for each person follows:

	VOTES FOR	WITHHELD
Curtis J. Crawford	79,231,468	1,010,415
Christina A. Gold	79,286,419	955,464
Ralph F. Hake	79,309,316	932,567
John J. Hamre	76,577,998	3,663,885
Raymond W. LeBoeuf	78,129,155	2,112,728
Steven R. Loranger	78,623,058	1,618,825
Frank T. MacInnis	79,190,284	1,051,599
Linda S. Sanford	79,279,665	962,218
Markos I. Tambakeras	79,179,491	1,062,392

In addition to the election of directors, two other votes were taken at the meeting: 1) The appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for 2005 was ratified by a vote of 78,897,442 shares in favor, 675,852 shares against, and 668,589 shares abstained; and 2) The Amendment to the Restated Articles of Incorporation was approved with the following votes: for approval of the amendment: 77,273,014 shares voted; against approval of the amendment: 2,119,941 shares voted and abstained: 848,928 shares. There were no other matters presented for a vote at the meeting.

ITEM 6. EXHIBITS

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

SIGNATURE

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

ITT Industries, Inc.

(Registrant)

By /s/ ROBERT J. PAGANO, JR.

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

August 5, 2005

EXHIBIT INDEX

EXHIBIT NUMBER DESCRIPTION LOCATION - ------- ----------- --------
(3) (a) ITT Industries, Inc.'s Restated Articles of Incorporation...... Attached (b) Form of Rights Agreement between ITT Indiana, Inc. and The Bank of New York, as Rights Agent.................................... Incorporated by reference to Exhibit 1 to ITT Industries' Form 8-A dated December 20, 1995 (CIK No. 216228, File No. 1-5672). (c) ITT Industries, Inc.'s By-laws, as amended December 7, 2004.... Incorporated by reference to Exhibit 99.2 to ITT Industries' Form 8-K Current Report dated December 9, 2004. (CIK No. 216228, File No. 1-5672). (4) Instruments defining the rights of security holders, including indentures.. Not required to be filed. The Registrant hereby agrees to file with the Commission a copy of any instrument defining the rights of holders of long-term debt of the Registrant and its consolidated subsidiaries upon request of the Commission. (10) Material contracts.. (10.1)* Employment Agreement dated as of February 5, 2004 between ITT Industries, Inc. and Edward W. Williams............................ Incorporated by reference to Exhibit 10.1 of ITT Industries' Form 10-K for the year ended December 31, 2004 (CIK No. 216228, File No. 1-5672). (10.2)* Employment Agreement dated as of June 28, 2004 between ITT Industries, Inc. and Steven R. Loranger........................... Incorporated by reference to Exhibit 10.2 of ITT Industries' Form 10-Q for the quarter ended June 30, 2004 (CIK No. 216228, File No. 1-5672). (10.3)* Form of Non-Qualified Stock Option Award Agreement for Band A Employees... Incorporated by reference to Exhibit 10.3 of ITT Industries' Form 10-K for the year ended December 31, 2004 (CIK No. 216228, File No. 1-5672). (10.4)* Form of Non-Qualified Stock Option Award Agreement for Band B Employees... Incorporated by reference to Exhibit 10.4 of ITT Industries' Form 10-K for the year ended December 31, 2004 (CIK No. 216228, File No. 1-5672). (10.5)* ITT Industries, Inc. 2003 Equity Incentive Plan (amended and restated as of July 13, 2004)..................................... Incorporated by reference to Exhibit 10.4 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672).

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

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

EXHIBIT NUMBER DESCRIPTION LOCATION - ------- ----------- --- ----- (10.22) Tax Allocation Agreement among ITT Corporation, ITT Destinations, Inc. and ITT Hartford Group, Inc. .... Incorporated by reference to Exhibit 10.3 to ITT Industries' Form 8-B dated December 20, 1995 (CIK No. 216228, File No. 1-5672). (10.23) Employee Benefit Services and Liability Agreement among ITT Corporation, ITT Destinations, Inc. and ITT Hartford Group, Inc. .... Incorporated by reference to Exhibit 10.7 to ITT Industries' Form 8-B dated December 20, 1995 (CIK No. 216228, File No. 1-5672). (10.24) Five-year Competitive Advance and Revolving Credit Facility Agreement dated as of November 10, 2000........................... Incorporated by reference to Exhibit 10 to ITT Industries' Form 8-K Current Report dated November 20, 2000 (CIK No. 216228, File No. 1-5672). (10.25) Agreement with Valeo SA with respect to the sale of the Automotive Electrical Systems Business....................................... Incorporated by reference to Exhibit 10(b) to ITT Industries' Form 10-Q Quarterly Report for the quarterly period ended June 30, 1998 (CIK No. 216228, File No. 1-5672). (10.26) Agreement with Continental AG with respect to the sale of the Automotive Brakes and Chassis Business............................ Incorporated by reference to Exhibit 2.1 to ITT Industries' Form 8-K Current Report dated October 13, 1998 (CIK No. 216228, File No. 1-5672). (10.27) Participation Agreement among ITT Industries, Rexus L.L.C. (Rexus) and Air Bail S.A.S. and RBS Lombard, Inc., as investors, and master lease agreement, lease supplements and related agreements between Rexus as lessor and ITT Industries, as lessee..................... Incorporated by Reference to Exhibits at Item 9.01 to ITT Industries Form 8-K Current Report dated December 20, 2004 (CIK No. 216228, File No. 1-5672). (10.28)* Form of Restricted Stock Award for Non-Employee Directors.......... Incorporated by reference to Exhibit 10.28 of ITT Industries' Form 10-Q for the quarter ended March 31, 2005 (CIK No. 216228, File No. 1-5672). (10.29)* Form of Restricted Stock Award for Employees...................... Incorporated by reference to Exhibit 10.29 of ITT Industries' Form 10-Q for the quarter ended March 31, 2005 (CIK No. 216228, File No. 1-5672).

EXHIBIT NUMBER DESCRIPTION LOCATION - ------- ---------- --------
(10.30) Amended and Restated 364-day Revolving Credit Agreement............ Incorporated by reference to Exhibits 10.1 and 10.2 to ITT Industries' Form 8-K dated March 28, 2005 (CIK No. 216228, File No. 1-5672). (10.31)* Employment Agreement dated as of May 31, 2005 and effective as of July 1, 2005 between ITT Industries, Inc. and George E. Minnich.... Attached (11) Statement re computation of per share earnings..................... Not required to be filed. (18) Letter re change in accounting principles.......................... None. (22) Published report regarding matters submitted to vote of security holders.. Not required to be filed. (24) Power of attorney.. None. (31.1) Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.................................. Filed herewith. (31.2) Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.................................. Filed herewith. (32.1) Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.......... This Exhibit is intended to be furnished in accordance with Regulation S-K Item 601(b)(32)(ii) and shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934 or incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference. (32.2) Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.......... This Exhibit is intended to be furnished in accordance with Regulation S-K Item 601(b)(32)(ii) and shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934 or incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference.

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* Management compensatory plan

Exhibit 3(a)

STATE OF INDIANA
OFFICE OF THE SECRETARY OF STATE

CERTIFICATE OF RESTATEMENT OF ARTICLES OF INCORPORATION

of

ITT INDUSTRIES, INC.

I, TODD ROKITA, Secretary of State of Indiana, hereby certify that Restatement of Articles of Incorporation of the above For-Profit Domestic Corporation have been presented to me at my office, accompanied by the fees prescribed by law and that the documentation presented conforms to law as prescribed by the provisions of the Indiana Business Corporation Law.

NOW, THEREFORE, with this document I certify that said transaction will become effective Monday, May 23,2005.

(SEAL OF THE STATE OF INDIANA)

In Witness Whereof, I have caused to be affixed my signature and the seal of the State of Indiana, at the City of Indianapolis, May 23, 2005.

/s/ TODD ROKITA

TODD ROKITA,
SECRETARY OF STATE

1995090175/2005052478723

TODD ROKITA
SECRETARY OF STATE
CORPORATIONS DIVISION
302 W. Washington St., Rm. E018
Indianapolis, IN 46204
Telephone: (317) 232-6576

Indiana Code 23-1-38-7

FILING FEE IS $30.00

[SEAL OF THE STATE OF INDIANA]

RESTATEMENT OF ARTICLES OF INCORPORATION
State Form 42152 (R27 4-35)
Approved by State Board of Accounts 1995

INSTRUCTIONS: Use 8 1/2" x 11" white paper for inserts.
Present original and two (2) copies to address in upper right corner of this form.
Please TYPE or PRINT.
Upon completion of filing the Secretary of State will issue a receipt.

RESTATEMENT OF
ARTICLES OF INCORPORATION
OF

ITT Industries, Inc.
- ---
(Name of Corporation)

The above corporation (hereinafter referred to as the "Corporation") existing pursuant to the Indiana Business Corporation Law, desiring to give notice of corporate action effectuating the restatement of its Articles of Incorporation, sets forth the following:

ARTICLE 1 - RESTATEMENT

SECTION I: The date of incorporation of the Corporation:
September 5, 1995

SECTION II: The name of the Corporation following this restatement:
ITT Industries, Inc.

SECTION III: The exact text of the Restatement of Articles of Incorporation is attached as "Exhibit A".

ARTICLE II - MANNER OF ADOPTION AND VOTE (Strike inapplicable section)

SECTION I: The restatement does not contain an amendment requiring shareholder approval and the board of directors adopted the restatement.
[ ]

SECTION II: The restatement contains an amendment requiring shareholder approval and the vote is set forth below:

[X] VOTE OF SHAREHOLDERS
The designation (i.e. common, preferred and any classification where different classes of stock exist), number of outstanding shares, number of votes entitled to vote separately on the amendment and the number of votes of each voting group represented at the meeting is set forth as follows:

TOTAL A B C
DESIGNATION
OF EACH
VOTING GROUP
Common
NUMBER OF
OUTSTANDING
SHARES
92,375,931
92,375,931
NUMBER OF

VOTES ENTITLED TO BE CAST 92,375,931 92,375,931 NUMBER OF VOTES REPRESENTED AT THE MEETING 80,241,883 80,241,883 SHARES VOTED IN FAVOR 77,273,014 77,273,014 SHARES VOTED AGAINST 2,119,941 2,119,941 [X] The number cast for the amendment by each voting group was sufficient for approval by that voting group. In Witness Whereof, the undersigned being the Vice President, Secretary and Associate General Counsel -- (Title) of said Corporation executes this Restatement of Articles of Incorporation and verifies, subject to penalties of perjury, that the statements contained herein are true, this 20th day of May, 2005. ----- --- -----

Signature	Printed Name
/s/ Kathleen S. Stolar	Kathleen S. Stolar

EXHIBIT A

ARTICLES OF RESTATEMENT

ITT Industries, Inc., a corporation organized and existing under the laws of the State of Indiana (the "Corporation"), hereby certifies as follows:

ITT Industries, Inc. was originally incorporated under the name ITT Indiana, Inc. pursuant to its original Articles of Incorporation filed with the Secretary of State for the State of Indiana on September 5, 1995. Effective December 20, 1995, ITT Corporation, a Delaware corporation, was merged with and into the Corporation, and the name of the Corporation was changed to ITT Industries, Inc. This Restatement of Articles of Incorporation includes an amendment to paragraph (a) of ARTICLE FOURTH to increase the number of authorized shares of Common Stock of the Corporation from 200,000,000 shares to 250,000,000 shares. The amendment was approved by the holders of the outstanding shares of Common Stock of the Corporation at the 2005 Annual Meeting of Shareholders held on May 10,2005. The text of the Articles of Incorporation as amended is hereby restated to read as herein set forth in full:

RESTATED ARTICLES OF INCORPORATION

OF

ITT INDUSTRIES, INC.

ARTICLE FIRST

The name of the corporation is ITT Industries, Inc. (the "Corporation").

ARTICLE SECOND

The address of the registered office of the Corporation in the State of Indiana is One North Capitol Avenue, Suite 1180, Indianapolis, Indiana 46204. The name of the registered agent of the Corporation at such address is The Corporation Trust Company.

ARTICLE THIRD

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Indiana Business Corporation Law.

ARTICLE FOURTH

(a) The aggregate number of shares of stock that the Corporation shall have authority to issue is 300,000,000 shares, consisting of 250,000,000 shares designated "Common Stock`, and 50,000,000 shares designated "Preferred Stock". The shares of Common Stock shall have a par value of $1 per share, and the shares of Preferred Stock shall not have any par or stated value, except that, solely for the purpose of any statute or regulation imposing any fee or tax based upon the capitalization of the Corporation, the shares of Preferred Stock shall be deemed to have a par value of $.01 per share.

(b) The Board of Directors of the Corporation shall have the full authority permitted by law, at any time and from time to time, to divide the authorized and unissued shares of Preferred Stock into classes or series, or both, and to determine the following provisions, designations, powers, preferences and relative, participating, optional and other special rights and the qualifications, limitations or restrictions thereof for shares of any such class or series of Preferred Stock:

(1) the designation of such class or series, the number of shares to constitute such class or series and the stated or liquidation value thereof;

(2) whether the shares of such class or series shall have voting rights, in addition to any voting rights provided by law, and, if so, the terms of such voting rights;

(3) the dividends, if any, payable on such class or series, whether any such dividends shall be cumulative, and, if so, from what dates, the conditions and dates upon which such dividends shall be payable, the preference or relation which such dividends shall bear to the dividends payable on any shares of stock of any other class or any other series of the same class;

(4) whether the shares of such class or series shall be subject to redemption at the election of the Corporation and/or the holders of such class or series and, if so, the times, price and other conditions of such redemption, including securities or other property payable upon any such redemption, if any;

(5) the amount or amounts, if any, payable upon shares of such class or series upon, and the rights of the holders of such class or series in, the voluntary or involuntary liquidation, dissolution or winding up, or any distribution of the assets, of the Corporation; provided that in no event shall the amount or amounts, if any, exceed $100 per share plus accrued dividends in the case of involuntary liquidation, dissolution or winding up;

(6) whether the shares of such class or series shall be subject to the operation of a retirement or sinking h n d and, if so, the extent to and manner in which any such retirement or sinking fund shall be applied to the purchase or redemption of the shares of such class or series for retirement or other corporate purposes and the terms and provisions relative to the operation thereof;

(7)whether the shares of such class or series shall be convertible into, or exchangeable for, shares of stock of any other class or any other series of the same class or any securities, whether or not issued by the Corporation, and, if so, the price or prices or the rate or rates of conversion or exchange and the method, if any, of adjusting the same, and any other terms and conditions of conversion or exchange;

(8) the limitations and restrictions, if any, to be effective while any shares of such class or series are outstanding upon the payment of dividends or the making of other distributions on, and upon the purchase, redemption or other acquisition by the Corporation of, the Common Stock or shares of stock of any other class or any other series of the same class;

(9) the conditions or restrictions, if any, upon the creation of indebtedness of the Corporation or upon the issuance of any additional shares of stock, including additional shares of such class or series or of any other series of the same class or of any other class;

(10) the ranking (be it pari passu, junior or senior) of each class or series vis-a-vis any other class or series of any class of Preferred Stock as to the payment of dividends, the distribution of assets and all other matters; and

(11) any other powers, preferences and relative, participating, optional and other special rights and any qualifications, limitations or restrictions thereof, insofar as they are not inconsistent with the provisions of these Articles of Incorporation, to the full extent permitted in accordance with the laws of the State of Indiana.

(c) Such divisions and determinations may be accomplished by an amendment to this ARTICLE FOURTH, which amendment may be made solely by action of the Board of Directors, which shall have the full authority permitted by law to make such divisions and determinations.

(d) The powers, preferences and relative, participating, optional and other special rights of each class or series of Preferred Stock and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other classes or series at any time outstanding; provided that each series of a class is given a distinguishing designation and that all shares of a series have powers, preferences and relative, participating, optional and other special rights and the qualifications, limitations or restrictions thereof identical with those of other shares of the same series and, except to the extent otherwise provided in the description of the series, with those other series of the same class.

(e) Holders of shares of Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of funds legally available for the payment thereof, dividends at the rates fixed by the Board of Directors for the respective series before any dividends shall be declared and paid, or set aside for payment, on shares of Common Stock with respect to the same dividend period. Nothing in this ARTICLE FOURTH shall limit the power of the Board of Directors to create a series of Preferred Stock with dividends the rate of which is calculated by reference to, and the payment of which is concurrent with, dividends on shares of Common Stock.

(f) In the event of the voluntary or involuntary liquidation, dissolution or winding up of the Corporation, holders of shares of each series of Preferred Stock will be entitled to receive the amount fixed for such series upon any such event (not in excess of $100 per share in the case of involuntary liquidation, dissolution or winding up) plus, in the case of any series on which dividends will have been determined by the Board of Directors to be cumulative, an amount equal to all dividends accumulated and unpaid thereon to the date of final distribution whether or not earned or declared before any distribution shall be paid, or set aside for payment, to holders of

Common Stock. If the assets of the Corporation are not sufficient to pay such amounts in full, holders of all shares of Preferred Stock will participate in the distribution of assets ratably in proportion to the full amounts to which they are entitled or in such order or priority, if any, as will have been fixed in the resolution or resolutions providing for the issue of the series of Preferred Stock. Neither the merger nor consolidation of the Corporation into or with any other corporation, nor a sale, transfer or lease of all or part of its assets, will be deemed a liquidation, dissolution or winding up of the Corporation within the meaning of this paragraph except to the extent specifically provided for herein. Nothing in this ARTICLE FOURTH shall limit the power of the Board of Directors to create a series of Preferred Stock for which the amount to be distributed upon any liquidation, dissolution or winding up of the Corporation is calculated by reference to, and the payment of which is concurrent with, the amount to be distributed to the holders of shares of Common Stock.

(g) The Corporation, at the option of the Board of Directors, may redeem all or part of the shares of any series of Preferred Stock on the terms and conditions fixed for such series.

(h) Except as otherwise required by law, as otherwise provided herein or as otherwise determined by the Board of Directors as to the shares of any series of Preferred Stock prior to the issuance of any such shares, the holders of Preferred Stock shall have no voting rights and shall not be entitled to any notice of meetings of shareholders.

(i) Each holder of shares of Common Stock shall be entitled to one vote for each share of Common Stock held of record on all matters on which the holders of shares of Common Stock are entitled to vote. Subject to the provisions of applicable law and any certificate of designation providing for the issuance of any series of Preferred Stock, the holders of outstanding shares of Common Stock shall have and possess the exclusive right to notice of shareholders' meetings and the exclusive power to vote. No shareholder will be permitted to cumulate votes at any election of directors.

(j) Subject to all the rights of the Preferred Stock, the holders of the Common Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of b d s legally available for the payment thereof, dividends payable in cash, stock or otherwise. Upon any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, and after the holders of the Preferred Stock of each series shall have been paid in full in cash the amounts to which they respectively shall be entitled or a sum sufficient for such payment in full shall have been set aside, the remaining net assets of the Corporation shall be distributed pro rata to the holders of the Common Stock in accordance with their respective rights and interests, to the exclusion of the holders of the Preferred Stock.

SERIES A PARTICIPATING CUMULATIVE PREFERRED STOCK

A description of such Series A Participating Cumulative Preferred Stock with the designations, voting powers, preferences and relative, participating, optional and other special rights and qualifications, limitations or restrictions relating thereto is as follows:

SECTION 1. Designation and Number of Shares. The shares of such series shall be designated as "Series A Participating Cumulative Preferred Stock" (the "Series A Preferred Stock"), without par value. The number of shares initially constituting the Series A Preferred Stock shall be 300,000; provided, however, that, if more than a total of 300,000 shares of Series A Preferred Stock shall be issuable upon the exercise of Rights (the "Rights") issued pursuant to that Rights Agreement between the Corporation and The Bank of New York, a New York banking corporation, as Rights Agent (the "Rights Agreement"), the Board of Directors of the Corporation, pursuant to Section 23-1-25-2(d) of the Business Corporation Law of the State of Indiana, shall direct by resolution or resolutions that articles of amendment be properly executed and delivered to the Secretary of State for the State of Indiana for filing in accordance with the provisions of Section 23-1-18-1 and Section 23-1-38-6 thereof, providing for the total number of shares of Series A Preferred Stock authorized to be issued to be increased (to the extent that the Articles of Incorporation then permit) to the largest number of whole shares (rounded up to the nearest whole number) issuable upon exercise of such Rights.

SECTION 2. Dividends or Distributions. (a) Subject to the prior and superior rights of the holders of shares of any other series of Preferred Stock or other class of capital stock of the Corporation ranking prior and superior to the shares of Series A Preferred Stock with respect to dividends, the holders of shares of the Series A Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of the assets of the Corporation legally available therefor, (1) quarterly dividends payable in cash on the last day of each fiscal quarter in each year, or such other dates as the Board of Directors of the Corporation shall approve (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or a fraction of a share of Series A Preferred Stock, in the amount of $.01 per whole share (rounded to the nearest cent) less the amount of all cash dividends declared on the Series A

Preferred Stock pursuant to the following clause (2) since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock (the total of which shall not, in any event, be less than zero) and (2) dividends payable in cash on the payment date for each cash dividend declared on the Common Stock in an amount per whole share (rounded to the nearest cent) equal to the Formula Number (as hereinafter defined) then in effect times the cash dividends then to be paid on each share of Common Stock. In addition, if the Corporation shall pay any dividend or make any distribution on the Common Stock payable in assets, securities or other forms of noncash consideration (other than dividends or distributions solely in shares of Common Stock), then, in each such case, the Corporation shall simultaneously pay or make on each outstanding whole share of Series A Preferred Stock a dividend or distribution in like kind equal to the Formula Number then in effect times such dividend or distribution on each share of the Common Stock. As used herein, the "Formula Number" shall be 1,000; provided, however, that, if at any time after the Distribution Record Date (as defined in that Notice of Special Meeting and Proxy Statement, dated August 30, 1995, filed with the Securities and Exchange Commission by ITT Corporation), the Corporation shall (i) declare or pay any dividend on the Common Stock payable in shares of Common Stock or make any distribution on the Common Stock in shares of Common Stock, (ii) subdivide (by a stock split or otherwise) the outstanding shares of Common Stock into a larger number of shares of Common Stock or (iii) combine (by a reverse stock split or otherwise) the outstanding shares of Common Stock into a smaller number of shares of Common Stock, then in each such event the Formula Number shall be adjusted to a number determined by multiplying the Formula Number in effect immediately prior to such event by a fraction, the numerator of which is the number of shares of Common Stock that are outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that are outstanding immediately prior to such event (and rounding the result to the nearest whole number); and provided further, that, if at any time after the Distribution Record Date, the Corporation shall issue any shares of its capital stock in a merger, reclassification, or change of the outstanding shares of Common Stock, then in each such event the Formula Number shall be appropriately adjusted to reflect such merger, reclassification or change so that each share of Preferred Stock continues to be the economic equivalent of a Formula Number of shares of Common Stock prior to such merger, reclassification or change.

(b) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in Section 2(a) immediately prior to or at the same time it declares a dividend or distribution on the Common Stock (other than a dividend or distribution solely in shares of Common Stock);provided, however, that, in the event no dividend or distribution (other than a dividend or distribution in shares of Common Stock) shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $.01 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a dividend or distribution declared thereon, which record date shall be the same as the record date for any corresponding dividend or distribution on the Common Stock.

(c) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from and after the Quarterly Dividend Payment Date next preceding the date of original issue of such shares of Series A Preferred Stock; provided, however, that dividends on such shares which are originally issued after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and on or prior to the next succeeding Quarterly Dividend Payment Date shall begin to accrue and be cumulative from and after such Quarterly Dividend Payment Date. Notwithstanding the foregoing, dividends on shares of Series A Preferred Stock which are originally issued prior to the record date for the determination of holders of shares or Series A Preferred Stock entitled to receive a quarterly dividend on the first Quarterly Dividend Payment Date shall be calculated as if cumulative from and after the last day of the fiscal quarter next preceding the date of original issuance of such shares. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding.

(d) So long as any shares of the Series A Preferred Stock are outstanding, no dividends or other distributions shall be declared, paid or distributed, or set aside for payment or distribution, on the Common

Stock unless, in each case, the dividend required by this Section 2 to be declared on the Series A Preferred Stock shall have been declared.

(e) The holders of the shares of Series A Preferred Stock shall not be entitled to receive any dividends or other distributions except as provided herein.

SECTION 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(a) Each holder of Series A Preferred Stock shall be entitled to a number of votes equal to the Formula Number then in effect, for each share of Series A Preferred Stock held of record on each matter on which holders of the Common Stock or shareholders generally are entitled to vote, multiplied by the maximum number of votes per share which any holder of the Common Stock or shareholders generally then have with respect to such matter (assuming any holding period or other requirement to vote a greater number of shares is satisfied).

(b) Except as otherwise provided herein or by applicable law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock shall vote together as one class for the election of directors of the Corporation and on all other matters submitted to a vote of shareholders of the Corporation.

(c) If, at the time of any annual meeting of shareholders for the election of directors, the equivalent of six quarterly dividends (whether or not consecutive) payable on any share or shares of Series A Preferred Stock are in default, the number of directors constituting the Board of Directors of the Corporation shall be increased by two. In addition to voting together with the holders of Common Stock for the election of other directors of the Corporation, the holders of record of the Series A Preferred Stock, voting separately as a class to the exclusion of the holders of Common Stock, shall be entitled at said meeting of shareholders (and at each subsequent annual meeting of shareholders), unless all dividends in arrears have been paid or declared and set apart for payment prior thereto, to vote for the election of two directors of the Corporation, the holders of any Series A Preferred Stock being entitled to cast a number of votes per share of Series A Preferred Stock equal to the Formula Number. Until the default in payments of all dividends which permitted the election of said directors shall cease to exist, any director who shall have been so elected pursuant to the next preceding sentence may be removed at any time, either with or without cause, only by the affirmative vote of the holders of the shares of Series A Preferred Stock at the time entitled to cast a majority of the votes entitled to be cast for the election of any such director at a special meeting of such holders called for that purpose, and any vacancy thereby created may be filled by the vote of such holders. If and when such default shall cease to exist, the holders of the Series A Preferred Stock shall be divested of the foregoing special voting rights, subject to revesting in the event of each and every subsequent like default in payments of dividends. Upon the termination of the foregoing special voting rights, the terms of office of all persons who may have been elected directors pursuant to said special voting rights shall forthwith terminate, and the number of directors constituting the Board of Directors shall be reduced by two. The voting rights granted by this Section 3(c) shall be in addition to any other voting rights granted to the holders of the Series A Preferred Stock in this Section 3.

(d) Except as provided herein, in Section 11 or by applicable law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for authorizing or taking any corporate action.

SECTION 4. Certain Restrictions. (a) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the

Series A Preferred Stock; provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a panty with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (a) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

SECTION 5. Liquidation Rights. Upon the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received an amount, equal to the accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, plus an amount equal to the greater of (x) $.01 per whole share or (y) an aggregate amount per share equal to the Formula Number then in effect times the aggregate amount to be distributed per share to holders of Common Stock or (2) to the holders of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all other such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up; provided that in no event shall the amount or amounts, if any, exceed $100 per share plus accrued dividends in the case of involuntary liquidation, dissolution or winding up of the Corporation.

SECTION 6. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash or any other property, then in any such case the then outstanding shares of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share equal to the Formula Number then in effect times the aggregate amount of stock, securities, cash or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is exchanged or changed. In the event both this Section 6 and Section 2 appear to apply to a transaction, this Section 6 will control.

SECTION 7. No Redemption; No Sinking Fund. (a) The shares of Series A Preferred Stock shall not be subject to redemption by the Corporation or at the option of any holder of Series A Preferred Stock; provided, however, that the Corporation may purchase or otherwise acquire outstanding shares of Series A Preferred Stock in the open market or by offer to any holder or holders of shares of Series A Preferred Stock.

(b) The shares of Series A Preferred Stock shall not be subject to or entitled to the operation of a retirement or sinking fund.

SECTION 8. Ranking. The Series A Preferred Stock shall rank junior to all other series of Preferred Stock of the Corporation, unless the Board of Directors shall specifically determine otherwise in fixing the powers, preferences and relative, participating, optional and other special rights of the shares of such series and the qualifications, limitations or restrictions thereof.

SECTION 9. Fractional Shares. The Series A Preferred Stock shall be issuable upon exercise of the Rights issued pursuant to the Rights Agreement in whole shares or in any fraction of a share that is one one-thousandths (1/l,000ths) of a share or any integral multiple of such fraction which shall entitle the holder, in proportion to such holder's fractional shares, to receive dividends, exercise voting rights, participate in distributions and to have the benefit of all other rights of holders of Series A Preferred Stock. In lieu of fractional shares, the Corporation, prior to the first issuance of a share or a fraction of a share of Series A Preferred Stock, may elect (1) to make a cash payment as provided in the Rights Agreement for fractions of a share other than one one-thousandths (l/l,000ths) of a share or any integral multiple thereof or (2) to issue depository receipts evidencing such authorized fraction of a share of Series A Preferred Stock pursuant to an appropriate agreement between the Corporation and a depository selected by the Corporation; provided that such agreement shall provide that the holders of such depository receipts shall have all the rights, privileges and preferences to which they are entitled as holders of the Series A Preferred Stock.

SECTION 10. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancelation become authorized but unissued shares of Preferred Stock, without designation as to series until such shares are once more designated as part of a particular series by the Board of Directors pursuant to the provisions of ARTICLE FOURTH of the Articles of Incorporation.

SECTION 11. Amendment. None of the powers, preferences and relative, participating, optional and other special rights of the Series A Preferred Stock as provided herein or in the Articles of Incorporation shall be amended in any manner which would alter or change the powers, preferences, rights or privileges of the holders of Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least 66 213% of the outstanding shares of Series A Preferred Stock, voting as a separate class, provided, however, that no such amendment approved by the holders of at least 66 2/3% of the outstanding shares of Series A Preferred Stock shall be deemed to apply to the powers, preferences, rights or privileges of any holder of shares of Series A Preferred Stock originally issued upon exercise of a Right after the time of such approval without the approval of such holder.

ARTICLE FIFTH

(a) Special meetings of shareholders of the Corporation may be called only by the Chairman of the Board of Directors or by a majority vote of the entire Board of Directors.

(b) Shareholders of the Corporation shall not have any preemptive rights to subscribe for additional issues of stock of the Corporation except as may be agreed from time to time by the Corporation and any such shareholder.

(c) Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock issued by the Corporation, if any, shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of shareholders, an election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of the applicable resolution or resolutions of the Board of Directors adopted pursuant to ARTICLE FOURTH of these Articles of Incorporation.

ARTICLE SIXTH

To the fullest extent permitted by applicable law as then in effect, no director or officer shall be personally liable to the Corporation or any of its shareholders for damages for breach of fiduciary duty as a director or officer, except for liability (a) for breach of duty if such breach constitutes wilful misconduct or recklessness or (b) for the payment of distributions to shareholders in violation of Section 23-1-28-3 of the Indiana Business Corporation Law. Any repeal or modification of this ARTICLE SIXTH by the shareholders of the Corporation shall not adversely affect any right or protection of a director or officer of the Corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

ARTICLE SEVENTH

The holders of the capital stock of the Corporation shall not be personally liable for the payment of the Corporation's debts and the private property of the holders of the capital stock of the Corporation shall not be subject to the payment of debts of the Corporation to any extent whatsoever.

ARTICLE EIGHTH

Subject to any express provision of the laws of the State of Indiana, these Articles of Incorporation or the By-laws of the Corporation, the By-laws of the Corporation may from time to time be supplemented, amended or repealed, or new By-laws may be adopted, by the Board of Directors at any regular or special meeting of the Board of Directors, if such supplement, amendment, repeal or adoption is approved by a majority of the entire Board of Directors. Subject to any express provision of the laws of the State of Indiana, these Articles of Incorporation or the By-laws of the Corporation, the By-laws of the Corporation 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.

ARTICLE NINTH

The Corporation reserves the right to supplement, amend or repeal any provision contained in these Articles of Incorporation, in the manner now or hereafter prescribed by the laws of the State of Indiana, and all rights conferred on shareholders herein are granted subject to this reservation.

ARTICLE TENTH

The name and address of the original incorporator signing the Articles of Incorporation is:

NAME	ADDRESS
George W. Bilicic, Jr.	825 Eighth Avenue New York, New York 10019

These Articles of Restatement of Articles of Incorporation were duly adopted by the Board of Directors of the Corporation in accordance with the provisions of Section 23-1-38-7 of the Indiana Business Corporation Law.

IN WITNESS WHEREOF, I have executed these Articles of Restatement of the Restated Articles of Incorporation this 20th day of May, 2005.

/s/ Kathleen S. Stolar

Name: Kathleen S. Stolar
Title: Vice President, secretary and
Associate General counsel

ATTEST:

/s/ Lawrence J. Swire
- ---------------------
Name: Lawrence J. Swire
Title: Vice President, Associate General
Counsel and Assistant Secretary

Exhibit 10.31

(ITT INDUSTRIES LOGO)

SCOTT A. CRUM
Senior Vice President
Director, Human Resources

ITT INDUSTRIES, INC.

4 West Red Oak Lane
White Plains, NY 10604
tel 914 641.2010
fax 914 696.2964
scott.crum@itt.com

May 31,2005

Mr. George E. Minnich
6 Whitehall Place
Farmington, CT 06032

Dear George:

I am pleased to confirm our offer for the position of Senior Vice President and Chief Financial Officer at ITT Industries Headquarters in White Plains, New York. It is anticipated that you will join ITT Industries effective July 1, 2005. In this position you will report directly to Steven R. Loranger, Chairman, President and Chief Executive Officer.

- - Annual Base Salary: Your starting base salary will be $460,000 annually, payable in bi-weekly installments.

- - Annual Incentive: You will be eligible to receive an award for performance year 2005 under the ITT Industries Annual Incentive Plan for Executive Officers as calculated in accordance with the plan's terms. If the bonus calculated pursuant to the plan is less than $345,000 or 75% of your annual base salary, then a separate payment will be made outside the plan, such that the total of the payments will be no less than $345,000 or 75% of your annual base salary. The payment(s) will be made in March 2006.

- - Long-Term Incentives: You will participate in the ITT Industries Long-Term Incentive Award Program as follows:

    - You will receive 25,000 nonqualified stock options under the terms of the ITT Industries 2003 Equity Incentive Plan, plan text attached. The aggregate value of this stock option award is $565,000 based on a Black Scholes option value of $22.60 per share. The option exercise price will be the closing price of ITT Industries common stock on your start date and will become exercisable upon the earlier of (1) a 25% closing share price appreciation for ten consecutive days as reported by the New York Stock Exchange or (2) six years from the date of the grant. Nevertheless, your options may not be exercised prior to three years from grant date and have a term of seven years. In addition, should you be permitted to exercise the 16,000 UTC options that were granted to you in 2005, we will adjust the ITT award to 22,100 options.

- In addition, you will be granted target awards as follows under the ITT Industries 1997 Long-Term Incentive Plan:

    - A 2004 target award of $250,000. The measurement period for this award will be January 1, 2004 through December 31, 2006. Payment, if any, will be made in January 2007.

    - A 2005 target award of $500,000. The measurement period for this award will be January 1, 2005 through December 31, 2007. Payment, if any, will be made in January 2008.

  The ultimate value of your awards will be determined based on ITT Industries' Total Shareholder Return (TSR) relative performance as measured against the S&P Industrials, in accordance with the terms of the Plan and the administrative rules, copies attached.

- - Restricted Stock Award: You will receive a restricted stock award of 10,000 shares under the ITT Industries 2003 Equity Incentive Plan. These shares will vest in installments of 5,000 shares after three years from the date of grant and 5,000 shares after five years from date of grant. Should you be terminated by ITT, other than for cause, before the restrictions with respect to these shares lapse, the remaining restriction period(s) will be waived and you will receive these shares unrestricted, upon satisfactory payment to ITT of your tax obligation. This award of restricted stock will carry both dividends and voting rights. George, based on a stock price of $93/share, the current value of this award is approximately $930,000.

- - Automobile Allowance: You will be eligible for a monthly automobile allowance of $1,300 under the ITT Industries Corporate Policy 30-18, Company Vehicles and Allowances (U.S. Operations), attached.

- - Financial Counseling and Tax Planning: You will be eligible to receive financial counseling and tax planning services which will be reimbursed by ITT Industries on a tax protected basis.

- - Annual Physical and Fitness Subsidy: You will be eligible for a company-paid annual executive physical exam and an annual fitness subsidy of $500 for membership in a health club.

- - Relocation: Your relocation costs will be reimbursed in accordance with section 30-11 of the attached ITT Industries Corporate Policy. ITT Industries will pay all appropriate closing costs associated with the purchase of a residence in the White Plains area. In conjunction with your relocation, we have agreed to provide you with a one month "settling in" allowance on a tax protected basis.

- - Severance: You will be covered under the terms of the ITT Industries Senior Executive Severance Pay Plan, copy attached; but subject to a severance benefit equal to two years of base salary should you be terminated by ITT Industries other than for cause. Should you be terminated by the company other than for cause during the first three years of your employment, you will receive an additional payment in the amount of $515,000 to be paid in a lump sum upon your termination. Should you be terminated by the company at any time after the third anniversary of your employment, ITT will not invoke its right to pay the two-year severance in a lump sum in a manner which would curtail your ability to achieve five-year vesting under the ITT Industries Salaried Retirement Plan. All other terms of the severance plan will be in force.

You will also be covered by the ITT Industries, Inc. Special Senior Executive Severance Pay Plan which provides, among other things, severance pay equivalent to the sum of three times the highest annual base salary rate paid and three times the highest bonus paid in respect of the three years preceding a change of control, defined as an Acceleration Event in the plan, copy attached. For purposes of this plan, should you be terminated during the first year of employment, the bonus for performance year 2005 will be the target of 75% of base salary.

- - Benefits Plans: You will be eligible for coverage under the various plans comprising the ITT Industries Salaried Benefits Program when you satisfy the participation conditions. Information describing the following plans is enclosed:

  - Salaried Medical Plan through Empire Bluecross Blueshield and Medco
  - Salaried Dental Plan through Met Life
  - Salaried Life Insurance Plan
  - Salaried Retirement Plan
  - Salaried Long-Term Disability Insurance Plan
  - Salaried Short-Term Disability Plan
  - Salaried Investment & Savings Plan
  - Life Plus program
  - Long-Term Care Plan

Medical and dental coverage requires employee contributions and commences on your first day of work for you and your eligible dependents. Please refer to the attached Exhibit `A' for estimated health plan contributions.

Basic Life and Accidental Death and Dismemberment Insurance are provided for you under the ITT Industries Salaried Life Insurance Plan. Also, you are eligible to elect optional life insurance coverage through Life Plus, an individual program sponsored by Marsh at Work Solutions and Long-Term Care coverage offered through John Hancock. You may also elect to participate in the contributory Long-Term Disability Plan as of your first day of work. These plans offer you attractive rates through convenient payroll deductions.

Please note that membership in the ITT Industries Salaried Retirement Plan begins for all eligible employees on the first day of the month after completing one year of eligibility service. Upon completion of the membership requirements for plan participation, Benefit Service will be recognized from your first day of employment.

- - Group Accident Insurance: You will also be eligible to be covered by the Group Accident Insurance Program for Officers and Directors which provides significant automatic and optional accidental death and dismemberment benefits. Details and conditions are provided in the enclosed brochure.

- - Vacation: You will be entitled to paid vacation under the ITT Industries Executive Vacation Policy. During 2005 you will be eligible for two weeks of vacation. In addition, ITT Industries headquarters will be closed for the December holiday from Monday December 26th through Friday, December 30th. You will be eligible for four weeks of vacation beginning in January 2006 plus the December holiday shutdown. Further explanation of our vacation policy and other personnel policies will be provided on your first day of work.

The terms and conditions of your employment will be governed by standard ITT Industries policy. You will be required to present documents to verify your identity and employment eligibility as a condition of employment. As a matter of policy, any offer will be contingent upon successful completion of the placement process which includes a pre-placement medical examination and a drug-screening test.

George, we pleased that you have accepted our offer. We are convinced that you have much to contribute to ITT Industries and that your association with ITT Industries will prove to be a happy and beneficial one. Please do not hesitate to contact me with any questions you may have regarding this offer.

I would appreciate it if you would sign this letter and return it to me. A copy is enclosed for your records.

Very truly yours,

/s/ Scott Crum

/s/ Vincent A. Maffeo
- ---------------------
Vincent A. Maffeo
Senior Vice President and General Counsel
ITT Industries, Inc.

Terms Agreed to and Accepted:

/s/ George E. Minnich 6/1/05
- ---------------------------------
George E. Minnich Date

Cc: Steven R. Loranger
Attachments
05GEMLetter5-31-05

EXHIBIT 31.1

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

CERTIFICATION

I, Steven R. Loranger, certify that:

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

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

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

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

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

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

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

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

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

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

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

/s/ STEVEN R. LORANGER

Steven R. Loranger
President and Chief Executive Officer

Date: August 5, 2005

EXHIBIT 31.2

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

CERTIFICATION

I, George E. Minnich, certify that:

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

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

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

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

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

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

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

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

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

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

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

/s/ GEORGE E. MINNICH

George E. Minnich
Senior Vice President and Chief
Financial Officer

Date: August 5, 2005

EXHIBIT 32.1

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

In connection with the Quarterly Report of ITT Industries, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven R. Loranger, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. sec. 1350, as adopted pursuant to sec.906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

/s/ STEVEN R. LORANGER

Steven R. Loranger
President and
Chief Executive Officer

August 5, 2005

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

EXHIBIT 32.2

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

In connection with the Quarterly Report of ITT Industries, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George E. Minnich, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. sec. 1350, as adopted pursuant to sec.906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

/s/ GEORGE E. MINNICH

George E. Minnich
Senior Vice President and
Chief Financial Officer

August 5, 2005

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