

IAMGOLD CORP
Form 6-K
May 18, 2005

FORM 6-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer

**Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934**

Date: May 16, 2005
Commission File Number 001-31528

IAMGold Corporation

(Translation of registrant's name into English)

**220 Bay Street, 5th Floor
Toronto, Ontario M5J 2W4, Canada
Tel: (416) 360-4710**

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): _____

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

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Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

Signatures

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

IAMGOLD CORPORATION

Date: May 16, 2005

/s/ Larry E. Phillips

Larry E. Phillips
Vice-President, Corporate Affairs & Corporate
Secretary

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Press Release dated May 16, 2005: "IAMGOLD Links Mineralized Zones At Quimsacocha"

municipal and industrial water and wastewater treatment facilities. Management believes this acquisition will expand the Company's ability to provide pre-treatment filtration technology for surface water, reuse and desalination. Sota Corporation, included in our Motion & Flow Control segment, is a manufacturer of fuel boost and override pumps and potable water pumps for aerospace applications. Management believes this acquisition enhances capability and positions them to reach their strategic goals of becoming a Potable Water /Waste Water and Fuel Systems integrator.

The Company has preliminarily assigned value to the assets and liabilities of the 2006 acquisitions, however, the allocations are subject to further refinement. As of December 31, 2006, the excess of the purchase price over the fair value of net assets acquired in these transactions of \$53.3 was recorded as goodwill, of which \$14.9, \$29.0 and \$9.4 are reflected in the Defense Electronics & Services, Fluid Technology and Motion & Flow Control segments, respectively. Only the \$9.4 reflected in the Motion & Flow Control segment is deductible for tax purposes.

Intangible asset relating to the acquisitions above totaled \$37.6 at December 31, 2006. This amount includes \$7.9 of customer relationships, \$19.7 of proprietary technology, \$5.1 of trademarks, and \$4.9 of patents and other identifiable intangible assets. These intangible assets are amortized over weighted average lives of 10 years, 8 years, 10 years and 8 years, respectively.

In 2006, the Company had no material changes resulting from the finalization of purchase price allocations related to prior period acquisitions.

2005 Acquisitions

During 2005, the Company spent \$69.0 for acquisitions that it does not believe are material individually or in the aggregate to its results of operations or financial condition. Of this amount, \$29.7 was paid for Phelps, the largest U.S. distributor of products sold under ITT's Flygt brand, within the Fluid Technology segment, for the wastewater pumping and treatment market.

The Company also paid a purchase price adjustment totaling \$28.5 related to the 2004 acquisition of Remote Sensing Systems business (RSS) and purchased additional shares of WEDECO AG Water Technology (WEDECO), a company acquired in 2004, for \$10.8.

In addition, the Company finalized purchase price allocations related to prior period acquisitions, which resulted in an increase of goodwill of \$11.1.

2004 Acquisitions

On August 13, 2004, the Company purchased RSS for \$736.9 in cash. The RSS business is a leading supplier of high resolution satellite imaging systems and information services.

As of December 31, 2006, the excess of the purchase price of RSS over the fair value of net assets acquired of \$640.3 was recorded as goodwill and \$626.0 is deductible for tax purposes. The entire goodwill balance is reflected in the Defense Electronics & Services segment.

Intangible assets of \$124.9 were recorded as part of the acquisition. This balance is comprised of \$120.0 of customer relationships (amortized over 16 years), \$3.4 of maintenance contracts (amortized over 15 years) and \$1.5 of product software (amortized over 10 years).

The Company also spent \$273.1 on additional 2004 acquisitions that it does not believe are material individually or in the aggregate to its results of operations or financial condition. These acquisitions include:

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

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

Shanghai Hengtong Purified Water Development Co. Ltd. and Shanghai Hengtong Water Treatment Engineering Co. Ltd., a Shanghai-based producer of reverse-osmosis, membrane and other water treatment systems

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(dollars in millions, except per share amounts, unless otherwise stated)

for the power, pharmaceutical, chemical and manufacturing markets in China.

Cleghorn Waring and Co. (Pumps) Limited, a distributor of pumps and marine products.

As of December 31, 2006, the excess of the purchase price over the fair value of net assets acquired in these transactions of \$262.8 was recorded as goodwill, of which \$256.0, \$3.5 and \$3.3 are reflected in the Fluid Technology, Defense Electronics & Services and Motion & Flow Control segments, respectively.

Intangible assets relating to the acquisitions of WEDECO and AOA, totaled \$60.6 at December 31, 2006. This amount includes \$29.2 of proprietary technology and other identifiable intangible assets (amortized over a weighted average life of 12.3 years), \$19.2 of customer relationships (amortized over 10 years), and \$12.2 of trade names (amortized over 20 years).

During 2004, the Company also finalized purchase price allocations related to prior period acquisitions, which resulted in an increase in goodwill of \$1.5.

NOTE 4**Restructuring and Asset Impairment Charges*****2006 Restructuring Activities***

During 2006, the Company recorded a net restructuring charge of \$51.7 reflecting costs of \$52.7 related to new actions and \$3.8 related to prior year plans, as well as the reversal of \$4.8 of restructuring accruals that management determined would not be required.

Components of 2006 Charge

	Other		2006 Actions			Prior	Year	Reversal
	Employee-Cancellation		Lease	& Other	Asset	Planned	Plans	of
	Severance	Related Costs	Costs	Costs	Write-Offs	Position	Additional	Accruals
					Total	Eliminations	Costs	
Fluid Technology	\$ 17.0	\$ 2.8	\$ 5.7	\$ 1.2	\$ 26.7	441	\$ 0.9	\$ (0.9)
Defense Electronics & Services	3.2	0.1	3.9		7.2	113		(0.9)
Motion & Flow Control	11.3	0.1	4.1	1.2	16.7	236	2.8	(3.0)
Corporate and Other	2.1				2.1	26	0.1	

\$ 33.6 \$ 3.0 \$ 13.7 \$ 2.4 \$ 52.7 816 \$ 3.8 \$ (4.8)

The charges associated with actions announced during 2006 represent a reduction of structural costs in all segments and closure of three facilities in the Fluid Technology segment, two in the Motion & Flow Control segment and one in the Defense Electronics & Services segment. Planned position eliminations total 816, including 427 factory workers, 360 office workers and 29 management employees. The costs attributable to the 2006 plans primarily reflect severance and lease cancellation costs. The costs associated with prior year plans primarily reflect additional severance costs.

2005 Restructuring Activities

During 2005, the Company recorded a net restructuring charge of \$53.9 reflecting costs of \$58.7 related to new actions and costs of \$0.2 related to previous plans, as well as the reversal of \$5.0 of restructuring accruals that management determined would not be required.

Components of 2005 Charge

	2005 Actions				Total	Planned Position Eliminations	Prior Year Plans Additional Costs	Reversal of Accruals
	Severance	Lease Cancellation & Other Costs		Asset Write-Offs				
Fluid Technology	\$ 28.8	\$ 1.7	\$ 1.4	\$ 31.9	466	\$	\$ (0.3)	
Motion & Flow Control	25.2	1.1	0.1	26.4	474	0.2	(4.7)	
Corporate and Other	0.4			0.4	1			
	\$ 54.4	\$ 2.8	\$ 1.5	\$ 58.7	941	\$ 0.2	\$ (5.0)	

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ITT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(dollars in millions, except per share amounts, unless otherwise stated)

These charges represent a reduction of structural costs and closure of four facilities in the Fluid Technology segment. In addition, activity in the Motion & Flow Control segment reflected the closure of two facilities and a continued reorganization including workforce reductions, the consolidation of functions, the transfer of functions from France to Holland and the outsourcing of selected functions to Eastern Europe. Planned position eliminations total 941, including 485 factory workers, 402 office workers and 54 management employees.

2004 Restructuring Activities

During 2004, the Company recorded a net restructuring charge of \$29.3 reflecting costs of \$30.2 related to new actions and costs of \$0.1 related to previous plans as well as the reversal of \$1.0 of accruals that management determined would not be required.

Components of 2004 Charge

	2004 Actions				Planned Position Eliminations	Prior Year Plans Additional Costs	Reversal of Accruals
	Severance	Lease	Asset Write-Offs	Total			
		Cancellation & Other Costs					
Fluid Technology	\$ 16.6	\$ 1.4	\$ 0.6	\$ 18.6	198	\$	\$ (0.5)
Motion & Flow Control	3.6	5.1	1.1	9.8	391	0.1	(0.4)
Corporate and Other	1.8			1.8	3		(0.1)
	\$ 22.0	\$ 6.5	\$ 1.7	\$ 30.2	592	\$ 0.1	\$ (1.0)

These charges represent a reduction of structural costs and closure of two facilities in the Fluid Technology segment and continued reorganization and a reduction of structural costs in the Motion & Flow Control segment. Planned position eliminations total 592, including 335 factory workers, 246 office workers and 11 management employees.

The following table displays a rollforward of restructuring accruals:

	Fluid Technology	Defense Electronics & Services	Motion & Flow Control	Corporate and Other	Total
Balance December 31, 2003	\$ 10.7	\$ 0.8	\$ 3.8	\$ 0.8	\$ 16.1

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Additional charges for prior year plans			0.1		0.1
Cash payments and other related to prior charges	(9.2)	(0.7)	(2.4)	(0.6)	(12.9)
Reversals of prior charges	(0.5)		(0.3)		(0.8)
Charges for 2004 actions	18.6		9.8	1.8	30.2
Reversal of 2004 charges			(0.1)	(0.1)	(0.2)
Cash payments and other related to the 2004 charges	(8.3)		(2.9)	(0.8)	(12.0)
Asset write-offs	(0.6)		(1.1)		(1.7)
Balance December 31, 2004	10.7	0.1	6.9	1.1	18.8
Additional charges for prior year plans			0.2		0.2
Cash payments and other related to prior charges	(8.6)	(0.1)	(5.7)	(1.1)	(15.5)
Reversals of prior charges			(0.8)		(0.8)
Charges for 2005 actions	31.9		26.4	0.4	58.7
Reversal of 2005 charges	(0.3)		(3.9)		(4.2)
Cash payments and other related to the 2005 charges	(13.3)		(14.1)	(0.2)	(27.6)
Asset write-offs	(1.4)		(0.1)		(1.5)
Balance December 31, 2005	19.0		8.9	0.2	28.1
Additional charges for prior year plans	0.9		2.8	0.1	3.8
Cash payments and other related to prior charges	(14.1)		(8.0)	(0.3)	(22.4)
Reversals of prior charges	(0.7)		(2.7)		(3.4)
Charges for 2006 actions	26.7	7.2	16.7	2.1	52.7
Reversal of 2006 charges	(0.2)	(0.9)	(0.3)		(1.4)
Cash payments and other related to the 2006 charges	(8.0)	(3.0)	(8.9)	(0.5)	(20.4)
Asset write-offs	(1.2)		(1.2)		(2.4)
Balance December 31, 2006	\$ 22.4	\$ 3.3	\$ 7.3	\$ 1.6	\$ 34.6

The accrual balance at December 2006 of \$34.6 includes \$20.2 for severance and \$14.4 for facility carrying costs and other.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(dollars in millions, except per share amounts, unless otherwise stated)

The following is a reconciliation of employee position eliminations associated with restructuring activities through 2006:

Planned reductions as of December 31, 2003 for 2003 and prior restructuring programs	67
Planned reductions from 2004 actions	592
Actual reductions January 1 – December 31, 2004	(589)
Planned reductions as of December 31, 2004	70
Planned reductions from 2005 actions	941
Actual reductions January 1 – December 31, 2005	(807)
Planned reductions as of December 31, 2005	204
Planned reductions from 2006 actions	816
Actual reductions, January 1 – December 31, 2006	(750)
Planned reductions as of December 31, 2006	270

As of the end of 2006, all announced planned facility closures have been completed.

NOTE 5

Discontinued Operations*Fluid Handling Systems*

In the first quarter of 2006, the Company completed the sale of its automotive brake and fueling tubing and components business (FHS) to a privately held company for net proceeds of \$187.7 and a gain of \$19.0. The business, which was a component of the Company's Motion & Flow Control segment, manufactures steel and plastic tubing for fuel and brake lines, quick-connects, and serves the transportation industry.

Revenues and operating income for FHS reported in discontinued operations were as follows:

	Year Ended December 31,		
	2006	2005	2004
Revenues (Third Party)	\$ 41.2	\$ 417.4	\$ 436.7
Operating income	\$ 2.6	\$ 21.6	\$ 25.3

Assets and liabilities of FHS as a component of the Company's discontinued businesses held for sale were as follows:

	December 31, 2005	
Receivables, net	\$	68.9
Inventories, net		23.2
Plant, property and equipment		106.2
Goodwill, net		15.9
Other assets		22.4
Total assets	\$	236.6
Accounts payable and accrued expenses	\$	47.4
Other liabilities		18.0
Total liabilities	\$	65.4

Richter

During the first quarter of 2006, the Company also completed the sale of its industrial non-metallic lined pumps and valves business (Richter) to a private equity investor for net proceeds of \$24.8 and a gain of \$22.2. The business, which was a component of the Company's Fluid Technology segment, is a leading manufacturer of pumps and valves for selected segments in the chemical, fine chemical and pharmaceutical industries.

Revenues and operating income for Richter reported in discontinued operations were as follows:

	Year Ended December 31,		
	2006	2005	2004
Revenues (Third Party)	\$ 2.0	\$ 38.4	\$ 34.3
Operating income	\$ 0.2	\$ 4.9	\$ 2.2

Assets and liabilities of Richter as a component of the Company's discontinued businesses held for sale were as follows:

	December 31, 2005	
Receivables, net	\$	5.6
Inventories, net		5.6
Plant, property and equipment		4.0
Goodwill, net		4.8
Other assets		0.3
Total assets	\$	20.3
Accounts payable and accrued expenses	\$	5.1
Other liabilities		7.4

Total liabilities	\$	12.5
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ITT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(dollars in millions, except per share amounts, unless otherwise stated)*Switches*

The Company has been preparing the Switches businesses, as previously reported was part of the previous Electronic Components segment, for sale since early 2006. During the third quarter 2006, the Company initiated the solicitation of bids from interested parties and is proceeding with an active program for the sale of these businesses. Accordingly, commencing with the third quarter 2006, the Switches businesses were reported as discontinued operations. The divestiture of the businesses is consistent with the Company's strategy of concentrating its resources in core product areas and de-emphasizing products which are determined to be less strategic to the Company. The Switches businesses produce pushbutton, toggle, slide, DIP, rotary, multi-functional navigation, snap and thumbwheel switches, as well as customized rubber and plastic keypads, customized dome arrays and customized interface control products such as multifunction joysticks control panels. The Switches businesses sell their products to a wide range of customers in the transportation, consumer, telecommunications, medical, and instrumentation market segments.

Revenues and operating income for Switches reported in discontinued operations were as follows:

	Year Ended December 31,		
	2006	2005	2004
Revenues (Third Party)	\$ 374.8	\$ 348.1	\$ 327.6
Operating income	\$ 30.6	\$ (230.2)	\$ 19.6

Assets and liabilities of Switches businesses as a component of the Company's discontinued businesses held for sale were as follows:

	December 31,	
	2006	2005
Receivables, net	\$ 50.9	\$ 70.3
Inventories, net	34.7	38.4
Property, plant and equipment	54.1	55.0
Goodwill	21.7	21.8
Deferred income taxes and accrued tax receivables	19.8	25.3
Other assets	2.0	6.7
Total assets	\$ 183.2	\$ 217.5
Accounts payable and accrued expenses	\$ 63.4	\$ 76.0
Accrued and deferred income taxes	18.0	21.0
Other liabilities	15.3	15.4

Total liabilities	\$	96.7	\$	112.4
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As of December 31, 2006, the Company's balance sheet included (\$40.1) of cumulative translation loss adjustments related to the Switches businesses.

Automotive

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

At December 31, 2006, the Company had automotive discontinued operations accruals of \$32.3 that are primarily related to product recalls of \$7.8, environmental obligations of \$12.7 and employee benefits of \$11.8.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(dollars in millions, except per share amounts, unless otherwise stated)

The following tables display a rollforward of the automotive discontinued operations accruals from January 1, 2004 to December 31, 2006:

Automotive Discontinued Operations Accruals	Beginning Balance January 1, 2004	2004 Spending	2004 Other Activity	Ending Balance December 31, 2004
Accrued expenses	\$ 17.7	\$	\$ 2.7	\$ 20.4
Environmental	14.2	(0.1)		14.1
Income tax	154.2			154.2
Total	\$ 186.1	\$ (0.1)	\$ 2.7	\$ 188.7

Automotive Discontinued Operations Accruals	Beginning Balance January 1, 2005	2005 Spending	2005 Other Activity	Ending Balance December 31, 2005
Accrued expenses	\$ 20.4	\$	\$	\$ 20.4
Environmental	14.1	(0.1)		14.0
Income tax	154.2	(100.6)	(53.6)	
Total	\$ 188.7	\$ (100.7)	\$ (53.6)	\$ 34.4

Automotive Discontinued Operations Accruals	Beginning Balance January 1, 2006	2006 Spending	2006 Other Activity	Ending Balance December 31, 2006
Accrued expenses	\$ 20.4	\$	\$ (0.8)	\$ 19.6
Environmental	14.0		(1.3)	12.7
Total	\$ 34.4	\$	\$ (2.1)	\$ 32.3

NOTE 6**Sales and Revenues and Costs of Sales and Revenues**

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

		For the Years Ended	
		December 31,	
	2006	2005	2004
Product sales	\$ 6,198.1	\$ 5,550.3	\$ 4,746.4
Service revenues	1,609.8	1,490.5	1,219.1
Total sales and revenues	\$ 7,807.9	\$ 7,040.8	\$ 5,965.5
Costs of product sales	\$ 4,224.5	\$ 3,823.0	\$ 3,225.1
Costs of service revenues	1,393.9	1,249.6	1,072.0
Total costs of sales and revenues	\$ 5,618.4	\$ 5,072.6	\$ 4,297.1

The Defense Electronics & Services segment comprises \$1,475.4, \$1,352.4 and \$1,103.9 of total service revenues for 2006, 2005 and 2004, respectively, and \$1,288.1, \$1,136.6 and \$965.1 of total costs of service revenues, respectively, during the same periods. The Fluid Technology segment comprises the majority of the remaining balances of service revenues and costs of service revenues.

The amount of RD&E costs incurred under contracts with customers amounted to \$499.3, \$472.0 and \$470.5 in 2006, 2005 and 2004, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(dollars in millions, except per share amounts, unless otherwise stated)

NOTE 7

Income Taxes

Income tax data from continuing operations is as follows:

	For the Years Ended December 31,		
	2006	2005	2004
United States and foreign components of income from continuing operations before income taxes			
U.S.	\$ 367.1	\$ 398.7	\$ 317.9
Foreign	360.2	274.8	245.1
	\$ 727.3	\$ 673.5	\$ 563.0
Provision (benefit) for income tax			
Current			
U.S. federal	\$ 62.5	\$ 106.0	\$ 13.5
State and local	7.5	3.7	3.3
Foreign	94.4	75.5	75.2
	\$ 164.4	\$ 185.2	\$ 92.0
Deferred			
U.S. federal	\$ 53.2	\$ (44.9)	\$ 62.1
State and local	0.6	1.4	(1.9)
Foreign	9.4	3.0	2.6
	63.2	(40.5)	62.8
Total income tax expense	\$ 227.6	\$ 144.7	\$ 154.8

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

For the Years Ended
December 31,

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	2006	2005	2004
Tax provision at U.S. statutory rate	35.0%	35.0%	35.0%
Foreign tax rate differential	(3.1)	(2.7)	(2.3)
Effect of repatriation of foreign earnings	(2.4)		(1.0)
State and local income tax	0.7	0.8	(0.2)
Research credit	(0.4)	(0.5)	(0.5)
Tax examinations		(8.3)	(1.8)
Export sales	(1.1)	(1.0)	(1.9)
Penalty	2.4		
Other	0.2	(1.8)	0.2
Effective income tax expense rate	31.3%	21.5%	27.5%

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

Deferred tax assets (liabilities) include the following:

	December 31,			
	2006		2005	
	Deferred Assets	Deferred Liabilities	Deferred Assets	Deferred Liabilities
Employee benefits	\$ 166.9	\$	\$	\$ (48.7)
Accelerated depreciation		(46.3)		(73.1)
Accruals	220.2		246.5	
Uniform capitalization	5.2		3.0	
Partnership investment		(57.5)		(57.9)
Loss carryforwards	117.2		42.7	
Foreign tax credit	0.1		3.8	
State credit carryforwards	1.1		1.7	
Intangibles		(123.0)		(73.2)
Other		(27.8)	19.2	
Subtotal	510.7	(254.6)	316.9	(252.9)
Valuation allowance	(79.4)		(17.1)	
	\$ 431.3	\$ (254.6)	\$ 299.8	\$ (252.9)

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(dollars in millions, except per share amounts, unless otherwise stated)

The company's deferred taxes in the consolidated balance sheets consist of the following:

	December 31,	
	2006	2005
Current assets	\$ 79.8	\$ 73.7
Current assets of discontinued operations	12.6	16.7
Non-current assets	136.1	70.8
Current liabilities of discontinued operations	(16.6)	(21.0)
Other current liabilities	(0.2)	(10.0)
Other liabilities	(35.0)	(83.3)
	\$ 176.7	\$ 46.9

No provision was made for U.S. taxes payable on accumulated undistributed foreign earnings of certain subsidiaries amounting to approximately \$1,022.1 because these amounts are permanently reinvested. While the amount of federal income taxes, if such earnings are distributed in the future, cannot be determined, such taxes may be reduced by tax credits and other deductions.

The Company had net operating losses from some U.S. subsidiaries in the amount of \$26.0 which will begin to expire on December 31, 2020. The Company had state net operating losses of \$1,522.1 which will begin to expire on December 31, 2007. The Company also had net operating losses from some foreign subsidiaries in the amount of \$147.3, which will begin to expire on December 31, 2008.

As of December 31, 2006, a valuation allowance of approximately \$79.4 exists for deferred income tax benefits related to certain U.S. subsidiary state net operating loss carryforwards and certain foreign net operating loss carryforwards that may not be realized. As of December 31, 2005, a valuation allowance of approximately \$17.1 existed for deferred income tax benefits related to certain U.S. subsidiary state net operating loss carryforwards that may not be realized. During 2006, the valuation allowance increased by a total of \$62.3, that resulted as follows: an increase of \$8.4 attributable to foreign net operating loss carryforwards and an increase of \$53.9 attributable to state net operating loss carryforwards which are not expected to be realized.

Shareholders' equity at December 31, 2006 and 2005 reflects tax benefits related to the stock options exercised in 2006 and 2005 of approximately \$23.1 and \$56.9, respectively.

The IRS is currently examining the federal consolidated tax returns of the Company for the years ended December 31, 2001 through December 31, 2003. The IRS has completed its examination of all years through 2000. As of December 31, 2006, the Company believes the accrual for income taxes payable is sufficient to cover potential liabilities arising from these examinations.

As discussed fully in Note 2, *New Accounting Pronouncements*, the Company expects the adoption of FIN 48 to result in a decrease to shareholders' equity of approximately \$20.0 to \$35.0 inclusive of interest and penalties.

In addition, the Company has contingent tax obligations in various jurisdictions related to the 1998 dispositions and reorganizations of approximately \$85.0. The Company has determined that payment of this amount is unlikely.

NOTE 8

Earnings Per Share

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

<i>(Shares in millions)</i>	For the Years Ended December 31,		
	2006	2005	2004 ⁽¹⁾
Basic Earnings Per Share			
Income from continuing operations available to common shareholders	\$ 499.7	\$ 528.8	\$ 408.2
Average common shares outstanding	184.3	184.6	184.6
Basic earnings per share	\$ 2.71	\$ 2.86	\$ 2.21
Diluted Earnings Per Share			
Income from continuing operations available to common shareholders	\$ 499.7	\$ 528.8	\$ 408.2
Average common shares outstanding	184.3	184.6	184.6
Add: Impact of stock options and restricted stock	3.1	3.9	4.2
Average common shares outstanding on a diluted basis	187.4	188.5	188.8
Diluted earnings per share	\$ 2.67	\$ 2.80	\$ 2.16

(1) Restated for two-for-one stock split effective February 21, 2006.

Options to purchase 806,940 shares of common stock at an average price of \$52.60 per share were outstanding at December 31, 2006 but were not included in the computation of diluted EPS, because the options' exercise prices were greater than the annual average market price of the common shares. These options expire in 2012 and 2013.

Options to purchase 208,000 shares of common stock at an average price of \$52.86 per share were outstanding at December 31, 2005 but were not included in the computation of diluted EPS, because the options' exercise prices were greater than the annual average market price of the common shares. These options expire in 2012.

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(dollars in millions, except per share amounts, unless otherwise stated)

Options to purchase 255,000 shares of common stock at an average price of \$41.51 per share were outstanding at December 31, 2004 but were not included in the computation of diluted EPS, because the options' exercise prices were greater than the annual average market price of the common shares. These options expire in 2014.

The amount of antidilutive restricted common stock excluded from the computation of diluted EPS for 2006, 2005 and 2004 were insignificant.

NOTE 9**Receivables, Net**

Receivables consist of the following:

	December 31,	
	2006	2005
Trade	\$ 1,225.7	\$ 1,086.5
Other	94.5	145.3
Less allowance for doubtful accounts and cash discounts	(31.3)	(34.1)
	\$ 1,288.9	\$ 1,197.7

NOTE 10**Inventories, Net**

Inventories consist of the following:

	December 31,	
	2006	2005
Finished goods	\$ 203.8	\$ 151.9
Work in process	278.6	265.4
Raw materials	355.5	287.7
Less progress payments	(82.0)	(82.1)
	\$ 755.9	\$ 622.9

NOTE 11**Other Current Assets**

At December 31, 2006 and 2005, other current assets consist primarily of advance payments on contracts and prepaid expenses.

NOTE 12**Plant, Property and Equipment, Net**

Plant, property and equipment consist of the following:

	December 31,	
	2006	2005
Land and improvements	\$ 51.3	\$ 54.8
Buildings and improvements	495.3	454.0
Machinery and equipment	1,429.0	1,318.0
Furniture, fixtures and office equipment	220.3	211.2
Construction work in progress	93.4	67.8
Other	62.7	52.7
	2,352.0	2,158.5
Less accumulated depreciation and amortization	(1,519.0)	(1,376.5)
	\$ 833.0	\$ 782.0

NOTE 13**Goodwill and Other Intangible Assets**

The Company follows the provisions of SFAS 142 which requires that goodwill and indefinite-lived intangible assets be tested for impairment on an annual basis, or more frequently if circumstances warrant.

The Company completed its annual goodwill and indefinite-lived intangible asset impairment tests as of January 1, 2006 and 2005 and concluded that no impairment charges were required as of those dates. In 2006, the Company changed the date of its annual goodwill impairment testing from January 1 to October 1. The selection of October 1 as the annual testing date for the impairment of goodwill is intended to move the testing to a date outside of the Company's annual financial reporting process when its reporting resources are more constrained. The Company believes that this change is to an alternative accounting principle that is preferable under the circumstances. In addition, the Company changed the date of its annual indefinite-lived intangible impairment testing to October 1. Accordingly, both the goodwill impairment and intangible assets tests were performed as of October 1, 2006 and no impairment existed.

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ITT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(dollars in millions, except per share amounts, unless otherwise stated)

Changes in the carrying amount of goodwill for the years ended December 31, 2006 and 2005 by operating segment are as follows:

	Fluid Technology	Defense Electronics & Services	Motion & Flow Control	Corporate and Other	Total
Balance as of January 1, 2005	\$ 1,073.9	\$ 904.8	\$ 239.0	\$ 5.0	\$ 2,222.7
Goodwill acquired during the period	17.7				17.7
Other, including foreign currency translation	(50.8)	42.5	(4.8)		(13.1)
Balance as of December 31, 2005	1,040.8	947.3	234.2	5.0	2,227.3
Goodwill acquired during the period	30.3	14.9	9.4		54.6
Other, including foreign currency translation	52.8	0.1	2.0		54.9
Balance as of December 31, 2006	\$ 1,123.9	\$ 962.3	\$ 245.6	\$ 5.0	\$ 2,336.8

Goodwill of \$21.7 as of December 31, 2006 is excluded from the table above and is reflected in current assets of discontinued operations in the consolidated balance sheet as of December 31, 2006. This amount relates to the Switches businesses that were reported in discontinued operations beginning in the third quarter of 2006. Goodwill of \$42.5 as of December 31, 2005 is excluded from the table above and is reflected in current assets of discontinued operations in the consolidated balance sheet as of December 31, 2005.

Information regarding the Company's other intangible assets follows:

	Gross Carrying Amount	Accumulated Amortization	Net Intangibles
2005			
Finite-lived intangibles Customer relationships	\$ 138.8	\$ (22.6)	\$ 116.2
Proprietary technology	20.5	(3.2)	17.3
Trademarks	20.5		20.5
Patents and other	46.2	(14.5)	31.7
Indefinite-lived intangibles			

Brands and trademarks	8.2		8.2
Pension related	17.6		17.6
Balance as of December 31, 2005	\$ 251.8	\$ (40.3)	\$ 211.5
2006			
Finite-lived intangibles			
Customer relationships	\$ 152.2	\$ (41.3)	\$ 110.9
Proprietary technology	45.7	(6.9)	38.8
Trademarks	26.9	(1.4)	25.5
Patents and other	48.4	(18.6)	29.8
Indefinite-lived Intangibles			
Brands and trademarks	8.2		8.2
Balance as of December 31, 2006	\$ 281.4	\$ (68.2)	\$ 213.2

Amortization expense related to intangible assets for the 2006, 2005 and 2004 was \$26.7, \$21.5 and \$10.4, respectively.

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

2007	2008	2009	2010	2011
\$ 27.4	\$ 24.4	\$ 22.7	\$ 21.1	\$ 21.6

Customer relationships, proprietary technology, trademarks and patents and other are amortized over weighted average lives of 15 years, 11 years, 18 years and 20 years, respectively.

NOTE 14

Other Assets

Other assets consist of the following:

	December 31,	
	2006	2005
Pension assets and prepaid benefit plan costs	\$ 243.2	\$ 688.3
Insurance receivable	164.3	59.8
Other long-term third party receivables - net	60.0	63.9
Capitalized software costs	15.3	13.9
Investments in unconsolidated companies	13.0	8.9
Environmental and employee benefit trusts	7.0	10.8
Other	60.4	48.1
	\$ 563.2	\$ 893.7

The Company recorded sales to unconsolidated affiliates during 2006, 2005 and 2004 totaling \$16.0, \$9.7 and \$11.8, respectively. Additionally, the Company purchased \$5.1 of products from unconsolidated affiliates during 2006. For all investments in unconsolidated companies, the Company's exposure is limited to the amount of the investment. All investments accounted for under the cost method represent voting rights interests of less than 20%.

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Table of Contents**ITT CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
(dollars in millions, except per share amounts, unless otherwise stated)**NOTE 15****Leases and Rentals**

The Company leases certain offices, manufacturing buildings, land, machinery, automobiles, aircraft, computers and other equipment. Such leases expire at various dates and may include renewals and escalations. The Company often pays maintenance, insurance and tax expense related to leased assets. Rental expenses under operating leases were \$85.1, \$81.6 and \$80.3 for 2006, 2005 and 2004, respectively. Future minimum operating lease payments under long-term operating leases as of December 31, 2006 are shown below.

2007	\$	88.8
2008		72.5
2009		61.1
2010		43.5
2011		36.0
2012 and thereafter		169.8
Total minimum lease payments	\$	471.7

This excludes \$6.7 of operating leases associated with the Company's Switches businesses in discontinued operations.

NOTE 16**Debt**

Debt consists of the following:

	December 31,	
	2006	2005
Commercial paper	\$ 553.3	\$ 728.8
Short-term loans	33.3	13.2
Current maturities of long-term debt	10.4	8.9
Notes payable and current maturities of long-term debt	\$ 597.0	\$ 750.9

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Long-term debt	Maturity	Interest Rate	2006	2005
Notes and debentures:	2/1/2008	8.875%	\$ 13.2	\$ 13.2
	5/1/2011	6.500%	31.7	31.7
	7/1/2011	7.500%	37.4	37.4
	12/15/2014	4.700%	97.3	107.4
	11/15/2025	7.400%	250.0	250.0
	8/25/2048	(1)	17.3	18.1
Other	2007 2014	(2)	13.8	14.6
Deferred gain on interest rate swaps			63.9	68.7
Subtotal			524.6	541.1
Less unamortized discount			(13.8)	(16.2)
Long-term debt			510.8	524.9
Less current maturities			(10.4)	(8.9)
Net long-term debt			\$ 500.4	\$ 516.0

(1) The interest rate for the note/debenture was 5.31% and 4.35% at December 31, 2006 and 2005, respectively.

(2) The weighted average interest rate was 5.35% and 5.32% at December 31, 2006 and 2005, respectively.

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

2007	2008	2009	2010	2011
\$ 10.4	\$ 22.2	\$ 10.4	\$ 9.8	\$ 79.3

The weighted average interest rate for short-term borrowings was 5.29% and 4.37% at December 31, 2006 and 2005, respectively. The fair value of the Company's short-term loans approximates carrying value. The fair value of the Company's long-term debt is estimated based on comparable corporate debt with similar remaining maturities. As of December 31, 2006, the fair value of long-term debt was \$482.5, compared to the fair value of \$506.3 at December 31, 2005. The year-over-year decrease in fair value primarily reflects the impact of a decrease in long-term debt levels and an increase in long-term interest rates.

The book value of assets pledged as collateral amounted to \$64.4 as of December 31, 2006.

In November 2005, the Company entered into a five-year revolving credit agreement in the aggregate principal amount of \$1.25 billion. The interest rate for borrowings under these agreements is generally based on the London Interbank Offered Rate (LIBOR), plus a spread, which reflects the Company's debt rating. The provisions of this agreement requires that the Company maintain an interest coverage ratio, as defined, of 3.5 times. At December 31, 2006, the Company's coverage ratio was well in excess of

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(dollars in millions, except per share amounts, unless otherwise stated)

the minimum requirements. The commitment fee on the revolving credit agreements is 0.08% of the total commitment. The revolving credit agreement serves as backup for the commercial paper program. Borrowing through commercial paper and under the revolving credit agreements may not exceed \$1.25 billion in the aggregate outstanding at any time. At December 31, 2006 commercial paper borrowings were \$553.3.

As of December 31, 2006, the Company had a \$97.3 obligation associated with a ten year agreement involving the sale and the subsequent lease back of certain properties. Under the terms of the agreement, the Company is required to make annual payments of principal and interest. At the end of the agreement, the Company has the option to repurchase the applicable properties for a nominal fee. This transaction is reflected as debt.

NOTE 17**Cash Flow Information**

The change in receivables, inventories, payables and accrued expenses listed on the consolidated statements of cash flows for 2006, 2005 and 2004 consist of the following:

	2006	2005	2004
Change in accounts receivable	\$ (61.2)	\$ (183.9)	\$ (22.1)
Change in inventories	(101.4)	(26.2)	(66.3)
Change in accounts payable and accrued expenses	246.4	120.5	3.7
Change in receivables, inventories, payables and accrued expenses	\$ 83.8	\$ (89.6)	\$ (84.7)

NOTE 18**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. The Company uses derivative financial instruments to mitigate or eliminate some of those risks.

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

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 2006, 2005 and 2004. Additional

disclosures required by SFAS 133 are presented below.

Hedges of Future Cash Flows

At December 31, 2006 and 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 that had no change in value during 2004. There were no changes in the forecasted transactions during the covered period regarding their probability of occurring that would require amounts to be reclassified to earnings.

Hedges of Recognized Assets, Liabilities and Firm Commitments

The Company maintains a multi-currency debt portfolio to fund its operations. The Company, at times, uses interest rate swaps to manage the Company's debt portfolio, the related financing costs and interest rate structure.

During the fourth quarter of 2005, the Company terminated interest rate swaps that were established to manage the interest rate exposure associated with certain long-term debt. The terminated swaps had effectively converted much of the long-term debt mentioned in Note 16, Debt, from fixed to variable rate borrowings. The fair value of these instruments at the time of termination was \$69.5, which will be accreted into income over the remaining terms of the underlying debt, which mature at various dates through 2025. At December 31, 2006 and 2005, the remaining balance to be accreted into income was \$63.9 and \$68.7, respectively.

At December 31, 2006 and 2005, the Company had foreign currency forward contracts with notional amounts of \$115.4 and \$120.5, respectively, to hedge the value of recognized assets, liabilities and firm commitments. The fair values of the contracts were \$(0.2) loss and \$0.1 gain at December 31, 2006 and 2005, respectively. The ineffective portion of changes in fair values of such hedge positions reported as expense in operating income during 2006, 2005 and 2004 amounted to \$(0.3), \$(0.5) and \$(0.4), respectively. There were no amounts excluded from the measure of effectiveness.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(dollars in millions, except per share amounts, unless otherwise stated)

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

NOTE 19

Employee Benefit Plans

As discussed in Note 2, *New Accounting Pronouncements*, the Company adopted SFAS 158 as of December 31, 2006 which requires the application of the provisions of SFAS 158 as of the end of the year of initial application and does not permit retrospective application. As a result, there are certain disclosures within this Note that are different between 2006 and 2005.

Investment and Savings Plans:

The Company sponsors numerous defined contribution savings plans, which allow employees to contribute a portion of their pre-tax and/or after-tax income in accordance with specified guidelines. Several of the plans require the Company to match a percentage of the employee contributions up to certain limits. Matching contributions charged to income amounted to \$35.6, \$32.5 and \$29.3 for the years ended 2006, 2005 and 2004, respectively.

Pension Plans:

The Company sponsors numerous defined benefit pension plans. The Company funds employee pension benefits, except in some countries outside the U.S. where funding is not required. In addition to Company sponsored pension plans, certain employees of the Company participate in multi-employer pension plans sponsored by local or national unions. The Company's contribution to such plans amounted to \$1.2, \$1.3 and \$1.2 for 2006, 2005 and 2004, respectively.

Postretirement Health and Life Insurance Plans:

The Company provides health care and life insurance benefits for certain eligible retired employees. The Company has pre-funded a portion of the health care and life insurance obligations, where such pre-funding can be accomplished on a tax effective basis.

Changes in the benefit obligations, changes in plan assets, and the weighted-average assumptions for the years ended 2006 and 2005 and the components of net periodic benefit cost and other amounts recognized in other comprehensive loss for the years 2006, 2005 and 2004, were as follows:

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(dollars in millions, except per share amounts, unless otherwise stated)

	Pension		Other Benefits	
	2006	2005	2006	2005
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 5,142.3	\$ 4,833.3	\$ 766.3	\$ 774.2
Service cost	98.7	90.1	8.0	8.2
Interest cost	284.1	281.1	39.9	43.7
Amendments made during the year/other	0.1	3.9		
Actuarial (gain) loss	(109.7)	235.0	(48.9)	(12.6)
Benefits paid	(304.5)	(298.6)	(44.3)	(47.2)
Liabilities assumed through acquisition/other	4.4	50.0	2.1	
Effect of currency translation	58.3	(52.5)		
Benefit obligation at end of year	\$ 5,173.7	\$ 5,142.3	\$ 723.1	\$ 766.3
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 4,537.9	\$ 4,110.6	\$ 253.0	\$ 235.3
Actual return on plan assets	637.7	554.9	35.5	25.6
Assets assumed through acquisition/other	3.5	37.0		
Employer contributions	126.1	122.5		
Employee contributions	2.8	2.4		
Benefits paid	(283.3)	(271.4)	(4.8)	(7.9)
Effect of currency translation	27.2	(18.1)		
Fair value of plan assets at end of year	\$ 5,051.9	\$ 4,537.9	\$ 283.7	\$ 253.0
Funded status	\$ (121.8)	\$ (604.4)	\$ (439.4)	\$ (513.3)
Unrecognized net transition asset ⁽¹⁾		0.1		
Unrecognized net actuarial (gain) loss ⁽¹⁾		1,054.4		207.4
Unrecognized prior service cost ⁽¹⁾		22.0		0.4
Total unrecognized items ⁽¹⁾		\$ 1,076.5		\$ 207.8
Net accrued benefit cost recognized in the balance sheet		\$ 472.1		\$ (305.5)

(1) With the adoption of SFAS 158 prospectively as of December 31, 2006, these components of the benefit obligation and plan assets which are deferred from being recognized as a component of net periodic benefit cost are no longer recorded in the balance sheet as deferred assets or liabilities, but instead are recognized as a component of shareholders' equity within accumulated other comprehensive loss.

Amounts recognized in the consolidated balance sheet as of December 31, 2006 in accordance with SFAS 158 consist of:

	Pension		Other Benefits
Non-current assets	\$ 243.2	\$	
Current liabilities	(18.4)		(50.5)
Non-current liabilities	(346.6)		(388.9)
Funded status	\$ (121.8)	\$	(439.4)

Amounts recognized in the consolidated balance sheet as of December 31, 2005 consist of:

	Pension		Other Benefits
Prepaid benefit cost	\$ 688.3	\$	
Accrued benefit cost	(416.3)		(305.5)
Intangible assets	17.6		
Accumulated other comprehensive loss	182.5		
Net amount recognized	\$ 472.1	\$	(305.5)

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In 2006, the Company recorded an increase of \$88.9 pre-tax (\$58.1 after-tax) to other comprehensive income to reflect a decrease in the minimum pension liability before the effect of adopting SFAS 158. Upon the adoption of SFAS 158 as of December 31, 2006, the Company recorded a reduction in accumulated other comprehensive loss within shareholders' equity of \$666.3 pre-tax (\$435.0 after-tax) to reflect the cumulative effect of this accounting change. This resulted in an accumulated other comprehensive loss related to pension and postretirement benefit plans pre-tax balance of \$759.9 (\$497.3 after-tax) as of December 31, 2006.

Amounts recognized in accumulated other comprehensive loss at December 31, 2006 consist of:

	Pension	Other Benefits
Net loss	\$ 606.8	\$ 121.3
Prior service cost	18.8	13.0
	\$ 625.6	\$ 134.3

The estimated net loss and prior service cost that will be amortized into net periodic benefit cost over the next fiscal year is as follows:

	Pension	Other Benefits
Net loss	\$ 56.8	\$ 4.7
Prior service cost	2.7	2.4

The accumulated benefit obligation for all defined benefit plans was \$4,867.8 and \$4,832.7 at December 31, 2006 and 2005, respectively.

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	December 31,	
	2006	2005
Projected benefit obligation	\$ 477.3	\$ 833.5
Accumulated benefit obligation	459.3	779.9
Fair value of plan assets	128.2	428.8

Table of Assumptions:*Weighted-average assumptions used to determine benefit obligations at December 31:*

	Pension		Other Benefits	
	2006	2005	2006	2005
Discount rate	5.87%	5.64%	6.00%	5.50%
Rate of future compensation increase	4.48%	4.44%	4.50%	4.50%

Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:

	2006	Pension		2006	Other Benefits	
		2005	2004		2005	2004
Discount rate	5.64%	5.94%	6.18%	5.50%	5.75%	6.25%
Expected return on plan assets	8.88%	8.89%	8.86%	9.00%	9.00%	9.00%
Rate of future compensation increase	4.44%	4.41%	4.42%	4.50%	4.50%	4.50%

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(dollars in millions, except per share amounts, unless otherwise stated)

Components of Net Periodic Benefit Cost and Other Amounts Recognized in Other Comprehensive Loss:

	2006	Pension 2005	2004	2006	Other Benefits 2005	2004
Net periodic benefit cost						
Service cost	\$ 98.7	\$ 90.1	\$ 85.9	\$ 8.0	\$ 8.2	\$ 6.5
Interest cost	284.1	281.1	265.3	39.9	43.7	39.2
Expected return on plan assets	(375.6)	(361.3)	(342.6)	(22.4)	(20.7)	(18.6)
Amortization of transitional asset		0.1	0.1			
Amortization of net actuarial (gain) loss	87.9	66.8	43.1	9.4	14.9	11.4
Amortization of prior service cost	2.7	4.3	6.7	2.3	(1.3)	(3.8)
Net periodic benefit cost	\$ 97.8	\$ 81.1	\$ 58.5	\$ 37.2	\$ 44.8	\$ 34.7
Effect of curtailments/settlements		0.5	3.3			
Total net periodic benefit cost	\$ 97.8	\$ 81.6	\$ 61.8	\$ 37.2	\$ 44.8	\$ 34.7
Other changes in plan assets and benefit obligations recognized in other comprehensive loss						
Minimum pension liability charge/(income)	\$ (88.9)	\$ (617.4)	\$ (119.6)	\$	\$	\$
Total charge/(income) recognized in net periodic benefit cost and other comprehensive loss	\$ 8.9	\$ (535.8)	\$ (57.8)	\$ 37.2	\$ 44.8	\$ 34.7

Plan Assets:

The pension and welfare benefit plans' assets are comprised of a broad range of domestic and foreign securities, fixed income investments, hedge funds and cash and cash equivalents. The assets of the domestic pension U.S. Master Trust which covers all of the domestic pension plans and the various welfare benefit plan trusts had the following asset allocations:

Asset Category	Pension Plan Assets at		Other Benefits Plan Assets at	
	December 31, 2006	2005	December 31, 2006	2005

Equity securities	70.7%	69.8%	72.3%	74.4%
Fixed income securities	10.6	14.3	12.9	13.1
Hedge funds	18.1	15.8	13.6	11.6
Cash and other	0.6	0.1	1.2	0.9
Total	100.0%	100.0%	100.0%	100.0%

The strategic asset allocation target for the Company's domestic pension funds apportions 70% to equity investments and 30% to fixed income instruments. The investment in the Company's stock within the U.S. Master Trust approximates 1% in 2006 and 2005.

Contributions:

The Company currently anticipates making contributions to its pension plans in the range of \$65 to \$75 during 2007, of which \$60.6 was made in the first quarter.

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(dollars in millions, except per share amounts, unless otherwise stated)***Cash Flows:*****Estimated Future Benefit Payments**

The following benefit payments covering pension and other benefit plans have been projected based on benefits earned to date and the expectation that certain future service will be earned by currently active employees:

	Pension	Other Benefits
2007	\$ 294.5	\$ 51.4
2008	299.9	52.9
2009	306.1	53.9
2010	312.6	55.3
2011	321.3	56.8
2012 - 2016	1,787.7	290.5

The assumed rate of future increases in the per capita cost of health care (the health care trend rate) is 8.0% for 2007, decreasing ratably to 5.0% in 2013. Increasing the health care trend rates by one percent per year would have the effect of increasing the benefit obligation by \$45.2 and the aggregate service and interest cost components by \$3.0. A decrease of one percent in the health care trend rate would reduce the benefit obligation by \$37.4 and the aggregate service and interest cost components by \$2.9. To the extent that actual experience differs from the inherent assumptions, the effect will be amortized over the average future service of the covered active employees.

The determination of the assumptions shown in the table above and the discussion of health care trend rates are based on the provisions of the applicable accounting pronouncements, the review of various indices, discussion with our actuaries and the review of competitive surveys in the geographic areas where the plans are sited. Changes in these assumptions would affect the financial condition and results of operations of the Company.

Effective January 1, 2006, the Medicare Modernization Act (MMA) provides that companies that elect to provide prescription drug benefits meeting certain requirements to retirees are eligible to receive a subsidy from Medicare. At the end of 2005, the Company determined that a majority of its healthcare plans met the requirements of MMA for the subsidy and filed the applicable application. At December 31, 2005, the Company's actuary estimated that the effect of the MMA was a reduction in the accumulated postretirement benefit obligation of \$41.0. During 2006, the Company has received \$3.6 in payments under MMA.

Other than the effect of the subsidy, there is no expectation that retiree participation will be affected in the short-term given the nature of the Company's healthcare plans.

NOTE 20

Stock-Based and Long-Term Incentive Employee Compensation

At December 31, 2006, the Company has one stock-based employee compensation plan that is issuing new stock options and restricted shares of common stock. The Company has one stock-based employee compensation plan and two stock-based non-employee director s compensation plans that have stock options and restricted shares outstanding, but no further grants will be made under these plans. The Company also has one long-term incentive plan for eligible levels of management.

The Company adopted SFAS 123R as of January 1, 2006 using the modified prospective method described in the accounting standard. SFAS 123R requires the cost of stock options issued as equity awards to be measured at fair value on the grant date and recognized in the income statement. The Company s Consolidated Financial Statements for the year ended December 31, 2006 reflect the impact of SFAS 123R. In accordance with the modified prospective transition method, the Company s Consolidated Financial Statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123R.

The total stock-based and long-term incentive employee compensation cost recognized in operating income for 2006, 2005, and 2004 was \$40.2, \$31.1 and \$12.0, respectively. The total tax benefit related thereto was \$14.1, \$10.9 and \$4.2, respectively. Total compensation costs capitalized were immaterial for the periods presented. The incremental stock-based compensation recognized in income from continuing operations under SFAS 123R as compared to the prior accounting policy caused net income for the year ended December 31, 2006 to decrease by \$13.4, and basic and diluted earnings per share to decrease by \$0.07. Cash provided by operating activities decreased and cash provided by financing activities increased by \$16.7 for the year ended December 31, 2006 related to excess tax benefits from stock options.

Stock-based compensation expense recognized in the Consolidated Income Statement for the year ended December 31, 2006 is based on awards ultimately expected to vest. Accordingly, expense has been reduced for estimated forfeitures. SFAS 123R requires forfeitures to be

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estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. In the Company's pro forma information required under SFAS 123R for the periods prior to fiscal 2006, the Company accounted for forfeitures as they occurred.

Stock option awards granted to retirement eligible employees prior to January 1, 2006 were fully vested under the provisions of SFAS 123R on the date of grant but were expensed over the expected service period. Compensation expense for the awards to retirement eligible employees would have otherwise been recognized immediately. As of December 31, 2006, there was \$3.3 of unrecognized compensation expense related to these awards. In 2006, the Company modified its vesting conditions for stock option awards to retirement eligible employees that aligned the vesting period with the service period. The Company will continue to recognize compensation expense for all stock-based awards ratably over the expected service period under the provisions of SFAS 123R.

Prior to the adoption of SFAS 123R, the Company applied APB 25 to account for its stock-based awards. The following table details the effect on net income and diluted net income per share had compensation expense for the employee stock-based awards been recorded for 2005 and 2004 based on the fair value method under SFAS 123R:

	2005	2004
Net income as reported for the prior period ⁽¹⁾	\$ 359.5	\$ 432.3
Add: Stock-based and long-term incentive employee compensation expense, net of tax benefit, included in net income as reported	20.2	7.8
Less: Total stock-based and long-term incentive employee compensation expense, net of tax benefit, that would have been included in net income if the fair value method had been applied to all awards ⁽²⁾⁽³⁾	(46.1)	(30.0)
Net income, including the effect of stock-based and long-term incentive employee compensation expense ⁽⁴⁾	\$ 333.6	\$ 410.1
Basic earnings per share:		
As reported for the prior period ⁽¹⁾	\$ 1.95	\$ 2.34
Including the effect of stock-based and long-term incentive employee compensation expense ⁽⁴⁾	\$ 1.81	\$ 2.22
Diluted earnings per share:		
As reported for the prior period ⁽¹⁾	\$ 1.91	\$ 2.29
Including the effect of stock-based and long-term incentive employee compensation expense ⁽⁴⁾	\$ 1.77	\$ 2.17

(1) Net income and net income per share do not include stock-based compensation expense for employee stock options under SFAS 123R because the Company did not adopt the recognition provisions of SFAS 123R.

(2) Stock-based compensation expense is calculated based on the pro forma application of SFAS 123R.

- (3) Amount includes total stock-based and long-term incentive employee compensation expense for entities presented in discontinued operations.
- (4) Net income and net income per share represents pro forma information based on SFAS 123R prior to January 1, 2006.

Stock Option and Restricted Stock Compensation Plans

The Company's stock option and restricted share award incentive plans provide for the awarding of options on common shares and restricted common shares to employees. The options are exercisable over seven to ten-year periods, except in certain instances of death, retirement or disability. Certain options become exercisable upon the earlier of the attainment of specified market price appreciation of the Company's common shares or at six or nine years after the date of grant. Other options become exercisable upon the earlier of the attainment of specified market price appreciation of the Company's common shares or over a three-year period commencing with the date of grant. The exercise price per share is the fair market value of the underlying stock on the date each option is granted. Restricted shares typically vest over a three-year period commencing on the date of grant. The Company makes shares available for the exercise of stock options or the vesting of restricted shares by purchasing shares in the open market or by issuing shares from Treasury. During 2006, the Company had a policy of repurchasing shares on the open market to offset the

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dilutive impact of stock option exercises and stock-based awards to employees. During the fourth quarter of 2006, the Company announced a \$1 billion share repurchase program.

The ITT 2003 Equity Incentive Plan (2003 Equity Incentive Plan) was approved by shareholders and established in May of 2003. This plan provides for the grant of stock options, stock appreciation rights, restricted stock and restricted stock units. The number of shares initially available for awards under this plan was 12,200,000. As of December 31, 2006, 3,899,100 net shares were available for future grants. During 2006 and 2005, the Company awarded 440,551 and 104,000 restricted shares, respectively, to employees with weighted average restriction periods of 3.0 and 3.7 years, respectively.

The 2003 Equity Incentive Plan replaces the 2002 ITT Stock Option Plan for Non-Employee Directors, the ITT 1996 Restricted Stock Plan for Non-Employee Directors and the 1994 ITT Incentive Stock Plan on a prospective basis. All awards granted under these prior plans will continue to vest and be exercisable in accordance with their original terms; however, no future grants will be made from these prior plans.

A summary of the status of the Company's stock option and restricted stock shares as of December 31, 2006, 2005, and 2004 and changes during the years then ended is presented below (shares in thousands):

Stock Options	2006		2005		2004	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	13,143	\$ 32.88	15,989	\$ 25.92	16,346	\$ 21.32
Granted	604	52.59	3,803	45.85	3,905	37.75
Exercised	(2,582)	27.04	(6,536)	23.33	(3,996)	19.10
Canceled or expired	(568)	31.45	(113)	37.41	(266)	19.33
Outstanding at end of year	10,597	\$ 35.50	13,143	\$ 32.88	15,989	\$ 25.92
Options exercisable at year-end	7,400	\$ 30.62	9,172	\$ 27.37	12,118	\$ 22.15
Weighted-average fair value of options granted during the year		\$ 14.09		\$ 11.21		\$ 10.47

2006	2005	2004
Weighted-Average	Weighted-Average	Weighted-Average

Restricted Shares⁽¹⁾	Grant Date		Grant Date		Grant Date	
	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value
Outstanding at beginning of year	143	\$ 50.29	26	\$ 39.46		\$
Granted	453	52.62	117	52.72	26	39.46
Vested	(16)	38.74				
Canceled or expired	(12)	52.68				
Outstanding at end of year	568	\$ 52.42	143	\$ 50.29	26	\$ 39.46

(1) The table above excludes 250,000 restricted stock units that were granted at a fair value of \$41.52. The unrecognized compensation cost associated with these units is \$6.1. This cost is expected to be recognized ratably over 3.5 years.

The intrinsic value of options exercised (which is the amount by which the stock price exceeded the exercise price of the options on the date of exercise) during 2006, 2005 and 2004 was \$100.8, \$173.7 and \$81.6, respectively. The outstanding restricted shares include 25,716 shares issued to non-employee directors in payment of the annual retainer. This cost is expected to be recognized ratably over a weighted average period of 3.9 years. For 2006, the amount of cash received from the exercise of stock options was \$69.0 with an associated tax benefit realized of \$23.1.

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The following table summarizes information about the Company's stock options at December 31, 2006 (shares and aggregate intrinsic value in thousands):

Range of Exercise Prices		Number	Options Outstanding			Options Exercisable			
			Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Aggregate Intrinsic Value	Number	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Aggregate Intrinsic Value
\$12.44	16.66	784	2.2 years	\$ 15.84	\$ 32,140	784	2.2 years	\$ 15.84	\$ 32,140
17.41	19.78	1,020	3.3 years	18.86	38,724	1,020	3.3 years	18.86	38,724
25.33	26.91	1,091	5.0 years	25.35	34,333	1,091	5.0 years	25.35	34,333
29.29	30.91	1,474	6.0 years	30.89	38,227	1,474	6.0 years	30.89	38,227
31.81	37.92	2,004	7.1 years	37.31	39,091	2,004	7.1 years	37.31	39,091
38.17	45.47	3,416	5.4 years	45.11	39,996	958	5.2 years	45.28	11,050
47.41	57.46	808	6.0 years	52.60	3,411	69	5.6 years	52.73	284
		10,597			\$ 225,922	7,400			\$ 193,849

The aggregate intrinsic value in the preceding table represents the total pre-tax intrinsic value, based on the Company's closing stock price of \$56.82 as of December 31, 2006, which would have been received by the option holders had all option holders exercised their options as of that date. The total number of in-the-money options exercisable as of December 31, 2006 is 7,397.

As of December 31, 2006, the total number of stock options the Company expects to vest (including those that have already vested) is 10,498. These stock options have a weighted-average exercise price of \$35.39, an aggregate intrinsic value of \$224,929, and a weighted-average remaining contractual life of 5.4 years.

At December 31, 2006, there was \$50.6 of total unrecognized compensation cost related to non-vested awards granted under the stock option and restricted stock plans. This cost is expected to be recognized ratably over a weighted-average period of 1.7 years.

The fair value of each option grant was estimated on the date of grant using the binomial lattice pricing model in 2006 and 2005, and the Black-Scholes option-pricing model in 2004. The following are weighted-average assumptions for 2006, 2005 and 2004:

2006**2005****2004**

Dividend yield	0.84%	0.78%	1.39%
Expected volatility	24.07%	23.09%	25.77%
Expected life	4.8 years	4.6 years	6.0 years
Risk-free rates	4.73%	4.02%	3.71%

Expected volatilities are based on the Company's stock price history, including implied volatilities from traded options on the Company's stock. The Company uses historical data to estimate option exercise and employee termination behavior within the valuation model. Separate employee groups and option characteristics are considered separately for valuation purposes. The expected life represents an estimate of the period of time options are expected to remain outstanding. The expected life provided above represents the weighted average of expected behavior for certain groups of employees who have historically exhibited different behavior. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of option grant.

Long-Term Incentive Plan

The ITT 1997 Long-Term Incentive Plan (the "LTIP"), approved by shareholders in 1997, authorizes performance awards to be made to key employees of the Company. The LTIP is considered a liability plan, under the provisions of SFAS 123R. Accordingly, the Company is required to reassess the fair value of its LTIP awards at the end of each reporting period.

Payment, if any, of target cash awards generally will be made at the end of the applicable three-year performance period and will be based on the Company's performance measured against the total shareholder return performance of other stocks comprising the S&P Industrials Index.

The fair value of each award is calculated on a quarterly basis using Monte Carlo simulations. The three-year volatility of the outstanding awards as of December 31, 2006 was approximately 24%. The number of companies included in the applicable benchmark group range from 324 to 350 for the awards outstanding as of December 31, 2006.

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At December 31, 2006, there was \$18.8 of total unrecognized compensation cost related to non-vested awards granted under the LTIP. This cost is expected to be recognized ratably over a weighted-average period of 1.3 years. The total cash paid to settle the LTIP liability was \$17.2, \$15.7 and \$15.3 during the years ended 2006, 2005 and 2004, respectively.

NOTE 21

Capital Stock

The Company has authority to issue an aggregate of 300,000,000 shares of capital stock, of which 250,000,000 shares have been designated as Common Stock having a par value of \$1 per share and 50,000,000 shares have been designated as Preferred Stock not having any par or stated value. Of the shares of Preferred Stock, 300,000 shares have initially been designated as Series A Participating Cumulative Preferred Stock (the Series A Stock). Such Series A Stock is issuable pursuant to the provisions of a Rights Agreement dated as of November 1, 1995 between the Company and The Bank of New York, as Rights Agent (the Rights Agreement). Capitalized terms herein not otherwise defined are as defined in the Rights Agreement.

Through November 1, 2005, the rights issued pursuant to the Rights Agreement (the Rights) attached to, and traded with, the Common Stock. On November 1, 2005, all outstanding Rights expired in accordance with their terms. The Rights Agreement provided, among other things, that if any person acquired more than 15% of the outstanding Common Stock, the Rights entitled the holders other than the Acquiring Person (or its Affiliates or Associates) to purchase Series A Stock at a significant discount to its market value. The Rights did not become exercisable before they expired.

As of December 31, 2006 and 2005, 26,608,305 and 52,829,048 shares of Common Stock were held in Treasury, respectively.

NOTE 22

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. 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 except as noted below.

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 of the liability can be reasonably estimated, based on current law and existing technologies. 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 management's opinion, the total amount accrued and related receivables are appropriate based on existing facts and circumstances. 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 December 31, 2006, the Company is responsible, or is alleged to be responsible, for approximately 74 ongoing environmental investigation and remediation sites in various countries. In many of these proceedings, the Company's liability is considered de minimis. At December 31, 2006, the Company's best estimate for environmental liabilities is \$104.5, which approximates the accrual related to the remediation of ground water and soil as well as related legal fees. The low range estimate for its environmental liabilities is \$73.6 and the high range estimate for

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those liabilities is \$173.8. On an annual basis the Company spends between \$8.0 and \$12.0 on its environmental remediation liabilities. These estimates, and related accruals, are reviewed periodically and updated for progress of investigation and 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 funding operation of a water treatment system. The operation of the water treatment system is expected to continue until 2013, at which time a separate allocation for continued operation of the plant is expected. 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. Additionally, modification to the allowable hexavalent chromium standard is anticipated, and this change in regulatory standard may result in additional costs for modifications to the water treatment plant. As of December 31, 2006, the Company's accrual for operation of the water treatment plant through 2013 was \$9.1 representing its best estimate; its low estimate for the liability is \$5.7 and its high estimate is \$14.6.

Prior to the 1995 Distribution Agreement (See *Company History and Certain Relationships* within Part I, Item 1 of this Annual Report on Form 10-K for a description of the Distribution Agreement), the predecessor ITT Corporation operated a facility in Madison County, Florida from 1968 until 1991. 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 final remedy for the site has not yet been selected. Currently, the estimated range for the remediation is between \$3.6 and \$17.4. The Company has accrued \$6.2 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 the predecessor 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 as early as the 1930's. The Company's current estimates for its exposure are between \$6.9 and \$14.6. It has an accrual for this matter of \$10.5 which represents its best estimate. The Company does not anticipate a default on the part of the other PRPs. ITT is pursuing legal claims against some other potentially responsible parties for past and future costs.

The Company operated a facility in Rochester, New York called Rochester Form Machine from 1979-2003. Rochester Form Machine was a former subsidiary of the predecessor ITT Corporation known as ITT Higbie after ITT acquired Higbie in 1972. In August 2003 the Company, through its subsidiary ITT Fluid Handling Systems entered into an Order on Consent with New York State Department of Environmental Conservation to investigate and remediate facility related impacts to soil, soil vapor and ground water. As of December 31, 2006 the Company's current estimates for this exposure are between \$3.1 and \$11.7. It has an accrual for this matter of \$4.7 which represents its best estimate. The Company will pursue claims against certain other PRPs who may share responsibility for impacts.

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 four 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 early 2007. 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.

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Product Liability and Other Matters:

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 2006, 2005 and 2004, ITT and Goulds resolved approximately 8,200, 16,000 and 4,200 claims, respectively. Nearly all of these claims were dismissed, with settlement on a small percentage of claims. 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 and Nationwide Indemnity 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 and Goulds are finalizing 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 has been involved in a suit filed in El Paso, Texas, *Irwin Bast 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, alleged 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. In September 2006, the Court denied the plaintiffs' motion for class certification and motion to amend the complaint. The court also determined that the plaintiffs failed to identify any persons who had been injured by ITT products and dismissed ITT from the action. In September 2006, the same plaintiff attorneys who filed the El Paso action, filed a companion action in state court in California against the Company, alone, seeking certification of a class of persons who were exposed to ITT radar products but who have not, as yet, exhibited symptoms of injury. The parties have reached a settlement in principle to resolve both matters. The settlement is expected to be finalized in the first quarter of 2007. 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 provides an indemnity to U.S. Silica Company for silica personal injury suits against its former subsidiary Pennsylvania Glass Sand filed prior to September 12, 2005. ITT sold the stock of Pennsylvania Glass Sand to U.S. Silica Company in 1985. The Company's indemnity had been paid in part by its historic product liability carrier, however, in September 2005, the carrier communicated to ITT that it would no longer pay a share of the costs. On October 4, 2005, ITT filed a suit against the insurer, *ITT v. Pacific Employers Insurance Co.*, CA No. 05CV 5223, seeking its defense costs and indemnity from the carrier for Pennsylvania Glass Sand product liabilities. All silica related costs, net of insurance recoveries, are shared pursuant to the Distribution Agreement. See Company History and Certain Relationships 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.

Our Defense Electronics & Services segment is subject to the export control regulations of the U.S. Department of State and the Department of Commerce. Currently, the U.S. Attorney for the Western District of Virginia is investigating ITT Night Vision's compliance

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with International Traffic in Arms Regulations. The Company is cooperating with the investigation and with the Government's consent, it conducted its own investigation, utilizing outside counsel, of Night Vision's compliance with the federal laws. Data and information derived from the investigation were shared with the U.S. Attorney. The Company is continuing to assist the Government in its investigation. The Company is in negotiations with the Government to resolve this matter and a settlement is expected in the Spring of 2007. The Company has recorded its best estimate of the liability for this matter, including a charge to net income of \$25 in the fourth quarter of 2006. Management does not believe that any expected payment to the Government and any remedial obligations or corrective actions which the Government is likely to require will have a material adverse effect on the Company's consolidated financial position or results of operations, but the settlement may have a material impact on cash flow in the period in which the payment is made.

NOTE 23

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 December 31, 2006, 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 December 31, 2006, the Company has an accrual of \$12.7 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 ten years.

The Company provided a performance bond guarantee in the amount of \$10.0 related to its real estate development activities in 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 equals \$10.0. At December 31, 2006, the Company has an accrual related to this matter 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 December 31, 2006, the Company does not believe that a

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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 December 31, 2006, 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:

The Company warrants numerous products, the terms of which vary widely. In general, the Company warrants its products against defect and specific non-performance. 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 December 31, 2006, the Company has product warranty accruals as follows:

Product Warranty Liabilities

	Beginning Balance	Accruals for Product Warranties Issued in the Period	Changes in Pre-Existing Warranties Including Changes in Estimates	Payments	Ending Balance
	January 1,				December 31,
2006	\$ 40.3	\$ 30.8	\$ (3.0)	\$ (20.3)	\$ 47.8
2005	37.7	27.3	(0.5)	(24.2)	40.3

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Table of Contents**ITT CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
(dollars in millions, except per share amounts, unless otherwise stated)**NOTE 24****Business Segment Information**

Business segment results have been restated for all periods presented to reflect the consolidation of the Electronic Components segment into the Motion & Flow Control segment.

	Fluid Technology	Defense Electronics & Services	Motion & Flow Control	Corporate, Eliminations & Other	Total
2006					
Sales and revenues	\$ 3,070.1	\$ 3,659.3	\$ 1,092.9	\$ (14.4)	\$ 7,807.9
Operating income (loss)	370.6	404.3	149.7	(123.6)	801.0
Interest income					25.4
Interest expense					86.2
Miscellaneous expense, net					12.9
Income from continuing operations before income tax expense					\$ 727.3
Plant, property and equipment, net	361.1	281.4	185.1	5.4	\$ 833.0
Investments in unconsolidated companies	10.5	0.3		2.2	13.0
Total assets	2,846.9	2,081.7	860.3	1,641.1	7,430.0
Additions to plant, property and equipment	67.2	60.9	44.3	4.7	177.1
Depreciation	59.3	45.2	39.0	1.4	144.9
Amortization ⁽¹⁾	13.2	26.7	2.6	7.1	49.6
2005					
Sales and revenues	\$ 2,799.1	\$ 3,224.2	\$ 1,030.9	\$ (13.4)	\$ 7,040.8
Operating income (loss)	319.6	363.7	133.3	(91.1)	725.5
Interest income					42.7
Interest expense					75.0
Miscellaneous expense, net					19.7
Income from continuing operations before income tax expense					\$ 673.5
Plant, property and equipment, net	327.4	266.4	176.2	12.0	\$ 782.0

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Investments in unconsolidated companies	8.9				8.9
Total assets	2,505.7	1,950.5	788.3	1,827.4	7,071.9
Additions to plant, property and equipment	50.0	65.0	45.8	3.6	164.4
Depreciation	61.3	40.5	39.7	1.9	143.4
Amortization ⁽¹⁾	8.7	15.9	0.4	7.5	32.5
2004					
Sales and revenues	\$ 2,560.1	\$ 2,414.0	\$ 1,003.1	\$ (11.7)	\$ 5,965.5
Operating income (loss)	283.8	254.1	132.4	(82.5)	587.8
Interest income					22.5
Interest expense					50.4
Gain on sale of investments					20.8
Miscellaneous expense, net					17.7
Income from continuing operations before income tax expense					\$ 563.0
Plant, property and equipment, net	374.2	218.8	192.9	6.1	\$ 792.0
Investments in unconsolidated companies	7.5				7.5
Total assets	2,544.4	1,717.1	833.4	2,196.4	7,291.3
Additions to plant, property and equipment	53.3	37.4	34.1	1.3	126.1
Depreciation	62.1	31.8	39.7	1.1	134.7
Amortization ⁽¹⁾	4.5	4.8	4.3	6.4	20.0

(1) Includes amortization of stock compensation.

Table of Contents**ITT CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(dollars in millions, except per share amounts, unless otherwise stated)

	Net Sales and Revenues*			Plant, Property and Equipment, Net		
	For the Years Ended December 31,			December 31,		
	2006	2005	2004	2006	2005	2004
Geographical Information						
United States	\$ 5,041.2	\$ 4,410.8	\$ 3,553.8	\$ 458.1	\$ 457.4	\$ 417.8
Western Europe	1,683.9	1,587.5	1,482.5	317.3	286.3	334.6
Asia Pacific	411.2	399.4	356.2	31.1	26.2	28.2
Other	671.6	643.1	573.0	26.5	12.1	11.4
Total Segments	\$ 7,807.9	\$ 7,040.8	\$ 5,965.5	\$ 833.0	\$ 782.0	\$ 792.0

* Net sales to external customers are attributed to individual regions based upon the destination of product or service delivery.

Sales and revenues by product category, net of intercompany balances, are as follows:

	For the Years Ended December 31,		
	2006	2005	2004
Pumps & Complementary Products	\$ 3,070.1	\$ 2,798.7	\$ 2,559.6
Defense Products	2,182.5	1,870.6	1,309.2
Defense Services	1,475.4	1,352.4	1,103.9
Connectors	370.1	352.0	361.4
Flow Control	205.4	200.1	194.5
Friction Materials	318.4	292.1	265.6
Marine Products	98.7	84.9	75.6
Shock Absorbers	87.3	90.0	95.7
Total	\$ 7,807.9	\$ 7,040.8	\$ 5,965.5

Defense Electronics & Services had sales and revenues from the United States government of \$3,244.0, \$2,668.3 and \$2,098.2 for 2006, 2005 and 2004, respectively. Apart from the United States government, no other government or commercial customer accounted for 10% or more of sales and revenues for the Company.

Fluid Technology:

This segment contains the Company's pump and pumping system businesses, including brands such as Flygt®, Goulds®, Bell & Gossett®, A-C Pump®, Marlow®, Flowtronex®, Lowara®, and Vogel®. The Company is the world's largest pump producer. Businesses within this segment also supply mixers, heat exchangers, engineered valves and related products as well as systems for municipal, industrial, residential, agricultural and commercial applications. The Company goes to market under brand names such as McDonnell & Miller®, Hoffman Specialty™ and ITT Standard® in addition to those mentioned above. Additionally, the Fluid Technology segment produces wastewater aeration and diffuser systems under the brands Sanitaire® and ABJ®, ultraviolet and ozone water disinfection systems under the WEDECO® brand and membrane filtration and bioreactor systems under the ITT Advanced Treatment name. In addition to the above, the Company is also supplying rough filtration, pressure filtration and clarification systems for water and wastewater treatment utilities. This segment comprises approximately 39% of the Company's sales and revenues and approximately 40% of its segment operating income for 2006.

Defense Electronics & Services:

The businesses in this segment are those that directly serve the military and government agencies with products and services. These include air traffic control systems, jamming devices that guard military planes against radar guided missiles, digital combat radios, night vision devices and satellite instruments. Approximately 40% of the sales and revenues in this segment are generated through contracts for technical and support services which the Company provides for the military and other government agencies. Approximately 89%, 83% and 87% of 2006, 2005 and 2004 Defense Electronics & Services sales and revenues, respectively, were to the U.S. government. The Defense Electronics & Services segment comprises about 47% of the Company's sales and revenues and 44% of its segment operating income in 2006.

Motion & Flow Control:

Businesses in the Motion & Flow Control segment produce switches and valves for industrial and aerospace applications, products for the marine and leisure markets under the brands Jabsco®, Rule®, Flojet® and Danforth®, system components for the whirlpool baths, hot tub and spa markets under the HydroAir® brand, specialty shock absorbers under the brand KONI®, brake components for the transportation industry, and connectors used in communications, computing, aerospace and industrial applications marketed under the Cannon® brand. The Motion & Flow Control segment comprises approximately 14% of the Company's sales and revenues and approximately 16% of its segment operating income for 2006.

Corporate and Other:

This primarily includes the operating results and assets of Corporate Headquarters.

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ITT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(dollars in millions, except per share amounts, unless otherwise stated)

NOTE 25

Quarterly Results for 2006 and 2005 (unaudited)

	Three Months Ended				Year
	Mar. 31	June 30	Sept. 30	Dec. 31	
2006					
Sales and revenues	\$ 1,791.5	\$ 1,964.0	\$ 2,001.1	\$ 2,051.3	\$ 7,807.9
Costs of sales and revenues	1,308.7	1,413.0	1,437.8	1,458.9	5,618.4
Income from continuing operations	102.9	134.5	140.4	121.9	499.7
Net income	155.9	140.9	143.5	140.8	581.1
Income from continuing operations per share					
Basic	\$ 0.56	\$ 0.73	\$ 0.76	\$ 0.66	\$ 2.71
Diluted	\$ 0.55	\$ 0.72	\$ 0.75	\$ 0.65	\$ 2.67
Net income per share					
Basic(a)	\$ 0.85	\$ 0.77	\$ 0.78	\$ 0.76	\$ 3.15
Diluted	\$ 0.83	\$ 0.75	\$ 0.77	\$ 0.75	\$ 3.10
Common stock information price per share range:					
High	\$ 58.73	\$ 57.57	\$ 51.89	\$ 57.44	\$ 58.73
Low	\$ 49.85	\$ 47.33	\$ 45.34	\$ 50.43	\$ 45.34
Close	\$ 56.22	\$ 49.50	\$ 51.27	\$ 56.82	\$ 56.82
Dividends per share	\$ 0.11	\$ 0.11	\$ 0.11	\$ 0.11	\$ 0.44
2005					
Sales and revenues	\$ 1,684.2	\$ 1,776.5	\$ 1,734.6	\$ 1,845.5	\$ 7,040.8
Costs of sales and revenues	1,230.4	1,279.4	1,264.2	1,298.6	5,072.6
Income from continuing operations	121.5	131.4	153.4	122.5	528.8
Net income (loss)	116.5	137.7	189.3	(84.0)	359.5
Income from continuing operations per share					
Basic	\$ 0.66	\$ 0.71	\$ 0.83	\$ 0.66	\$ 2.86
Diluted	\$ 0.64	\$ 0.70	\$ 0.81	\$ 0.65	\$ 2.80
Net income (loss) per share					
Basic(a)	\$ 0.63	\$ 0.75	\$ 1.02	\$ (0.46)	\$ 1.95
Diluted(a)	\$ 0.62	\$ 0.73	\$ 1.00	\$ (0.45)	\$ 1.91
Common stock information price per share range:					
High	\$ 45.88	\$ 49.68	\$ 57.73	\$ 58.05	\$ 58.05
Low	\$ 40.24	\$ 42.27	\$ 48.57	\$ 47.13	\$ 40.24

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Close	\$ 45.12	\$ 48.82	\$ 56.80	\$ 51.41	\$ 51.41
Dividends per share	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.36

(a) The sum of the quarters earnings per share does not equal the full year amounts due to rounding.

The above table reflects the range of market prices of the Company's common stock for 2006 and 2005. The prices are as reported in the consolidated transaction reporting system of the New York Stock Exchange, the principal market in which the Company's common stock is traded, under the symbol ITT. The Company's common stock is listed on the following exchanges: Frankfurt, London, New York, and Euronext.

During the period from January 1, 2007 through January 31, 2007, the high and low reported market prices of the Company's common stock were \$60.26 and \$56.30, respectively. The Company declared dividends of \$0.14 per common share in the first quarter of 2007. There were 23,014 holders of record of the Company's common stock on January 31, 2007.

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**SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS**

<i>(Dollars in Millions)</i>	Balance at January 1	Charged to costs and expenses	Translation adjustment	Write-off/ payments/ other	Balance at December 31
Year Ended December 31, 2006					
Trade Receivables Allowance for doubtful accounts	\$ 26.9	\$ 8.8	\$ 1.2	\$ (13.6)	\$ 23.3
Restructuring	28.1	52.7		(46.2)	34.6
 Year Ended December 31, 2005					
Trade Receivables Allowance for doubtful accounts	\$ 24.4	\$ 8.6	\$ (1.4)	\$ (4.7)	\$ 26.9
Restructuring	18.8	58.7		(49.4)	28.1
 Year Ended December 31, 2004					
Trade Receivables Allowance for doubtful accounts	\$ 19.9	\$ 8.4	\$ 1.0	\$ (4.9)	\$ 24.4
Restructuring	16.1	30.2		(27.5)	18.8

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SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, and by the undersigned in the capacity indicated.

ITT Corporation
(Registrant)

By: /s/ Janice M. Klettner
Janice M. Klettner
Chief Accounting Officer
(Principal accounting officer)

February 28, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Steven R. Loranger Steven R. Loranger (Principal executive officer)	Chairman, President and Chief Executive Officer and Director	February 28, 2007
/s/ George E. Minnich George E. Minnich (Principal financial officer)	Senior Vice President and Chief Financial Officer	February 28, 2007
/s/ Curtis J. Crawford Curtis J. Crawford	Director	February 28, 2007
/s/ Christina A. Gold Christina A. Gold	Director	February 28, 2007
/s/ Ralph F. Hake Ralph F. Hake	Director	February 28, 2007
/s/ John J. Hamre John J. Hamre	Director	February 28, 2007

/s/ Raymond W. LeBoeuf Director February 28, 2007

Raymond W. LeBoeuf

/s/ Frank T. MacInnis Director February 28, 2007

Frank T. MacInnis

/s/ Linda S. Sanford Director February 28, 2007

Linda S. Sanford

/s/ Markos I. Tambakeras Director February 28, 2007

Markos I. Tambakeras

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Exhibit Number	Description	Location
(3)	(a) ITT Corporation's Articles of Amendment of the Restated Articles of Incorporation, effective as of July 1, 2006	Incorporated by reference to Exhibit 3(a) of ITT Corporation's Form 10-Q for the quarter ended June 30, 2006 (CIK No. 216228, File No. 1-5672).
	(b) ITT Corporation's By-laws, as amended July 11, 2006	Incorporated by reference to Exhibit 3(b) of ITT Corporation's Form 10-Q for the quarter ended June 30, 2006 (CIK No. 216228, File No. 1-5672).
(4)	Instruments defining the rights of security holders, including indentures	Not required to be filed. The Registrant hereby agrees to file with the Commission a copy of any instrument defining the rights of holders of long-term debt of the Registrant and its consolidated subsidiaries upon request of the Commission.
(10)	Material contracts...	
(10.1)*	Employment Agreement dated as of February 5, 2004 between ITT Industries, Inc. and Edward W. Williams	Incorporated by reference to Exhibit 10.1 of ITT Industries' Form 10-K for the year ended December 31, 2004 (CIK No. 216228, File No. 1-5672).
(10.2)*	Employment Agreement dated as of September 28, 2004 between ITT Industries, Inc. and Steven R. Loranger	Incorporated by reference to Exhibit 10.2 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672).
(10.3)*	Form of Non-Qualified Stock Option Award Agreement for Band A Employees	Incorporated by reference to Exhibit 10.3 of ITT Industries' Form 10-K for the year ended December 31, 2004 (CIK No. 216228, File No. 1-5672).
(10.4)*	Form of Non-Qualified Stock Option Award Agreement for Band B Employees	Incorporated by reference to Exhibit 10.4 of ITT Industries' Form 10-K for the year ended December 31, 2004 (CIK No. 216228, File No. 1-5672).
(10.5)*	ITT 2003 Equity Incentive Plan (amended and restated as of July 13, 2004 and subsequently amended as of December 18, 2006) formerly known as ITT Industries, Inc. 2003 Equity Incentive Plan (amended and restated as of July 13, 2004)	Filed Herewith.
(10.6)*	ITT 1997 Long-Term Incentive Plan (amended and restated as of July 13, 2004) formerly known as 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).

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Exhibit Number	Description	Location
(10.7)*	ITT 1997 Annual Incentive Plan for Executive Officers (amended and restated as of July 13, 2004) formerly known as 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 Incentive Stock Plan (amended and restated as of July 13, 2004 and subsequently amended as of December 19, 2006) formerly known as 1994 ITT Industries Incentive Stock Plan (amended and restated as of July 13, 2004)	Filed Herewith.
(10.9)*	ITT Special Senior Executive Severance Pay Plan (amended and restated as of July 13, 2004) formerly known as 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 1996 Restricted Stock Plan for Non-Employee Directors (amended and restated as of July 13, 2004 and subsequently amended as of December 19, 2006) formerly known as ITT Industries 1996 Restricted Stock Plan for Non-Employee Directors (amended and restated as of July 13, 2004)	Filed Herewith.
(10.11)*	ITT Enhanced Severance Pay Plan (amended and restated as of July 13, 2004) formerly known as 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 Deferred Compensation Plan (Effective as of January 1, 1995 including amendments through July 13, 2004) formerly known as 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 1997 Annual Incentive Plan (amended and restated as of July 13, 2004) formerly known as 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).
(10.14)*	ITT Excess Pension Plan IA formerly known as 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).

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Exhibit Number	Description	Location
(10.15)*	ITT Excess Pension Plan IB formerly known as 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 Excess Pension Plan II (as amended and restated as of July 13, 2004) ITT Industries Excess Pension Plan II formerly known as (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 Excess Savings Plan (as amended and restated as of July 13, 2004) formerly known as ITT Industries Excess Savings Plan (as amended and restated as of July 13, 2004)	Incorporated by reference to Exhibit 10.16 of ITT Industries Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672).
(10.18)*	ITT Industries Excess Benefit Trust	Incorporated by reference to Exhibit 10.17 of ITT Industries Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672).
(10.19)	Form of indemnification agreement with directors	Incorporated by reference to Exhibit 10(h) to ITT Industries Form 10-K for the fiscal year ended December 31, 1996 (CIK No. 216228, File No. 1-5672).
(10.20)	Distribution Agreement among ITT Corporation, ITT Destinations, Inc. and ITT Hartford Group, Inc	Incorporated by reference to Exhibit 10.1 listed under ITT Industries Form 8-B dated December 20, 1995 (CIK No. 216228, File No. 1-5672).
(10.21)	Intellectual Property License Agreement between and among ITT Corporation, ITT Destinations, Inc. and ITT Hartford Group, Inc	Incorporated by reference to Exhibit 10.2 to ITT Industries Form 8-B dated December 20, 1995 (CIK No. 216228, File No. 1-5672).
(10.22)	Tax Allocation Agreement among ITT Corporation, ITT Destinations, Inc. and ITT Hartford Group, Inc	Incorporated by reference to Exhibit 10.3 to ITT Industries Form 8-B dated December 20, 1995 (CIK No. 216228, File No. 1-5672).
(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, 2005	Incorporated by reference to Exhibit 10.1 to ITT Industries Form 8-K Current Report dated November 10, 2005 (CIK No. 216228, File No. 1-5672).
(10.25)	Agreement with Valeo SA with respect to the sale of the Automotive Electrical Systems Business	Incorporated by reference to Exhibit 10(b) to ITT Industries Form 10-Q Quarterly Report for the quarterly period ended September 30, 1998 (CIK No. 216228, File No. 1-5672).

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Exhibit Number	Description	Location
(10.26)	Agreement with Continental AG with respect to the sale of the Automotive Brakes and Chassis Business	Incorporated by reference to Exhibit 2.1 to ITT Industries Form 8-K Current Report dated October 13, 1998 (CIK No. 216228, File No. 1-5672).
(10.27)	Participation Agreement among ITT Industries, Rexus L.L.C. (Rexus) and Air Bail S.A.S. and RBS Lombard, Inc., as investors, and master lease agreement, lease supplements and related agreements between Rexus as lessor and ITT Industries, as lessee	Incorporated by Reference to Exhibits listed under Item 9.01 to ITT Industries Form 8-K Current Report dated December 20, 2004 (CIK No. 216228, File No. 1-5672).
(10.28)*	Form of Restricted Stock Award for Non-Employee Directors	Incorporated by reference to Exhibit 10.28 of ITT Industries Form 10-Q for the quarter ended September 30, 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 September 30, 2005 (CIK No. 216228, File No. 1-5672).
(10.30)	Amended and Restated 364-day Revolving Credit Agreement	Incorporated by reference to Exhibits 10.1 and 10.2 to ITT Industries Form 8-K dated March 28, 2005 (CIK No. 216228, File No. 1-5672).
(10.31)*	Employment Agreement dated as of May 31, 2005 and effective as of July 1, 2005 between ITT Industries, Inc. and George E. Minnich	Incorporated by reference to Exhibit 10.31 of ITT Industries Form 10-Q for the quarter ended September 30, 2005. (CIK No. 216228, File No. 1-5672).
(10.32)*	Separation Agreement dated September 7, 2005 and effective as of September 30, 2005 between ITT Industries, Inc. and Robert Ayers	Incorporated by reference to Exhibit 99.1 to ITT Industries Form 8-K dated September 8, 2005 (CIK No. 216228, File No. 1-5672).
(10.33)	Non-Employee Director Compensation Agreement	Incorporated by reference to Exhibit 10.1 to ITT Industries Form 8-K Current Report dated December 1, 2005 (CIK No. 216228, File No. 1-5672).
(10.34)*	Form of 2006 Non-Qualified Stock Option Award Agreement for Band A Employees	Incorporated by reference to Exhibit 10.34 of ITT Industries Form 10-Q for the quarter ended March 31, 2006 (CIK No. 216228, File No. 1-5672).
(10.35)*	Form of 2006 Non-Qualified Stock Option Award Agreement for Band B Employees	Incorporated by reference to Exhibit 10.35 of ITT Industries Form 10-Q for the quarter ended March 31, 2006 (CIK No. 216228, File No. 1-5672).

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Exhibit Number	Description	Location
(10.36)*	Form of 2006 Restricted Stock Award Agreement for Employees	Incorporated by reference to Exhibit 10.36 of ITT Industries Form 10-Q for the quarter ended March 31, 2006 (CIK No. 216228, File No. 1-5672).
(10.37)	Form of 2006 Non-Qualified Stock Option Award Agreement for Non-Employee Directors	Incorporated by reference to Exhibit 10.37 of ITT Industries Form 10-Q for the quarter ended March 31, 2006 (CIK No. 216228, File No. 1-5672).
(10.38)	2002 ITT Stock Option Plan for Non-Employee Directors formerly known as the 2002 ITT Industries, Inc. Stock Option Plan for Non-Employee Directors (as amended on December 19, 2006)	Filed herewith.
(11)	Statement re computation of per share earnings	Not required to be filed.
(12)	Statement re computation of ratios	Filed herewith.
(18)	Letter re change in accounting principles	Incorporated by reference to Exhibit 18 of ITT Corporation's Form 10-Q for the quarter ended September 30, 2006. (CIK No. 216228, File No. 1-5672).
(21)	Subsidiaries of the Registrant	Filed herewith.
(22)	Published report regarding matters submitted to vote of security holders	Not required to be filed.
(23.1)	Consent of Deloitte & Touche LLP	Filed herewith.
(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.

* Management compensatory plan
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