FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended September 30, 2002

OR

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

For the transition period from ________________ to ________________

Commission file number 1-4797

ILLINOIS TOOL WORKS INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	36-1258310 (I.R.S. Employer Identification No.)
3600 West Lake Avenue, Glenview, IL (Address of principal executive offices)	60025-5811 (Zip Code)

(Registrant's telephone number, including area code) (847) 724-7500

Former address:
(Former name, former address and former fiscal year, if changed since last report.)

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

The number of shares of registrant's common stock, $.01 par value, outstanding at September 30, 2002: 306,434,121.

Part I - Financial Information

Item 1

ILLINOIS TOOL WORKS INC. and SUBSIDIARIES

FINANCIAL STATEMENTS

The unaudited financial statements included herein have been prepared by Illinois Tool Works Inc. and Subsidiaries (the "Company"). In the opinion of management, the interim financial statements reflect all adjustments of a normal recurring nature necessary for a fair statement of the results for interim periods. It is suggested that these financial statements be read in conjunction with the financial statements and notes to financial statements included in the Company's Annual Report on Form 10-K. Certain reclassifications of prior years' data have been made to conform with current year reporting.

ILLINOIS TOOL WORKS INC. and SUBSIDIARIES
STATEMENT OF INCOME
(UNAUDITED)

(In Thousands Except for Per Share Amounts)

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
Operating Revenues	$2,401,038	$2,301,168	$7,040,317	$7,014,510
Cost of revenues	1,561,548	1,527,862	4,612,670	4,660,477
Selling, administrative, and research and development expenses	437,526	420,832	1,276,658	1,276,025
Amortization of goodwill and other intangible assets	5,028	27,825	15,146	77,214
Operating Income	396,936	324,649	1,135,843	1,000,794
Interest expense	(14,652)	(17,786)	(50,576)	(53,311)
Other expense	(6,524)	(2,915)	(2,390)	(2,480)
Income from Continuing Operations Before Income Taxes	375,760	303,948	1,082,877	945,003
Income taxes	131,500	106,067	379,000	330,263
Income from Continuing Operations	244,260	197,881	703,877	614,740
Income (Loss) from Discontinued Operations	1,276	1,174	7,617	(151)
Cumulative Effect of Change in Accounting Principle	--	--	(221,890)	--
Net Income	$ 245,536	$ 199,055	$ 489,604	$ 614,589
Income Per Share from Continuing Operations:				
Basic	$0.80	$0.65	$2.30	$2.02
Diluted	$0.79	$0.65	$2.28	$2.01
Income Per Share from Discontinued Operations:				
Basic	$ --	$ --	$0.02	$ --
Diluted	$ --	$ --	$0.02	$ --
Cumulative Effect Per Share of Change in Accounting Principle:				
Basic	$ --	$ --	$(0.73)	$ --
Diluted	$ --	$ --	$(0.72)	$ --
Net Income Per Share:				
Basic	$0.80	$0.65	$1.60	$2.02
Diluted	$0.80	$0.65	$1.59	$2.01
Pro Forma Excluding Goodwill Amortization:				
Income from Continuing Operations	$244,260	$216,534	$703,877	$667,588
Income per Diluted Share from Continuing Operations	$0.79	$0.71	$2.28	$2.18
Cash dividends:				
Paid	$0.22	$0.20	$0.66	$0.60
Declared	$0.23	$0.22	$0.67	$0.62
Shares of common stock Outstanding during the period:				
Average	306,408	304,522	306,045	303,908
Average assuming dilution	307,893	306,463	308,094	306,204

ILLINOIS TOOL WORKS INC. and SUBSIDIARIES
STATEMENT OF FINANCIAL POSITION
(UNAUDITED)

(In Thousands)

ASSETS	September 30, 2002	December 31, 2001
Current Assets:		
Cash and equivalents	$ 720,421	$ 282,224
Trade receivables	1,574,888	1,450,029
Inventories	981,949	994,156
Deferred income taxes	196,847	197,428
Prepaids and other current assets	133,981	139,226
Net current assets of discontinued operations	99,248	100,181
Total current assets	3,707,334	3,163,244
Plant and Equipment:		
Land	118,116	114,649
Buildings and improvements	1,007,599	960,232
Machinery and equipment	2,879,136	2,800,341
Equipment leased to others	130,278	123,422
Construction in progress	150,365	105,316
	4,285,494	4,103,960
Accumulated depreciation	(2,648,767)	(2,470,270)
Net plant and equipment	1,636,727	1,633,690
Investments	1,412,901	1,278,285
Goodwill	2,374,807	2,516,813
Intangible Assets	220,171	221,881
Deferred Income Taxes	500,206	439,278
Other Assets	473,486	459,429
Net Noncurrent Assets of Discontinued Operations	102,168	109,729
	$10,427,800	$9,822,349

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt	$ 132,804	$ 313,447
Accounts payable	416,043	367,249
Accrued expenses	847,831	795,210
Cash dividends payable	70,480	67,084
Income taxes payable	51,721	32,922
Total current liabilities	1,518,879	1,575,912
Non-current Liabilities:		
Long-term debt	1,474,666	1,267,141
Other liabilities	936,015	938,558
Total non-current liabilities	2,410,681	2,205,699
Stockholders' Equity:		
Common stock	3,067	3,052
Additional Paid-in-Capital	716,910	675,856
Income reinvested in the business	6,049,789	5,765,421
Common stock held in treasury	(1,662)	(1,666)
Cumulative translation adjustment	(269,864)	(401,925)
Total stockholders' equity	6,498,240	6,040,738
	$10,427,800	$9,822,349

ILLINOIS TOOL WORKS INC. and SUBSIDIARIES
STATEMENT OF CASH FLOWS
(UNAUDITED)

(In Thousands)

	Nine Months Ended September 30 2002	2001
Cash Provided by (Used for) Operating Activities:		
Net income	$489,604	$614,589
Adjustments to reconcile net income to net cash provided by operating activities:		
(Income)loss from discontinued operations	(7,617)	151
Non-cash goodwill impairment charge	221,890	--
Depreciation and amortization	228,098	294,774
Change in deferred income taxes	(13,760)	(16,212)
Provision for uncollectible accounts	19,737	12,051
Loss on sale of plant and equipment	2,012	5,136
Income from investments	(105,722)	(107,810)
Non-cash interest on nonrecourse debt	29,742	32,229
Loss on sale of operations and affiliates	3,233	4,302
Other non-cash items, net	2,135	(5,770)
Cash provided by operating activities	869,352	833,440
Changes in assets and liabilities:		
(Increase) decrease in--		
Trade receivables	(80,563)	53,685
Inventories	42,351	84,016
Prepaid expenses and other assets	(1,898)	5
Net assets of discontinued operations	16,456	22,090
Increase (decrease) in:		
Accounts payable	20,824	(80,272)
Accrued expenses and other liabilities	45,807	(54,214)
Income taxes payable	31,741	62,924
Other, net	74	(278)
Net cash provided by operating activities	944,144	921,396
Cash Provided by (Used for) Investing Activities:		
Acquisition of businesses (excluding cash and equivalents) and additional interest in affiliates	(105,715)	(535,334)
Additions to plant and equipment	(192,547)	(193,420)
Purchase of investments	(190,812)	(77,639)
Proceeds from investments	49,329	67,536
Proceeds from sale of plant and equipment	19,757	14,148
Proceeds from sale of operations and affiliates	4,105	9,800
Sales of short-term investments	1,736	1,638
Other, net	2,658	1,377
Net cash used for investing activities	(411,489)	(711,894)
Cash Provided by (Used for) Financing Activities:		
Cash dividends paid	(201,839)	(182,140)
Issuance of common stock	40,888	46,650
Net borrowings (repayments) of short-term debt	(210,101)	6,039
Proceeds from long-term debt	254,230	4,182
Repayments of long-term debt	(27,662)	(9,986)
Other, net	1,434	1,464
Net cash used for financing activities	(143,050)	(133,791)
Effect of Exchange Rate Changes on Cash and Equivalents	48,592	2,307
Cash and Equivalents:		
Increase during the period	438,197	78,018
Beginning of period	282,224	151,295
End of period	$720,421	$229,313
Cash Paid During the Period for Interest	$ 53,697	$ 64,194
Cash Paid During the Period for Income Taxes	$300,889	$266,899
Liabilities Assumed from Acquisitions	$ 25,694	$ 93,095

ILLINOIS TOOL WORKS INC. and SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

(1) INVENTORIES:

Inventories at September 30, 2002 and December 31, 2001 were as follows:

(In Thousands)

	September 30, 2002	December 31, 2001
Raw material	$289,545	$287,067
Work-in-process	105,644	101,418
Finished goods	586,760	605,671
	$981,949	$994,156

(2) COMPREHENSIVE INCOME:

The only component of other comprehensive income that the Company has is foreign currency translation adjustments.

(In Thousands)

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
Net income	$245,536	$199,055	$489,604	$614,589
Foreign currency translation adjustments, net of tax	61,460	63,198	132,061	15,323
Total comprehensive income	$306,996	$262,253	$621,665	$629,912

(3) DISCONTINUED OPERATIONS:

In December 2001, the Company's Board of Directors authorized the divestiture of the Consumer Products segment. This segment is comprised of the following businesses: Precor specialty exercise equipment, West Bend appliances and premium cookware, and Florida Tile ceramic tile. The Company's consolidated financial statements for all periods have been restated to present these businesses as discontinued operations in accordance with Accounting Principles Board Opinion No. 30. On October 31, 2002, the sales of Precor and West Bend were completed. An agreement for the sale of Florida Tile is being negotiated and is expected to be completed in the fourth quarter of 2002. The Company does not expect to incur a net loss on the disposal of the segment. Results of the discontinued operations were as follows:

(In Thousands)

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
Operating revenues	$91,831	$94,477	$286,901	$288,081
Pro forma operating income	$ 3,713	$ 3,560	$ 16,600	$ 4,887
Pro forma income before income taxes	$3,206	$2,800	$13,286	$2,265
Income taxes	1,930	1,033	5,669	637
Pro forma income from discontinued operations	$1,276	$1,767	$7,617	$1,628

The actual results for 2001 have been adjusted to reflect the pro forma effect of the elimination of the amortization of goodwill and indefinite-lived intangible assets of $593,000 and $1,779,000, respectively, for the three months and nine months ended September 30, 2001.

The Company has allocated general corporate interest expense to discontinued operations based on proportional net assets excluding general corporate debt. Interest expense allocated to discontinued operations was $1,536,000 and $1,544,000 for the nine months ended September 30, 2002 and 2001, respectively.

The net assets of the discontinued operations as of September 30, 2002 and December 31, 2001 were as follows:

(In Thousands)

	Sept. 30, 2002	Dec. 31, 2001
Accounts receivable	$55,613	$64,897
Inventory	78,880	71,481
Accounts payable	(12,230)	(14,258)
Accrued liabilities	(40,739)	(40,686)
Other, net	17,724	18,747
Net current assets of discontinued operations	$99,248	$100,181
Net plant and equipment	$72,875	$79,730
Net goodwill and intangibles	68,200	68,200
Other, net	(38,907)	(38,201)
Net noncurrent assets of discontinued operations	$102,168	$109,729

(4) INVESTMENTS:

In 2002, the Company entered into leveraged leasing transactions related to mobile telecommunications equipment with two major European telecommunications companies. The components of the Company's total cash investment for these transactions of $144,676,000 were as follows:

(In Thousands)

Gross lease contracts receivable	$991,426
Non-recourse debt service	(914,724)
Estimated residual value of leased assets	151,908
Unearned and deferred income	(83,934)
	$144,676

(5) GOODWILL AND INTANGIBLE ASSETS:

Goodwill represents the excess cost over fair value of the net assets of purchased businesses.

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets ("SFAS 142"). Under SFAS 142, the Company will no longer amortize goodwill and intangibles which have indefinite lives. SFAS 142 also requires that the Company assess goodwill and intangibles with indefinite lives for impairment at least annually, based on the fair value of the related reporting unit or intangible asset. On an on-going basis, the Company expects to perform its annual impairment assessment in the first quarter of each year.

As the first step in the SFAS 142 implementation process, the Company assigned its recorded goodwill and intangibles to approximately 300 of its reporting units. Then, the fair value of each reporting unit was compared to its carrying value. Fair values were determined by discounting estimated future cash flows.

Based on the Company's initial impairment testing, goodwill and intangible assets were reduced by $262,816,000 and a net after-tax impairment charge of $221,890,000 ($0.72 per diluted share) was recognized as a cumulative effect of change in accounting principle in the first quarter of 2002. The impairment charge was related to approximately 40 businesses and primarily resulted from evaluating impairment under SFAS 142 based on discounted cash flows, instead of using undiscounted cash flows as required by the previous accounting standard.

The changes in the carrying amount of goodwill by segment for the nine months ended September 30, 2002 were as follows:

(In Thousands)

	Engineered Products - North America	Engineered Products - International	Specialty Systems - North America	Specialty Systems - International	Total
Balance, December 31, 2001	$574,962	$424,223	$853,557	$664,071	$2,516,813
Acquisitions	(12,694)	9,938	40,622	34,245	72,111
Impairment write-offs	(51,002)	(18,745)	(85,977)	(98,858)	(254,582)
Foreign currency translation	(235)	17,350	--	23,350	40,465
Balance, September 30, 2002	$511,031	$432,766	$808,202	$622,808	$2,374,807

Intangible assets as of September 30, 2002 and December 31, 2001 were as follows:

(In Thousands)

	As of September 30, 2002			As of December 31, 2001		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Amortizable Intangibles:						
Trademarks and brands	$9,902	$(2,261)	$7,641	$9,339	$(1,685)	$7,654
Customer lists and Relationships	13,971	(4,531)	9,440	28,371	(2,848)	25,523
Patents	86,002	(38,667)	47,335	74,971	(34,762)	40,209
Noncompete agreements	66,954	(27,802)	39,152	63,203	(21,742)	41,461
Other	52,063	(28,828)	23,235	50,239	(25,648)	24,591
Indefinite-lived Intangibles:						
Trademarks and brands	93,368	--	93,368	82,443	--	82,443
Total Intangible Assets	$322,260	$(102,089)	$220,171	$308,566	$(86,685)	$221,881

Amortization expense related to amortizable intangible assets was $5,028,000 and $15,146,000, respectively, for the three months and nine months ended September 30, 2002, and $5,994,000 and $15,428,000, respectively, for the three months and nine months ended September 30, 2001.

The estimated amortization expense of intangible assets for the years ending December 31 is as follows:

(In Thousands)

2002	$20,078
2003	17,693
2004	16,978
2005	15,962
2006	14,518
2007	11,660

A reconciliation of the previously reported 2001 statement of income information to pro forma amounts that reflect the elimination of amortization of goodwill and indefinite-lived intangible assets is presented below:

(In Thousands, except per share amounts)

	Three months ended September 30,2001			Nine months ended September 30, 2001		
		Per Share			Per Share	
	Amount	Basic	Diluted	Amount	Basic	Diluted
Income from continuing operations, as reported	$197,881	$0.65	$0.65	$614,740	$2.02	$2.01
Amortization of goodwill and indefinite-lived intangible assets	18,653	0.06	0.06	52,848	0.17	0.17
Pro forma income from continuing operations	216,534	0.71	0.71	667,588	2.20	2.18
Income (loss) from discontinued operations, as reported	1,174	0.00	0.00	(151)	(0.00)	(0.00)
Amortization of goodwill and indefinite-lived intangible assets	593	0.00	0.00	1,779	0.01	0.01
Pro forma income from discontinued operations	1,767	0.01	0.01	1,628	0.01	0.01
Pro forma net income	$218,301	0.72	0.71	$669,216	2.20	2.19

(6) SHORT-TERM DEBT:

In June 2002, the Company entered into a $400,000,000 Line of Credit Agreement with a termination date of June 20, 2003.

(7) LONG-TERM DEBT:

In April 2002, a subsidiary of the Company issued $250,000,000 of 6.55% preferred debt securities due December 31, 2011 at 99.849% of face value. The effective interest rate of the preferred debt securities is 6.74%.

(8) SEGMENT INFORMATION:

See Management's Discussion and Analysis for information regarding operating revenues and operating income for the Company's segments.

Item 2 - Management's Discussion and Analysis

ENGINEERED PRODUCTS - NORTH AMERICA

Businesses in this segment are located in North America and manufacture short lead-time plastic and metal components and fasteners, and specialty products such as polymers, fluid products and resealable packaging.

(Dollars in Thousands)

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
Operating revenues	$767,873	$748,054	$2,314,118	$2,269,502
Operating income	128,015	130,716	408,108	380,166
Margin %	16.7%	17.5%	17.6%	16.8%

Operating revenues increased 3% in the third quarter mainly as a result of base business revenues increasing by 3%, with acquisitions having no impact. The base business revenue increase was mainly due to strong demand in the automotive and general industrial businesses, offset by lower demand in the commercial construction end markets. Year-to-date operating revenues increased 2% due to acquisitions. Base business revenue for the year-to-date period was flat, as higher revenues from the automotive businesses were offset by weakness in the polymers, construction, electronic packaging and machined components businesses. Operating income in the third quarter declined by 2% and margins declined 80 basis points as contributions from the automotive and general industrial businesses resulting from cost control measures were more than offset by weakness in the commercial construction end market and increased warranty costs in the laminate business. For the year-to-date period, operating income increased 7% and margins increased by 80 basis points mainly due to increased revenues and reduced costs, primarily in the automotive and general industrial businesses.

ENGINEERED PRODUCTS - INTERNATIONAL

Businesses in this segment are located outside North America and manufacture short lead-time plastic and metal components and fasteners, and specialty products such as polymers, fluid products and electronic component packaging.

(Dollars in Thousands)

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
Operating revenues	$394,659	$341,729	$1,118,244	$1,083,383
Operating income	59,238	40,270	146,093	126,804
Margin %	15.0%	11.8%	13.1%	11.7%

For the third quarter 2002, operating revenue increased 15% due to a 4% increase in base business, a 2% increase from acquisitions and a 9% contribution from currency fluctuation. Base business revenues increased for the third quarter in the construction, automotive, industrial plastics and electronic packaging businesses. For the nine-month period, revenues increased 3% mainly due to a 2% increase in both acquisitions and currency fluctuation offset by a 1% decrease related to divestitures. Year-to-date base business revenue growth was flat as increases in the construction businesses were offset by declines for the automotive operations. Operating income increased 47% in the third quarter and 15% year-to-date, with corresponding margin gains of 320 and 140 basis points, respectively. Income and margin improvements for both periods were primarily related to the construction, industrial plastics and electronic packaging businesses. The automotive business also contributed to the income and margin increases for the third quarter. Currency translation positively impacted income in the third quarter and year-to-date period by 12% and 3%, respectively.

SPECIALTY SYSTEMS -NORTH AMERICA

Businesses in this segment are located in North America and produce longer lead-time machinery and related consumables, and specialty equipment for applications such as food service and industrial finishing.

(Dollars in Thousands)

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
Operating revenues	$856,040	$867,243	$2,553,322	$2,588,720
Operating income	145,378	117,627	393,597	356,095
Margin %	17.0%	13.6%	15.4%	13.8%

In 2002, operating revenues declined by 1% for both the third quarter and year-to-date period, largely due to a continued weakness in customers' capital spending. Base business revenue declines of 3% and 5% for the three-month and nine-month periods, respectively, were partially offset by acquisition revenue increases of 2% and 4%, respectively. Both periods were impacted by base business declines in the industrial packaging, food equipment, ground support equipment, and marking and decorating businesses. Operating income increased 24% in the third quarter and 11% year-to-date mainly due to cost reductions in the food equipment, industrial packaging, finishing and welding businesses. Margins increased 340 basis points and 160 basis points, respectively, due to lower costs in most businesses.

SPECIALTY SYSTEMS - INTERNATIONAL

Businesses in this segment are located outside North America and manufacture longer lead-time machinery and related consumables, and specialty equipment for applications such as food service and industrial finishing.

(Dollars in Thousands)

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
Operating revenues	$440,959	$403,975	$1,231,976	$1,243,580
Operating income	45,821	39,325	128,231	135,002
Margin %	10.4%	9.7%	10.4%	10.9%

Operating revenues increased 9% for the third quarter of 2002 and decreased by 1% for the year-to-date period. The base businesses negatively impacted revenues by 3% and 6%, respectively, primarily related to declines in the industrial packaging, food equipment and decorating businesses. Acquisitions increased revenues by 3% for both periods while divestitures reduced revenues by 1% in the third quarter and had a neutral impact year-to-date. Translation positively impacted revenues by 9% and 2% for the respective periods. Operating income increased 17% for the third quarter of 2002 and decreased 5% year-to-date. For the third quarter, operating income was favorably impacted by base business income and margin increases in the food equipment, industrial packaging and finishing businesses, as well as a 12% increase due to currency fluctuation. Year-to-date base business income decreased by 6% as a result of income declines in the industrial packaging, static control and decorating businesses, partially offset by higher income in the food equipment operations and a 2% increase due to currency translation. Margins correspondingly decreased by 50 basis points for the year-to-date period.

LEASING AND INVESTMENTS

This segment makes opportunistic investments in mortgage-related assets, leveraged and direct financing leases of telecommunications, aircraft and other equipment, properties and property developments, affordable housing, and a venture capital fund.

(In Thousands)

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
Operating revenues	$34,782	$35,104	$107,419	$116,384
Operating income	18,484	18,542	59,814	64,513

In the third quarter of 2002, operating revenues decreased 1% and income was flat, due mainly to losses on the sales of commercial mortgage and equipment leasing assets, offset by revenue and income from the new telecommunications leveraged leases. For the year-to-date period, revenues decreased 8% and income decreased 7%, as revenue and income from the telecommunications leases were more than offset by losses on sales in the commercial mortgage and equipment leasing portfolios, and a gain on the sale of a property in 2001.

OPERATING REVENUES

The reconciliation of segment operating revenues to total operating revenues is as follows:

	Three months ended September 30		Nine months ended September 30	
	2002	2001	2002	2001
Engineered Products - North America	$ 767,873	$ 748,054	$2,314,118	$2,269,502
Engineered Products - International	394,659	341,729	1,118,244	1,083,383
Specialty Systems - North America	856,040	867,243	2,553,322	2,588,720
Specialty Systems - International	440,959	403,975	1,231,976	1,243,580
Leasing and Investments	34,782	35,104	107,419	116,384
Total segment operating revenues	2,494,313	2,396,105	7,325,079	7,301,569
Intersegment revenues	(93,275)	(94,937)	(284,762)	(287,059)
Total company operating revenues	$2,401,038	$2,301,168	$7,040,317	$7,014,510

OPERATING INCOME

Segment operating income for 2001 was restated to exclude the amortization of goodwill and indefinite-lived intangible assets. The reconciliation of segment operating income to total operating income is as follows:

	Three months ended September 30		Nine months ended September 30	
	2002	2001	2002	2001
Engineered Products - North America	$128,015	$130,716	$ 408,108	$ 380,166
Engineered Products - International	59,238	40,270	146,093	126,804
Specialty Systems - North America	145,378	117,627	393,597	356,095
Specialty Systems - International	45,821	39,325	128,231	135,002
Leasing and Investments	18,484	18,542	59,814	64,513
Total segment operating income	396,936	346,480	1,135,843	1,062,580
Amortization of goodwill and indefinite-lived intangible assets	--	(21,831)	--	(61,786)
Total operating income	$396,936	$324,649	$1,135,843	$1,000,794

OPERATING EXPENSES

Cost of revenues as a percentage of revenues decreased to 65.5% in the first nine months of 2002 versus 66.4% in 2001 due to cost improvements in most businesses. Selling, administrative, and research and development expenses as a percent of revenues in the nine-month period declined slightly to 18.1% in 2002 versus 18.2% in 2001.

AMORTIZATION OF GOODWILL AND OTHER INTANGIBLE ASSETS

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets ("SFAS 142"). Under SFAS 142, the Company will no longer amortize goodwill and intangibles which have indefinite lives. SFAS 142 also requires that the Company assess goodwill and intangibles with indefinite lives for impairment at least annually, based on the fair value of the related reporting unit or intangible asset. On an on-going basis, the Company expects to perform its annual impairment assessment in the first quarter of each year.

As the first step in the SFAS 142 implementation process, the Company assigned its recorded goodwill and intangibles to approximately 300 of its reporting units. Then, the fair value of each reporting unit was compared to its carrying value. Fair values were determined by discounting estimated future cash flows.

Based on the Company's initial impairment testing, goodwill and intangible assets were reduced by $262,816,000 and a net after-tax impairment charge of $221,890,000 ($0.72 per diluted share) was recognized as a cumulative effect of change in accounting principle in the first quarter of 2002. The impairment charge was related to approximately 40 businesses and primarily resulted from evaluating impairment under SFAS 142 based on discounted cash flows, instead of using undiscounted cash flows as required by the previous accounting standard.

Amortization expense related to amortizable intangible assets was $5,028,000 and $15,146,000 for the three months and nine months ended September 30, 2002, respectively, and $5,994,000 and $15,428,000 for the three months and nine months ended September 30, 2001, respectively.

All pro forma data presented in this report reflect the elimination of the amortization of goodwill and indefinite-lived intangibles in prior years.

INTEREST EXPENSE

Interest expense decreased to $50.6 million in the first nine months of 2002 from $53.3 million in 2001 primarily as a result of lower commercial paper borrowings partially offset by interest expense on the $250 million preferred debt securities issued in April 2002.

OTHER EXPENSE

Other expense was $2.4 million for the first nine months of 2002 versus $2.5 million in 2001, primarily as a result of higher losses on foreign currency in 2002 offset by lower losses on the sale of plant and equipment in 2002 versus 2001.

INCOME FROM CONTINUING OPERATIONS

Income from continuing operations of $703.9 million ($2.28 per diluted share) in the first nine months of 2002 was 14.5% higher than 2001 income from continuing operations of $614.7 million ($2.01 per diluted share).

Pro forma net income from continuing operations of $703.9 million in the first nine months of 2002 was 5.4% higher than 2001 pro forma income from continuing operations of $667.6 million. Net income from continuing operations per diluted share of $2.28 for the first nine months of 2002 was 4.6% higher than pro forma net income from continuing operations per diluted share of $2.18 for the first nine months of 2001.

FOREIGN CURRENCY

The weakening of the U.S. dollar against foreign currencies in the first nine months of 2002 increased operating revenues for the first nine months of 2002 by approximately $35 million and increased earnings by approximately 1 cent per diluted share.

DISCONTINUED OPERATIONS

In December 2001, the Company's Board of Directors authorized the divestiture of the Consumer Products segment. Businesses in this segment are located primarily in North America and manufacture household products that are used by consumers, including West Bend small electric appliances and premium cookware, Precor specialty exercise equipment and Florida Tile ceramic tile. On October 31 2002, the sales of Precor and West Bend were completed. An agreement for the sale of Florida Tile is being negotiated and is expected to be completed in the fourth quarter of 2002. The Company does not expect to incur a net loss on the disposal of the segment.

Operating results for the discontinued operations were as follows:

(Dollars in Thousands)

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
Operating revenues	$91,831	$94,477	$286,901	$288,081
Pro forma operating income	3,713	3,560	16,600	4,887
Margin %	4.0%	3.8%	5.8%	1.7%

Operating revenues decreased in both periods of 2002 versus 2001 due to lower small appliance revenues offset by higher sales of specialty exercise equipment. Operating income and margins increased due to cost improvements in the exercise equipment and Florida Tile businesses offset by lower income in the small appliance businesses.

LIQUIDITY AND CAPITAL RESOURCES

Summarized cash flow information was as follows:

(In Thousands)

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
Net cash provided by operating activities	$379,958	$403,104	$944,144	$921,396
Plus: Proceeds from investments	21,159	20,399	49,329	67,536
Less: Additions to plant and equipment	(59,840)	(58,028)	(192,547)	(193,420)
Free operating cash flow	$341,277	$365,475	$800,926	$795,512
Acquisitions	$(13,732)	$(226,846)	$(105,715)	$(535,334)
Purchase of investments	(15,378)	(53,820)	(190,812)	(77,639)
Cash dividends paid	(67,403)	(60,899)	(201,839)	(182,140)
Net proceeds (repayments) of debt	(58,830)	13,954	16,467	235
Other, net	49,148	14,531	119,170	77,384
Net increase in cash and equivalents	$235,082	$ 52,395	$438,197	$ 78,018

Return on average invested capital was as follows:

(Dollars in Thousands)

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
Pro forma operating income after taxes	$258,008	$225,212	$738,298	$690,677
Invested capital at end of period:				
Total debt	$1,607,470	$1,964,502	$1,607,470	$1,964,502
Less: Leasing and investment debt	(795,529)	(819,999)	(795,529)	(819,999)
Less: Cash	(720,421)	(229,313)	(720,421)	(229,313)
Adjusted net debt	91,520	915,190	91,520	915,190
Total stockholders' equity	6,498,240	5,890,841	6,498,240	5,890,841
Invested capital	$6,589,760	$6,806,031	$6,589,760	$6,806,031
Average invested capital	$6,604,859	$6,749,155	$6,610,980	$6,610,876
Return on average invested capital	15.6%	13.3%	14.9%	13.9%

Net working capital at September 30, 2002 and December 31, 2001 is summarized as follows:

(Dollars in Thousands)

	Sept. 30, 2002	Dec. 31, 2001	Increase/ (Decrease)
Current Assets:			
Cash and equivalents	$ 720,421	$ 282,224	$438,197
Trade receivables	1,574,888	1,450,029	124,859
Inventories	981,949	994,156	(12,207)
Other	330,828	336,654	(5,826)
Net current assets of discontinued operations	99,248	100,181	(933)
	3,707,334	3,163,244	544,090
Current Liabilities:			
Short-term debt	132,804	313,447	(180,643)
Accounts payable	416,043	367,249	48,794
Accrued expenses	847,831	795,210	52,621
Other	122,201	100,006	22,195
	1,518,879	1,575,912	(57,033)
Net Working Capital	$2,188,455	$1,587,332	$601,123
Current Ratio	2.44	2.01	

Accounts receivable increased as a result of higher sales in the third quarter of 2002 versus the fourth quarter of 2001.

Accounts payable has increased as a result of the timing of payments in the third quarter of 2002 versus the fourth quarter of 2001 and the effect of foreign currency translation. The increase in accrued liabilities is the result of increases from foreign currency translation, increased warranty reserves and various timing differences.

Total debt at September 30, 2002 and December 31, 2001 was as follows:

(Dollars in Thousands)

	Sept. 30, 2002	Dec. 31, 2001
Short-term debt	$ 132,804	$ 313,447
Long-term debt	1,474,666	1,267,141
Total debt	$1,607,470	$1,580,588
Total debt to capitalization	19.8%	20.7%
Total debt to capitalization (excluding Leasing and Investment segment)	12.0%	13.1%

In April 2002, a subsidiary of the Company issued $250,000,000 of 6.55% preferred debt securities due December 31, 2011 at 99.849% of face value. The proceeds have been used for general corporate purposes.

The changes to stockholders' equity during 2002 were as follows:

(In Thousands)

Total stockholders' equity, December 31, 2001	$6,040,738
Income from continuing operations	703,877
Income from discontinued operations	7,617
Cumulative effect of change in accounting principle	(221,890)
Cash dividends declared	(205,236)
Exercise of stock options	41,073
Currency translation adjustments	132,061
Total stockholders' equity, September 30, 2002	$6,498,240

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including without limitation, statements regarding the divestiture of the Consumer Products segment in 2002 and the estimated residual value of leased assets. These statements are subject to certain risks, uncertainties, and other factors which could cause actual results to differ materially from those anticipated, including, without limitation, the risks described herein. Important factors that may influence future results include (1) a downturn in the construction, automotive, general industrial, food retail and service, or real estate markets, (2) deterioration in global and domestic business and economic conditions, particularly in North America, European Community, and Australia, (3) the unfavorable impact of foreign currency fluctuations, (4) an interruption in, or reduction in, introducing new products into the Company's product lines, and (5) an unfavorable environment for making acquisitions or dispositions, domestic and international, including adverse accounting or regulatory requirements and market values of candidates.

Item 4 - Controls and Procedures

Based on their most recent evaluation, which was completed within 90 days of the filing of this Form 10-Q, the Company's Chairman & Chief Executive Officer and Senior Vice President & Chief Financial Officer believe the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) are effective in timely alerting the Company's management to material information required to be included in this Form 10-Q and other Exchange Act filings.

There were no significant changes in the company's internal controls or other factors that could significantly affect these controls subsequent to the date of their evaluation and there were no significant deficiencies or material weaknesses which required corrective actions.

Part II - Other Information

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibit Index

Exhibit No.	Description
10(a)	ITW Nonqualified Pension Benefits Plan, as amended effective January 1, 2002.
99(a)	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

No reports on Form 8-K have been filed during the quarter for which this report is filed.

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.

ILLINOIS TOOL WORKS INC.

Dated: November 1, 2002

By: /s/ Jon C. Kinney
Jon C. Kinney, Senior Vice President
and Chief Financial Officer

CERTIFICATIONS

Certification of Principal Executive Officer

I, W. James Farrell, Chairman and Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Illinois Tool Works Inc.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

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

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: November 1, 2002

/s/ W. James Farrell
W. James Farrell
Chairman and Chief Executive Officer

Certification of Principal Financial Officer

I, Jon C. Kinney, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Illinois Tool Works Inc.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

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

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: November 1, 2002

/s/ Jon C. Kinney
Jon C. Kinney, Senior Vice President
and Chief Financial Officer