SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

OR

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

For the quarterly period ended March 31, 2003

Commission file number: 1-4797

For the transition period from ______________________ to ______________________________

ILLINOIS TOOL WORKS INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

The number of shares of registrant's common stock, $.01 par value, outstanding at April 30, 2003: 307,561,230.

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 March 31	
	2003	2002
Operating Revenues	$2,313,790	$2,204,654
Cost of revenues	1,513,792	1,475,119
Selling, administrative, and research and development expenses	469,688	414,764
Amortization and impairment of goodwill and other intangible assets	9,310	4,872
Operating Income	321,000	309,899
Interest expense	(17,432)	(17,503)
Other income	3,316	2,076
Income from Continuing Operations Before Income Taxes	306,884	294,472
Income Taxes	107,400	100,100
Income from Continuing Operations	199,484	194,372
Income (Loss) from Discontinued Operations	(4,107)	4,075
Cumulative Effect of Change in Accounting Principle	-	(221,890)
Net Income (Loss)	$195,377	$ (23,443)
Income Per Share from Continuing Operations:		
Basic	$ 0.65	$ 0.64
Diluted	$ 0.65	$ 0.63
Income (Loss) Per Share from Discontinued Operations:		
Basic	$(0.01)	$ 0.01
Diluted	$(0.01)	$ 0.01
Cumulative Effect Per Share of Change in Accounting Principle:		
Basic	$ -	$(0.73)
Diluted	$ -	$(0.72)
Net Income (Loss) Per Share:		
Basic	$ 0.64	$(0.08)
Diluted	$ 0.63	$(0.08)
Cash Dividends:		
Paid	$ 0.23	$ 0.22
Declared	$ 0.23	$ 0.22
Shares of Common Stock Outstanding During the Period:		
Average	306,622	305,532
Average assuming dilution	307,772	307,985

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

(In thousands)

ASSETS	March 31, 2003	December 31, 2002
Current Assets:		
Cash and equivalents	$1,125,550	$1,057,687
Trade receivables	1,562,330	1,500,031
Inventories	1,008,967	962,746
Deferred income taxes	219,681	217,738
Prepaid expenses and other current assets	134,878	136,563
Total current assets	4,051,406	3,874,765
Plant and Equipment:		
Land	121,260	119,749
Buildings and improvements	1,074,580	1,041,680
Machinery and equipment	2,881,493	2,817,006
Equipment leased to others	138,860	135,508
Construction in progress	113,101	91,714
	4,329,294	4,205,657
Accumulated depreciation	(2,671,832)	(2,574,408)
Net plant and equipment	1,657,462	1,631,249
Investments	1,388,496	1,392,410
Goodwill	2,417,046	2,394,519
Intangible Assets	223,467	230,291
Deferred Income Taxes	558,625	541,625
Other Assets	501,901	506,552
Net Assets of Discontinued Operations	48,006	51,690
	$10,846,409	$10,623,101
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt	$ 100,998	$ 121,604
Accounts payable	425,791	416,958
Accrued expenses	709,926	833,689
Cash dividends payable	70,535	70,514
Income taxes payable	177,571	124,397
Total current liabilities	1,484,821	1,567,162
Noncurrent Liabilities:		
Long-term debt	1,451,785	1,460,381
Other	990,721	946,487
Total noncurrent liabilities	2,442,506	2,406,868
Stockholders' Equity:		
Common stock	3,077	3,068
Additional paid-in-capital	754,137	747,778
Income reinvested in the business	6,327,105	6,202,263
Common stock held in treasury	(1,662)	(1,662)
Accumulated other comprehensive income	(163,575)	(302,376)
Total stockholders' equity	6,919,082	6,649,071
	$10,846,409	$10,623,101

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

(In thousands)

	Three Months Ended March 31	
	2003	2002
Cash Provided by (Used for) Operating Activities:		
Net income (loss)	$195,377	$(23,443)
Adjustments to reconcile net income to net cash provided by operating activities:		
(Income) loss from discontinued operations	4,107	(4,075)
Cumulative effect of change in accounting principle	-	221,890
Depreciation	67,875	71,487
Amortization and impairment of goodwill and intangible assets	9,310	4,872
Change in deferred income taxes	(4,853)	(11,870)
Provision for uncollectible accounts	1,880	5,922
Loss on sales of plant and equipment	1,203	488
Income from investments	(28,888)	(31,154)
Non-cash interest on nonrecourse notes payable	9,290	9,810
(Gain) loss on sales of operations and affiliates	(205)	1,836
Other non-cash items, net	4,383	3,353
Changes in assets and liabilities:		
(Increase) decrease in--		
Trade receivables	2,003	(55,954)
Inventories	(6,070)	24,768
Prepaid expenses and other assets	3,564	7,373
Net assets of discontinued operations	2,807	10,733
Increase (decrease) in--		
Accounts payable	(9,372)	26,708
Accrued expenses	(101,344)	(5,800)
Income taxes payable	66,068	25,926
Other, net	39	24
Net cash provided by operating activities	217,174	282,894
Cash Provided by (Used for) Investing Activities:		
Acquisition of businesses (excluding cash and equivalents) and additional interest in affiliates	(14,814)	(35,347)
Additions to plant and equipment	(56,173)	(64,051)
Purchase of investments	(29,138)	(115,049)
Proceeds from investments	15,665	11,827
Proceeds from sales of plant and equipment	2,772	2,605
Net settlement from sales of operations and affiliates	(3,859)	1,792
Other, net	2,974	3,918
Net cash used for investing activities	(82,573)	(194,305)
Cash Provided by (Used for) Financing Activities:		
Cash dividends paid	(70,514)	(67,084)
Issuance of common stock	2,597	30,997
Net repayments of short-term debt	(29,596)	(31,484)
Proceeds from long-term debt	888	237
Repayments of long-term debt	(3,970)	(9,626)
Other, net	458	(453)
Net cash used for financing activities	(100,137)	(77,413)
Effect of Exchange Rate Changes on Cash and Equivalents	33,399	(12,374)
Cash and Equivalents:		
Increase (decrease) during the period	67,863	(1,198)
Beginning of period	1,057,687	282,224
End of period	$1,125,550	$281,026
Cash Paid During the Period for Interest	$ 18,789	$ 22,494
Cash Paid During the Period for Income Taxes	$ 38,412	$ 80,411
Liabilities Assumed from Acquisitions	$ 7,531	$ 2,238

(1) INVENTORIES:

Inventories at March 31, 2003 and December 31, 2002 were as follows:

(In thousands)

	March 31, 2003	Dec. 31, 2002
Raw material	$ 289,973	$275,902
Work-in-process	94,260	98,678
Finished goods	624,734	588,166
	$1,008,967	$962,746

(2) COMPREHENSIVE INCOME:

The Company's only component of other comprehensive income in the periods presented is foreign currency translation adjustments.

(In thousands)

	Three months ended March 31,	
	2003	2002
Net income (loss)	$195,377	$(23,443)
Foreign currency translation adjustments, net of tax	138,801	(35,091)
Total comprehensive income (loss)	$334,178	$(58,534)

(3) DISCONTINUED OPERATIONS:

In December 2001, the Company's Board of Directors authorized the divestiture of the Consumer Products segment. The segment was comprised of the following businesses: Precor specialty exercise equipment, West Bend appliances and premium cookware, and Florida Tile ceramic tile. The consolidated financial statements 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, resulting in cash proceeds of $211,193,000. The Company is actively marketing and intends to dispose of Florida Tile through a sale transaction in 2003.

The Company's estimated net loss on disposal of the segment is as follows:

(In thousands)

	Pretax Gain (Loss)	Tax Provision (Benefit)	After-Tax
Realized gains on 2002 sales of Precor and West Bend	$146,240	$51,604	$94,636
Estimated loss on 2003 sale of Florida Tile recorded in 2002	(123,874)	(31,636)	(92,238)
Estimated net gain on disposal of segment deferred at December 31, 2002	22,366	19,968	2,398
Gain adjustments related to 2002 sales of Precor and West Bend recorded in 2003	(2,027)	(754)	(1,273)
Additional estimated loss on sale of Florida Tile recorded in 2003	(8,264)	(3,032)	(5,232)
Estimated net loss on disposal of segment at March 31, 2003	$ 12,075	$16,182	$(4,107)

Results of the discontinued operations were as follows:

(In thousands)

	Three months ended March 31	
	2003	2002
Operating revenues	$ 28,622	$101,054
Operating income (loss)	$ (1,925)	$ 8,451

Net income (loss) from discontinued operations	$ (1,932)	$ 4,075
Amount charged against reserve for operating losses	1,932	-
Income from discontinued operations (net of tax, $2,070 in 2002)	-	4,075
Loss on disposal of the segment (net of tax, $16,182 in 2003)	(4,107)	-
Income (loss) from discontinued operations	$ (4,107)	$ 4,075

The net assets of the discontinued operations as of March 31, 2003 and December 31, 2002 were as follows:

(In thousands)

	March 31, 2003	Dec. 31, 2002
Accounts receivable	$12,598	$17,299
Inventory	45,873	44,286
Accounts payable	(5,209)	(4,919)
Deferred gain on divestitures	-	(2,398)
Accrued liabilities	(61,955)	(58,491)
Net property, plant and equipment	38,991	41,497
Deferred income tax asset	28,284	32,083
Noncurrent liabilities	(16,599)	(26,196)
Other assets, net	6,023	8,529
Net assets of discontinued operations	$48,006	$51,690

(4) 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 no longer amortizes goodwill and intangibles that 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. The Company will 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 600 reporting units based on the operating unit which includes the business acquired. Then, the fair value of each reporting unit was compared to its carrying value. Fair values were determined by discounting estimated future cash flows at the Company's estimated cost of capital of 10%. Estimated future cash flows were based either on current operating cash flows or on a detailed cash flow forecast prepared by the relevant operating unit. If the fair value of an operating unit is less than its carrying value, an impairment loss is recorded for the difference between the fair value of the unit's goodwill and intangible assets and the carrying value of those assets.

Based on the Company's initial impairment testing, goodwill was reduced by $254,582,000 and intangible assets were reduced by $8,234,000, 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.

In the first quarter of 2003, the Company performed its annual impairment evaluation under SFAS 142, which resulted in goodwill impairment expense of $702,000. This impairment charge was mainly related to a U.S. welding components business.

Intangible expense was $8,608,000 for the first quarter of 2003 and $4,872,000 for the first quarter of 2002. Included in intangible expense in the first quarter of 2003 are impairment charges of $3,761,000 for trademarks and brands related to several U.S. welding components businesses and a U.S. business that manufactures clean room mats.

(5) STOCK-BASED COMPENSATION:

Stock options have been issued to officers and other management employees under ITW's 1996 Stock Incentive Plan and Premark's 1994 Incentive Plan. The stock options generally vest over a four-year period.

The Company accounts for stock-based compensation in accordance with Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, using the intrinsic value method, which does not require that compensation cost be recognized.

The Company's net income and earnings per share would have been reduced to the amounts shown below if compensation cost had been determined based on fair value at the grant dates in accordance with Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ("SFAS 123").

The pro forma net income effect of applying SFAS 123 was as follows:

(In thousands except per share amounts)

	Three months ended March 31	
	2003	2002
Net income (loss), as reported	$195,377	$(23,443)
Add: Restricted stock recorded as expense, net of tax	2,882	-
Deduct: Total stock-based employee compensation expense, net of tax	(8,635)	(6,189)
Pro forma net income (loss)	$189,624	$(29,632)
Net income (loss) per share:		
Basic – as reported	$0.64	$(0.08)
Basic – pro forma	$0.62	$(0.10)
Diluted – as reported	$0.63	$(0.08)
Diluted – pro forma	$0.62	$(0.10)

On January 2, 2003, the Company granted 792,158 shares of restricted stock to domestic officers and other key management employees. This grant was made in lieu of the normal 2002 stock option grant. Annual compensation expense of $17,487,000 related to this grant will be recorded over the three-year vesting period.

(6) NEW ACCOUNTING PRONOUNCEMENTS:

In 2003, the Financial Accounting Standards Board issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of ARB No. 51 ("FIN 46"). The Company is required to adopt FIN 46 in the third quarter of 2003. FIN 46 requires consolidation of entities in which the Company does not have a majority voting interest but is deemed to be the party which has the majority of the benefits or risk of loss in the entity. The Company is in the process of reviewing its investments to determine if any of them would be impacted by the adoption of FIN 46. Although this FIN 46 analysis has not yet been completed, the Company expects that the adoption of FIN 46 will result in the deconsolidation of the Company's mortgage-related investments and the consolidation of its property development partnership investments. The Company's risk of loss related to these investments is generally limited to the carrying value of these investments at December 31, 2002.

Item 2 - Management's Discussion and Analysis

CONSOLIDATED RESULTS OF OPERATIONS

The Company’s consolidated results of operations for the first quarter of 2003 and 2002 were as follows:

(Dollars in thousands)

	Three months ended March 31	
	2003	2002
Operating revenues	$2,313,790	$2,204,654
Operating income	321,000	309,899
Margin %	13.9%	14.1%

Operating revenues increased 5% in the 2003 first quarter versus the 2002 comparable period mainly due to a 5% increase from favorable currency translation and a 2% increase from acquisitions. These increases were partially offset by a 2% decline in base business revenues, which resulted from a 4% decline in North America and 3% growth internationally. In North America, industrial production remained at depressed levels and, as a result, capacity utilization and capital spending remained weak. Consequently, many of the North American end markets that the Company’s businesses serve continued to be weak. Internationally, economic conditions continued to be stronger than in North America, particularly in the automotive and construction markets. However, international capital spending was still fairly weak.

Operating income increased 4% in the first quarter of 2003. This increase was the net effect of the following factors. First, favorable currency translation increased income 4%. Second, the 2% decline in base business revenues reduced income 5% due to operating leverage. Third, higher corporate-related expenses associated with pensions, restricted shares, and goodwill and intangible impairment reduced income by 6% (see below). Fourth, operational cost savings increased income by 9%. Lastly, acquisitions net of divestitures increased income 1%.

Pension expense increased $11.3 million primarily due to the lowering of the asset return (from 11% to 8%) and discount rate (from 7.25% to 6.60%) assumptions for the principal domestic plans. Compensation expense increased $4.4 million due to the granting of restricted shares to domestic management employees on January 2, 2003 in lieu of the normal annual stock option grant. Intangible impairment charges of $4.5 million were the result of the Company’s annual impairment testing of its $2.6 billion of goodwill and intangibles. The impaired assets reflect diminished expectations of future cash flows, and primarily related to several U.S. welding components businesses.

Operational cost savings mainly resulted from the benefits of the last four quarters of restructuring activity, which amounted to $55.1 million in expense related to 70 different projects. In addition, a $5 million fixed asset impairment charge was incurred in the first quarter of 2002, which was not repeated in the current quarter.

Operating margins declined 20 basis points due to the above factors. Base business revenue declines reduced margins by 50 basis points, operational cost savings in excess of higher corporate-related expenses increased margins 40 basis points and acquisitions diluted margins 10 basis points.

ENGINEERED PRODUCTS - NORTH AMERICA

Businesses in this segment are located in North America and manufacture a variety of short lead-time plastic and metal components and fasteners, as well as specialty products for a diverse customer base. These commercially oriented, value-added products become part of the customers’ products and typically are manufactured and delivered in a period of time of less than 30 days.

In the plastic and metal components and fasteners category, products include:

- metal fasteners and fastening tools for the commercial and residential construction industries;
- laminate products for the commercial and residential construction industries and furniture markets;
- metal fasteners for automotive, appliance and general industrial applications;
- metal components for automotive, appliance and general industrial applications;
- plastic components for automotive, appliance, furniture and electronics applications; and
- plastic fasteners for automotive, appliance and electronics applications.

In the specialty products category, products include:

- reclosable packaging for consumer food applications;

- swabs, wipes and mats for clean room usage in the electronics and pharmaceutical industries;
- hand wipes for industrial purposes;
- chemical fluids which clean or add lubrication to machines;
- adhesives for industrial, construction and household purposes;
- epoxy and resin-based coating products for industrial applications; and
- components for industrial machines.

This segment primarily serves the construction, automotive and general industrial markets.

The results of operations for the Engineered Products – North America segment for the first quarter of 2003 and 2002 were as follows:

(Dollars in thousands)

	Three months ended March 31	
	2003	2002
Operating revenues	$748,785	$736,461
Operating income	111,146	124,778
Margin %	14.8%	16.9%

Operating revenues increased 2% in the first quarter of 2003 mainly due to a 3% increase from acquisitions, partially offset by a base business revenue decline of 2%. The base business revenue decline was a result of a 5% decline in construction revenues resulting from continued weakness in commercial construction and slowing residential construction activity. Although automotive revenues grew 3% in the first quarter, this growth rate was slower than the past quarters due to reduced automotive production. Revenues from the other businesses in this segment declined 1% due to continued sluggishness in the broad array of industrial and commercial markets that these businesses serve.

Operating income declined 11% in the first quarter of 2003, mainly due to the following factors. First, higher restructuring costs reduced income 5%. Second, the 2% decline in base business revenues reduced income 4% due to operating leverage. Third, higher corporate-related expenses of $5.4 million associated with pensions, restricted shares and intangible impairment charges reduced income by 4%. Fourth, operational cost savings increased income by 2% mainly due to the first quarter benefits from the last four quarters of restructuring activity, which amounted to $6.4 million in expense for this segment. Lastly, acquisitions increased income 1%.

Operating margins declined 210 basis points due to the above factors. Higher restructuring costs reduced margins by 80 basis points, base business revenue declines reduced margins 50 basis points, higher corporate-related expenses net of operational cost savings lowered margins 40 basis points and acquisitions diluted margins 40 basis points.

ENGINEERED PRODUCTS - INTERNATIONAL

Businesses in this segment are located outside North America and manufacture a variety of short lead-time plastic and metal components and fasteners, as well as specialty products for a diverse customer base. These commercially oriented, value-added products become part of the customers' products and typically are manufactured and delivered in a period of time of less than 30 days.

In the plastic and metal components and fastener category, products include:

- metal fasteners and fastening tools for the commercial and residential construction industries;
- laminate products for the commercial and residential construction industries and furniture markets;
- metal fasteners for automotive, appliance and general industrial applications;
- metal components for automotive, appliance and general industrial applications;
- plastic components for automotive, appliance and electronics applications; and
- plastic fasteners for automotive, appliance and electronics applications.

In the specialty products category, products include:

- electronic component packaging trays used for the storage, shipment and manufacturing insertion of electronic components and microchips;
- swabs, wipes and mats for clean room usage in the electronics and pharmaceutical industries;
- adhesives for industrial, construction and household purposes;
- chemical fluids which clean or add lubrication to machines; and
- epoxy and resin-based coating products for industrial applications.

This segment primarily serves the construction, automotive and general industrial markets.

The results of operations for the Engineered Products – International segment for the first quarter of 2003 and 2002 were as follows:

(Dollars in thousands)

	Three months ended March 31	
	2003	2002
Operating revenues	$405,512	$332,033
Operating income	42,327	28,226
Margin %	10.4%	8.5%

Operating revenues increased 22% in the first quarter of 2003 versus the prior year mainly due to a 15% increase from favorable currency translation, a 2% increase from acquisitions and a base business revenue increase of 5%. The base business revenue increase was a result of a 3% increase in construction revenues, mainly resulting from higher commercial construction activity in the Australasia region. Although automotive revenues grew 4% in the first quarter of 2003, this growth rate was slower than past quarters due to reduced European automotive production. Other businesses in this segment serve a broad array of industrial and commercial markets, and revenues from these businesses increased 9%.

Operating income increased 50% in the first quarter of 2003 mainly due to the following factors. First, favorable currency translation increased income 21%. Second, the 5% growth in base business revenues increased income 23% due to operating leverage. Third, higher restructuring costs reduced income 5%. Fourth, higher corporate-related expenses of $2.4 million related to higher pension and restricted share expenses reduced income 9%. Fifth, operational cost savings increased income 19%. These operational cost savings were mainly due to a $5 million fixed asset impairment reflected in last year's results and cost reductions related to the last four quarters of restructuring activity, which amounted to $2.4 million in expense for this segment. Lastly, acquisitions increased income 1%.

Operating margins increased 190 basis points due to the above factors. Higher base business revenues increased margins by 150 basis points, operational cost savings net of higher corporate-related expenses increased margins 80 basis points, currency translation increased margins 20 basis points, higher restructuring expense reduced margins 40 basis points and acquisitions diluted margins 10 basis points.

SPECIALTY SYSTEMS - NORTH AMERICA

Businesses in this segment are located in North America and design and manufacture longer lead-time machinery and related consumables, as well as specialty equipment for a diverse customer base. These commercially oriented, value-added products become part of the customers' production process and typically are manufactured and delivered in a period of time of more than 30 days.

In the machinery and related consumables category, products include:

- industrial packaging equipment and plastic and steel strapping for the bundling and shipment of a variety of products for customers in numerous end markets;
- welding equipment and metal consumables for a variety of end market users;
- equipment and plastic consumables that multi-pack cans and bottles for the food and beverage industry;
- plastic bottle sleeves and related equipment for the food and beverage industry;
- plastic stretch film and related packaging equipment for various industrial purposes;
- paper and plastic products used to protect shipments of goods in transit;
- marking tools and inks for various end users; and
- foil and film and related equipment used to decorate a variety of consumer products.

In the specialty equipment category, products include:

- commercial food equipment such as dishwashers, refrigerators, mixers, ovens, food slicers and specialty scales for use by restaurants, institutions and supermarkets;
- paint spray equipment for a variety of general industrial applications;
- static control equipment for electronics and industrial applications;
- wheel balancing and tire uniformity equipment used in the automotive industry; and
- airport ground power generators for commercial and military applications.

This segment primarily serves the food retail and service, general industrial, construction, and food and beverage markets.

The results of operations for the Specialty Systems – North America segment for the first quarter of 2003 and 2002 were as follows:

(Dollars in thousands)

	Three months ended March 31	
	2003	2002
Operating revenues	$785,716	$827,184
Operating income	111,340	111,127
Margin %	14.2%	13.4%

Operating revenues decreased 5% in the first quarter of 2003 over the prior year, mainly due to a 6% decline in base business revenues partially offset by a revenue increase of 1% from acquired companies. The 6% decline in base business revenues was a result of continued low capacity utilization in the various markets this segment serves, which has resulted in slow demand for capital equipment, and continued low industrial production activity, which has reduced demand for consumable products. This lower market demand was reflected in declines in food equipment revenues of 12%, welding revenues of 5% and marking and decorating revenues of 11%. Industrial packaging revenues were even with the prior year.

Operating income in the first quarter of 2003 was even with the prior year as a result of the following factors. First, lower restructuring costs in 2003 increased income 10%. Second, the 6% decline in base business revenues reduced income 19% due to operating leverage. Third, higher corporate-related expenses of $9.0 million associated with pensions, restricted shares and impairments of goodwill and intangible assets reduced income by 8%. Fourth, operational cost savings increased income 16% mainly due to cost savings related to the last four quarters of restructuring activity, which amounted to $30.4 million in expense for this segment. Lastly, acquisitions increased income 2%.

Operating margins increased 80 basis points due to the above factors. Lower restructuring costs increased margins by 140 basis points, base business revenue declines reduced margins by 180 basis points, operational cost savings in excess of higher corporate-related expenses increased margins 110 basis points and acquisitions increased margins 10 basis points.

SPECIALTY SYSTEMS - INTERNATIONAL

Businesses in this segment are located outside North America and design and manufacture longer lead-time machinery and related consumables, as well as specialty equipment for a diverse customer base. These commercially oriented, value-added products become part of the customers' production process and typically are manufactured and delivered in a period of time of more than 30 days.

In the machinery and related consumables category, products include:

- industrial packaging equipment and plastic and steel strapping for the bundling and shipment of a variety of products for customers in numerous end markets;
- welding equipment and metal consumables for a variety of end market users;
- equipment and plastic consumables that multi-pack cans and bottles for the food and beverage industry;
- plastic bottle sleeves and related equipment for the food and beverage industry;
- plastic stretch film and related packaging equipment for various industrial purposes;
- paper and plastic products used to protect shipments of goods in transit; and
- foil and film and related equipment used to decorate a variety of consumer products.

In the specialty equipment category, products include:

- commercial food equipment such as dishwashers, refrigerators, mixers, ovens, food slicers and specialty scales for use by restaurants, institutions and supermarkets;
- paint spray equipment for a variety of general industrial applications;
- static control equipment for electronics and industrial applications; and
- airport ground power generators for commercial applications.

This segment primarily serves the general industrial, food retail and service, and food and beverage markets.

The results of operations for the Specialty Systems – International segment for the first quarter of 2003 and 2002 were as follows:

(Dollars in thousands)

	Three months ended March 31	
	2003	2002
Operating revenues	$425,394	$365,594
Operating income	38,759	28,976
Margin %	9.1%	7.9%

Operating revenues increased 16% in the first quarter of 2003 primarily due to a 16% increase from favorable currency translation. Base business revenues increased by 1% primarily as a result of improved European industrial production activity. However, low European capacity utilization continued to dampen equipment demand. Industrial packaging revenues increased 6%, food equipment revenues were flat and specialty equipment revenues declined 5%.

Operating income increased 34% in the first quarter of 2003, mainly due to the following factors. First, currency translation increased income 22%. Second, the 1% increase in base business revenues increased income 2% due to operating leverage. Third, higher restructuring expense reduced income 6%. Fourth, higher corporate-related expenses of $2.8 million resulting from higher pension and restricted share expenses reduced income 10%. Fourth, operational cost savings of 23% offset the above increases. These operational cost savings were mainly due to cost reductions related to the last four quarters of restructuring activity, which amounted to $15.9 million in expense in this segment. Lastly, acquisitions net of divestitures increased income 2%.

Operating margins increased 120 basis points due to the above factors. Higher base business revenues increased margins by 10 basis points, operational cost savings net of higher corporate-related expenses increased margins 110 basis points, currency translation increased margins 30 basis points, higher restructuring expense reduced margins 50 basis points and acquisitions enhanced margins 20 basis points.

LEASING AND INVESTMENTS

Businesses in this segment make 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. As a result of the Company's strong cash flow, the Company has historically had excess funds to make opportunistic investments that meet the Company's desired financial returns. In connection with some of these investment transactions, the Company may be contractually required to make future cash payments related to affordable housing contributions, venture fund capital contributions or the redemption of preferred stock of subsidiaries. See page 29 of the Company's 2002 Annual Report to Stockholders for further information regarding these cash contractual obligations as of December 31, 2002.

The results of operations for the Leasing and Investments segment for the first quarter of 2003 and 2002 were as follows:

(In thousands)

	Three months ended March 31	
	2003	2002
Operating revenues	$30,450	$32,096
Operating income	17,428	16,792

Operating income (loss) by investment for the first quarter of 2003 and 2002 was as follows:

(In thousands)

	Three months ended March 31	
	2003	2002
Mortgage investments	$ 8,543	$14,742
Leases of equipment	5,055	1,410
Property developments	1,531	765
Properties held for sale	(857)	(543)
Venture capital limited partnership	(357)	(292)
Other	3,513	710
	$17,428	$16,792

Income from mortgage investments decreased primarily due to lower swap income as a result of lower market interest rates. Income from leases increased due to income from telecommunications leases which were entered into at the end of the first quarter of 2002. Operating income from other investments increased primarily due to lower interest expense related to affordable housing investments.

OPERATING REVENUES

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

	Three months ended March 31	
	2003	2002
Engineered Products - North America	$ 748,785	$ 736,461
Engineered Products – International	405,512	332,033
Specialty Systems - North America	785,716	827,184
Specialty Systems – International	425,394	365,594
Leasing and Investments	30,450	32,096
Total segment operating revenues	2,395,857	2,293,368
Intersegment revenues	(82,067)	(88,714)
Total operating revenues	$2,313,790	$2,204,654

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 no longer amortizes goodwill and intangibles that 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. The Company will 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 600 reporting units based on the operating unit which includes the business acquired. Then, the fair value of each reporting unit was compared to its carrying value. Fair values were determined by discounting estimated future cash flows at the Company's estimated cost of capital of 10%. Estimated future cash flows were based either on current operating cash flows or on a detailed cash flow forecast prepared by the relevant operating unit. If the fair value of an operating unit is less than its carrying value, an impairment loss is recorded for the difference between the fair value of the unit's goodwill and intangible assets and the carrying value of those assets.

Based on the Company's initial impairment testing, goodwill was reduced by $254.6 million and intangible assets were reduced by $8.2 million, and a net after-tax impairment charge of $221.9 million ($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.

In addition to the cumulative effect of change in accounting principle recorded in 2002, goodwill and intangible expense for the quarter ended March 31, 2003 and 2002 was as follows:

(In thousands)

	Three months ended March 31	
	2003	2002
Goodwill:		
Impairment	$ 702	$ -
Intangibles:		
Amortization	4,847	4,872
Impairment	3,761	-
Total	$9,310	$4,872

In the first quarter of 2003, the Company performed its annual impairment testing of its goodwill and intangible assets, which resulted in impairment charges of $4.5 million. The 2003 goodwill impairment charge of $0.7 million was related to a U.S. welding components business and primarily resulted from lower estimated future cash flows than previously expected. Also in the first quarter of 2003, intangible impairment charges of $3.8 million were recorded to reduce to estimated fair value the carrying value of trademarks and brands related to several U.S. welding components businesses and a U.S. business which manufactures clean room mats.

INTEREST EXPENSE

Interest expense was essentially flat in the first three months of 2003 versus the first three months of 2002 as higher interest expense from the 6.55% preferred debt securities issued in the second quarter of 2002 was offset by lower interest expense at international operations resulting from lower international debt levels.

OTHER INCOME

Other income increased to $3.3 million for the first three months of 2003 from $2.1 million in 2002. This increase is primarily due to gains in 2003 versus losses in 2002 on the sale of operations and affiliates and higher interest income in 2003, partially offset by translation losses in 2003 versus gains in 2002 on foreign currency transactions.

INCOME FROM CONTINUING OPERATIONS

Income from continuing operations of $199.5 million ($0.65 per diluted share) in the first three months of 2003 was 2.6% higher than the 2002 first quarter income from continuing operations of $194.4 million ($0.63 per diluted share).

DISCONTINUED OPERATIONS

In December 2001, the Company's Board of Directors authorized the divestiture of the Consumer Products segment. These businesses were acquired by ITW in 1999 as part of the Company's merger with Premark International Inc. ("Premark"). Subsequent to the Premark merger, the Company determined that the consumer characteristics of the businesses in this segment were not a good long-term fit with the Company's other industrially-focused businesses. Businesses in this segment are located primarily in North America and manufacture household products that are used by consumers, including Precor specialty exercise equipment, West Bend small appliances and premium cookware, and Florida Tile ceramic tile. On October 31, 2002 the sales of Precor and West Bend were completed, resulting in net cash proceeds of $211.2 million. The Company is actively marketing and intends to dispose of Florida Tile through a sale transaction in 2003.

Results of the discontinued operations were as follows:

(In thousands)

	Three months ended March 31	
	2003	2002
Operating revenues	$28,622	$101,054
Operating income (loss)	$ (1,925)	$ 8,451
Net income (loss) from discontinued operations	$ (1,932)	$ 4,075
Amount charged against reserve for operating losses	1,932	-
Income from discontinued operations (net of tax, $2,070 in 2002)	-	4,075
Loss on disposal of the segment (net of tax, $16,182 in 2003)	(4,107)	-
Income (loss) from discontinued operations	$ (4,107)	$ 4,075

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

The Company's primary source of liquidity is free operating cash flow. Management continues to believe that such internally generated cash flow will be adequate to service existing debt and to continue to pay dividends that meet its dividend payout objective of 25-30% of the last three years' average net income. In addition, free operating cash flow is expected to be adequate to finance internal growth, small-to-medium sized acquisitions and additional investments.

The Company uses free operating cash flow to measure normal cash flow generated by its operations, which is available for dividends, acquisitions, debt repayment and additional investments. Free operating cash flow is a measurement that is not the same as net cash flow from operating activities per the statement of cash flows and may not be consistent with similarly titled measures used by other companies.

Summarized cash flow information for the three months ended March 31, 2003 and 2002 was as follows:

(In thousands)

	Three months ended March 31	
	2003	2002
Net cash provided by operating activities	$217,174	$282,894
Proceeds from investments	15,665	11,827
Additions to plant and equipment	(56,173)	(64,051)
Free operating cash flow	176,666	230,670
Acquisitions	(14,814)	(35,347)
Cash dividends paid	(70,514)	(67,084)
Purchase of investments	(29,138)	(115,049)
Net settlement from sales of operations and affiliates	(3,859)	1,792
Net repayments of debt	(32,678)	(40,873)
Other	42,200	24,693
Net increase (decrease) in cash and equivalents	$ 67,863	$ (1,198)

Return on Invested Capital

The Company uses return on average invested capital ("ROIC") to measure the effectiveness of the operations' use of invested capital to generate profits. ROIC for the three months ended March 31, 2003 and 2002 was as follows:

(Dollars in thousands)

	Three months ended March 31	
	2003	2002
Operating income after taxes	$ 208,650	$ 201,434
Total debt	$1,552,783	$1,526,242
Less: Leasing and investment debt	(812,128)	(810,106)
Less: Cash	(1,125,550)	(281,026)
Adjusted net debt	(384,895)	435,110
Total stockholders' equity	6,919,082	5,945,936
Invested capital	$6,534,187	$6,381,046
Average invested capital	$6,468,729	$6,506,623
Return on average invested capital	12.9%	12.4%

Working Capital

Net working capital at March 31, 2003 and December 31, 2002 is summarized as follows:

(Dollars in thousands)

	March 31, 2003	Dec. 31, 2002	Increase/ (Decrease)
Current Assets:			
Cash and equivalents	$1,125,550	$1,057,687	$ 67,863
Trade receivables	1,562,330	1,500,031	62,299
Inventories	1,008,967	962,746	46,221
Other	354,559	354,301	258
	4,051,406	3,874,765	176,641
Current Liabilities:			
Short-term debt	100,998	121,604	(20,606)
Accounts payable	425,791	416,958	8,833
Accrued expenses	709,926	833,689	(123,763)
Other	248,106	194,911	53,195
	1,484,821	1,567,162	(82,341)
Net Working Capital	$2,566,585	$2,307,603	$ 258,982
Current Ratio	2.73	2.47	

Accrued liabilities decreased primarily as a result of the payments of accrued bonuses, rebates and payroll in the first quarter of 2003.

Debt

Total debt at March 31, 2003 and December 31, 2002 was as follows:

(Dollars in thousands)

	March 31, 2003	Dec. 31, 2002
Short-term debt	$ 100,998	$ 121,604
Long-term debt	1,451,785	1,460,381
Total debt	$1,552,783	$1,581,985
Total debt to capitalization	18.3%	19.2%
Total debt to total capitalization (excluding Leasing and Investment segment)	10.3%	11.4%

Stockholders' Equity

The changes to stockholders' equity during 2003 were as follows:

(In thousands)

Total stockholders' equity, December 31, 2002	$6,649,071
Income from continuing operations	199,484
Loss from discontinued operations	(4,107)
Cash dividends declared	(70,535)
Exercise of stock options	2,598
Shares issued for restricted stock grants	4,434
Escrow shares returned from prior acquisitions	(664)
Currency translation adjustments	138,801
Total stockholders' equity, March 31, 2003	$6,919,082

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 Florida Tile business in 2003, the adequacy of internally generated funds and the impact of the adoption of FIN 46. 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, commercial or real estate markets, (2) deterioration in global and domestic business and economic conditions, particularly in North America, the European Community or Australia, (3) the unfavorable impact of foreign currency fluctuations, (4) an interruption in, or reduction in, introducing new products into the Company's product line and (5) a continuing 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 and Chief Executive Officer and Senior Vice President and 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)	Amendment to the Illinois Tool Works Inc. 1996 Stock Incentive Plan effective May 9, 2003
99(a)	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act

(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: May 15, 2003

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

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: May 15, 2003

/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: May 15, 2003

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

Exhibit 10(a)

Amendment to Merge the Premark International, Inc. 1994 Incentive Plan
into the Illinois Tool Works Inc. 1996 Stock Incentive Plan

1. Section 1 of the Plan is amended to add the following:

   "Effective May 9, 2003, the Premark International, Inc. 1994 Incentive Plan (the "Premark Plan") is merged into the Plan. Section 15 of the Plan sets forth the terms applicable to the merged Premark Plan and the Options granted thereunder."

2. Section 4 of the Plan is amended to add the following:

   "The 10,000,000 shares of Common Stock authorized for issuance pursuant to the Plan increased to 20,000,000 shares pursuant to the stock split in 1997. Effective May 9, 2003, the number of shares of Common Stock authorized for issuance shall be [30,930,193] shares, which number reflects the merger of the Premark Plan into the Plan and an additional 3,000,000 shares."

3. A new Section 15 is added to the Plan as follows:

   Section 15. Options Granted Under the Premark Plan.

   Pursuant to the merger of the Premark Plan into the Plan effective May 9, 2003, each Option granted under the Premark Plan prior to such date shall be assumed by the Plan and shall be subject to the requirements set forth below.

   (a) Administration by the Committee. The Committee shall have the full power, discretion and authority to interpret and administer the Options previously granted under the Premark Plan in a manner which is consistent with the provisions of this Plan, the terms of the applicable Option agreements, and the requirements of applicable law.

   (b) Option Grants. Any grants of Options to individuals who had previously been eligible for grants under the Premark Plan prior to the Company's acquisition of Premark International, Inc. have been made under this Plan subsequent to the acquisition and will continue to be granted pursuant to the terms of this Plan.

   (c) Option Agreements. Each Option granted under the Premark Plan is evidenced by an Option agreement, the terms of which shall continue in effect.

   (d) Premark Plan Provisions. Except as set forth in this Section 15 or in any outstanding Option agreement, the provisions of the Premark Plan shall terminate and have no effect as of May 9, 2003.

EXHIBIT 99(a)

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The following statement is being made to the Securities and Exchange Commission solely for purposes of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1349), which carries with it certain criminal penalties in the event of a knowing or willful misrepresentation.

Each of the undersigned hereby certifies that the Quarterly Report on Form 10-Q for the period ended March 31, 2003 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

Dated: May 15, 2003

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

Dated: May 15, 2003

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