Innovation Through Applied Science

Fourteen Consecutive Record Years

2003 Annual Report

Donaldson®

About the Company

Donaldson Company, Inc., is a leading worldwide manufacturer of filtration systems and replacement parts. The company's product mix includes air and liquid filters and exhaust and emission control products for mobile equipment; in-plant air cleaning systems; compressed air purification systems; air intake systems for industrial gas turbines; and specialized filters for such diverse applications as computer disk drives, aircraft passenger cabins and semiconductor processing. Products are manufactured at 34 Donaldson plants around the world and through three joint ventures.

Our financial objective is to build shareholder value through superior share price appreciation and consistent dividend payouts. We believe value is created by delivering consistent, double-digit growth in earnings per share. Growth will be achieved by aggressively pursuing new opportunities in our existing and related markets. Consistency will be reinforced by maintaining a diversified portfolio
of related filtration businesses around the world.

Mission Statement

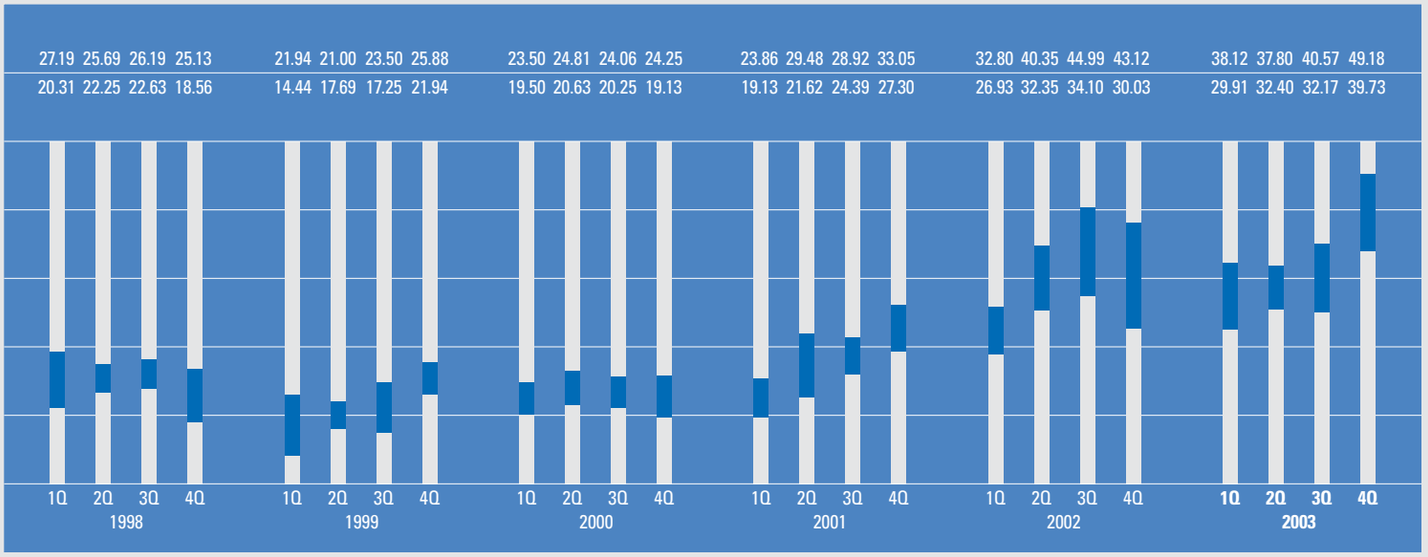
To provide superior return for our shareholders, through consistent, long-term earnings growth built on global leadership in filtration solutions, thereby creating security and opportunity for our employees.

» Financial Highlights

Donaldson Company, Inc. and Subsidiaries

Year ended July 31	2003	2002	% change
Net sales (000s)	**$1,218,252**	$1,126,005	8.2%
Net earnings (000s)	**95,314**	86,883	9.7%
Return on sales	**7.8%**	7.7%	.1 pts.
Return on average shareholders' equity	**23.0%**	24.8%	(1.8) pts.
Long-term capitalization ratio	**19.0%**	21.5%	(2.5) pts.
Diluted earnings per share	**$ 2.11**	$ 1.90	11.1%
Dividends paid per share	**$ .350**	$ .310	12.9%
Shareholders' equity per share	**$ 10.32**	$ 8.72	18.4%
Diluted shares outstanding (000s)	**45,235**	45,714	(1.0)%
Employees at year-end	**9,195**	8,166	12.6%

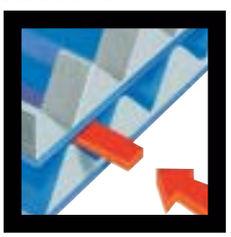
Six-Year Quarterly High-Low Stock Prices



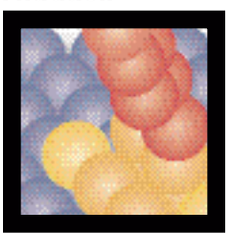
Innovation Through Applied Science

Filtration technology is a science. In fact, at Donaldson, it's five sciences. We focus on these key areas of research and *discovery* in our quest for pacesetting products:

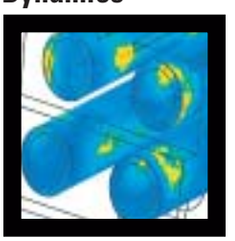
» **Particulate Filtration**



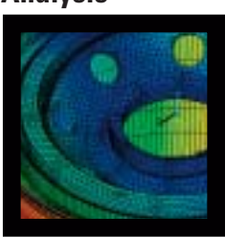
» **Chemical Filtration**



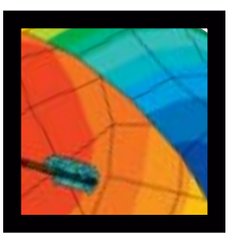
» **Fluid Dynamics**



» **Structural Analysis**



» **Acoustics**



Years ago, filtration focused on removing large particles from air and liquid. Today, that focus has shifted to ever-finer particles – down to the molecular level.

Donaldson has leveraged mastery of its five sciences to create the world's best filtration products, and capture leading shares in applications where filtration is critical for protecting processes, equipment and people. We rely on continuous technology advancement and innovation to maintain our leadership position. As a result, our employees hold over 450 patents.

It's important for us to have the best technology and the best scientists and engineers because our customers are looking for better value and better protection – for people and equipment. Equipment manufacturers must meet the demands of tougher environmental codes, longer warranties, more delicate equipment and less space. Equipment users must cope with higher productivity, stricter warranties, smaller maintenance staffs and tougher safety codes.

Our research begins with understanding these challenges. We analyze the information from our customers and develop new filter media and systems that meet the demands of different operating conditions. Supercomputer modeling tools enable us to simulate real-world environments and test our innovations early in the development process. Our 400 engineers around the world then use that knowledge to develop proprietary products.

By better understanding the sciences of filtration, we deliver better quality of life for people and longer running lives for machines.

On the cover: Photo of PowerCore™ air element for a Freightliner medium-duty truck.

Dear Shareholders,

Fourteen consecutive years of double-digit earnings growth – that's the reality behind all of our talk about **delivering shareholder value.** We can find only three other public companies with comparable records – none of them an "industrial." Our record is a remarkable testament to the depth, breadth, quality and commitment of the Donaldson people who made it happen.

We set out almost 20 years ago to define Donaldson as synonymous with "consistent, above-average earnings," believing that this would yield superior returns to patient, long-term investors. The idea seems to have had some merit. Anyone who held Donaldson stock for *any decade out of the last 20 years* has enjoyed roughly a 20 percent annual return. That's using annual average share prices – including a value of $37 for fiscal 2003.

This last year presented our stiffest challenge, with a $100 million drop in gas turbine sales and soggy North American industrial spending. Winning in this environment required extraordinary effort and personal sacrifice from our people. We ran shorthanded for periods of time in many locations and did without in order to control spending. Tough choices became routine, often meaning extra work in the short term. Once again, the Donaldson people stayed focused, they performed, and they added "Year 14" to the record – now we're on to "Year 15."

This was not a story of brilliant management by a handful of executives; it was largely a collection of small stories, written by hundreds and hundreds of people, all around the world, at all levels of the organization, who brought the commitment, skills and persistence to do what needed to be done to keep this company strong. The stories were written in Hull, Klasterec and Leuven, Wyong, Singapore, Hong Kong and Wuxi, Monterrey, Capetown, Gunma and Aguascalientes and all across the United States, including Baldwin, Cresco, Auburn, Nicholasville, Grinnell and, surely, Bloomington. Too many stories to tell individually, yet they are eloquently told in the performance of the company.

Mixed in with all of the small stories are four "big" stories that deserve comment.

First, our North American truck business turned in a stellar performance. In an overall down market, our unit volume remained flat through increased market share. Revenues grew from increasing dollar content per vehicle, led by our emission control devices and new programs for our innovative PowerCore™ filters.

Overseas operations contributed 50 percent of our sales and the second "big story." In a truly lousy Japanese economy, local currency sales were up 17 percent and operating profit up 22 percent. Local currency operating profit rose 16 percent for European Engine operations and 70 percent in Australia. South Africa turned a 20 percent sales increase into a 50 percent operating profit improvement. Some of these operations are larger than others, but the profit numbers themselves – up 22 percent, 16 percent, 70 percent, 50 percent – boldly underline how important our overseas operations are to Donaldson's story, and why we are able to post such solid results despite the weak U.S. economy.

The third factor is the very successful integration of Ultrafilter. We acquired German-based Ultrafilter in July 2002, and we've seen it blend smoothly into the Donaldson portfolio. We acquired outstanding leadership in Ultrafilter's management, who delivered solid sales growth in a very difficult environment, while reducing product cost and slashing overhead. There is more to do; the integration is not complete, but we have to score this as a significant success. We are increasingly excited about our in-plant filtration potential over the long-term from merging Ultrafilter's capabilities with our industrial hydraulics and dust collection businesses.

Ironically and somewhat unexpectedly, the contraction in the North American gas turbine market provided the backdrop for the fourth "big story." We came into this year projecting a big drop in sales, as the North American power generation bubble burst. Indeed, gas turbines dropped 44 percent – just more than $100 million. But that's not the news. The news is that our gas turbine organization did a remarkable job of managing down both manufacturing capacity and operating expenses. They maintained gross margin and finished the year in the black. It is not supposed to happen that an industrial manufacturing business drops sales 44 percent and remains profitable. These people did it and played a key role in our success.

Looking to fiscal 2004, what we call "Year 15," we are optimistic about our ability to keep this record going. We began the year on positive trends, unlike what we have experienced the last two years. Worldwide, our Engine business shows strong order and backlog trends, buoyed by PowerCore program wins and a

recovery in North American heavy truck builds. In addition, we foresee an incremental $10 million, or perhaps more, in retrofit diesel emission sales having already booked the first significant orders for our unique, EPA-certified, emission control system.

Our disk drive filter business should rebound. Industry sources project a 10 percent unit volume increase in the PC and server markets for the coming year, as sales turned up in the summer of 2003. Adding to that is a lift from the first major disk drive technology innovation in the last couple of years. These new drives have very high access speed and high areal density and that means demanding filtration. That's Donaldson's business, both figuratively and literally. The end result is that we entered fiscal 2004 with disk drive filter orders and backlog at record levels.

We expect continued revenue growth from Ultrafilter, leveraged by the full year impact of profitability gains made last year and the effect of the continuing process improvements still underway.

Our gas turbine business will have another difficult revenue year. As the power generation industry continues its march back to pre-bubble levels, we project another 30 to 35 percent revenue drop from fiscal 2003. However, we expect this business to continue to stay ahead of the contraction and remain profitable.

Finally, the payoff from our ongoing program in manufacturing rationalization will be more dramatically apparent. We have made tremendous progress in manufacturing efficiency for several years by consolidating capacity. But it is expensive work – 17 cents per share in 2001, 5 cents in 2002 and 10 cents in 2003. As always, the costs were absorbed into operating income; our record operating performance included clearing those hurdles.

Another step in that process is the consolidation from two Japanese plants to one. The new plant is complete and the move – and its costs – behind us. The old facility is sold and will bring a gain of 8 to 10 cents a share sometime in the first half of the year.

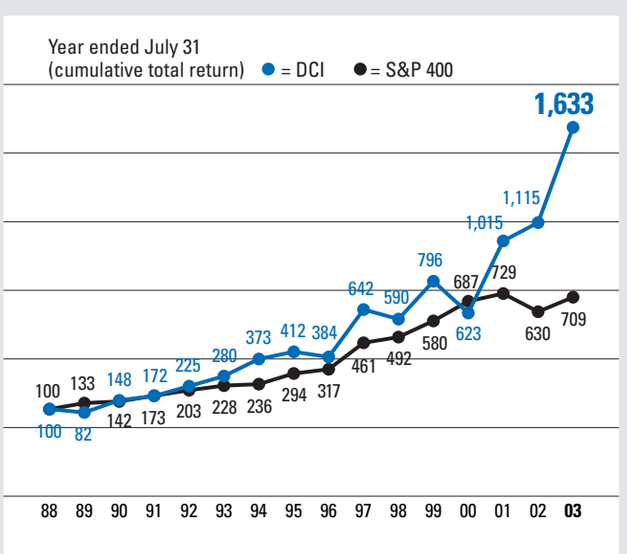
Looking back, our success reflects both the capability and commitment of the Donaldson people, and the soundness and enduring strength of our diversified filtration portfolio. Those two factors have produced 14 consecutive years of double-digit earnings growth. Looking forward, despite all of the uncertainties and unknowns, those same factors insure that we're in the race to deliver again. Strength will come from a growing engine business, driven by some great new products that are gaining traction every day, a resurgent disk drive market, the continuing flowering of Ultrafilter, and as always, the power of a first-rate operations group delivering an ever more efficient manufacturing platform.

We are committed to celebrating Year 15.

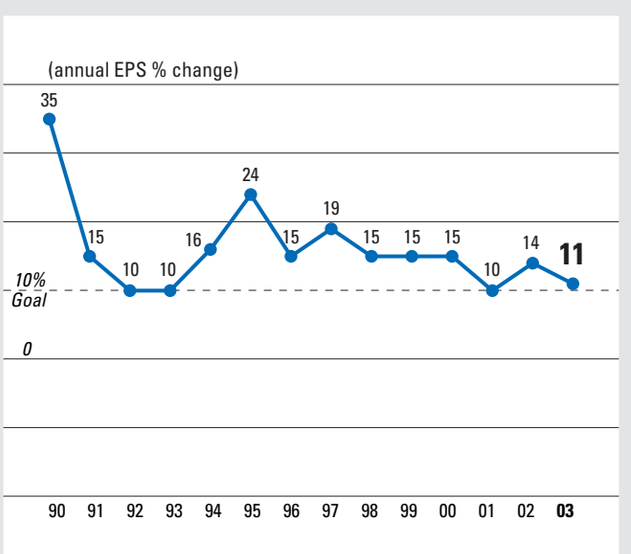
Sincerely,

William G. Van Dyke
Chairman, President and Chief Executive Officer

Long-Term Performance



Consistent Double-Digit EPS Growth

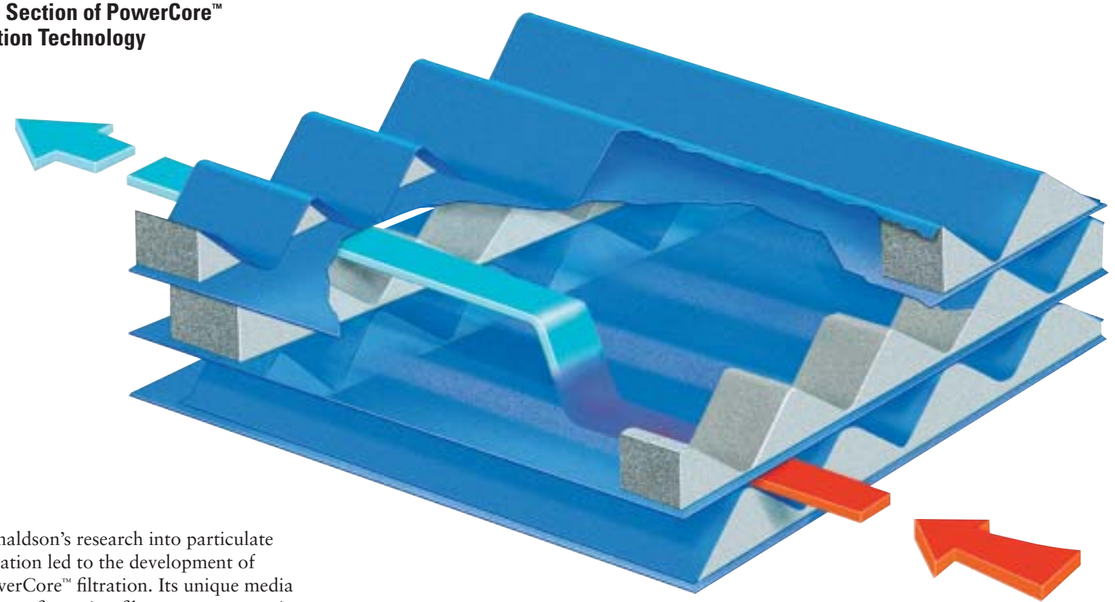


Particulate Filtration

Particulate filtration science involves understanding the relationship between particle size and structure and media geometry. Intimate and detailed knowledge of these relationships allows for optimization of particle collection and storage, while keeping pressure loss to a minimum.

Proprietary computer models and 3D imaging help us understand what will happen as specific contaminant particles flow into the fibers of filter media. Our scientists use this type of modeling to simulate new filter designs and speed the development process.

Cross Section of PowerCore™ Filtration Technology

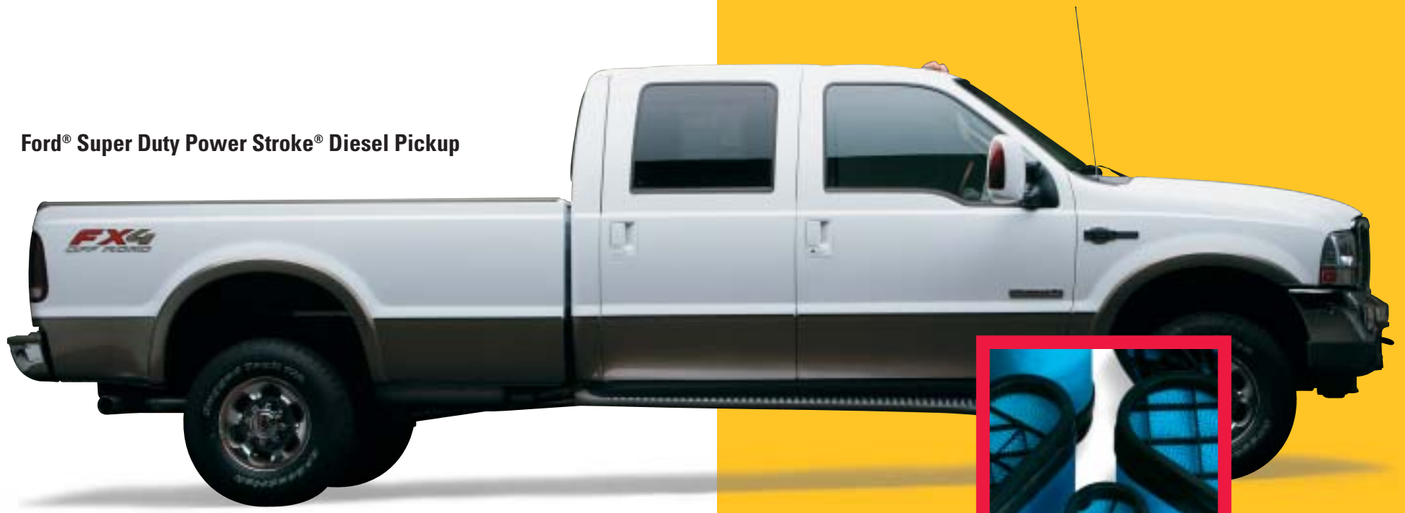


» Donaldson's research into particulate filtration led to the development of PowerCore™ filtration. Its unique media and configuration filters more contaminant in half the space.

Engine designers for today's vehicles are faced with demands for increased horsepower, tightened emissions regulations and increased streamlining.

Donaldson has introduced an innovative combination of high-density filtration and nano-fiber media, known as PowerCore™ filtration technology. This proprietary advancement places twice the filter media area in a given space, specifically designed in this case to collect and store submicron soot particles. The result is substantially improved particle collection efficiency, longer life and higher air flow – all in a package half the size of competing technologies.

Ford® Super Duty Power Stroke® Diesel Pickup



Delivering more in less space

- During the design phase of its Super Duty Power Stroke diesel pickup trucks, Ford increased the horsepower to an industry-leading 325 horsepower but simultaneously reduced the space for the air intake system.
- The compact design and high efficiency of our PowerCore filtration allowed Ford to integrate an air intake system that handled higher airflows, held more contaminant and lasted longer without compromising their design objectives.

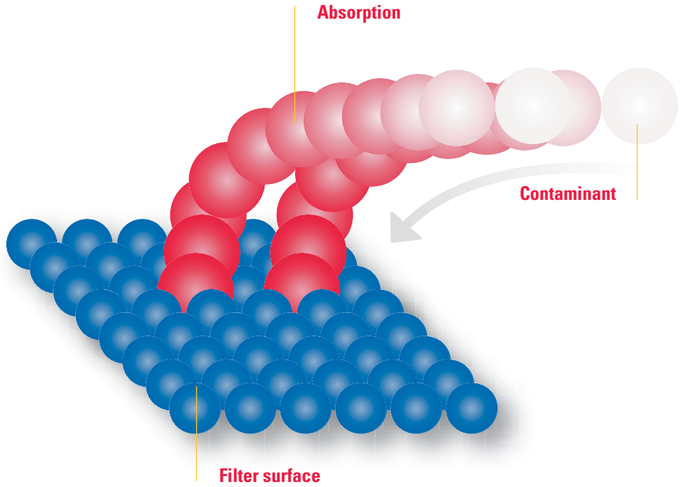
Chemical Filtration

Today's advanced industrial processes require the removal of molecular, airborne contaminants to parts *per billion* levels to protect equipment and improve process yields. Chemical filtration removes contaminants through a chemical reaction between the particles and the filter media.

This science combines materials that adsorb, bond with or catalyze unwanted gas molecules.

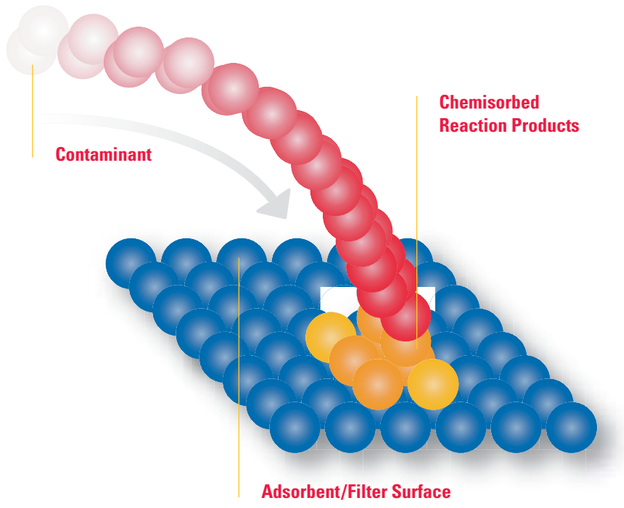
Physical Absorption

» Contaminants go into filter media and are captured there, like a sponge absorbs water.



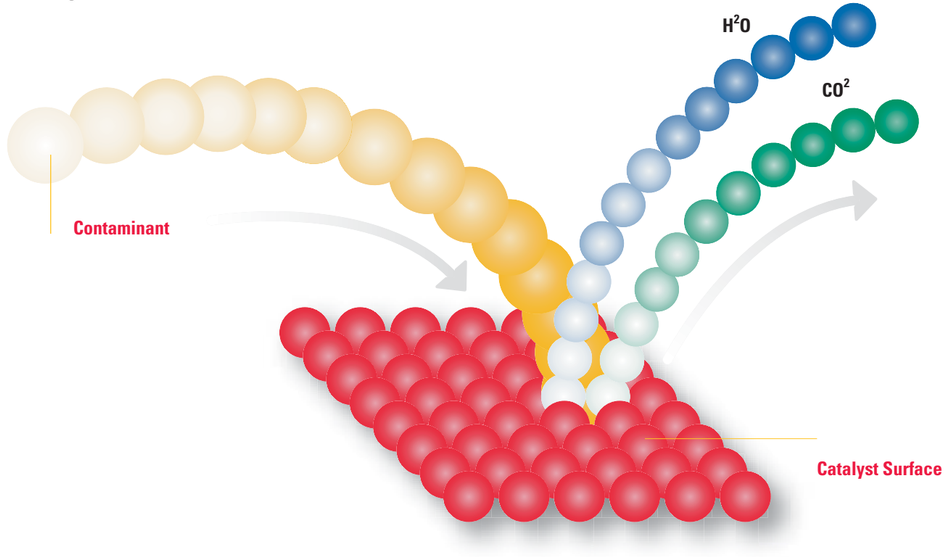
Chemisorption or Chemical Bonding

» Contaminants bond to the surface of the filter media through physical or chemical attraction, much like magnetism.

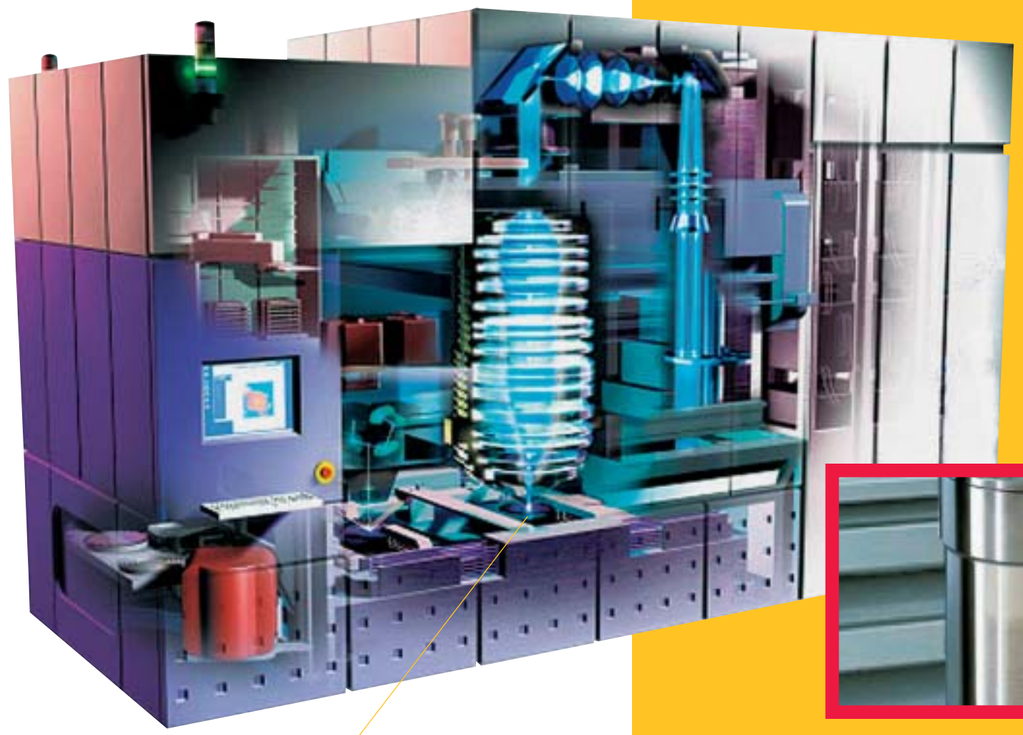


Catalytic Abatement

» Contaminants react with the filter media and change from harmful to harmless gases.



Deep UV Photolithography Tool for Manufacturing Semiconductor Wafers



Making clean environments cleaner

- Our customers apply LITHOGUARD and Ultrafilter products at critical “points of use” in their semiconductor manufacturing systems to provide ultra-clean zones exactly where they are needed.
- LITHOGUARD removes submicron contaminants and delivers ultra-pure air where the laser meets the silicon wafer to help deliver the most precise image possible onto the chip’s surface.

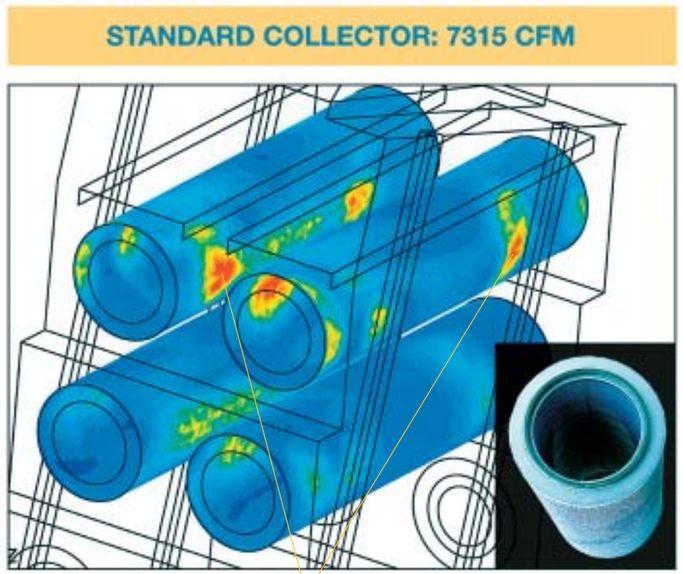
Clean room standards are ever increasing in the manufacture of highly complex semiconductor chips. Sometimes, however, even a clean room environment is not clean enough.

Filtration inside a clean room calls for a delicate balance. Filter out too much of one substance (such as water vapor) and the wafer surface won’t develop properly. To provide the necessary critically clean environment – plus maximum control – Donaldson offers a broad range of filter solutions for a wide variety of molecular contaminants and desired air flow.

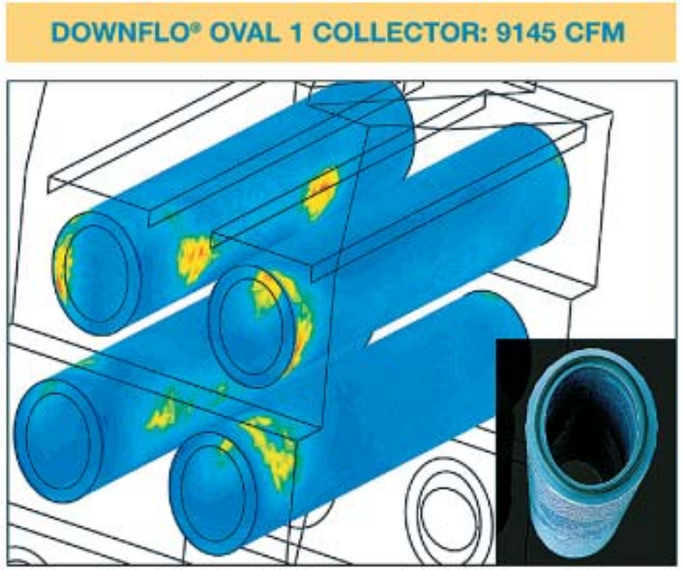
Our LITHOGUARD™ and Ultrafilter™ products utilize high efficiency materials to eliminate contaminant molecules. These materials are configured into a filter that best balances structural strength, size, life, efficiency and cleanliness.

Fluid Dynamics

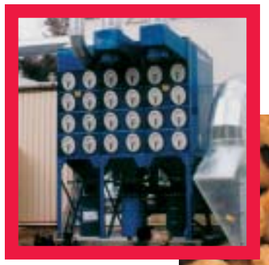
Fluid dynamics is the study of liquids and gases in motion or at rest and their effects when they come into contact with other materials. Donaldson's engineers study how particles flow through a filter, such as mist through a membrane or hot exhaust gas through a muffler housing.

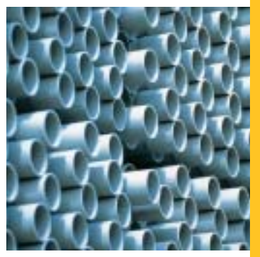


» Using special software, Donaldson engineers identified "hot spots," or air turbulence, in round filter designs used in industrial dust collectors.



» Oval filters reduced "hot spots," creating a more efficient filter design and a 25 percent performance improvement.





Keeping dusty operations flowing

- Donaldson's DownFlo® dust collectors are used in applications from metal cutting to woodworking to processing food, plastics and pharmaceuticals.
- DownFlo Oval dust collectors have 25 percent more filtration capacity than conventional dust collectors.
- Manufacturers can save factory floor space and 10-15 percent of the cost.

When dust is a big problem, floor space is at a premium and downtime to change filters means lost revenue, customers count on Donaldson's DownFlo® Oval dust collection system.

Fluid dynamics has played a vital role in positioning Donaldson's Torit® DownFlo® Oval dust collector product as the pace-setter for its industry. The proprietary oval design, introduced in 2000, delivers longer life and better performance. More than 1.4 million pounds of dust and 16,000 hours of laboratory and job testing went into developing the DownFlo Oval.

The DFO won the 2002 "Product of the Year" recognition from *Filtration and Separation* magazine, the leading trade publication for the industry.

Structural Analysis

Donaldson filters perform in highly demanding environments. Our scientists use the most advanced structural analysis tools available to design tough yet cost effective filters and housings. Using a method called finite element analysis, we are able to analyze the structural integrity of new designs. In this way we maximize reliability while delivering lowest possible cost.

» Computer modeling identifies the area in red as potential stress points on a filter housing.

Donaldson Oil Filter Housing

Oil Storage Facility

Donaldson offers a full line of industrial hydraulic filters to protect machinery and components in hundreds of applications – in the factory and on heavy-duty mobile equipment.

Today's demanding tolerances on moving mechanical parts require finer filtration to prevent particle wear and eventual failure. At the same time, higher pressures and flow rates require robust and reliable filters. Our Donaldson engineers factored in the intense pressures of hydraulic circuits and transmissions when designing Duramax® filters. We also recognized the economic pressures on manufacturers and equipment owners to extend their maintenance cycles.

With the optimum balance of performance and cost, the Duramax brand offers the highest-rated, medium pressure spin-on filter in its category.

- Duramax filters pre-clean the hydraulic and transmission fluids in the storage tanks to meet the demanding quality specs of the vehicle manufacturer's warranties.

Minimizing hydraulic pressures

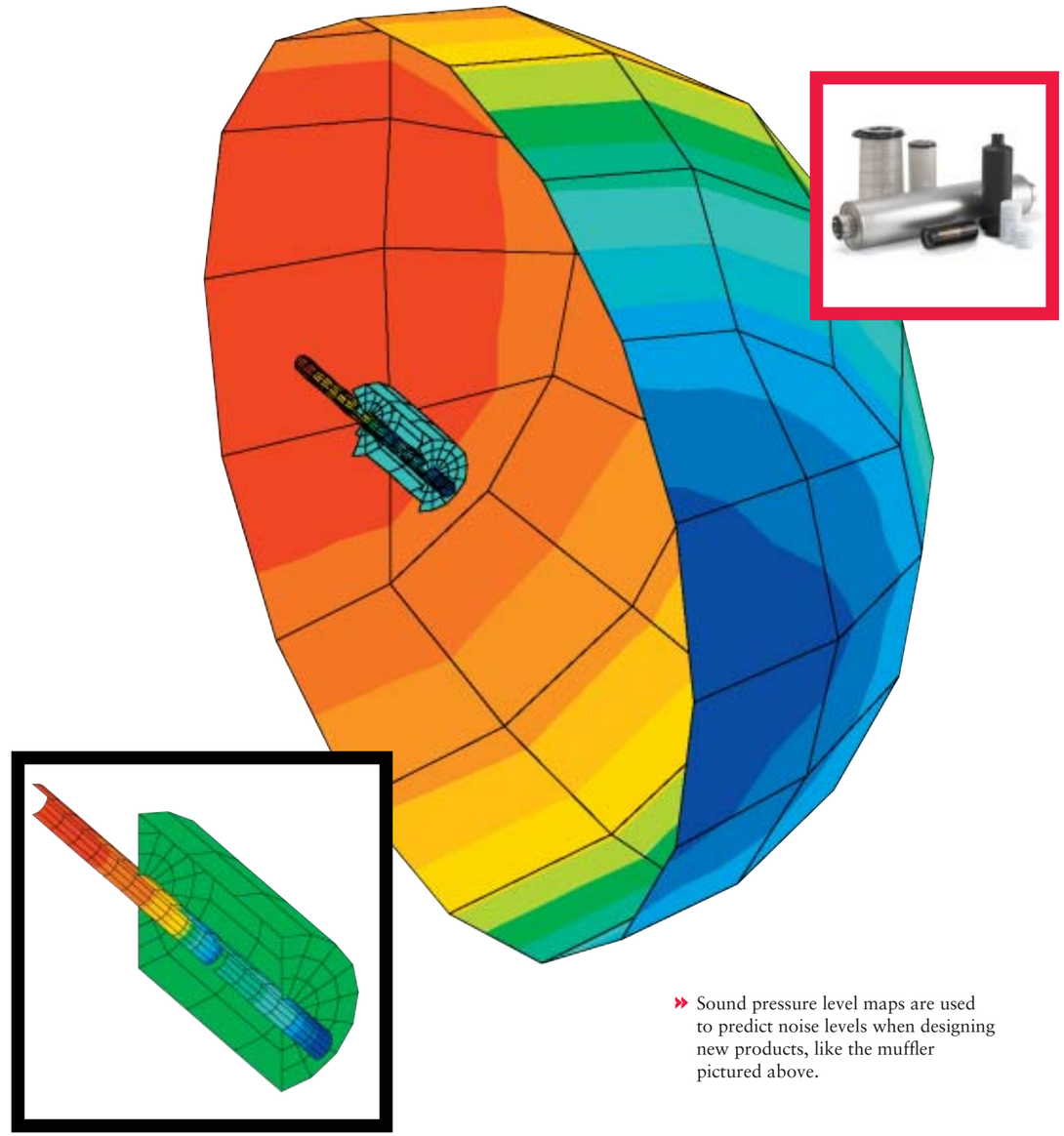
- Leading manufacturers of construction and farm equipment use Donaldson Duramax filters for the best possible mix of serviceability, cost and performance.
- Duramax filters keep hydraulic fluids clean and protect equipment in highly demanding conditions to keep warranty repair costs down.
- The Duramax spin-on casing saves maintenance time and helps avoid spills.

Acoustics

Engines and equipment generate noise that can be both distracting and harmful. Government authorities and our customers have demanded ever-quieter equipment operation. Donaldson has forged ahead with the technology to protect equipment operators and the public from this “noise pollution.”

Donaldson engineers use computer analysis tools to predict and to better understand the complexities of acoustics. Such analyses have delivered quiet – for intake and exhaust systems on trucks, for gas turbines in electric power generation and for industrial air filtration systems inside manufacturing facilities.

Sound Pressure Level Map of Muffler



» Sound pressure level maps are used to predict noise levels when designing new products, like the muffler pictured above.

High performance vehicles like the General Motors Hummer® H2 require significant air intake system noise reduction to meet vehicle noise requirements.

Offered in a wide range of styles and in sizes for engines from 20 to 3000 hp, Donaldson air intake systems are installed as original equipment by the majority of truck and off-road equipment manufacturers. Donaldson incorporates acoustic features into the system design to meet the manufacturer's specification for air intake noise.

Air Intake System for Hummer H2

Reducing engine noise to a Hum

- Donaldson engineers used sophisticated computer analysis tools to determine the optimum noise reduction solution for the H2.
- Due to the large engine size and low profile hood design, the H2 did not allow enough space to package traditional noise reduction products.
- Using cutting edge plastic molding techniques and computer-aided design, noise control was accomplished within the air intake system duct work.

Hummer H2 is a trademark of General Motors Corporation.

Industrial Products Operating Segment

» 2003 Revenue **$535 Million**

Engine Products Operating Segment

» 2003 Revenue **$683 Million**

	Industrial Air Filtration	Gas Turbine Systems	Ultrafilter	Special Applications				End-Markets	Off-Road Equipment	Trucks	Aftermarket
											
Products	Under the trade names Donaldson Torit® and Donaldson Torit DCE®, Donaldson provides equipment to control and capture process dust, fumes and mist in manufacturing and industrial processing plants. In addition, a full line of replacement filter cartridges, bags and spare parts are offered.	Donaldson provides complete systems to deliver clean air to gas-fired turbines. Products include self-cleaning filter units, static air filter units, inlet ducting and silencing, evaporative coolers, chiller coils, inlet heating and anti-icing systems. Also, a full line of replacement filters and parts is offered.	Under the name Ultrafilter™, Donaldson provides a complete line of compressed air filters and a wide assortment of replacement filters, a complete offering of refrigeration and desiccant dryers, condensate management devices and after-sale services.	Donaldson provides a wide range of high efficiency media, filters and filtration systems for various commercial, industrial and product applications.				**End-Markets**	Products sold to industrial equipment and defense contractor OEMs for agriculture, construction, mining and military applications.	Products sold to manufacturers of light-, medium- and heavy-duty trucks.	Broad line of replacement filters and hard parts for all of the equipment applications noted at left.
Applications	Product is applied in a wide variety of industrial settings including metal working plants, paint operations, welding stations, woodworking shops and food processing plants.	Essentially all combustion turbines require inlet air filtration and noise attenuation systems. These turbines provide base electricity, peaking capacity and remote power generation for special applications such as pipelines and off-shore oil drilling platforms.	Product is applied in a wide variety of industrial processes where compressed air purification is required, including paint operations, conveying systems, pneumatic tools and controls. Key end-market segments include food and beverage, painting, industrial gas, textiles, chemicals, electronics and packaging.		Products for the **computer disk drive** market include particulate filters, desiccant pouches and chemical adsorbing filter pouches. Customers include major disk drive manufacturers such as IBM, Seagate and Western Digital.	Products for **special market** applications include aircraft cabin air filters, chemical filter systems for semi-conductor processing facilities, as well as other filters for process-critical applications.	Donaldson sells **expanded PTFE membrane** through its Tetratec unit. Primary applications for this membrane are industrial dust collection, product recovery applications and specialty fabrics.	**Representative Customers**	Caterpillar, John Deere, Komatsu, CNH, Volvo Construction Equipment, General Dynamics and Stewart & Stevenson	Freightliner, PACCAR, Volvo, Scania, International, Mitsubishi, Ford and General Motors	Original equipment dealers (such as Freightliner dealers or Caterpillar dealers), independent distributors and private label accounts
2003 Revenue	**$174 Million**	**$130 Million**	**$121 Million**	**$110 Million**				**2003 Revenue**	**$195 Million**	**$116 Million**	**$372 Million**
Routes to Market	Dedicated field sales force uses multiple selling channels to end-users including: direct selling, distribution, installers, OEM accounts and telemarketing.	Products are primarily sold to gas turbine OEMs (e.g., General Electric, Solar and Siemens Westinghouse). Replacement parts are sold direct to end-users.	Dedicated field sales force uses multiple selling channels to end-users including: direct selling, distribution, installers and OEM accounts.	Products are sold to disk drive manufacturers by a direct sales force supported by product development and application engineers.	Products are primarily sold direct to end-users.	Membrane and laminates are sold to various filter and garment manufacturers.	Products are sold through an extensive network of industrial distributors.	**Product Families**	**Engine Intake Air Filtration Systems** ✓	✓	✓
									Exhaust Systems ✓	✓	✓
									Hydraulic Filtration Systems ✓		✓
									Lube, Fuel and Coolant Filtration Systems ✓	✓	✓
									Cabin Air Filters ✓	✓	✓

» Eleven-Year Comparison of Results

Donaldson Company, Inc. and Subsidiaries

(Thousands of dollars, except per share amounts)

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Operating Results											
Net sales	**$1,218,252**	$1,126,005	$1,137,015	$1,092,294	$944,139	$940,351	$833,348	$758,646	$703,959	$593,503	$533,327
Gross margin	**$ 391,151**	349,492	341,734	327,521	275,681	263,262	250,273	222,874	197,979	166,599	152,236
Gross margin percentage	**32.1%**	31.0%	30.1%	30.0%	29.2%	28.0%	30.0%	29.4%	28.1%	28.1%	28.5%
Operating income	**$ 131,765**	123,850	112,108	105,594	88,390	86,799	82,715	75,642	65,531	52,079	45,246
Operating income percentage	**10.8%**	11.0%	9.9%	9.7%	9.4%	9.2%	9.9%	10.0%	9.3%	8.8%	8.5%
Interest expense	**$ 5,889**	6,531	11,608	9,880	6,993	4,671	2,358	2,905	3,089	3,362	2,723
Earnings before income taxes	**$ 130,567**	119,018	104,928	100,333	89,210	86,441	79,094	71,120	63,172	50,193	44,682
Income taxes	**$ 35,253**	32,135	29,380	30,100	26,763	29,390	28,474	27,684	24,636	18,244	16,468
Effective income tax rate	**27.0%**	27.0%	28.0%	30.0%	30.0%	34.0%	36.0%	38.9%	39.0%	36.3%	36.9%
Net earnings	**$ 95,314**	86,883	75,548	70,233	62,447	57,051	50,620	43,436	38,536	31,949[1]	28,214
Return on sales	**7.8%**	7.7%	6.6%	6.4%	6.6%	6.1%	6.1%	5.7%	5.5%	5.4%	5.3%
Return on average shareholders' equity	**23.0%**	24.8%	25.2%	25.9%	24.1%	22.8%	21.4%	19.3%	18.8%	17.6%	16.9%
Return on investment	**18.3%**	19.2%	19.1%	19.4%	19.0%	20.5%	20.8%	18.5%	17.6%	16.0%	15.0%
Financial Position											
Total assets	**$ 881,997**	850,131	706,830	677,525	542,246	512,987	467,501	402,850	381,042	337,360	300,217
Current assets	**$ 454,705**	456,484	407,227	383,347	326,388	300,817	283,367	250,751	247,904	220,308	196,014
Current liabilities	**$ 214,076**	273,253	217,279	243,590	142,055	165,068	177,346	138,578	123,747	115,757	93,666
Working capital	**$ 240,629**	183,231	189,948	139,757	184,333	135,749	106,021	112,173	124,157	104,551	102,348
Current ratio	**2.1**	1.7	1.9	1.6	2.3	1.8	1.6	1.8	2.0	1.9	2.1
Current debt	**$ 14,798**	60,857	59,416	85,313	20,696	45,896	42,674	13,145	20,800	16,956	7,595
Long-term debt	**$ 105,156**	104,556	99,259	92,645	86,691	51,553	4,201	10,041	10,167	16,028	18,920
Total debt	**$ 119,954**	165,413	158,675	177,958	107,387	97,449	46,875	23,186	30,967	32,984	26,515
Shareholders' equity	**$ 447,393**	382,621	319,093	280,165	262,763	255,671	243,865	228,880	221,173	189,697	174,008
Long-term capitalization ratio	**19.0%**	21.5%	23.7%	24.9%	24.8%	16.8%	1.7%	4.2%	4.4%	7.8%	9.8%
Property, plant and equipment, net	**$ 255,436**	240,913	207,658	204,545	182,180	178,867	154,595	124,913	110,640	99,559	90,515
Net expenditures on property, plant and equipment	**$ 33,293**	40,529	38,924	36,417	29,539	54,705	47,327	39,297	25,334	24,642	15,005
Depreciation and amortization	**$ 37,557**	31,751	38,577	34,326	27,686	25,272	21,494	21,674	20,529	16,365	14,752
Shareholder Information											
Net earnings per share – assuming dilution	**$ 2.11**	1.90	1.66	1.51	1.31	1.14	.99	.84	.73	.59[1]	.51
Dividends paid per share	**$ .35**	.31	.295	.27	.23	.19	.17	.15	.14	.12	.10
Shareholders' equity per share	**$ 10.32**	8.72	7.19	6.27	5.69	5.28	4.93	4.52	4.23	3.58	3.19
Shares outstanding (000s)	**43,339**	43,885	44,383	44,658	46,197	48,382	49,452	50,650	52,370	53,020	54,564
Common stock price range, per share											
High	**$ 49.18**	44.99	33.05	24.81	25.88	27.19	20.38	14.00	14.00	13.06	10.06
Low	**$ 29.91**	26.93	19.13	19.13	14.44	18.56	12.69	11.94	10.94	9.13	7.00

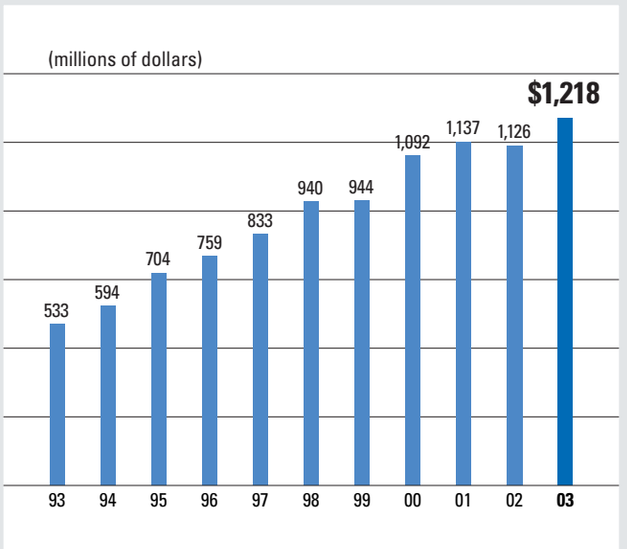
Amounts are adjusted for all stock splits and reflect adoption of SFAS 128.

Return on investment is net earnings divided by average long-term debt plus average shareholders' equity.

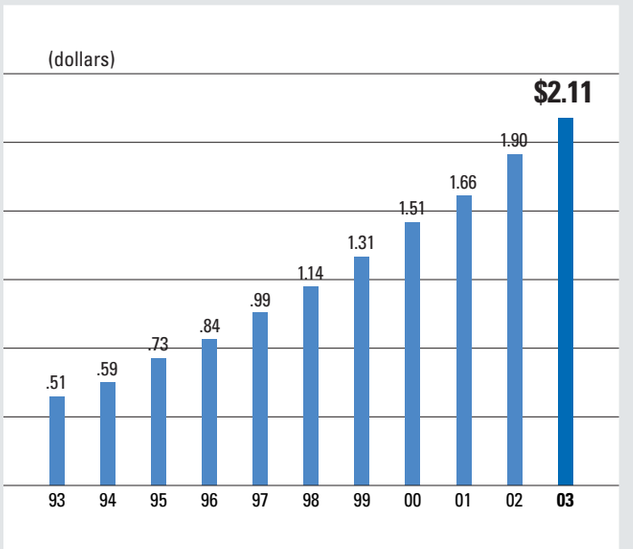
Long-term capitalization ratio is long-term debt divided by long-term debt plus shareholders' equity.

[1] Excludes the cumulative effect of an accounting change of $2,206, or $.08 per share, in 1994.

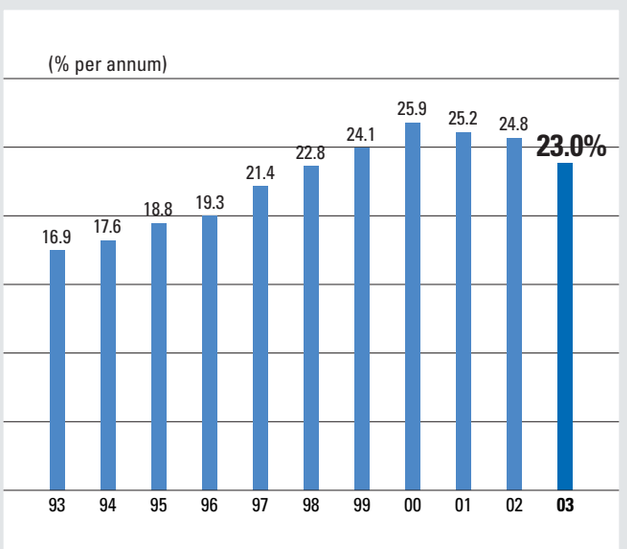
Net Sales Revenue has grown 9 percent per year, on average, over the last 14 years.



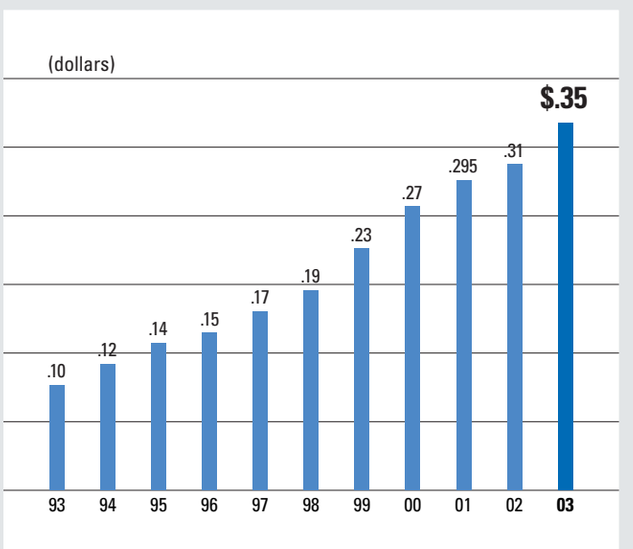
Earnings Per Share Earnings per share were up 11.1 percent in 2003, the 14th consecutive year of double-digit increases in EPS.



Return on Equity Donaldson Company is delivering shareholder value through consistently high returns on shareholders' equity.



Dividends Per Share Dividends per share increased 13 percent in 2003. The company distributes about 20 percent of the prior three years' average net income to shareholders through regular quarterly dividends.



Corporate Officers

William G. Van Dyke, *58*
Chairman, President and Chief Executive Officer
31 years service

William M. Cook, *50*
Senior Vice President, International and Chief Financial Officer
23 years service

James R. Giertz, *46*
Senior Vice President, Commercial and Industrial
10 years service

Nickolas Priadka, *57*
Senior Vice President, Engine Systems and Parts
34 years service

Lowell F. Schwab, *55*
Senior Vice President, Operations
24 years service

Dale M. Couch, *60*
Vice President and General Manager, Asia Pacific
6 years service

Norman C. Linnell, *44*
Vice President, General Counsel and Secretary
8 years service

Charles J. McMurray, *49*
Vice President, Human Resources
23 years service

Geert Henk Touw, *58*
Vice President and General Manager, Europe/Africa/Middle East
18 years service

Thomas A. Windfeldt, *54*
Vice President, Controller
23 years service

Board of Directors

F. Guillaume Bastiaens, *60*
Vice Chairman, Cargill, Inc., Minneapolis (Agribusiness)
Director since 1995 (1) (3)

Janet M. Dolan, *53*
President and Chief Executive Officer, Tennant Company, Minneapolis (Manufacturing)
Director since 1996 (2) (3)

Jack W. Eugster, *58*
Non-Executive Chairman, ShopKo Stores, Inc., Green Bay, WI (Consumer Products)
Director since 1993 (1) (2)

John F. Grundhofer, *64*
Chairman Emeritus, U.S. Bancorp, Minneapolis (Financial Services)
Director since 1997 (1) (3)

Kendrick B. Melrose, *63*
Chairman and Chief Executive Officer, The Toro Company, Minneapolis (Manufacturing)
Director since 1991 (1) (2)

Paul David Miller, *61*
Chairman, Alliant Techsystems Inc., Minneapolis (Defense)
Director since 2001 (3)

Jeffrey Noddle, *57*
Chairman, President and Chief Executive Officer, SUPERVALU INC., Minneapolis (Food Retailer and Distributor)
Director since 2000 (1) (2)

Stephen W. Sanger, *57*
Chairman and Chief Executive Officer, General Mills, Inc., Minneapolis (Consumer Products)
Director since 1992 (2)

William G. Van Dyke, *58*
Chairman, President and Chief Executive Officer, Donaldson Company, Inc.
Director since 1994

John P. Wiehoff, *42*
Chief Executive Officer and President, C.H. Robinson Worldwide, Inc., Minneapolis (Transportation and Logistics)
Director since 2003 (2) (3)

(1) Human Resources Committee

(2) Audit Committee

(3) Corporate Governance Committee

Corporate and Shareholder Information

NYSE Listing

The common shares of Donaldson Company, Inc. are traded on the New York Stock Exchange, under the symbol DCI.

Shareholder Information

For any concerns relating to your current or prospective shareholdings, please contact Shareowner Services at (800)468-9716 or (651)450-4064.

Dividend Reinvestment Plan

As of September 26, 2003, 1,116 of Donaldson Company's approximately 1,870 shareholders of record were participating in the Dividend Reinvestment Plan. Under the plan, shareholders can invest Donaldson Company dividends in additional shares of company stock. They may also make periodic voluntary cash investments for the purchase of company stock.

Both alternatives are provided without service charges or brokerage commissions. Shareholders may obtain a brochure giving further details by writing Wells Fargo Bank Minnesota, N.A., Shareowner Services, P.O. Box 64854, St. Paul, MN 55164-0854.

Annual Meeting

The annual meeting of shareholders will be held at 10 a.m. on Friday, November 21, 2003, at Donaldson Company, Inc., 1400 West 94th Street, Bloomington, Minnesota. Shareholders are welcome to attend.

Investor Relations

You can access investor relations information, including our SEC filings, on our website at www.donaldson.com. For investor inquiries, contact Rich Sheffer, Director of Investor Relations at (952) 887-3753 or rsheffer@mail.donaldson.com.

Auditors

PricewaterhouseCoopers LLP
Minneapolis, Minnesota

Public Relations Counsel

Padilla Speer Beardsley Inc.
Minneapolis, Minnesota

Transfer Agent and Registrar

Wells Fargo Bank Minnesota, N.A.
South St. Paul, Minnesota

Safe Harbor Statement

The Company desires to take advantage of the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995 and is making this cautionary statement in connection with such safe harbor legislation. Some of the information provided in this annual report constitutes forward-looking statements which reflect the Company's current views with respect to future events and financial performance, but involve uncertainties that could significantly impact results. All forecasts and projections are "forward-looking" statements and are based on management's current expectations of the Company's near-term results. There can be no assurance that actual results will not differ materially from its expectations. For a more detailed explanation of the safe harbor statement and the risks, see Exhibit 99, which is part of the Company's Form 10-K filed with the SEC.

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