ILLINOIS TOOL WORKS INC
Form 10-Q
October 30, 2009

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2009

OR

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

For the transition period from _______________ to _______________

Commission File Number: 1-4797

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

Delaware	36-1258310
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
3600 West Lake Avenue, Glenview, IL	60026-1215
(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes [X]No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer [X]   Accelerated filer [   ]

Non-accelerated filer [   ]   Smaller reporting company [   ]
(Do not check if a smaller reporting company)

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

The number of shares of registrant's common stock, $0.01 par value, outstanding at September 30, 2009: 500,909,909.

Part I – Financial Information

Item 1 – Financial Statements

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

(In thousands except for per share amounts)	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Operating Revenues	$ 3,580,354	$ 4,464,621	$ 10,119,639	$ 13,146,312
Cost of revenues	2,315,175	2,936,599	6,716,255	8,570,541
Selling, administrative, and research and development expenses	720,042	806,533	2,239,604	2,394,612
Amortization of intangible assets	49,542	50,491	152,059	132,933
Impairment of goodwill and other intangible assets	12,000	—	101,997	1,438
Operating Income	483,595	670,998	909,724	2,046,788
Interest expense	(45,670)	(38,240)	(120,992)	(112,295)
Other income (expense)	11,139	16,763	(13,041)	19,924
Income from Continuing Operations Before Income Taxes	449,064	649,521	775,691	1,954,417
Income Taxes	146,100	184,935	301,800	565,789
Income from Continuing Operations	302,964	464,586	473,891	1,388,628
Loss from Discontinued Operations	(546)	(11,068)	(34,282)	(103,399)
Net Income	$ 302,418	$ 453,518	$ 439,609	$ 1,285,229
Income Per Share from Continuing Operations:				
Basic	$0.61	$0.90	$0.95	$2.66
Diluted	$0.60	$0.89	$0.95	$2.64
Loss Per Share from Discontinued Operations:				
Basic	$(0.00)	$(0.02)	$(0.07)	$(0.20)
Diluted	$(0.00)	$(0.02)	$(0.07)	$(0.20)
Net Income Per Share:				
Basic	$0.60	$0.88	$0.88	$2.46
Diluted	$0.60	$0.87	$0.88	$2.45
Cash Dividends:				
Paid	$0.31	$0.28	$0.93	$0.84
Declared	$0.31	$0.31	$0.93	$0.87

Shares of Common Stock Outstanding				
During the Period:				
Average	500,313	517,914	499,635	521,886
Average assuming dilution	502,187	521,086	501,184	525,326

The Notes to Financial Statements are an integral part of these statements.

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

(In thousands)		September 30, 2009		December 31, 2008
ASSETS				
Current Assets:				
Cash and equivalents	$	942,856	$	742,950
Trade receivables		2,410,667		2,571,987
Inventories		1,361,201		1,774,697
Deferred income taxes		243,284		206,496
Prepaid expenses and other current assets		327,083		375,778
Assets held for sale		—		82,071
Total current assets		5,285,091		5,753,979
Plant and Equipment:				
Land		236,084		227,167
Buildings and improvements		1,532,356		1,457,732
Machinery and equipment		3,904,162		3,714,456
Equipment leased to others		172,405		164,504
Construction in progress		103,468		98,876
		5,948,475		5,662,735
Accumulated depreciation		(3,841,372)		(3,553,303)
Net plant and equipment		2,107,103		2,109,432
Investments		456,450		465,894
Goodwill		4,721,777		4,517,550
Intangible Assets		1,652,292		1,779,669
Deferred Income Taxes		81,870		75,999
Other Assets		579,633		501,028
	$	14,884,216	$	15,203,551
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Short-term debt	$	67,460	$	2,433,973
Accounts payable		626,314		683,991
Accrued expenses		1,391,824		1,315,106
Cash dividends payable		155,282		154,726
Income taxes payable		225,751		216,751
Liabilities held for sale		—		20,546
Total current liabilities		2,466,631		4,825,093
Noncurrent Liabilities:				
Long-term debt		2,869,377		1,247,883
Deferred income taxes		71,468		125,089
Other liabilities		1,234,447		1,330,395
Total noncurrent liabilities		4,175,292		2,703,367
Stockholders' Equity:				
Common stock		5,336		5,318
Additional paid-in-capital		199,259		105,497

Income reinvested in the business	9,170,064	9,196,465
Common stock held in treasury	(1,390,594)	(1,390,594)
Accumulated other comprehensive income	249,471	(253,211)
Noncontrolling interest	8,757	11,616
Total stockholders’ equity	8,242,293	7,675,091
	$ 14,884,216	$ 15,203,551

The Notes to Financial Statements are an integral part of these statements.

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

(In thousands)	Nine Months Ended September 30 2009	2008
Cash Provided by (Used for) Operating Activities:		
Net income	$ 439,609	$ 1,285,229
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	272,336	284,600
Amortization and impairment of goodwill and intangible assets	254,056	272,815
Change in deferred income taxes	(87,050)	27,236
Provision for uncollectible accounts	13,188	4,010
Loss on sale of plant and equipment	444	623
(Income) loss from investments	2,194	(27,800)
(Gain) loss on sale of operations and affiliates	34,171	(25,966)
Stock compensation expense	35,657	31,950
Other non-cash items, net	3,218	11,161
Change in assets and liabilities:		
(Increase) decrease in--		
Trade receivables	324,088	(105,219)
Inventories	525,497	(131,583)
Prepaid expenses and other assets	(18,512)	(38,197)
Increase (decrease) in--		
Accounts payable	(117,826)	(35,389)
Accrued expenses and other liabilities	(123,969)	46,397
Income taxes receivable and payable	82,727	28,482
Other, net	451	4,438
Net cash provided by operating activities	1,640,279	1,632,787
Cash Provided by (Used for) Investing Activities:		
Acquisition of businesses (excluding cash and equivalents)	(118,342)	(1,324,239)
Additions to plant and equipment	(174,353)	(274,295)
Purchases of investments	(36,676)	(3,109)
Proceeds from investments	10,564	21,538
Proceeds from sale of plant and equipment	22,683	15,455
Proceeds from sale of operations and affiliates	16,316	106,364
Other, net	(891)	(4,679)
Net cash used for investing activities	(280,699)	(1,462,965)
Cash Provided by (Used for) Financing Activities:		
Cash dividends paid	(464,399)	(440,229)
Issuance of common stock	55,328	45,333
Repurchases of common stock	—	(991,583)
Net proceeds (repayments) of debt with original maturities 3 months or less	(1,753,883)	1,275,667
Proceeds from debt with original maturities greater than 3 months	2,158,119	1,824
Repayments of debt with original maturities greater than 3 months	(1,278,674)	(4,875)
Excess tax benefits from share-based compensation	609	3,974
Net cash used for financing activities	(1,282,900)	(109,889)
Effect of Exchange Rate Changes on Cash and Equivalents	123,226	(19,839)

Cash and Equivalents:				
Increase during the period		199,906		40,094
Beginning of period		742,950		827,524
End of period	$	942,856	$	867,618
Cash Paid During the Period for Interest	$	40,607	$	65,974
Cash Paid During the Period for Income Taxes	$	267,787	$	491,820
Liabilities Assumed from Acquisitions	$	34,659	$	464,053

The Notes to Financial Statements are an integral part of these statements.

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

(1) 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. Events that occurred after September 30, 2009 through the time that these financial statements have been filed on October 30, 2009 with the Securities and Exchange Commission were considered in the preparation of these financial statements. These financial statements should be read in conjunction with the financial statements and notes to financial statements included in the Company's Annual Report on Form 10-K, as updated by the Current Report on Form 8-K filed August 7, 2009. Certain reclassifications of prior year data have been made to conform to current year reporting.

(2) COMPREHENSIVE INCOME

The Company's components of comprehensive income in the periods presented are:

(In thousands)	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Net income	$ 302,418	$ 453,518	$ 439,609	$ 1,285,229
Other comprehensive income:				
Foreign currency translation adjustments	116,929	(313,175)	498,567	(171,236)
Pension and other postretirement benefit				)
adjustments, net of tax	2,181	442	4,115	(6
Comprehensive income	$ 421,528	$ 140,785	$ 942,291	$ 1,113,987

(3) DISCONTINUED OPERATIONS

The Company periodically reviews its 895 operations for businesses which may no longer be aligned with its long-term objectives. In August 2008, the Company's Board of Directors authorized the divestiture of the Click Commerce industrial software business which was previously reported in the All Other segment. In the second quarter of 2009, the Company completed the sale of the Click Commerce business.

In the fourth quarter of 2007, the Company classified an automotive components business and a consumer packaging business as held for sale. The consumer packaging business was sold in the second quarter of 2008. The Company sold the automotive components business in the third quarter of 2009.

In May 2009, the Company's Board of Directors rescinded a resolution from August 2008 to divest the Decorative Surfaces segment. The consolidated financial statements and related notes for all periods have been restated to present the results related to the Decorative Surfaces segment as continuing operations.

Results of the discontinued operations were as follows:

(In thousands)	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Operating revenues	$ 2,794	$ 25,420	$ 25,963	$ 98,861

Loss before taxes	(1,043)	(10,218)	(36,107)	(103,439)
Income tax (expense) benefit	497	(850)	1,825	40
Loss from discontinued operations	$ (546)	$ (11,068)	$ (34,282)	$ (103,399)

In 2009, the Company recorded a pre-tax loss on the disposal of the Click Commerce business of $29,626,000. Loss before taxes in 2008 includes goodwill impairment charges of $132,700,000 related to the Click Commerce business and a pre-tax gain on the disposal of the consumer packaging business of $25,062,000.

(4) INCOME TAXES

In the first nine months of 2009, the Company incurred significant charges related to the impairment of goodwill and intangible assets of $101,997,000 that were mostly non-deductible, and discrete tax items of $46,849,000 to record reserves for tax contingencies related to audits and valuation allowances on net operating loss carryforwards no longer expected to be utilized. The components of the effective tax rate for the nine month period ended September 30, 2009 were as follows:

Effective tax rate excluding discrete items		29.6%
Discrete tax adjustments		6.0
Goodwill and intangible asset impairment charges	3.3	
Effective tax rate		38.9%

The Company and its subsidiaries file tax returns in the U.S. and various state, local and foreign jurisdictions. These tax returns are routinely audited by the tax authorities in these jurisdictions and a number of these audits are currently ongoing.

As part of the Australia, Germany and U.S. tax audits, the tax authorities are reviewing several items, the most significant of which are related to financing transactions, leveraged leases and mortgage-backed securities. The Company believes it is reasonably possible that it will resolve the matters currently under consideration within the next 12 months, and that the amount of the Company’s unrecognized tax benefits may be reduced by a range of approximately $270 million up to $580 million. The Company has recorded its best estimate of the exposure for these issues.

(5) INVENTORIES

Inventories at September 30, 2009 and December 31, 2008 were as follows:

(In thousands)

	September 30, 2009		December 31, 2008	
Raw material	$	428,414	$	612,190
Work-in-process		144,219		174,607
Finished goods		788,568		987,900
	$	1,361,201	$	1,774,697

(6) GOODWILL AND INTANGIBLE ASSETS

Goodwill represents the excess cost over fair value of the net assets of purchased businesses. The Company does not amortize goodwill and intangible assets that have indefinite lives. The Company performs an annual impairment assessment of goodwill and intangible assets with indefinite lives based on the fair value of the related reporting unit or intangible asset.

In September 2006, the Financial Accounting Standards Board issued new accounting guidance on fair value measurements. The Company adopted these provisions on January 1, 2009 for all nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value on a nonrecurring basis. The new accounting guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and provides guidance for measuring fair value and the necessary disclosures.

When performing its annual goodwill impairment assessment, the Company compares the estimated fair value of each of its 62 reporting units to the carrying value. Fair values are determined primarily by discounting estimated future cash flows based either on current operating cash flows or on a detailed cash flow forecast prepared by the relevant reporting unit. The Company also considers additional valuation techniques, such as market multiples from similar transactions and quoted market prices of relevant public companies. If the fair value of a reporting unit is less than its carrying value, an impairment loss, if any, is recorded for the difference between the implied fair value and the carrying value of the reporting unit’s goodwill.

The Company’s indefinite-lived intangibles consist of trademarks and brands. The fair values of these intangibles are determined based on a relief-of-royalty income approach derived from internally forecasted revenues of the related products. If the fair value of the trademark or brand is less than its carrying value, an impairment loss is recorded for the difference between the estimated fair value and carrying value of the intangible.

In the first quarter of 2009, the Company performed its annual impairment testing of its goodwill and intangible assets with indefinite lives in compliance with the newly adopted fair value measurement provisions which resulted in goodwill impairment charges of $60,000,000 related to the pressure sensitive adhesive reporting unit in the Polymers & Fluids segment and $18,000,000 related to the PC board fabrication reporting unit in the Power Systems & Electronics segment.

Also in the first quarter of 2009, intangible asset impairments of $11,997,000 were recorded to reduce to the estimated fair value the carrying value of certain trademarks and brands with indefinite lives. Approximately $5,800,000 of this charge related to the PC board fabrication reporting unit and the remainder to various trademarks and brands of other reporting units.

In the third quarter of 2009, the Company changed the date of its annual goodwill impairment assessment from the first quarter to the third quarter. This constitutes a change in the method of applying an accounting principle that the Company believes is preferable. The change was made to better align the timing of the Company’s goodwill impairment assessment with the Company’s annual business planning and forecasting process. The Company performed an impairment assessment of its goodwill in the third quarter which resulted in an impairment charge of $12,000,000 related to the truck remanufacturing and parts/service reporting unit in the Transportation segment.

The goodwill impairments in the first and third quarters were related to new reporting units which were acquired over the last few years before the recent economic downturn. These charges were driven by lower current forecasts compared to the expected forecasts at the time the reporting units were acquired.

A summary of goodwill and indefinite-lived intangible assets that were adjusted to fair value and the related impairment charges included in earnings for 2009 is as follows:

(In thousands)	Book Value	Fair Value	Total Impairment Charges
First quarter 2009:			
Goodwill	$353,000	$275,000	$78,000
Indefinite-lived intangible assets	94,973	82,976	11,997
Third quarter 2009:			
Goodwill	$96,000	$84,000	$12,000

(7)RETIREMENT PLANS AND POSTRETIREMENT BENEFITS

Pension and other postretirement benefit costs for the periods ended September 30, 2009 and 2008 were as follows:

(In thousands)	Three Months Ended September 30				Nine Months Ended September 30			
	Pension		Other Postretirement Benefits		Pension		Other Postretirement Benefits	
	2009	2008	2009	2008	2009	2008	2009	2008
Components of net periodic benefit cost:								
Service cost	$ 24,724	$ 28,144	$ 3,142	$ 3,585	$ 73,157	$ 84,153	$ 9,426	$ 10,755
Interest cost	30,350	30,042	7,718	8,091	89,280	90,361	23,154	24,524
Expected return on plan assets	(39,078)	(42,045)	(3,403)	(3,848)	(114,963)	(126,581)	(10,209)	(11,544)
Amortization of actuarial (gain) loss	2,093	649	64	(204)	6,230	1,938	192	(708)
Amortization of prior service (income) cost	(391)	(602)	1,606	1,565	(1,191)	(1,804)	4,818	4,695
Amortization of net transition amount	34	25	—	—	110	70	—	—
Settlement/curtailment (income) loss	—	12,900	—	—	(12,345)	12,900	—	(1,929)
Net periodic benefit cost	$ 17,732	$ 29,113	$ 9,127	$ 9,189	$ 40,278	$ 61,037	$ 27,381	$ 25,793

The Company expects to contribute approximately $218,000,000 to its pension plans and $38,000,000 to its other postretirement plans in 2009. As of September 30, 2009, contributions of $209,800,000 to pension plans and $24,200,000 to other postretirement plans have been made.

(8) SHORT-TERM DEBT

On June 12, 2009, the Company entered into a $2,000,000,000 Line of Credit Agreement with a termination date of June 11, 2010 which replaced the prior line of credit. No amounts were outstanding under this facility at September 30, 2009.

The Company had no commercial paper outstanding at September 30, 2009 and $1,820,423,000 outstanding at December 31, 2008.

In 1999, the Company issued $500,000,000 of 5.75% redeemable notes due March 1, 2009. These notes were repaid at maturity.

(9) LONG-TERM DEBT

On March 23, 2009, the Company issued $800,000,000 of 5.15% redeemable notes due April 1, 2014 at 99.92% of face value and $700,000,000 of 6.25% redeemable notes due April 1, 2019 at 99.98% of face value. The effective interest rates of the notes are 5.2% and 6.3%, respectively.

Based on rates for comparable instruments the approximate fair value and related carrying value of the Company's long-term debt, including current maturities, were as follows:

(In thousands)	September 30, 2009	December 31, 2008
Fair value	$ 3,087,152	$ 1,682,304
Carrying value	2,877,534	1,757,807

(10) STOCKHOLDERS' EQUITY

On January 1, 2009, the Company adopted new accounting guidance on noncontrolling interests. Upon adoption, the Company reclassified the December 31, 2008 balance of $11,616,000 from other noncurrent liabilities to noncontrolling interest in stockholders' equity.

(11) SEGMENT INFORMATION

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

Item 2 - Management's Discussion and Analysis

CONSOLIDATED RESULTS OF OPERATIONS

In 2007, the Company classified an automotive components business and a consumer packaging business as discontinued operations. Additionally, in 2008, the Company's Board of Directors authorized the divestiture of the Click Commerce industrial software business which was previously reported in the All Other segment. The consolidated statements of income, statements of financial position, the notes to financial statements and management's discussion and analysis for all periods have been restated to present the results related to all of these businesses as discontinued operations. See the Discontinued Operations note for further information on the Company's discontinued operations.

In May 2009, the Company's Board of Directors rescinded a resolution from August 2008 to divest the Decorative Surfaces segment. The consolidated financial statements, the notes to financial statements and management's discussion and analysis for all periods have been restated to present the results related to the Decorative Surfaces segment as continuing operations.

The Company's consolidated results of operations for the third quarter and year-to-date periods of 2009 and 2008 were as follows:

(Dollars in thousands)	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Operating revenues	$ 3,580,354	$ 4,464,621	$ 10,119,639	$ 13,146,312
Operating income	483,595	670,998	909,724	2,046,788
Margin %	13.5%	15.0%	9.0%	15.6%

In the third quarter and year-to-date periods of 2009, the changes in revenues, operating income and operating margins over the prior year were primarily due to the following factors:

	Three Months Ended September 30			Nine Months Ended September 30		
	% Increase (Decrease)		% Point Increase (Decrease)	% Increase (Decrease)		% Point Increase (Decrease)
	Operating Revenues	Operating Income	Operating Margins	Operating Revenues	Operating Income	Operating Margins
Base manufacturing business:						
Revenue change/Operating leverage	(17.9)%	(48.4)%	(5.6)%	(20.9)%	(55.5)%	(6.8)%
Changes in variable margins and overhead costs	—	31.7	5.8	—	17.6	3.5
Total	(17.9)	(16.7)	0.2	(20.9)	(37.9)	(3.3)
Acquisitions and divestitures	3.6	1.4	(0.4)	5.0	(0.1)	(0.6)
Restructuring costs	—	(4.0)	(0.7)	—	(4.9)	(1.0)
Impairment of goodwill and intangibles	—	(1.8)	(0.3)	—	(4.9)	(1.0)
Translation	(5.6)	(6.8)	(0.3)	(7.2)	(7.7)	(0.7)
Other	0.1	—	—	0.1	(0.1)	—

Total	(19.8)%	(27.9)%	(1.5)%	(23.0)%	(55.6)%	(6.6)%

Operating Revenues

Revenues decreased 19.8% and 23.0% in the third quarter and year-to-date periods of 2009, respectively, primarily due to lower base revenues and the unfavorable effect of currency translation, mainly due to the strengthening of the Dollar, partially offset by revenues from acquisitions. Total base revenues declined 17.9% and 20.9% in the third quarter and year-to-date periods, respectively, but showed improvement as compared to the second quarter 2009. North American base revenue declined 21.6% and 24.8%, in the third quarter and year-to-date periods, respectively, while international base revenues declined 13.8% and 16.7% in the same periods. Both North American and international base revenues were adversely affected by weak, but improving macroeconomic and industrial production trends as compared to the second quarter 2009. The Company anticipates that the current weak global economic environment will continue through 2009 and as such, expects that key end markets will continue to be negatively impacted.

Operating Income

Operating income declined 27.9% and 55.6% in the third quarter and year-to-date periods of 2009, respectively, primarily due to the decline in base revenues, the negative effect of currency translation, increased restructuring charges and increased goodwill and intangible impairment charges. In the first quarter of 2009, the Company recorded impairment charges of $78 million and $12 million against goodwill and intangibles, respectively, and in the third quarter recorded a $12 million goodwill impairment charge. The goodwill and intangible impairments were primarily related to new reporting units which were acquired over the last few years. These charges were driven by lower current forecasts compared to the expected forecasts at the time the reporting units were acquired. The higher restructuring charges reflect the Company's efforts to reduce costs in response to current economic conditions. Improvements in base variable margins and lower overhead costs increased base margins 5.8% and 3.5% in the third quarter and year-to-date periods, respectively, as the cumulative benefits of past restructuring projects began to be more fully realized and price versus raw material cost comparisons were favorable. Total margins declined by 1.5% and 6.6% in the third quarter and year-to-date periods of 2009, respectively, primarily due to the declines in base revenues, restructuring charges and the goodwill and intangible impairment charges.

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

(In thousands)	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Industrial Packaging	$ 489,506	$ 694,322	$ 1,375,987	$ 2,042,058
Power Systems & Electronics	405,764	620,743	1,199,681	1,851,919
Transportation	540,921	581,867	1,477,821	1,806,384
Food Equipment	487,325	542,687	1,369,878	1,590,905
Construction Products	402,459	525,005	1,097,191	1,575,211
Polymers & Fluids	307,299	369,370	834,059	924,130
Decorative Surfaces	252,875	316,861	742,318	955,352
All Other	702,707	828,006	2,046,262	2,443,682
Intersegment revenues	(8,502)	(14,240)	(23,558)	(43,329)
Total operating revenues	$ 3,580,354	$ 4,464,621	$ 10,119,639	$ 13,146,312

INDUSTRIAL PACKAGING

Businesses in this segment produce steel, plastic and paper products used for bundling, shipping and protecting goods in transit.

In the Industrial Packaging segment, products include:

- steel and plastic strapping and related tools and equipment;
- plastic stretch film and related equipment;
- paper and plastic products that protect goods in transit; and
- metal jacketing and other insulation products.

This segment primarily serves the primary metals, general industrial, construction, and food and beverage markets.

The results of operations for the Industrial Packaging segment for the third quarter and year-to-date periods of 2009 and 2008 were as follows:

Three Months Ended	Nine Months Ended

(Dollars in thousands)	September 30		September 30	
	2009	2008	2009	2008
Operating revenues	$ 489,506	$ 694,322	$ 1,375,987	$ 2,042,058
Operating income	37,193	77,422	50,856	241,122
Margin %	7.6%	11.2%	3.7%	11.8%

In the third quarter and year-to-date periods of 2009, the changes in revenues, operating income and operating margins over the prior year were primarily due to the following factors:

	Three Months Ended September 30			Nine Months Ended September 30		
	% Increase (Decrease)		% Point Increase (Decrease)	% Increase (Decrease)		% Point Increase (Decrease)
	Operating Revenues	Operating Income	Operating Margins	Operating Revenues	Operating Income	Operating Margins
Base manufacturing business:						
Revenue change/Operating leverage	(23.3)%	(83.6)%	(8.8)%	(24.7)%	(86.6)%	(9.7)%
Changes in variable margins						