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DONALDSON CO INC  
Form 11-K  
June 28, 2004

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON D.C. 20549

FORM 11K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(D) OF THE SECURITIES EXCHANGE ACT  
of 1934 (FEE REQUIRED) for the fiscal year ended December 31, 2003 or

TRANSITION REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE  
ACT of 1934 (NO FEE REQUIRED) for the transition period from  
\_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NUMBER 1-7891  
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A. Full title of the plan and the address of the plan, if different  
from that of the issuer named below:

DONALDSON COMPANY, INC.  
EMPLOYEES' RETIREMENT SAVINGS PLAN

B. Name of issuer of the securities held pursuant to the plan and  
the address of its principal executive office:

DONALDSON COMPANY, INC.  
1400 WEST 94TH STREET  
MINNEAPOLIS, MINNESOTA 55431

DONALDSON COMPANY, INC.  
EMPLOYEES' RETIREMENT SAVINGS PLAN  
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE  
DECEMBER 31, 2003 AND 2002

DONALDSON COMPANY, INC.  
EMPLOYEES' RETIREMENT SAVINGS PLAN  
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Note: Other schedules required by 29 CFR 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants and Administrator of  
Donaldson Company, Inc.  
Employees' Retirement Savings Plan

In our opinion, the accompanying statement of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the Donaldson Company, Inc. Employees' Retirement Savings Plan (the "Plan") at December 31, 2003 and 2002, and the changes in net assets available for benefits for the year ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule referred to in the accompanying index is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

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Minneapolis, Minnesota  
June 23, 2004

DONALDSON COMPANY, INC.  
EMPLOYEES' RETIREMENT SAVINGS PLAN  
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS  
DECEMBER 31, 2003 AND 2002

	2003	2002
Assets		
Investments, at fair value		
Interest-bearing cash	\$ 32,343	\$ 3,971
Mutual funds	135,017,301	97,276,727
Donaldson Company, Inc. common stock fund	49,223,743	32,419,115
Participant loans	3,185,225	3,048,038
	-----	-----
Total investments, at fair value	187,458,612	132,747,851
Receivables		
Investment income receivable	400	355
	-----	-----
	187,459,012	132,748,206
LIABILITIES		
Investment settlements payable	2,687	15,665
	-----	-----
Net assets available for benefits	\$187,456,325	\$132,732,541
	=====	=====

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The accompanying notes are an integral part of these financial statements.

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DONALDSON COMPANY, INC.  
 EMPLOYEES' RETIREMENT SAVINGS PLAN  
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
 YEAR ENDED DECEMBER 31, 2003

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INVESTMENT INCOME	
Interest and dividend income	\$ 3,390,811
Net appreciation of the fair value of investments	38,800,633
	-----
	42,191,444
	-----
CONTRIBUTIONS	
Employer	170,203
Participants	21,103,618
	-----
	21,273,821
	-----
DEDUCTIONS	
Benefits paid to participants	(8,717,817)
Administrative expenses	(23,664)
	-----
	(8,741,481)
	-----
Net increase in net assets available for benefits	54,723,784
NET ASSETS AVAILABLE FOR BENEFITS	
Beginning of year	132,732,541
	-----
End of year	\$ 187,456,325
	=====

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The accompanying notes are an integral part of these financial statements.

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DONALDSON COMPANY, INC.  
EMPLOYEES' RETIREMENT SAVINGS PLAN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002

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## 1. DESCRIPTION OF PLAN

The Donaldson Company, Inc. Employees' Retirement Savings Plan (the "Plan") is a contributory defined contribution plan sponsored by Donaldson Company, Inc. (the "Company"). The Plan is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

The following description of the Plan is provided for general information purposes only. Participants should refer to the summary plan description for a more complete description of the Plan's provisions.

Fidelity Management Trust Company is the Plan's trustee (the "Trustee") and recordkeeper.

### ELIGIBILITY

Employees are eligible to participate in the Plan upon employment, as defined by the Plan document.

### CONTRIBUTIONS

Each year, eligible participants may contribute to the Plan up to 25% of pre-tax annual compensation, as defined by the Plan. Participants may also contribute amounts representing rollover distributions from other qualified retirement plans with the approval of the Administrative Committee.

The Company may make discretionary contributions to the Plan from time to time. Discretionary contributions are allocated among the participants pro rata based upon total annual compensation of participants who have 1,000 hours of service in the Plan year and are in employment of the Company on the last day of the Plan year. The Company made no discretionary contributions for the year ended December 31, 2003.

In connection with the Company's acquisition of AirMaze Corporation ("AirMaze") in November 1999, certain monies were placed in escrow pending finalization of the acquisition. Under the sale and purchase agreement, any monies released to the Company from the escrow account are to be contributed to former AirMaze employees participating in the Plan. During the Plan year ended December 31, 2002, amounts totaling \$722,100 were released and contributed to the Plan as employer contributions. During the Plan year ended December 31, 2003, an additional \$170,203 was contributed to the Plan as a final payment. These contributions were allocated to the former AirMaze employees participating in the Plan pro rata based on the number of shares of AirMaze stock each Participant had in the AirMaze Plan as of the

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acquisition date.

### PARTICIPANT ACCOUNTS

Participants direct the investment of their contributions into various investment options offered by the Plan. If a participant does not allocate their contributions, the contributions are placed in the Fidelity Managed Income Portfolio II Fund. Company contributions are allocated among the investment options in the same manner as participant contributions.

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DONALDSON COMPANY, INC.  
EMPLOYEES' RETIREMENT SAVINGS PLAN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002

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The allocation of the participant's contributions to the investment funds may be changed daily. There are no restrictions on transfers among or between the various investment options. Each participant's account is credited with his or her contributions, including rollover distributions, and his or her share of Company contributions, and an allocation of related investment earnings thereon. Allocation of investment earnings is based on the value of the participant's account at the close of each day.

### VESTING

Participants are 100% vested in their accounts at all times.

### PAYMENT OF BENEFITS

Upon termination of employment, disability or termination of the Plan, a participant or designated beneficiary will receive the vested portion of the participant's account balance in a lump-sum payment. Hardship withdrawals, as defined in the Plan document, are allowed at any time, subject to approval by the Plan.

### PARTICIPANT LOANS

Under the Plan document, participants may borrow up to 50% of their account balance or \$50,000, whichever is less. Loans must be repaid by the participant within five years, unless the loan is used to acquire the participant's primary residence in which case the term may not exceed ten years. The loan interest is one percent over the prime lending rate on the last business day of the month preceding the month in which the loan is granted. Interest rates on outstanding loans at December 31, 2003, ranged from 5.25% to 10.50%. Loans mature at various dates through September 2012 and are generally paid through monthly payroll deductions.

### PLAN TERMINATION

The Company has the right under the plan agreement to amend or terminate the Plan. In the event of termination of the Plan, the assets of the Plan will be distributed to the participants in accordance with the Plan document.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared on an accrual basis. The following is a summary of significant policies which are in

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conformity with accounting principles generally accepted in the United States of America and are consistently followed by the Plan in the preparation of its financial statements.

### VALUATION OF INVESTMENTS

Investments in mutual funds are stated at fair value based on quoted market prices. Participant loans are valued at estimated fair value, which consists of outstanding principal and any related accrued interest. Investments in the Donaldson Company, Inc. Common Stock Fund are valued based on the fair value of the underlying investments, primarily Donaldson Company, Inc. common stock, which is valued at quoted market prices.

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DONALDSON COMPANY, INC.  
EMPLOYEES' RETIREMENT SAVINGS PLAN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002

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### INVESTMENT EARNINGS

Investment income is recorded as earned. Dividend income is recorded on the ex-dividend date. The Plan presents the net appreciation (depreciation) in the fair value of its investments in the Statement of Changes in Net Assets Available for Benefits. Net appreciation (depreciation) consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments.

### CONTRIBUTIONS

Participant contributions are recorded in the period the employer makes the payroll deductions. Employer discretionary contributions, if any, are recorded in the period they are approved by the Company.

### BENEFITS PAID TO PARTICIPANTS

Benefits paid to participants are recorded when paid.

### PLAN EXPENSES

Investment management fees and administrative fees charged by the Trustee are paid by the Plan. All other expenses are paid by the Company, including legal, accounting and other services.

### USE OF ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the reporting period. Ultimate results could differ from those estimates.

### RISKS AND UNCERTAINTIES

The Plan provides for various investment options in various combinations of investment securities. Investment securities are exposed to various risk factors including, but not limited to, interest rates, market conditions and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes

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could materially affect participants' account balances and the amounts reported in the Statement of Net Assets Available for Benefits in future periods.

### CONCENTRATION OF MARKET RISK

As of December 31, 2003 and 2002, approximately 26% and 24% of the Plan's net assets were invested in the Donaldson Company, Inc. Common Stock Fund, respectively. The underlying value of this fund is dependent on the performance of Donaldson Company, Inc. and the market's evaluation of such performance. It is at least reasonably possible that changes in the fair value of Donaldson Company, Inc. common stock in the near term could materially affect participants' account balances and the amounts reported in the Statement of Net Assets Available for Benefits and the Statement of Changes in Net Assets Available for Benefits.

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DONALDSON COMPANY, INC.  
 EMPLOYEES' RETIREMENT SAVINGS PLAN  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2003 AND 2002

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### 3. INVESTMENTS

The current value of individual investments that represent 5% or more of the Plan's net assets is as follows:

	2003	2002
Donaldson Company, Inc. Common Stock Fund	\$ 49,223,743	\$ 32,419,115
Fidelity Managed Income Portfolio II Fund	39,448,813	32,486,923
Fidelity Equity Income Fund	34,570,063	25,451,498
Fidelity Magellan Fund	18,338,352	14,165,809
Fidelity Contrafund	16,304,415	11,466,592
All other investments-individually less than 5%	29,573,226	16,757,914
	\$187,458,612	\$132,747,851
	=====	=====

During the year ended December 31, 2003, investments had net appreciation value as follows:

Mutual funds	\$ 18,811,811
Donaldson Company, Inc. Common Stock Fund	19,988,822
	\$ 38,800,633
	=====

### 4. TAX STATUS

The Plan has received a favorable determination letter from the Internal Revenue Service, dated October 20, 1995, stating that the Plan is designed in accordance with the applicable sections of the Internal Revenue Code (the "Code") and is therefore generally exempt from federal income taxes under provisions of Section 501(a). The Plan has been amended since receiving the determination letter. However, the

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Plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Code. Therefore, no provision for income taxes has been included in the Plan's financial statements.

5. RELATED PARTY TRANSACTIONS

Participants have the option to direct their contributions to be invested in mutual funds which are sponsored by the Trustee, and a Company stock fund. The Trustee is authorized, under contract provisions and by exemption under 29 CFR 408(b) of ERISA regulations, to invest in securities under its control and in the Company. For the year ended December 31, 2003, purchases and sales of securities of the Company were \$1,890,976 and \$2,696,853, respectively.

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SUPPLEMENTAL SCHEDULE

DONALDSON COMPANY, INC.  
 EMPLOYEES' RETIREMENT SAVINGS PLAN  
 SCHEDULE H, LINE 4I - SCHEDULE OF ASSETS (HELD AT END OF YEAR)  
 DECEMBER 31, 2003  
 EIN 41-0222640  
 PLAN NUMBER 007

SCHEDULE I

(A)	(B)	(C)	(D)
	IDENTITY OF ISSUE, BORROWER, LESSOR OR SIMILAR PARTY	DESCRIPTION OF INVESTMENT INCLUDING THE MATURITY DATE, RATE OF INTEREST, COLLATERAL, PAR OR MATURITY VALUE	COST**
*	Donaldson Company, Inc.	Common Stock Fund, 1,046,212 shares	
*	Fidelity Management Trust Company	Managed Income Portfolio II Fund, 39,448,813 units of participation	
*	Fidelity Management Trust Company	Equity Income Fund, 694,876 units of participation	
*	Fidelity Management Trust	Magellan Fund, 187,624 units of	

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Company	participation
* Fidelity Management Trust Company	Contrafund, 330,383 units of participation
* Fidelity Management Trust Company	Divers International Fund, 232,140 units
* Fidelity Management Trust Company	Balanced Fund, 339,111 units of participation
Schroder U.S.	Smaller Companies Fund, 325,526 units of participation
* Fidelity Spartan U.S.	Equity Index Fund, 94,554 units of participation
Sterling	Small Cap Value I Fund, 137,087 units
PIMCO	Total Return Fund, 157,679 units
Brokeragelink	Growth Oriented Fund, 743,911 units
Brokeragelink	Interest bearing cash
Turner	Concentrated Growth Institutional Fund, 116,867 units
FMI Knappenberger Partners	Emerging Growth Fund, 29,830 units
* Fidelity Management Trust Company	Retiree Government Fund, 21 units
* Participants	Participant loans receivable, interest rates from 5.25% to 10.50%, payable through September 2012

\* Denotes party-in-interest.

\*\* Historical cost information is omitted as it is not required by the Department of Labor under the instructions to the Form 5500 for participant directed accounts.

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

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DONALDSON COMPANY, INC.

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EMPLOYEES' RETIREMENT SAVINGS PLAN  
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(Name of Plan)

Date June 28, 2004

By: Donaldson Company, Inc., the Plan Administrator

/s/ Thomas R. VerHage

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Thomas R. VerHage  
Vice President, Chief Financial Officer

EXHIBIT INDEX

ANNUAL REPORT ON FORM 11-K

Exhibit 23

Consent of Independent Public Accountants