



# 100 YEARS STRONG

ILLINOIS TOOL WORKS INC. 2011 ANNUAL REPORT

# ITW at a Glance

Celebrating 100 years of history, Illinois Tool Works Inc. (NYSE: ITW) is a diversified manufacturing company that delivers specialized expertise, innovative thinking and value-added products to meet critical customer needs in a variety of industries. ITW has decentralized businesses in 58 countries that employ approximately 65,000 women and men. These talented individuals, many of whom have specialized engineering or scientific expertise, contribute to our global leadership in innovation. We are proud of our broad portfolio of more than 19,000 global patents and patent applications.

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# Financial Highlights

DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS	2011	2010	2009
<b>YEAR ENDED DECEMBER 31</b>			
<b>OPERATING RESULTS</b>			
Operating revenues	\$ 17,786,583	\$15,415,692	\$ 13,572,996
Operating income	2,731,008	2,254,017	1,382,963
Operating income margin	15.4%	14.6%	10.2%
Income from continuing operations	\$ 2,017,014	\$ 1,452,438	\$ 968,638
Operating revenues by segment:			
Transportation	\$ 3,108,349	\$ 2,522,226	\$ 2,092,249
Power Systems & Electronics	2,872,161	2,409,204	2,004,402
Industrial Packaging	2,612,108	2,272,059	1,940,887
Food Equipment	1,982,187	1,857,051	1,862,950
Construction Products	1,958,370	1,753,485	1,547,365
Polymers & Fluids	1,364,004	1,106,025	980,305
Decorative Surfaces	1,083,157	987,692	971,900
All Other	2,889,699	2,598,475	2,238,604
<b>PER SHARE OF COMMON STOCK</b>			
Income from continuing operations:			
Basic	\$ 4.10	\$ 2.90	\$ 1.94
Diluted	4.08	2.89	1.93
Cash dividends paid	\$ 1.38	\$ 1.27	\$ 1.24
<b>RETURNS</b>			
Return on average invested capital	16.8%	14.6%	10.6%
Return on average stockholders' equity	20.6	15.9	11.8
<b>LIQUIDITY AND CAPITAL RESOURCES</b>			
Free operating cash flow	\$ 1,602,600	\$ 1,200,554	\$ 1,911,813
Total debt to capitalization	28.5%	23.1%	26.1%

Note: Certain reclassifications of prior years' data have been made to conform with current year reporting, including discontinued operations. 2010 and 2009 have been restated for the elimination of the one month reporting lag for the company's international operations outside of North America. See "Management's Discussion and Analysis" in our 2011 Annual Report on Form 10-K for a calculation of return on average invested capital and free operating cash flow. Return on average stockholders' equity represents income from continuing operations divided by average stockholders' equity.

## ITW Business Segments



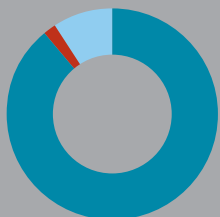
### Transportation

Components, fasteners, fluids and polymers, as well as truck remanufacturing and related parts and service

PERCENT OF TOTAL COMPANY REVENUES

17%

REVENUES BY PRODUCT CATEGORY



Consumables: 89%  
Equipment & Tools: 2%  
Service & Parts: 9%

MAJOR END MARKETS

Automotive OEM/Tiers: 56%  
Automotive Aftermarket: 31%

PRIMARY BRANDS

DaeLim	Permatex
Deltar	Rain-X
Drawform	Shakeproof
Evercoat	Slime
Filtertek	WynnÖs



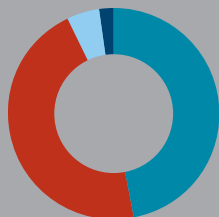
### Power Systems & Electronics

Equipment and consumables associated with specialty power conversion, metallurgy and electronics

PERCENT OF TOTAL COMPANY REVENUES

16%

REVENUES BY PRODUCT CATEGORY



Consumables: 47%  
Equipment & Tools: 46%  
Service & Parts: 5%  
Other: 2%

MAJOR END MARKETS

General Industrial: 32%  
Electronics: 17%  
Energy: 11%  
Automotive OEM/Tiers: 4%  
Commercial Construction: 4%

PRIMARY BRANDS

AXA Power	Speedline
Bernard	Stokvis Tapes
Despatch	Tien Tai
Elga	Tregaskiss
Hobart	Trimark
Kester	Vitronics Soltec
Miller	Weldcraft



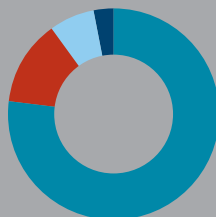
### Industrial Packaging

Steel, plastic and paper products and equipment used for bundling, shipping and protecting goods in transit

PERCENT OF TOTAL COMPANY REVENUES

15%

REVENUES BY PRODUCT CATEGORY



Consumables: 77%  
Equipment & Tools: 13%  
Service & Parts: 7%  
Other: 3%

MAJOR END MARKETS

General Industrial: 26%  
Primary Metals: 21%  
Food & Beverage: 13%

PRIMARY BRANDS

Acme	Orgapack
Angleboard	Signode
Fleetwood	Strapex
MultiWall	



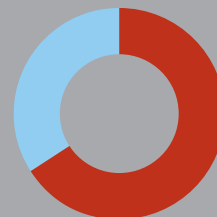
### Food Equipment

Commercial food equipment and related service

PERCENT OF TOTAL COMPANY REVENUES

11%

REVENUES BY PRODUCT CATEGORY



Equipment & Tools: 66%  
Service & Parts: 34%

MAJOR END MARKETS

Food Institutional/Restaurant: 43%  
Food Service: 36%  
Food Retail: 16%

PRIMARY BRANDS

Avery Berkel	MBM
Bonnet	Peerless
Foster	Thirode
Gaylord	Traulsen
Hobart	Vulcan
Kairak	Wolf

Construction  
Products

Tools, fasteners and other  
products for construction  
applications

PERCENT OF TOTAL COMPANY REVENUES

11%

REVENUES BY PRODUCT CATEGORY

MAJOR END MARKETS

Residential Construction: 44%  
Renovation Construction: 26%  
Commercial Construction: 22%

PRIMARY BRANDS

Alpine	Ramset
ITW Brands	Red Head
Buildex	Reid
Paslode	SPIT
Proline	Suki
Pryda	Truswal

Polymers &  
Fluids

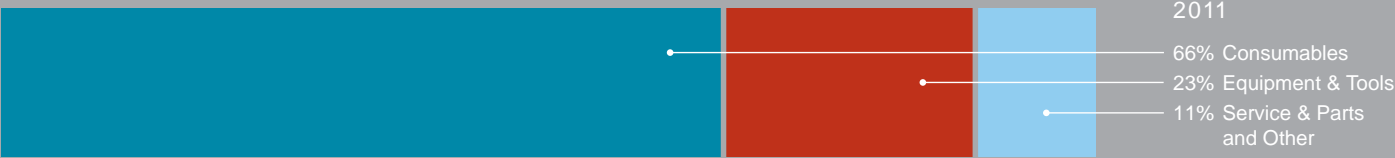
Adhesives, sealants,

MAJOR END MARKETS

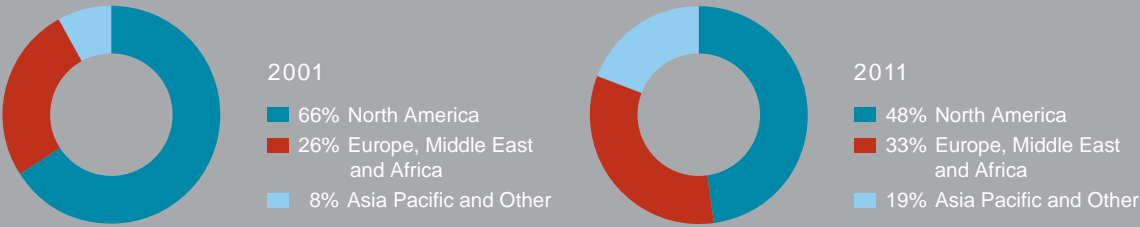
General Industrial: 31%  
MRO: 17%  
Construction: 15%  
Automotive Aftermarket: 7%

# Revenue Diversification

REVENUES BY PRODUCT CATEGORY



COMPARATIVE REVENUES BY GEOGRAPHY

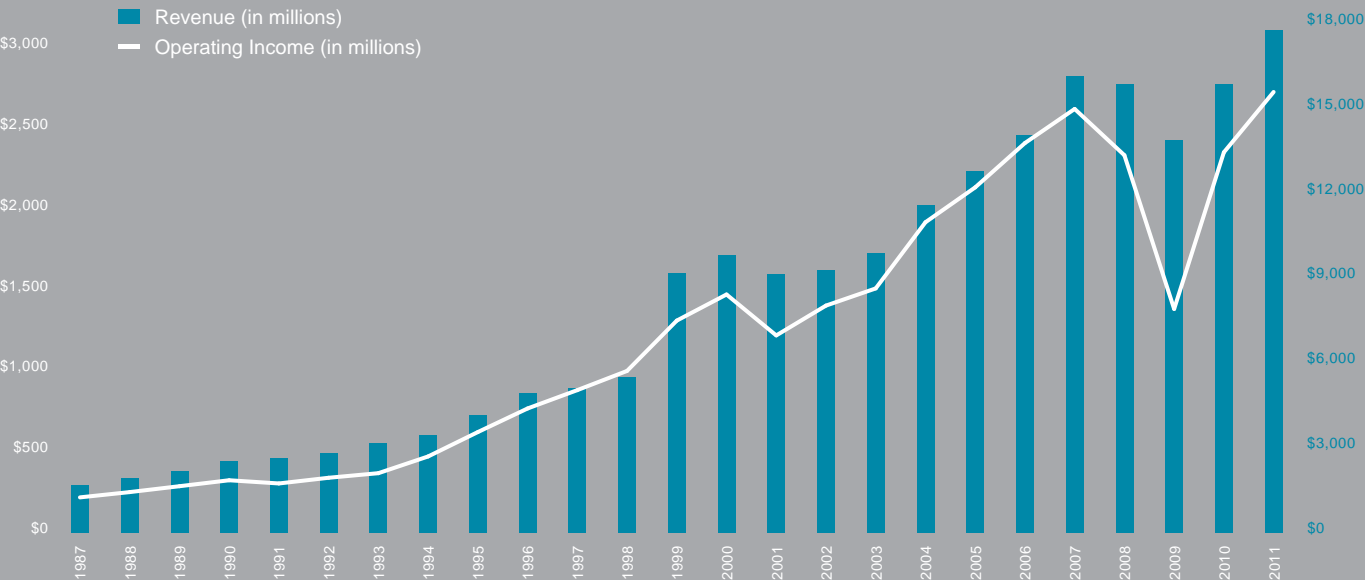


COMPARATIVE REVENUES BY GEOGRAPHY (EMERGING MARKETS)



Other Emerging Markets excludes BRIC, Japan and Australia/New Zealand.

# 25-Year Revenue/Operating Income



Note: The prior years' graphs presented above have not been restated for discontinued operations or the elimination of the month international reporting lag.

## Letter to Our Shareholders

**It is an exciting time at ITW as we proudly celebrate a significant milestone, our 100-year anniversary.**

**In 1912, Chicago financier Byron L. Smith placed an ad in The Economist looking to provide capital to a “high class business (manufacturing preferred) in or near Chicago.” He turned down several initial offers, waiting for the right proposal. He wanted people with high integrity and new ways of doing things, not just those seeking quick profits. When a group of inventors with an idea to improve gear grinding came along, Illinois Tool Works was born. From these humble beginnings, the company endured the uncertainties of wars and recessions, expanded into businesses across the globe and transformed entire industries through simple, yet ingenious solutions. It was no accident. In fact, very few U.S. public companies can claim a century of success.**

Now called ITW, the company’s embrace of technological change and new markets, insistence on acquiring only “high class” businesses and robust culture of entrepreneurship and innovation has helped stay the course toward profitable growth. Our financial performance in 2011 is proof that these values are still very much alive at ITW and are a key part of how we deliver shareholder value.

### **STRONG FINANCIAL PERFORMANCE**

2011 represented the second year of recovery from the historic recession of 2008 and 2009. ITW generated total revenues of \$17.8 billion (15.4 percent growth) in full-year 2011. Organic revenues were up 7.5 percent—above the 5 to 7 percent range we anticipated last year. Our welding, test and measurement and automotive businesses led the way with strong operating results in 2011. The net result was that our income from continuing operations exceeded more than \$2 billion and our diluted income per share from continuing operations was 30 percent higher than 2010, excluding a one-time tax benefit recorded in the 2011 first quarter. We also produced solid operating margins of 15.4 percent, 80 basis points higher than full-year 2010.

It was also a year of strong free operating cash flow. Our solid balance sheet reflects judicious and opportunistic use of our cash flow and debt, including \$1.6 billion returned to shareholders through share repurchases and dividends. A

6 percent dividend increase was approved in August of 2011, and ITW was again lauded in national financial media as one of America’s “dividend aristocrats.”

### **A TRADITION OF PROFITABLE GROWTH**

Throughout its long history, ITW has never pursued growth for growth’s sake. Our strong performance in 2011 was due in part to a continued focus on emerging markets that meet our long-term financial metric as well as innovation—organic investments that drive growth at a high rate of return. Ever since Byron L. Smith recognized that ITW’s strength lay in high quality, specialized products and solutions rather than mass-produced commodities, we have fostered a culture that nurtures innovation and built our position among the top U.S. companies based on the strength and size of our patent portfolio.

When ITW purchased its first company in 1923—Shakeproof Screw and Nut Lock Company—acquisitions became another important way for us to accelerate growth, generate long-term returns and expand our product mix. In 2011, we completed a number of acquisitions, largely in key platforms. We applied disciplined valuation, choosing businesses with long-term profitable growth potential. Acquisitions such as Despatch Industries, a leader in thermal processing equipment, and SOPS (now named ITW Global Brands), an auto aftermarket products portfolio, represent larger businesses that possess

both solid growth rates and strong operating margins. We also acquired smaller businesses in emerging markets, such as the Brazilian industrial chemical company Archem. In fact, more than 80 percent of our 2011 acquisitions are directly tied to emerging markets and platform-related growth initiatives.

#### **BUILDING SHAREHOLDER VALUE**

In 2011, we consistently generated returns significantly above the cost of our investments to achieve a 16.8 percent return on average invested capital (ROIC). But this is only part of how ITW is creating shareholder value. We are also aiming for more profitability by improving the operating margins of these acquired businesses and our base businesses by applying signature ITW principles such as 80/20 and simplification.

But more importantly, ITW's consistently high return on investment and growth drive higher profits, which in turn gives our shareholders long-term value and reward. In fact, over the past 25 years, our strategies have yielded an average 13 percent compounded annual rate of return for our shareholders.

#### **MANAGEMENT DEVELOPMENTS**

One hallmark of the few companies that endure 100 years is successful leadership talent and succession. We are proud of our strong track record of leadership continuity. The strategic planning and guidance of highly experienced leaders with long tenures is integral to our longevity and has kept us on the path to profitable growth.

In early 2012, Daniel J. Brutto and James W. Griffith were elected to the ITW Board of Directors. Dan is president of UPS International, responsible for all international package, freight forwarding and logistics businesses, as well as U.S. international package services. Jim is president and chief executive officer of The Timken Company and a member of its board of directors. Both Dan and Jim have a broad range of operational and financial experience that will be an asset to ITW and its Board of Directors. We look forward to their valuable contributions in the years ahead.

We bid a fond farewell to Director Marvin D. Brailsford, who retired in 2011 after 14 years of service to ITW's Board of Directors. We also say goodbye to several dedicated officers who retired in early 2012: Philip M. Gresh, Jr., executive vice president, retired after 22 years of service; Thomas J. Hansen, vice chairman, retired after 31 years of service; and James H. Wooten, Jr., senior vice president, general counsel and secretary,

retired after 23 years of service. We appreciate their many valuable contributions to ITW and wish them the very best in the years ahead.

#### **LOOKING AHEAD**

We are optimistic that the economic recovery will continue its upward trajectory in 2012, although at a more modest pace. We anticipate challenges in geographies such as Europe, and expect that global economic demand will remain uneven. However, through innovation and applying our toolbox to existing businesses, ITW can further penetrate these slower-growing economies. At the same time, we plan to continue investing in higher-growth platforms and emerging markets. We are committed to a long-term, balanced strategy of profitable growth and strong returns.

As a company that has stood the test of time, we believe we can meet these expectations. The values that formed a small Midwestern tool company a century ago are still with us today: innovation, quality, integrity, and giving back to our communities. Our values and principles have been refined and expanded, but never discarded. We thank the many talented women and men of ITW, past and present, for upholding our values and helping us to reach our 100-year anniversary.

Congratulations to everyone at ITW, all over the world, on our historic achievement. We look forward to a bright and prosperous future for our customers, our shareholders, and our people.



David B. Speer  
Chairman & Chief Executive Officer



David C. Parry  
Vice Chairman



E. Scott Santi  
Vice Chairman



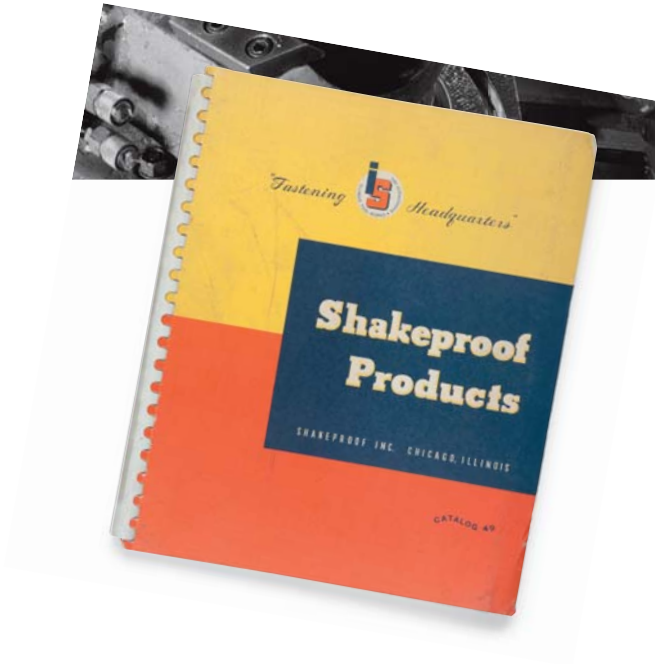
A company that thrives for 100 years must get a lot of things right. Perhaps the most important is a disciplined focus on customers' expectations. Since its founding, ITW has not simply met customers' needs, but anticipated their future needs, continually bringing forth new ideas that help them run their businesses better.

That is the story of ITW. From its humble first days on a leased lot in Chicago in 1912 to the global presence it has today, it is a story of innovation, of integrity, and a determined drive for growth. It is also a story of respect and support for ITW's people, who pursue their ideas in a culture of innovation that gives creative minds the freedom and the resources they need.

This report summarizes that story and presents profiles of four ITW businesses that demonstrate what we do best.



**WANTED**  
to invest i  
owing **Manufacturing**  
quiring additional  
ed client of ample means,  
man of high character and ex  
connections, with business experie





# 1973

Officially listed on the New York Stock Exchange, ITW becomes a publicly traded company.

# 1950s

The Hi-Cone beverage can carrier is developed, one of ITW's most successful inventions. The product continued to evolve to meet customers' needs.



# 1954

The Smith family creates the Illinois Tool-Shakeproof Foundation, later the ITW Foundation, to manage its philanthropic outreach.



# 1963

ITW introduces the first self-drilling screw, opening a new market for the company in the construction industry.

hard work, dedication, and a drive to innovate that has been the hallmark of ITW in the century since then.

## CUSTOMER APPLICATION ENGINEERING— INNOVATING FOR THE CUSTOMER

Illinois Tool Works' founders quickly realized that the company's future lay not in mass producing common items but rather in inventing and building—and later patenting—items specially designed for customers' needs. From the very beginning, the leadership grasped what was necessary to bring that strategy to life—giving its designers' creative minds the freedom and the tools they needed.

One of those minds belonged to Jack Gribbie, a sales manager at Shakeproof Screw and Nut Lock Company, which was acquired by Illinois Tool Works in 1923 and soon became the company's largest division. Gribbie was convinced that any

number of new applications for Shakeproof fasteners could be found in industries that weren't yet using them. To find new applications for ITW products, Gribbie pioneered "customer application engineering." This was a method of investigating customers' processes and products in order to find new ways that Shakeproof products could help them.

Customer Application Engineering enabled ITW to invent thousands of products, ranging from simple to very complex, each addressing an identified customer need. One of the most notable was the Hi-Cone beverage can carrier developed in the late 1950s and early 1960s. Though a tough sell at first, the Hi-Cone carrier was eventually embraced by the beverage producers and brought them enormous savings over the costs of the paper carriers that they had been manufacturing. By the 1980s, the Hi-Cone carrier had become an important contributor to the growth and profitability of ITW.





## 1980s

Maturation of the ITW Toolbox, a set of business tools that includes the 80/20 rule.



## 1986

ITW acquires Signode Packaging Systems.



## 1988 > 1990

ITW completes 32 acquisitions.



## 1990s

ITW becomes one of the top U.S. patent holders.

## 1993

ITW acquires Miller Electric Manufacturing Company.

### FROM INNOVATION TO DIVERSIFICATION TO ACQUISITION

ITW has been diversifying its product lines and markets almost from the moment it was founded. In the early years, the bulk of ITW's revenues came from the automotive industry. But the automakers and their suppliers were prone to ups and downs, which prompted the company to seek new markets. Beginning in 1919, ITW began marketing its tooling products to the radio and farm equipment industries. International Harvester became a customer at that time and remains so today.

Ever since that initial market diversification—and its first major product diversification in 1923 with the licensing of the Shakeproof lock washer—ITW has aggressively sought out new products and new markets. Today, the company manufactures products for industry segments around the world, including food and beverage, construction, electronics, and automotive. In

addition to its historic core products, the company now makes plastic components, adhesives, coatings and resins, cooking equipment, welding equipment, and testing and measurement equipment, among others.

Of course, a critical component for a company intent on diversified growth is acquisition, which started for ITW with the Shakeproof acquisition in 1923. But acquisitions remained infrequent until much later. In the late 1970s, ITW's leadership realized that acquisitions needed to play a larger role in the company's growth. Senior leadership began to focus on how other companies would fit into or expand the ITW portfolio of holdings, complement existing business units or create an opportunity for new ones. Since 1993, the company has completed hundreds of acquisitions that complement the company's core business platforms.



A growing, decentralized ITW has retained a unified culture and remained close to its customers by developing a signature set of best practices dubbed the "ITW Toolbox." In the mid-1980s management began exploring concepts that could be applied to all of its businesses, such as the 80/20 principle of reducing unnecessary complexity and improving performance. By the 1990s, it was clear that the 80/20 rule worked well, and it evolved into new tools like product line simplification, in-lining, and market rate of demand. In 2000, ITW adopted a new tool, market segmentation selling, and had engaged all of its businesses with the toolbox. Even implementing online training to ensure alignment across the company.

#### **MORE GROWTH AHEAD**

ITW has emerged strong from the recession of 2008-2009 and





The 1939 employees of Shakeproof, ITW's first auto division, and leaders representing today's core auto groups in ITW Deltar.

KATIE THOMASON  
Manager of Operations - Automotive Fastener

FRANCO CISTERNINO  
General Manager - Fuel Systems

MATTHEW DAVIS  
General Manager - Filtration

LAURA ANDERSON  
General Manager - Body and Interior

# FROM THE EARLIEST CARS TO ELECTRIC CARS

**ITW's transportation platform is nearly as old as the company itself. From Shakeproof to Deltar, solving customer problems has shaped the auto industry and created a foundation for organic, profitable growth.**

The evolution of the ITW transportation platform appears much like a family tree, beginning with ITW's very first acquisition of the Shakeproof Screw and Nut Lock Company in 1923, a move that perfectly anticipated the rising demand for mass-produced automobiles in America. Shakeproof's metal screw and washer products business then spun off the plastic fastener group Fastex, which served a wide range of industrial applications.

Recognizing that the automotive market had very different needs from Fastex's industrial customers, Fastex was inspired to spin off a new company, Deltar, in 1969. Within a few years, Deltar's innovative auto components were generating \$1 million in revenue each month. What began as a small fastener start-up within ITW's just two desks stashed in the Fastex accounting department is now a worldwide business and a major driver of profitable growth for ITW.

Deltar's innovation has been key to this strong organic growth, even within the entrenched North American markets. Early inventions like the Deltar Magic EYE battery indicator and the industry's first lightweight, snap-in plastic door handle—launched by Chrysler in the early 1980s—served as stepping stones to separate the Components and Motion divisions. Deltar also created the first all-plastic air conditioning filter, which in turn led to a separate Filtration group. Deltar's "Christmas tree" door fasteners became a global standard for the industry. Products introduced in more recent years have the potential to do the same.

With each major innovation, Deltar's core divisions of Body and Interior, Powertrain, Filtration and Fasteners expanded. These divisions and subdivisions, along with acquisitions and start-ups in emerging markets, are serving—and even creating—more automotive market segments. Deltar represents what ITW does so well: divisions and businesses that grow organically through specialized products that solve customers' problems. A good dose of the entrepreneurial spirit helps as well.

"We've never focused on churning out commodities," explains Bob Dutzi, a vice president and general

manager at Deltar. "Instead, our people work together to find new ways to solve problems. And like all entrepreneurs, we take some risks. There's a competitive spirit in our businesses to see what we can achieve."

The traditions that began with Shakeproof are very much alive today. In 2011, Deltar's Interior group applied for patents on a new kind of assist grip, which has the potential to become a separate business division. Deltar Fuel Systems internally launched a capless refueling system for Ford and GM, earning a Chicago Innovation Award. (The system is launching in early 2012.) Deltar also patented a Halo auto clip for Toyota, which enhances the assembly process and elevates the product from regional to global distribution. And while electric cars are not yet mainstream, Deltar is preparing for the next chapter in the industry by developing better battery construction and charge ports.



# THE SIMPLICITY OF GREAT IDEAS

**Hi-Cone, part of ITW's consumer packaging platform, typifies the culture of innovation that runs through ITW's businesses. Fifty years of simple, ingenious solutions have helped drive profitable growth, even in mature markets.**

It was the late 1950s, and ITW inventor Jules Poupitch was searching for a way to hold soda and beer cans together without the flimsy metal clips or heavy, damage-prone wooden boxes beverage manufacturers used. He shoved a few cans through a sheet of plastic and pushed them off a table. To his delight, the cans tumbled down together intact. The idea turned into the Hi-Cone beverage carrier: an elegant, simple packaging solution that transformed the beverage industry and continued to drive profitable growth in its many later iterations.

Problem solving and design smarts are an important part of the culture of innovation at ITW businesses like Hi-Cone. Indeed, not many businesses or divisions can claim to have two employees who have earned 80 patents between them. But the Hi-Cone story is also about persistence and ITW's customer-application engineering.

In fact, while beverage companies initially liked the new carrier, there was no way for them to use it within their factories. Determined leadership worked closely with one interested company, Anheuser-Busch, to develop new equipment that would attach carriers to 1,200 cans per minute. By the 1980s, Hi-Cone was saving beverage companies millions of dollars annually and dramatically shortening processing time.

The Hi-Cone six-ring carrier is one of those inventions that makes you wonder, "How did we live without it?" But Hi-Cone has hardly been resting on its laurels. In the 50 years following the original carrier, Hi-Cone has evolved the original design, anticipating the industry's evolution from glass bottles to cans and plastic bottles and then diversifying with carriers for non-beverage consumables. In the 1990s, Hi-Cone responded to environmental concerns with yet another innovation—the industry's only 100 percent photodegradable carrier.

In 2011, Hi-Cone continued to follow ITW's tradition of customer-focused engineering. For example, Abbott, a global health care company, discovered a clear consumer

preference for the innovative Hi-Cone Top Lift carrier over shrink wrap or paperboard. Hi-Cone partnered with Abbott to install the necessary equipment; the switch saves 250,000 pounds of plastic annually, while the clear presentation highlights the products.

Despite constant innovation at Hi-Cone, the ingenuity of the original carrier hasn't been forgotten: it was recently featured in an international tour of the Vitra Design Museum's exhibition: Hidden Heroes: the Genius of Everyday Things.

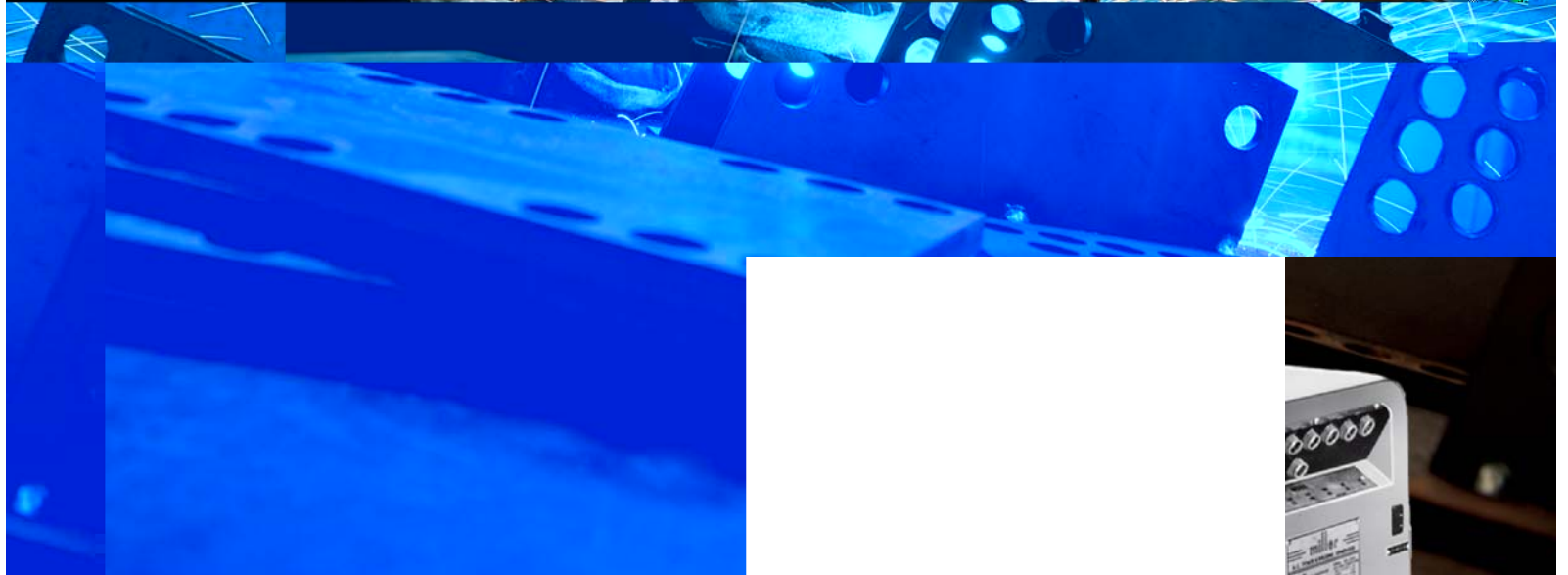
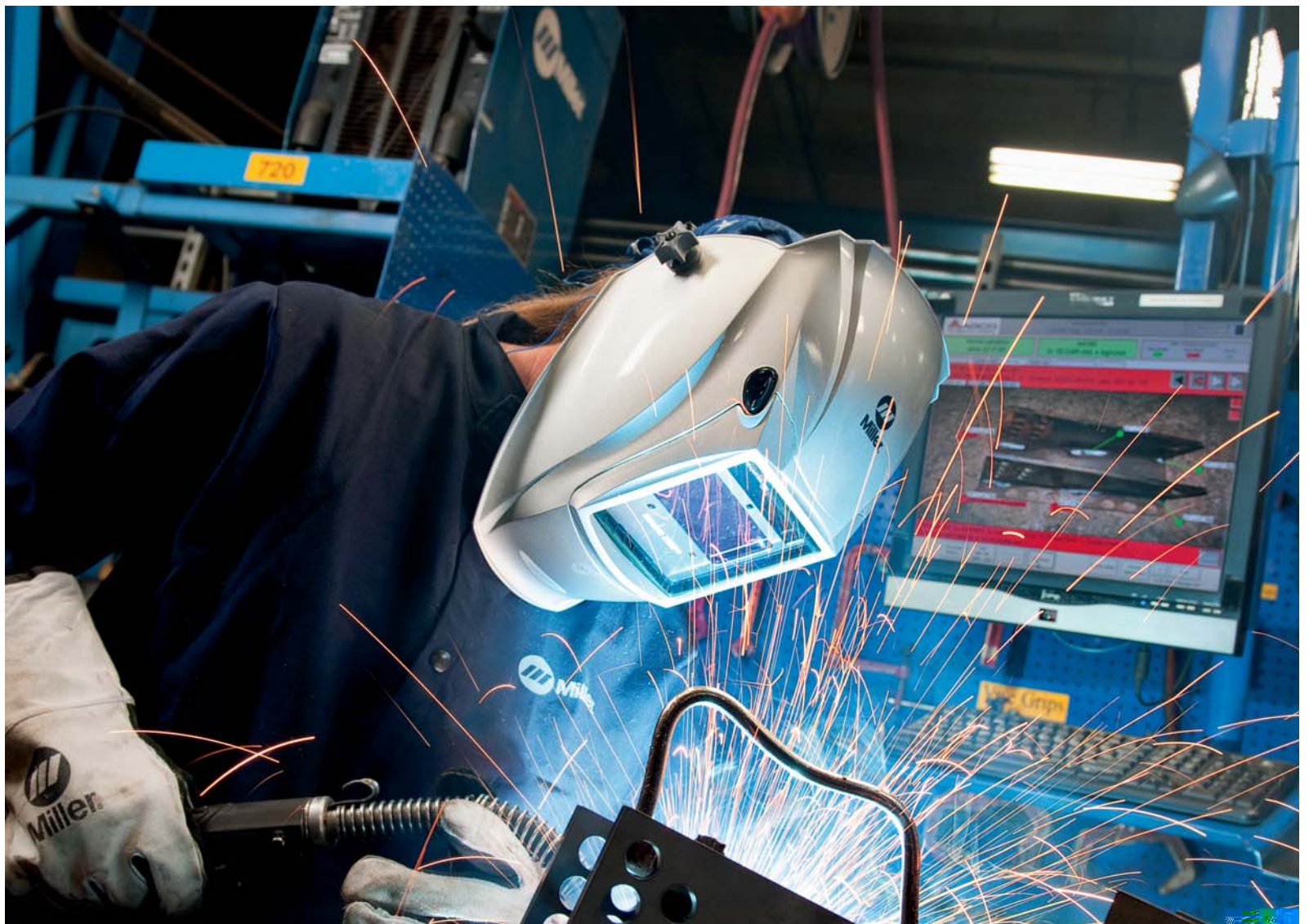






Hi-Cone's Top Lift plastic wrap carrier evolved from the original 1950s carrier to meet today's beverage packaging needs.





Above: Weld process monitoring with Miller's innovative Axcess E with Insight® system.

At right: Miller's AEA 200 engine-driven welder, circa 1940. The ITW Toolbox market segmentation tools help Miller provide highly focused customer solutions while continuing to serve the broad market with well-known, industry-standard machines.



# A TOOLBOX FOR TRANSFORMATION

**There are successful businesses, and there are outstanding businesses. The ITW Toolbox transformed Miller Electric from a solid company into a patent leader and the anchor of ITW's welding platform.**

Heavy construction in early industrial North America was no easy task. In cities, metal parts were fused with arc welding (a direct electric current) requiring large, expensive motor generators. Rural areas still relied on the ancient method of forge and hammer. But in 1929, the small, affordable arc welder invented by Niels Miller helped change the course of welding.

Miller incorporated the Miller Electric Mfg. Co. in 1935, and for the next 58 years his engineers would bring new levels of portability and efficiency to the industry. When Miller family descendants decided to sell to ITW in 1993, Miller was a solid company with good customer relationships and an average number of industry patents. It was a smart choice for ITW, because the ITW Toolbox could turn Miller into something even greater: the foundation for an entire ITW welding platform that would provide customer-based solutions that drive long-term profitable growth.

The toolbox is not a manual of written guidelines handed to

management of newly acquired companies. But within the ITW organization, proven business principles such as simplification, 80/20, and others are gospel. Once acquired, Miller took on the challenge of toolbox application and transformed its operations. Product delivery went from six weeks to same day, while production quadrupled. ITW's guidance also boosted innovation at Miller, leading to more patents and expansion into new areas such as fume extraction and weld environment personal protection.

Miller has always excelled at manufacturing products with broad application that serve an undifferentiated marketplace. But within end-user markets, each customer uses welding in a slightly different way, which presents an opportunity for greater growth. Tools such as 80/20 and simplification allowed Miller to develop end-market segment teams laser focused on their customers and the challenges they face.

As a result, Miller has moved toward outside-in manufacturing that prioritizes and targets highly specific customer needs, while maintaining a portfolio of components that enjoy broad industry preference. Applying the toolbox and gaining access to new branded products through ITW's acquisitions—such

as Bernard's MIG guns or Hobart Brothers' welding wire—enables Miller to offer a total solutions package tailored to customer needs.

For example, Miller works closely with AGCO, one of the largest multi-national manufacturers of agricultural equipment and replacement products. Miller identified key challenges in AGCO's business and developed tools and solutions tailored to reduce costs and increase productivity in AGCO's operations. As AGCO's growth continues, these solutions have the potential for application in new global markets.

“With the strength of ITW behind us, we are able to acquire and develop technology that fosters innovation and develop solutions that narrow the focus to specific end-user needs,” explains Tim Temby, ITW Welding group president.

In recent years, Miller began sharing the ITW Toolbox philosophy and training with its distribution partners to further strengthen its ties to customers. It continues to formulate and organize teams focused on end-market needs, while innovating with game-changing products like Axxess E with Insight weld process monitoring.



# ACQUIRING THE BEST INDUSTRY-LEADING BRANDS

**ITW's legendary acquisition strategy is diverse and disciplined. We acquire small companies in emerging markets, as well as established companies like Hobart, which have their own long history of innovation and acquisition.**

In the early 1900s, representatives from the new Hobart Electric Manufacturing Company began meeting with merchants, demonstrating how Hobart's motors could be belted to coffee grinders for a novel effect: automated grinding. It was just the innovation coffee retailing needed to take a big step forward.

This is also an early example of how Hobart grew alongside—and helped define—the modern food and hospitality industry. The industry remained underdeveloped throughout the early 20th century, and preparation and cleaning were laborious, manual tasks. But Hobart's innovative equipment—warewashers, as well as faster choppers, mixers, slicers and peelers—helped move the industry forward. And Hobart continuously improved on its designs as the sophistication of the industry evolved. By 1920, Hobart

surpassed \$1 million in revenues and opened sales offices overseas. During World War II, it designed precision instruments for the war effort. Hobart also responded to new sanitation standards with safer, "easy clean" designs.

"We consider ourselves serial innovators," says Christopher O'Herlihy, executive vice president with responsibility for ITW's Food Equipment Group. "Hobart's highly robust, quality products have certainly underpinned our success and longevity. But we're also constantly changing to meet customer needs."

Hobart became one of the first to enter new markets for automatic weighing and labeling machines—equipment that supported the rise of restaurant chains and supermarkets. By the time ITW acquired Hobart in 1999, it had a long, rich history of iconic, award-winning innovations. Hobart is the brand of choice for the White House, royal weddings, film sets and international culinary competitions, as well as thousands of commercial kitchens around the world. Businesses like Hobart exemplify ITW's ability to acquire established companies that fuel profitable growth.

Today's customers demand service, sustainability, and energy efficiency. Again, Hobart leads the industry as the only food equipment company that offers advanced, global customer service in North America, Europe and emerging markets such as China and Brazil. Hobart has also prioritized sustainability through materials reduction and recycling and invested in innovations like the Opti-Rinse system, which reduces water use by up to 50 percent over industry-standard warewashers. Hobart was the first food equipment manufacturer to join the U.S. Green Building Council, and it also created the Hobart Center for Foodservice Sustainability to provide industry counsel and grants.

In 2011, Hobart Germany was recognized as a national leader in sustainability, receiving the Environmental Technology Prize from the Ministry of the Environment, Climate Protection and Energy Sector. Domestically, ITW's Food Equipment Group is proud to be the industry's only recipient of the U.S. Environmental Protection Agency's ENERGY STAR Sustained Excellence Award.



Brian Guerrant, part of the Hobart service organization, and the Advansys CL44er warewasher. Over a century of service, quality, and innovation has established Hobart in the food equipment industry.

2011 PERCENTAGE OF  
TOTAL COMPANY REVENUE

NORTH AMERICA

48%

SOUTH AMERICA  
AND OTHER

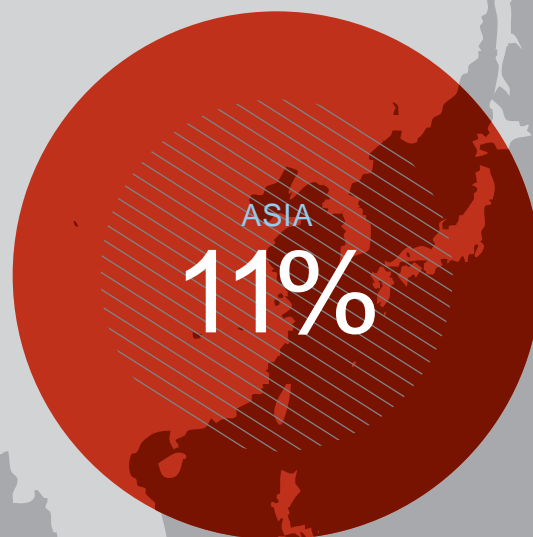
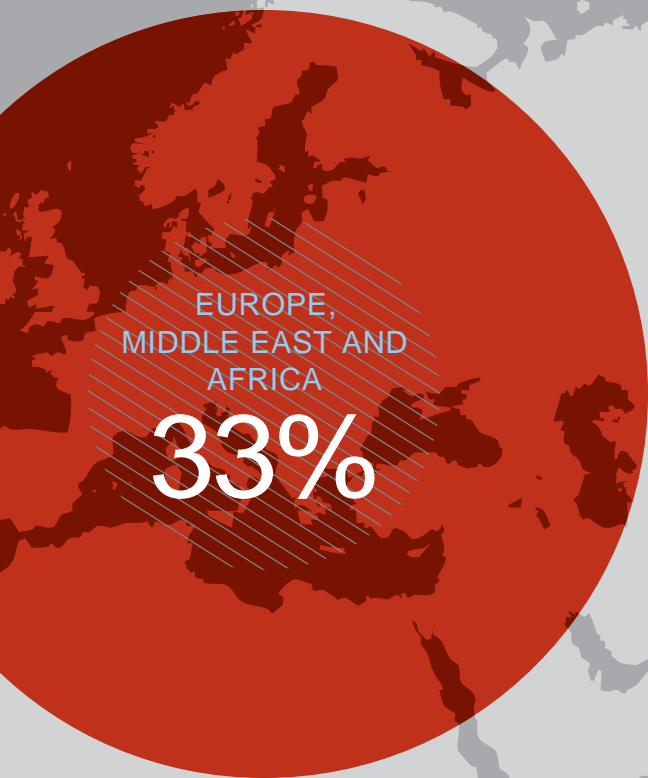
3%

## A NEW CENTURY

### GROWING A GLOBAL COMPANY

When Byron L. Smith and a group of inventors founded ITW in 1912, they could not have imagined the scope and breadth of the company 100 years later. Today, ITW businesses are operating in nearly every corner of the globe, in both firmly established industries and exciting, emerging markets. In fact, more than half of our total company revenue comes from countries outside of North America, and it is a number that we expect to keep growing.

We are working hard to ensure that our next century is a story of industry leadership on a global scale. We believe the values and tools that have served us so well will be just as relevant in the next century, and we look forward to a future of continued profitable growth.



## Corporate Executives

Experience has always been one of the keys to our success. Our management team is well schooled in the ITW way, and is comprised of experts in their fields of business. We have decades of experience on which to draw; ITW's management team shares an average tenure of almost 20 years of company service.

DAVID B. SPEER  
Chairman & Chief Executive Officer  
33 Years of Service

DAVID C. PARRY  
Vice Chairman  
17 Years of Service

E. SCOTT SANTI  
Vice Chairman  
28 Years of Service

TIMOTHY J. GARDNER  
Executive Vice President  
14 Years of Service

CRAIG A. HINDMAN  
Executive Vice President  
35 Years of Service

ROLAND M. MARTEL  
Executive Vice President  
17 Years of Service

STEVEN L. MARTINDALE  
Executive Vice President  
9 Years of Service

SUNDARAM NAGARAJAN  
Executive Vice President  
20 Years of Service

CHRISTOPHER A. O'HERLIHY  
Executive Vice President  
22 Years of Service

JUAN VALLS  
Executive Vice President  
23 Years of Service

JANE L. WARNER  
Executive Vice President  
6 Years of Service

SHARON M. BRADY  
Senior Vice President, Human Resources  
5 Years of Service

MARIA C. GREEN  
Senior Vice President,  
General Counsel & Secretary  
14 Years of Service

RONALD D. KROPP  
Senior Vice President & Chief Financial Officer  
18 Years of Service

JOHN L. BROOKLIER  
Vice President, Investor Relations  
20 Years of Service

MARK W. CROLL  
Vice President, Intellectual Property  
17 Years of Service

MARYANN McNALLY  
Vice President, Research & Development  
1 Year of Service



## Board of Directors

**DANIEL J. BRUTTO**  
Senior Vice President, United Parcel Service, Inc.  
and President, UPS International  
Director since 2012

**SUSAN CROWN**  
Vice President  
Henry Crown and Company  
Director since 1994

**DON H. DAVIS, JR.**  
Retired Chairman of the Board  
Rockwell Automation Inc.  
Director since 2000

**JAMES W. GRIFFITH**  
President and Chief Executive Officer  
The Timken Company  
Director since 2012

**ROBERT C. McCORMACK**  
Advisory Director  
Trident Capital, Inc.  
Director since 1993, previously 1978-1987

**ROBERT S. MORRISON**  
Retired Vice Chairman  
PepsiCo, Inc.  
Director since 2003

**JAMES A. SKINNER**  
Vice Chairman and Chief Executive Officer  
McDonald's Corporation  
Director since 2005

**DAVID B. SMITH, JR.**  
Executive Vice President for Policy & Legal Affairs  
and General Counsel  
Mutual Fund Directors Forum  
Director since 2009

**DAVID B. SPEER**  
Chairman & Chief Executive Officer  
Illinois Tool Works Inc.  
Director since 2005

**PAMELA B. STROBEL**  
Retired Executive Vice President and  
Chief Administrative Officer  
Exelon Corporation  
Director since 2008

**KEVIN M. WARREN**  
President, U.S. Client Operations  
Xerox Corporation  
Director since 2010

**ANRÉ D. WILLIAMS**  
President, Global Merchant Services  
American Express Company  
Director since 2010



Left to right: Robert C. McCormack, David B. Smith, Jr., Anré D. Williams,  
Pamela B. Strobel, Don H. Davis, Jr., Robert S. Morrison, Susan Crown,  
David B. Speer, Kevin M. Warren, James A. Skinner, Daniel J. Brutto  
Not pictured: James W. Griffith

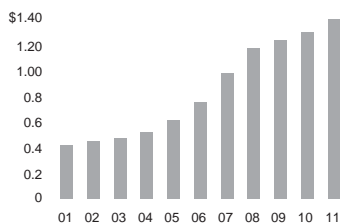
# Eleven-Year Financial Summary

## DOLLARS AND SHARES IN THOUSANDS EXCEPT PER SHARE AMOUNTS

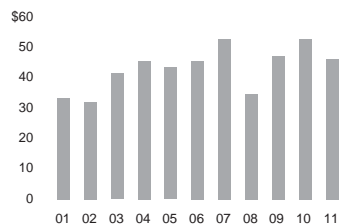
	2011	2010	2009
<b>INCOME:</b>			
Operating revenues	\$ 17,786,583	15,415,692	13,572,996
Operating income	\$ 2,731,008	2,254,017	1,382,963
Income from continuing operations before income taxes	\$ 2,592,714	2,088,838	1,213,920
Income taxes	\$ 575,700	636,400	245,282
Income from continuing operations	\$ 2,017,014	1,452,438	968,638
Income (loss) from discontinued operations (net of tax)	\$ 54,370	50,514	4,059
Cumulative effect of changes in accounting principles (net of tax)	\$ -	-	-
Net income	\$ 2,071,384	1,502,952	972,697
Per common share - assuming dilution:			
Income from continuing operations	\$ 4.08	2.89	1.93
Income (loss) from discontinued operations	\$ 0.11	0.10	0.01
Cumulative effect of changes in accounting principles	\$ -	-	-
Net income	\$ 4.19	2.99	1.94
<b>FINANCIAL POSITION:</b>			
Net working capital	\$ 3,872,619	2,947,636	2,813,694
Net plant and equipment	\$ 2,025,396	2,066,156	2,097,326
Total assets	\$ 17,983,514	16,412,311	15,811,432
Long-term debt	\$ 3,488,198	2,542,087	2,861,304
Total debt	\$ 3,990,261	2,868,323	3,075,347
Total Invested capital	\$ 12,846,450	11,253,955	10,428,303
Stockholders' equity	\$ 10,034,064	9,571,999	8,699,122
<b>CASH FLOW:</b>			
Free operating cash flow	\$ 1,602,600	1,200,554	1,911,813
Cash dividends paid	\$ 680,280	636,200	619,681
Dividends paid per share	\$ 1.380	1.270	1.240
Dividends declared per share	\$ 1.400	1.300	1.240
Plant and equipment additions	\$ 353,408	287,759	255,739
Depreciation	\$ 336,495	334,786	376,226
Amortization and impairment of goodwill and other intangible assets	\$ 257,514	214,000	308,615
<b>FINANCIAL RATIOS:</b>			
Operating income margin	% 15.4	14.6	10.2
Return on average stockholders' equity	% 20.6	15.9	11.8
Return on average invested capital	% 16.8	14.6	10.6
Book value per share	\$ 20.75	19.23	17.32
Total debt to total capitalization	% 28.5	23.1	26.1
<b>OTHER DATA:</b>			
Market price per share at year-end	\$ 46.71	53.40	47.99
Shares outstanding at December 31	483,608	497,744	502,336
Weighted average shares outstanding	491,439	500,772	500,177
Research and development expenses	\$ 242,979	213,339	191,859
Employees at December 31	65,000	61,000	59,000
Number of acquisitions	28	24	20
Cash paid for acquisitions	\$ 1,308,164	497,435	281,404

Note: Certain reclassifications of prior years' data have been made to conform with current year reporting, including discontinued operations. 2010 and 2009 have been restated for the elimination of the one month reporting lag for the company's international operations outside of North America. See "Management's Discussion and Analysis" in our 2011 Annual Report on Form 10-K for a calculation of return on average invested capital and free operating cash flow. Return on average stockholders' equity represents income from continuing operations divided by average stockholders' equity.

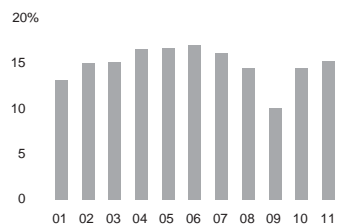
DIVIDENDS DECLARED PER SHARE  
(IN DOLLARS)



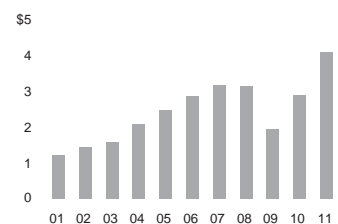
MARKET PRICE AT YEAR-END (IN DOLLARS)



OPERATING INCOME MARGIN (IN PERCENT)



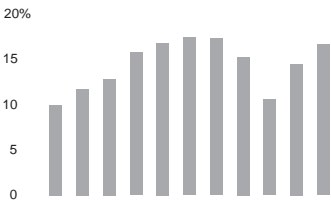
INCOME FROM CONTINUING OPERATIONS  
PER DILUTED SHARE (IN DOLLARS)



2008	2007	2006	2005	2004	2003	2002	2001
16,544,281	15,549,806	13,253,660	12,028,521	10,836,381	9,201,303	8,669,002	8,490,837
2,409,838	2,534,773	2,286,250	2,021,442	1,807,870	1,406,557	1,317,685	1,125,409
2,259,669	2,490,999	2,293,546	2,063,761	1,884,903	1,470,169	1,346,673	1,135,504
635,706	726,321	675,687	641,880	615,424	497,702	473,011	395,504
1,623,963	1,764,678	1,617,859	1,421,881	1,269,479	972,467	873,662	740,000
(104,960)	105,184	99,887	72,988	69,215	51,213	52,279	65,659
-	-	-	-	-	-	(213,349)	-
1,519,003	1,869,862	1,717,746	1,494,869	1,338,694	1,023,680	712,592	805,659
3.12	3.17	2.84	2.47	2.08	1.57	1.42	1.21
(0.20)	0.19	0.18	0.13	0.11	0.08	0.08	0.11
-	-	-	-	-	-	(0.35)	-
2.91	3.36	3.01	2.60	2.20	1.66	1.16	1.32
928,886	3,205,370	2,569,821	2,110,874	2,471,227	3,294,299	2,276,401	1,587,332
2,109,432	2,194,010	2,053,457	1,807,109	1,876,875	1,728,638	1,631,249	1,633,690
15,203,551	15,525,862	13,880,439	11,445,643	11,351,934	11,193,321	10,623,101	9,822,349
1,247,883	1,888,839	955,610	958,321	921,098	920,360	1,460,381	1,267,141
3,681,856	2,299,351	1,418,331	1,211,220	1,124,621	976,454	1,581,985	1,580,588
10,613,997	10,830,058	9,849,356	8,392,897	8,089,817	7,190,735	7,183,372	7,354,877
7,675,091	9,358,231	9,021,232	7,552,094	7,632,586	7,898,764	6,659,074	6,056,513
1,859,912	2,130,942	1,765,022	1,558,441	1,254,237	1,110,429	1,017,332	1,094,464
598,690	502,430	398,846	335,092	304,581	285,399	272,319	249,141
1.150	0.910	0.705	0.585	0.500	0.465	0.445	0.410
1.180	0.980	0.750	0.610	0.520	0.470	0.450	0.420
362,312	353,355	301,006	293,102	282,560	258,312	271,424	256,562
367,615	363,701	319,362	299,232	294,162	282,277	277,819	281,723
324,292	161,043	124,544	83,842	59,121	24,276	27,933	104,585
14.6	16.3	17.2	16.8	16.7	15.3	15.2	13.3
19.1	19.2	19.5	18.7	16.3	13.4	13.7	12.9
15.4	17.4	17.5	16.9	15.9	12.9	11.8	10.0
15.38	17.65	16.15	13.45	13.06	12.80	10.86	9.93
32.4	19.7	13.6	13.8	12.8	11.0	19.2	20.7
35.05	53.54	46.19	44.00	46.34	41.96	32.43	33.86
499,115	530,097	558,750	561,627	584,457	617,273	613,166	609,853
518,609	551,549	565,632	571,058	604,752	614,138	612,313	608,224
203,116	187,811	136,244	116,274	111,405	95,414	90,741	91,816
65,000	60,000	55,000	50,000	49,000	47,500	48,700	52,000
50	52	53	22	24	28	21	29
1,546,982	812,757	1,378,708	626,922	587,783	203,726	188,234	556,199

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RE-1 59,121 549 scn289 03 re f 323.323 5412157 35 1325.74 280,199



## Corporate Information

### TRANSFER AGENT AND REGISTRAR

Computershare Trust Company, N.A.  
250 Royall Street  
Canton, MA 02021

### AUDITORS

Deloitte & Touche LLP  
111 South Wacker Drive  
Chicago, IL 60606

### COMMON STOCK

ITW common stock is listed on the  
New York Stock Exchange  
Symbol: ITW

### ANNUAL MEETING

Friday, May 4, 2012, 3:00 p.m.  
The Northern Trust Company  
50 South LaSalle Street  
Chicago, IL 60603

### STOCK AND DIVIDEND ACTION

The company's dividend guideline provides for the dividend payout rate to be in a range of 30 to 45 percent of the company's last two years' average free operating cash flow. Effective with the October 12, 2011 payment, the quarterly cash dividend on ITW common stock was increased to 36 cents per share. ITW's annual dividend payment has increased 48 consecutive years, except during a period of government controls in 1971.

### DIVIDEND REINVESTMENT PLAN

The ITW Common Stock Dividend Reinvestment Plan enables registered shareholders to reinvest the ITW dividends they receive in additional shares of common stock of the company at no additional cost. Participation in the plan is voluntary, and shareholders may join or withdraw at any time. The plan also allows for additional voluntary cash investments in any amount from \$100 to \$10,000 per month. For a brochure and full details of the program, please direct inquiries to:

### COMPUTERSHARE TRUST COMPANY, N.A.

Dividend Reinvestment Service  
250 Royall Street  
Canton, MA 02021  
888.829.7424

### SHAREHOLDER INFORMATION

Questions regarding stock ownership, dividend payments or change of address should be directed to the company's transfer agent, Computershare Trust Company, N.A.

For additional assistance regarding stock holdings, please contact:

Janet O. Love  
Deputy General Counsel  
847.724.7500

Security analysts and investment professionals should contact:

John L. Brooklier  
Vice President of Investor Relations  
847.657.4104

### MEDIA INQUIRES

Please contact:  
Alison S. Donnelly  
Corporate Communications Manager  
847.657.4565

### CORPORATE GOVERNANCE

On June 6, 2011, the company's chairman & chief executive officer certified to the New York Stock Exchange (NYSE) that he is not aware of any violation by the company of the NYSE corporate governance listing standards. The company has provided certifications by the chairman & chief executive officer and the senior vice president & chief financial officer regarding the quality of the company's public disclosure, as required by Section 302 of the Sarbanes-Oxley Act, on Exhibit 31 in its 2011 Annual Report on Form 10-K.

### TRADEMARKS

Certain trademarks in this publication are owned or licensed by Illinois Tool Works Inc. or its wholly owned subsidiaries.

### HI-CONE RECYCLING

ITW Hi-Cone, manufacturer of recyclable multi-pack ring carriers, offers assistance to schools, offices and communities interested in establishing carrier collection programs.

For more information, please contact:

**ITW HI-CONE**  
1140 West Bryn Mawr Avenue  
Itasca, IL 60143  
630.438.5300  
[www.hi-cone.com](http://www.hi-cone.com)

### SIGNODE PLASTIC STRAP RECYCLING AND PET BOTTLE COLLECTION PROGRAMS

Some of Signode's plastic strapping is made from post-consumer strapping and PET beverage bottles. The company has collection programs for both these materials. For more information about post-consumer strapping recycling and post-consumer PET bottles (large volume only), please contact:

### ITW SIGNODE

7080 Industrial Road  
Florence, KY 41042  
859.342.6400

### INTERNET HOME PAGE

[www.itw.com](http://www.itw.com)

### DESIGN

Smith Design Co.  
Evanston, Illinois





Illinois Tool Works Inc.  
3600 West Lake Avenue  
Glenview, Illinois 60026

