



ITW Conference Call

**Second Quarter
2011**

ITW Agenda

1. Introduction..... John Brooklier/David Speer
2. Financial Overview..... Ron Kropp
3. Reporting Segments..... John Brooklier
4. 2011 Forecasts..... Ron Kropp
5. Q & A..... John Brooklier/Ron Kropp/David Speer

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Forward - Looking Statements

This conference call contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including, without limitation, statements regarding operating performance, revenue growth, diluted net income per share, restructuring expenses and related benefits, tax rates, end market conditions, and the Company's related 2011 forecasts. These statements are subject to certain risks, uncertainties, and other factors which could cause actual results to differ materially from those anticipated. Important risks that could cause actual results to differ materially from the Company's expectations are detailed in ITW's Form 10-K for 2010.

Conference Call Playback

Replay number: 402-220-9704

No pass code necessary

**Telephone replay available through midnight of
August 9, 2011**

**Webcast / PowerPoint replay available at
www.itw.com**

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Quarterly Highlights

\$ in Millions

| | 2010 <u>Q2</u> | 2011 <u>Q2</u> | <u>F(U) Last Year</u> | |
|-----------------------------------|-------------------|-------------------|-----------------------|----------|
| | | | <u>Amount</u> | <u>%</u> |
| Operating Revenues | 3,928.1 | 4,614.9 | 686.8 | 17.5% |
| Operating Income | 626.0 | 711.1 | 85.1 | 13.6% |
| % of Revenues | 15.9% | 15.4% | -0.5% | |
| Income from Continuing Operations | | | | |
| Income Amount | 399.8 | 483.5 | 83.7 | 20.9% |
| Income Per Share-Diluted | 0.79 | 0.96 | 0.17 | 21.5% |
| Net Income | | | | |
| Income Amount | 411.5 | 498.4 | 86.9 | 21.1% |
| Income Per Share-Diluted | 0.81 | 0.99 | 0.18 | 22.2% |
| Free Operating Cash Flow | 269.3 | 225.0 | (44.3) | -16.5% |

All 2010 and 2011 data reflects the elimination of the one month reporting lag for international operations outside of North America. Additionally, the income statement reflects the reclassification of certain businesses to discontinued operations.

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Quarterly Operating Analysis

| | % F(U) Prior Year | | |
|-----------------------------|---------------------------|-------------------------|--------------------------|
| | <u>Operating Revenues</u> | <u>Operating Income</u> | <u>Operating Margins</u> |
| Base Manufacturing Business | | | |
| Operating Leverage | 6.3% | 16.6% | 1.5% |
| Changes in VM & OH costs | - | -8.1% | -1.2% |
| Total | <u>6.3%</u> | <u>8.5%</u> | <u>0.3%</u> |
| Acquisitions/Divestitures | 4.8% | 0.8% | -0.6% |
| Translation | 6.3% | 6.2% | - |
| Impairment | - | - | - |
| Restructuring | - | -1.9% | -0.3% |
| Other | 0.1% | - | 0.1% |
| Total | <u>17.5%</u> | <u>13.6%</u> | <u>-0.5%</u> |

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Non Operating & Taxes

\$ in Millions

| | 2010 Q2 | 2011 Q2 | F(U) Last Year Amount | % |
|--|------------|------------|--------------------------|-------|
| Operating Income | 626.0 | 711.1 | 85.1 | 13.6% |
| Interest Expense | (43.2) | (45.4) | (2.2) | |
| Other Income / (Expense) | 2.2 | 15.3 | 13.1 | |
| Income from Continuing Operations - Pretax | 585.0 | 681.0 | 96.0 | 16.4% |
| Income Taxes | 185.2 | 197.5 | (12.3) | |
| Tax Rate | 31.7% | 29.0% | 2.7 pts | |
| Income from Continuing Operations | 399.8 | 483.5 | 83.7 | 20.9% |
| Income from Discontinued Operations | 11.7 | 14.9 | 3.2 | |
| Net Income | 411.5 | 498.4 | 86.9 | 21.1% |

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Invested Capital

\$ in Millions

| | <u>6/30/10</u> | <u>3/31/11</u> | <u>6/30/11</u> |
|-------------------------------------|-----------------|-----------------|-----------------|
| Trade Receivables | 2,624.3 | 2,981.2 | 3,146.0 |
| Days Sales Outstanding | 58.4 ** | 61.1 ** | 61.4 |
| Inventories | 1,476.2 | 1,824.1 | 1,919.7 |
| Months on Hand | 1.7 *** | 1.9 *** | 1.9 |
| Prepays and Other Current Assets | 256.6 | 394.9 | 507.4 |
| Accounts Payable & Accrued Expenses | (2,052.7) | (2,258.1) | (2,295.8) |
| Operating Working Capital | 2,304.4 | 2,942.1 | 3,277.3 |
| % to Revenue(Prior 4 Qtrs.) | 16% | 18% | 20% |
| Net Plant & Equipment | 1,944.2 | 2,122.3 | 2,132.0 |
| Investments | 445.3 | 431.0 | 435.6 |
| Goodwill and Intangibles | 6,394.9 | 7,235.5 | 7,206.9 |
| Net Assets Held for Sale | - | - | 321.6 |
| Other, net | (558.5) | (88.0) | (108.9) |
| Invested Capital | <u>10,530.3</u> | <u>12,642.9</u> | <u>13,264.5</u> |
| ROIC | 16.3% | 16.2%* | 15.6% |

* Net Income excludes discrete tax adjustment of \$165.9 million of benefit for Q1 2011.

** Excludes trade receivables related to discontinued operations.

*** Excludes inventories related to discontinued operations.

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Debt & Equity

\$ in Millions

| | <u>6/30/10</u> | <u>3/31/11</u> | <u>6/30/11</u> |
|-------------------------------------|------------------------|------------------------|------------------------|
| Short Term Debt | 317.5 | 750.8 | 1,450.3 |
| Long Term Debt | <u>2,704.2</u> | <u>2,597.3</u> | <u>2,622.8</u> |
| Total Debt | <u>3,021.7</u> | <u>3,348.1</u> | <u>4,073.1</u> |
| Stockholders' Equity | <u>8,849.9</u> | <u>10,379.3</u> | <u>10,422.0</u> |
| Total Capital | <u>11,871.6</u> | <u>13,727.4</u> | <u>14,495.1</u> |
| Less: | | | |
| Cash | <u>(1,341.3)</u> | <u>(1,084.5)</u> | <u>(1,230.7)</u> |
| Net Debt & Equity | <u><u>10,530.3</u></u> | <u><u>12,642.9</u></u> | <u><u>13,264.4</u></u> |
| Debt to Total Capital | <u><u>26%</u></u> | <u><u>24%</u></u> | <u><u>28%</u></u> |
| Shares outstanding at end of period | <u><u>503.5</u></u> | <u><u>500.0</u></u> | <u><u>491.4</u></u> |

ITW Cash Flow

\$ in Millions

| | 2010 Q2 | 2011 Q2 |
|---|----------------|--------------|
| Net Income | 411.5 | 498.4 |
| Adjust for Non-Cash Items | 129.8 | 175.8 |
| Changes in Trade Receivables | (211.1) | (205.0) |
| Changes in Inventories | (63.8) | (111.8) |
| Changes in all other Operating Assets & Liabilities | 67.0 | (44.8) |
| Net Cash From Operating Activities | <u>333.4</u> | <u>312.6</u> |
| Additions to Plant & Equipment | (64.1) | (87.6) |
| Free Operating Cash Flow | <u>269.3</u> | <u>225.0</u> |
| Acquisitions | (189.8) | (204.9) |
| Dividends | (155.8) | (170.0) |
| Proceeds from Debt | (41.2) | 694.7 |
| Share Repurchase | - | (550.0) |
| Proceeds from Investments | 3.2 | 2.8 |
| Other | (45.9) | 148.6 |
| Net Cash Increase(Decrease) | <u>(160.2)</u> | <u>146.2</u> |

ITW Acquisitions

\$ in Millions

| | 2010 | | | | | 2011 | |
|---------------------------------|-----------|-----------|-----------|-----------|--------------|-----------|-----------|
| | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> | <u>Q4</u> | <u>Total</u> | <u>Q1</u> | <u>Q2</u> |
| Annual Revenues Acquired | 26 | 253 | 120 | 131 | 530 | 329 | 156 |
| Purchase Price | | | | | | | |
| Cash Paid | 27 | 199 | 145 | 160 | 531 | 556 | 190 |
| Number of Acquisitions | 4 | 7 | 5 | 8 | 24 | 6 | 7 |

Transportation Quarterly Analysis Q2 2011

Key Points (Q2'11 vs Q2'10)

- Segment organic revenues: +7.4%
- Auto OEM/Tiers: Worldwide base revenue growth of 7.5%; impacted modestly by Japan disaster
 - North American base revenues: +6.6% vs. 1% growth in North America auto builds
 - International base revenues: +8.2% vs. 4% growth in European auto builds
 - 2011 full year auto build forecast:
 - North America: 12.9 - 13.1 million units
 - Europe: 19.8 - 20.0 million units
- Auto aftermarket worldwide base revenues: modest 1.3% growth due to rise in gas prices and lower miles driven

| \$ in Millions | Operating Revenues | Operating Income | Operating Margins |
|----------------------------------|-----------------------|---------------------|----------------------|
| 2011 Q2 | 805.6 | 119.7 | 14.9% |
| 2010 Q2 | 656.8 | 104.0 | 15.8% |
| \$ Inc(Dec) | 148.8 | 15.7 | -0.9% |
| % Inc(Dec) | 22.7% | 15.1% | |
| <u>% Inc(Dec) vs. Prior Year</u> | | | |
| Base Business | | | |
| Operating Leverage | 7.4% | 17.3% | 1.5% |
| Changes in VM & OH costs | - | -7.6% | -1.1% |
| Total | 7.4% | 9.7% | 0.4% |
| Acquisitions | 9.6% | -1.4% | -1.5% |
| Translation | 5.7% | 7.0% | 0.2% |
| Impairment | - | - | - |
| Restructuring | - | -0.2% | - |
| Other | - | - | - |
| Total | 22.7% | 15.1% | -0.9% |

Industrial Packaging Quarterly Analysis Q2 2011

Key Points (Q2'11 vs. Q2'10)

- Segment organic revenues: +9.6% reflected solid industrial production activity worldwide
 - Total North American industrial packaging base revenues: +11.2%
 - Total international industrial packaging base revenues: +7.6%
- Worldwide strapping and related equipment base revenues: +8.8%
 - North America: +12.9%
 - International: +6.2%
- Protective packaging base revenues: +11.3%

| \$ in Millions | Operating Revenues | Operating Income | Operating Margins |
|----------------------------------|--------------------|------------------|-------------------|
| 2011 Q2 | 697.7 | 75.8 | 10.9% |
| 2010 Q2 | 577.2 | 62.0 | 10.7% |
| \$ Inc(Dec) | 120.5 | 13.8 | 0.2% |
| % Inc(Dec) | 20.9% | 22.3% | |
| <u>% Inc(Dec) vs. Prior Year</u> | | | |
| Base Business | | | |
| Operating Leverage | 9.6% | 34.8% | 2.5% |
| Changes in VM & OH costs | - | -22.9% | -2.3% |
| Total | 9.6% | 11.9% | 0.2% |
| Acquisitions | 3.7% | 3.2% | - |
| Translation | 7.6% | 9.4% | 0.2% |
| Impairment | - | - | - |
| Restructuring | - | -2.1% | -0.2% |
| Other | - | -0.1% | - |
| Total | 20.9% | 22.3% | 0.2% |

Power Systems and Electronics Quarterly Analysis Q2 2011

| Key Points (Q2'11 vs. Q2'10) | \$ in Millions | Operating Revenues | Operating Income | Operating Margins |
|--|--------------------------|---------------------------|------------------|-------------------|
| | | | | |
| <ul style="list-style-type: none">Segment organic revenues: +11.9% due to strong contributions from welding and PC board fabrication businessesWorldwide welding base revenues: +18.2%<ul style="list-style-type: none">North America welding base revenues: +19.9% due to heavy equipment OEMs and manufacturersInternational welding base revenues: +14.1% as Europe and Asia Pacific both contributed to organic growthElectronics: +4.1% largely due to contribution from PC board fabrication businesses | 2011 Q2 | 723.4 | 149.3 | 20.6% |
| | 2010 Q2 | 608.7 | 122.2 | 20.1% |
| | \$ Inc(Dec) | 114.7 | 27.1 | 0.5% |
| | % Inc(Dec) | 18.8% | 22.2% | |
| | | % Inc(Dec) vs. Prior Year | | |
| | Base Business | | | |
| | Operating Leverage | 11.9% | 24.2% | 2.2% |
| | Changes in VM & OH costs | - | -3.8% | -0.7% |
| | Total | 11.9% | 20.4% | 1.5% |
| | Acquisitions | 2.5% | 0.4% | -0.4% |
| Translation | 4.4% | 3.7% | -0.2% | |
| Impairment | - | - | - | |
| Restructuring | - | -2.3% | -0.4% | |
| Other | - | - | - | |
| Total | 18.8% | 22.2% | 0.5% | |

Food Equipment Quarterly Analysis Q2 2011

Key Points (Q2'11 vs. Q2'10)

- Segment organic revenues: +1.9% as equipment sales moderated internationally
- Total North America base revenues: +4.2%
 - Equipment base revenues: +6.2%
 - Service base revenues: +3.0%
- International base revenues: -0.4%
 - Equipment base revenues: -2.8%
 - Service base revenues: +2.1%

| \$ in Millions | Operating Revenues | Operating Income | Operating Margins |
|----------------------------------|--------------------|------------------|-------------------|
| 2011 Q2 | 491.4 | 66.8 | 13.6% |
| 2010 Q2 | 446.8 | 61.8 | 13.8% |
| \$ Inc(Dec) | 44.6 | 5.0 | -0.2% |
| % Inc(Dec) | 10.0% | 8.1% | |
| % Inc(Dec) vs. Prior Year | | | |
| Base Business | | | |
| Operating Leverage | 1.9% | 5.9% | 0.5% |
| Changes in VM & OH costs | - | 10.9% | 1.5% |
| Total | 1.9% | 16.8% | 2.0% |
| Acquisitions | 1.9% | -0.4% | -0.3% |
| Translation | 6.2% | 6.0% | - |
| Impairment | - | - | - |
| Restructuring | - | -14.3% | -1.9% |
| Other | - | - | - |
| Total | 10.0% | 8.1% | -0.2% |

Construction Products

Quarterly Analysis

Q2 2011

Key Points (Q2'11 vs. Q2'10)

- Segment organic revenues: -2.2% as European growth moderates and North America remains weak
- International construction base revenues: +2.1%
 - Europe base revenues: +6.1%
 - Asia Pacific base revenues: -2.8%
- North America construction base revenues: -10.7%
 - Residential base revenues: -8.1%
 - Commercial base revenues: -24.0% but -5.3% excluding one-time revenue gain in Q2'10
 - Renovation base revenues: -3.1%

| \$ in Millions | Operating Revenues | Operating Income | Operating Margins |
|----------------------------------|--------------------|------------------|-------------------|
| 2011 Q2 | 519.9 | 64.3 | 12.4% |
| 2010 Q2 | 465.6 | 67.5 | 14.5% |
| \$ Inc(Dec) | 54.3 | -3.2 | -2.1% |
| % Inc(Dec) | 11.7% | -4.7% | |
| <u>% Inc(Dec) vs. Prior Year</u> | | | |
| Base Business | | | |
| Operating Leverage | -2.2% | -6.7% | -0.7% |
| Changes in VM & OH costs | - | -12.4% | -1.8% |
| Total | -2.2% | -19.1% | -2.5% |
| Acquisitions | 3.5% | 0.8% | -0.3% |
| Translation | 10.4% | 11.5% | 0.4% |
| Impairment | - | - | - |
| Restructuring | - | 2.1% | 0.3% |
| Other | - | - | - |
| Total | 11.7% | -4.7% | -2.1% |

Polymers and Fluids Quarterly Analysis Q2 2011

| | \$ in Millions | Operating | Operating | Operating |
|---|--------------------------|----------------------------------|-----------|-----------|
| | | Revenues | Income | Margins |
| Key Points (Q2'11 vs Q2'10) | 2011 Q2 | 368.5 | 62.0 | 16.8% |
| • Segment organic revenues: +1.5% reflected moderated industrial demand for polymer products in North American and international end markets; fluid demand stronger | 2010 Q2 | 287.6 | 57.8 | 20.1% |
| | \$ Inc(Dec) | 80.9 | 4.2 | -3.3% |
| | % Inc(Dec) | 28.1% | 7.1% | |
| | | % Inc(Dec) vs. Prior Year | | |
| • Worldwide polymers: Flat | Base Business | | | |
| | Operating Leverage | 1.5% | 3.4% | 0.4% |
| | Changes in VM & OH costs | - | -9.6% | -1.9% |
| | Total | 1.5% | -6.2% | -1.5% |
| • Worldwide fluids: +5.6% | Acquisitions | 18.5% | 8.4% | -1.4% |
| | Translation | 8.1% | 6.5% | - |
| | Impairment | - | - | - |
| | Restructuring | - | -1.7% | -0.3% |
| | Other | - | 0.1% | -0.1% |
| | Total | 28.1% | 7.1% | -3.3% |

Decorative Surfaces Quarterly Analysis Q2 2011

| Key Points (Q2'11 vs. Q2'10) | \$ in Millions | Operating | Operating | Operating |
|--|---------------------------|-----------|-----------|-----------|
| | | Revenues | Income | Margins |
| <ul style="list-style-type: none"> Segment organic revenues: +6.5% North America laminate base revenues: +4.9% due to ongoing product innovation and penetration in commercial construction International base revenues: +8.3% due to increased activity in Asia Pacific (China) and Europe | 2011 Q2 | 284.6 | 35.5 | 12.5% |
| | 2010 Q2 | 254.3 | 36.1 | 14.2% |
| | \$ Inc(Dec) | 30.3 | -0.6 | -1.7% |
| | % Inc(Dec) | 11.9% | -1.6% | |
| | % Inc(Dec) vs. Prior Year | | | |
| | Base Business | | | |
| | Operating Leverage | 6.5% | 18.8% | 1.6% |
| | Changes in VM & OH costs | - | -23.6% | -3.1% |
| | Total | 6.5% | -4.8% | -1.5% |
| | Acquisitions | - | - | - |
| | Translation | 5.4% | 3.0% | -0.2% |
| | Impairment | - | - | - |
| | Restructuring | - | 0.3% | - |
| | Other | - | -0.1% | - |
| | Total | 11.9% | -1.6% | -1.7% |

All Other Quarterly Analysis Q2 2011

Key Points (Q2'11 vs. Q2'10)

- Segment organic revenues: +8.1%
- Worldwide test and measurement base revenues: +17.0% as equipment orders improved in Asia Pacific (China) and Europe
- Worldwide consumer packaging base revenues: +5.7% due to strength in the decorating and consumer packaging businesses
- Worldwide industrial/appliance base revenues: -0.5% due to weakness in appliance sector

| \$ in Millions | Operating Revenues | Operating Income | Operating Margins |
|----------------------------------|-----------------------|---------------------|----------------------|
| 2011 Q2 | 746.6 | 137.7 | 18.4% |
| 2010 Q2 | 653.1 | 114.6 | 17.6% |
| \$ Inc(Dec) | 93.5 | 23.1 | 0.8% |
| % Inc(Dec) | 14.3% | 20.1% | |
| <u>% Inc(Dec) vs. Prior Year</u> | | | |
| Base Business | | | |
| Operating Leverage | 8.1% | 21.1% | 2.1% |
| Changes in VM & OH costs | - | -4.8% | -0.8% |
| Total | 8.1% | 16.3% | 1.3% |
| Acquisitions/Divestitures | 1.9% | -1.0% | -0.5% |
| Translation | 4.3% | 4.2% | -0.1% |
| Impairment | - | - | - |
| Restructuring | - | 0.6% | 0.1% |
| Other | - | - | - |
| Total | 14.3% | 20.1% | 0.8% |

ITW 2011 Forecast

| | <u>Low</u> | <u>High</u> | <u>Mid Point</u> |
|---|------------|-------------|----------------------|
| <u>3rd Quarter 2011</u> | | | |
| Total Revenues | 15.0% | 18.0% | 16.5% |
| Diluted Income per Share from Continuing Operations | \$0.95 | \$1.03 | \$0.99 |
| % F(U) 3rd Quarter 2010 | 19% | 29% | 24% |
| <u>Full Year 2011</u> | | | |
| Total Revenues | 16.0% | 18.0% | 17.0% |
| Diluted Income per Share from Continuing Operations | \$4.05 | \$4.21 | \$4.13 |
| % F(U) 2010 | 40% | 46% | 43% |

ITW 2011 Forecast Key Assumptions

- **Exchange rates hold at current levels**
- **Acquired revenues in the \$800 million to \$1 billion range for the year**
- **Restructuring costs of \$40 to \$50 million for the full year**
- **Tax rate range of 28.5% to 29.5% for Q3 and full year (excludes the impact of the Q1 Australian tax case)**



ITW Conference Call

Q & A

Second Quarter
2011