

ITW NEWS RELEASE

ITW's 2012 Second Quarter Diluted Income Per Share from Continuing Operations Increases 16 Percent to \$1.11; Organic Revenues Increase 2.3 Percent; Operating Margins Improve 110 Basis Points to 16.5 Percent; Company Repurchases \$526 Million of Shares; Company Lowers Full-Year Earnings Forecast

GLENVIEW, ILLINOIS — July 24, 2012 — Illinois Tool Works Inc. (NYSE: ITW) today reported second quarter 2012 diluted income per share from continuing operations of \$1.11, a 16 percent increase versus the 2011 second quarter. While revenue growth moderated in the second quarter due to the higher-than-expected negative impact of currency translation and slowing demand in a variety of international end markets, operating margins of 16.5 percent improved 110 basis points versus the year-ago period.

Second quarter 2012 financial and operating highlights versus the prior year included:

- Total revenues of \$4.655 billion increased 0.9 percent. Organic or base revenues grew 2.3 percent, with North American organic revenues increasing 5.3 percent and international organic revenues declining 0.8 percent. European organic revenues decreased 1.7 percent. Asia Pacific organic revenues underperformed company expectations, growing only 1.8 percent. Notably, China organic revenues declined 0.5 percent.
- Acquisitions net of divestitures added 3.0 percent to revenues while currency translation negatively impacted revenues by 4.5 percent. The declining value of the Euro accounted for the major currency headwind in the quarter.
- Operating income of \$770.0 million grew 8.3 percent.
- Operating margins improved due to favorable raw material price/cost dynamics as well as effective management of overheads within the decentralized businesses.
- Total revenues for the Power Systems and Electronics segment increased 7.7 percent. Segment organic revenues grew 5.2 percent based on continuing strength in the worldwide welding businesses and improvement in the electronics assembly businesses. Worldwide welding's organic revenues grew 8.8 percent, with North American and international growing 11.4 percent and 2.1 percent, respectively. Segment operating margins of 21.2 percent improved 60 basis points from the prior year period.
- The Company returned nearly \$700 million to shareholders through share repurchases of \$526 million and dividends paid of \$172 million. At the end of the 2012 second quarter, the Company had \$2.9 billion remaining in its share repurchase authorization.

“Despite slowing in a variety of international end markets and significant currency translation headwinds, we were very pleased with our second quarter operating performance,” said David B. Speer, chairman and chief executive officer. “Based on our differentiated 80/20 operational focus, our businesses produced very strong operating margin improvement in the quarter with excellent management of input and overhead costs. In addition, we continued to return significant levels of cash to our shareholders through our share repurchase program as well as our strong dividend payout.”

Given the ongoing negative impact of currency translation, additional restructuring expenditures that will now total over \$100 million for the year, and expected continued sluggish demand in international markets, the Company is lowering its forecast for revenue growth from continuing operations to be in a range of 1 percent to 3 percent versus the prior range of 5 percent to 7 percent. As a result, full-year diluted income per share from continuing operations is expected to be in a range of \$4.03 to \$4.19 versus the prior range of \$4.14 to \$4.38. For third quarter 2012, the Company is forecasting revenue growth to be in a range from -1 percent to 1 percent and diluted income per share from continuing operations to be in a range of \$1.03 to \$1.11.

This earnings release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, without limitation, statements regarding diluted income per share from continuing operations and total revenue growth. These statements are subject to certain risks, uncertainties and other factors which could cause actual results to differ materially from those anticipated. Such factors include those contained in ITW's 2011 Form 10-K.

Celebrating its 100-year anniversary in 2012, ITW is a Fortune 200 global diversified industrial manufacturer of value-added consumables and specialty equipment with related service businesses. The Company focuses on profitable growth and strong returns across worldwide platforms and businesses. The businesses serve local customers and markets around the globe, with a significant presence in developed as well as emerging markets. ITW's revenues totaled \$17.8 billion in 2011, with more than half of the revenues generated outside of the United States.

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ILLINOIS TOOL WORKS INC. AND SUBSIDIARIES
STATEMENT OF INCOME (UNAUDITED)
(In millions except per share amounts)

| | THREE MONTHS ENDED | | SIX MONTHS ENDED | |
|--|---------------------------|---------------|-------------------------|-----------------|
| | JUNE 30, | | JUNE 30, | |
| | 2012 | 2011 | 2012 | 2011 |
| Operating Revenues | \$ 4,655 | \$ 4,615 | \$ 9,202 | \$ 8,887 |
| Cost of revenues | 2,964 | 2,996 | 5,875 | 5,758 |
| Selling, administrative, and research and development expenses | 846 | 845 | 1,705 | 1,641 |
| Amortization of intangible assets | 75 | 63 | 147 | 118 |
| Operating Income | 770 | 711 | 1,475 | 1,370 |
| Interest expense | (50) | (45) | (100) | (89) |
| Other income (expense) | 23 | 15 | 31 | 21 |
| Income from Continuing Operations Before Income Taxes | 743 | 681 | 1,406 | 1,302 |
| Income Taxes | 216 | 197 | 408 | 212 |
| Income from Continuing Operations | 527 | 484 | 998 | 1,090 |
| Income from Discontinued Operations | 354 | 15 | 369 | 32 |
| Net Income | <u>\$ 881</u> | <u>\$ 499</u> | <u>\$ 1,367</u> | <u>\$ 1,122</u> |
| Income Per Share from Continuing Operations: | | | | |
| Basic | \$1.12 | \$0.97 | \$2.09 | \$2.19 |
| Diluted | \$1.11 | \$0.96 | \$2.08 | \$2.17 |
| Income Per Share from Discontinued Operations: | | | | |
| Basic | \$0.75 | \$0.03 | \$0.77 | \$0.06 |
| Diluted | \$0.74 | \$0.03 | \$0.77 | \$0.06 |
| Net Income Per Share: | | | | |
| Basic | \$1.86 | \$1.00 | \$2.86 | \$2.25 |
| Diluted | \$1.85 | \$0.99 | \$2.84 | \$2.23 |
| Shares Outstanding During the Period: | | | | |
| Average | 472.9 | 497.8 | 477.4 | 498.2 |
| Average assuming dilution | 476.1 | 501.9 | 480.9 | 502.3 |

FREE OPERATING CASH FLOW

| | THREE MONTHS ENDED | | SIX MONTHS ENDED | |
|---|---------------------------|---------------|-------------------------|---------------|
| | JUNE 30, | | JUNE 30, | |
| | 2012 | 2011 | 2012 | 2011 |
| Net cash provided by operating activities | \$ 509 | \$ 312 | \$ 832 | \$ 457 |
| Less: Additions to plant and equipment | (100) | (87) | (184) | (176) |
| Free operating cash flow | <u>\$ 409</u> | <u>\$ 225</u> | <u>\$ 648</u> | <u>\$ 281</u> |

ILLINOIS TOOL WORKS INC. AND SUBSIDIARIES
STATEMENT OF FINANCIAL POSITION (UNAUDITED)
(In millions)

| | JUNE 30, 2012 | DECEMBER 31, 2011 |
|--|--------------------------|------------------------------|
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash and equivalents | \$ 1,692 | \$ 1,178 |
| Trade receivables | 3,164 | 2,819 |
| Inventories | 1,796 | 1,716 |
| Deferred income taxes | 373 | 366 |
| Prepaid expenses and other current assets | 449 | 384 |
| Assets held for sale | 77 | 386 |
| Total current assets | <u>7,551</u> | <u>6,849</u> |
| Noncurrent Assets: | | |
| Net plant and equipment | 2,067 | 2,025 |
| Investments | 271 | 409 |
| Goodwill | 5,456 | 5,198 |
| Intangible assets | 2,368 | 2,233 |
| Deferred income taxes | 514 | 634 |
| Other assets | 694 | 636 |
| | <u>\$ 18,921</u> | <u>\$ 17,984</u> |
| <u>LIABILITIES and STOCKHOLDERS' EQUITY</u> | | |
| Current Liabilities: | | |
| Short-term debt | \$ 1,438 | \$ 502 |
| Accounts payable | 785 | 697 |
| Accrued expenses | 1,479 | 1,435 |
| Cash dividends payable | 169 | 174 |
| Income taxes payable | 54 | 57 |
| Deferred income taxes | 5 | 5 |
| Liabilities held for sale | 6 | 107 |
| Total current liabilities | <u>3,936</u> | <u>2,977</u> |
| Noncurrent Liabilities: | | |
| Long-term debt | 3,468 | 3,488 |
| Deferred income taxes | 118 | 117 |
| Other liabilities | 1,298 | 1,368 |
| Total noncurrent liabilities | <u>4,884</u> | <u>4,973</u> |
| Stockholders' Equity: | | |
| Common stock | 5 | 5 |
| Additional paid-in-capital | 825 | 686 |
| Income reinvested in the business | 12,821 | 11,794 |
| Common stock held in treasury | (3,702) | (2,692) |
| Accumulated other comprehensive income | 135 | 224 |
| Noncontrolling interest | 17 | 17 |
| Total stockholders' equity | <u>10,101</u> | <u>10,034</u> |
| | <u>\$ 18,921</u> | <u>\$ 17,984</u> |

ILLINOIS TOOL WORKS INC. AND SUBSIDIARIES
SEGMENT DATA

| THREE MONTHS ENDED JUNE 30, 2012 | | | | % F(U) vs. prior year | | | | |
|---|----------------------|-------------------------|-------------------------|------------------------------|-------------------------------|-------------------------|-------------------------|---------------------------------|
| \$ in Millions | Total Revenue | Operating Income | Operating Margin | Total Revenue | Organic (Base) Revenue | Operating Income | Operating Margin | Organic (Base) Op Margin |
| Transportation | \$ 896 | \$ 143 | 16.0% | 0.1% | 3.4% | 4.4% | 0.7% | 1.0% |
| Power Systems & Electronics | 810 | 172 | 21.2% | 7.7% | 5.2% | 11.0% | 0.6% | 1.6% |
| Industrial Packaging | 627 | 76 | 12.1% | -5.1% | 0.2% | 8.6% | 1.5% | 1.8% |
| Food Equipment | 476 | 75 | 15.8% | -3.3% | 1.3% | 11.9% | 2.1% | 2.2% |
| Construction | 489 | 59 | 12.1% | -6.0% | -0.5% | -7.8% | -0.2% | -0.3% |
| Polymers & Fluids | 334 | 57 | 17.1% | -0.9% | -0.4% | 1.8% | 0.4% | 1.2% |
| Decorative Surfaces | 286 | 41 | 14.3% | 0.4% | 4.8% | 17.1% | 2.1% | 1.4% |
| All Other | 755 | 147 | 19.5% | 8.8% | 2.6% | 15.7% | 1.2% | 2.5% |
| Intersegment | (18) | | | | | | | |
| Total Company | 4,655 | 770 | 16.5% | 0.9% | 2.3% | 8.3% | 1.1% | 1.5% |

| SIX MONTHS ENDED JUNE 30, 2012 | | | | % F(U) vs. prior year | | | | |
|---------------------------------------|----------------------|-------------------------|-------------------------|------------------------------|-------------------------------|-------------------------|-------------------------|---------------------------------|
| \$ in Millions | Total Revenue | Operating Income | Operating Margin | Total Revenue | Organic (Base) Revenue | Operating Income | Operating Margin | Organic (Base) Op Margin |
| Transportation | \$ 1,819 | \$ 294 | 16.2% | 4.9% | 4.2% | 7.3% | 0.4% | 0.9% |
| Power Systems & Electronics | 1,601 | 341 | 21.3% | 9.4% | 6.1% | 11.8% | 0.5% | 1.8% |
| Industrial Packaging | 1,239 | 144 | 11.6% | -1.1% | 1.0% | 10.8% | 1.2% | 1.6% |
| Food Equipment | 949 | 151 | 15.9% | -1.7% | 1.4% | 12.7% | 2.0% | 1.9% |
| Construction | 958 | 95 | 9.9% | -2.5% | 0.0% | -13.6% | -1.3% | -0.3% |
| Polymers & Fluids | 637 | 103 | 16.2% | 1.9% | 0.6% | 6.2% | 0.6% | 1.3% |
| Decorative Surfaces | 561 | 77 | 13.7% | 1.4% | 4.6% | 11.6% | 1.2% | 0.8% |
| All Other | 1,471 | 270 | 18.4% | 8.8% | 1.9% | 7.6% | -0.2% | 1.9% |
| Intersegment | (33) | | | | | | | |
| Total Company | 9,202 | 1,475 | 16.0% | 3.5% | 2.7% | 7.7% | 0.6% | 1.3% |