



ITW Conference Call

**Fourth Quarter
2010**

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**

ITW

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 income per share from continuing operations, 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 2009.

Conference Call Playback

Replay number: 402-998-1344

No pass code necessary

**Telephone replay available through midnight of
February 14, 2011**

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

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Quarterly Highlights

	2009	2010	F(U) Last Year	
	<u>Q4</u>	<u>Q4</u>	<u>Amount</u>	<u>%</u>
Operating Revenues	3,757.4	4,169.3	411.9	11.0%
Operating Income	476.3	579.5	103.2	21.7%
% of Revenues	12.7%	13.9%	1.2%	
Income from Continuing Operations				
Income Amount	495.6	392.8	(102.8)	-20.7%
Income Per Share-Diluted	0.98	0.79	(0.19)	-19.4%
Net Income				
Income Amount	507.4	392.8	(114.6)	-22.6%
Income Per Share-Diluted	1.01	0.79	(0.22)	-21.8%
Free Operating Cash Flow	433.6	368.4	(65.2)	-15.0%

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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	9.1%	29.5%	2.4%
Changes in VM & OH costs	-	-16.1%	-1.9%
Total	9.1%	13.4%	0.5%
Acquisitions/Divestitures	3.4%	1.0%	-0.3%
Translation	-1.4%	-	0.2%
Impairment	-	0.8%	0.1%
Restructuring	-	6.5%	0.8%
Other	-0.1%	-	-0.1%
Total	11.0%	21.7%	1.2%

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Non Operating & Taxes

	2009	2010	F(U) Last Year	
	<u>Q4</u>	<u>Q4</u>	<u>Amount</u>	<u>%</u>
Operating Income	476.3	579.5	103.2	21.7%
Interest Expense	(43.8)	(44.0)	(0.2)	
Other Income (expense)	5.6	3.1	(2.5)	
Income from Continuing Operations-Pretax	<u>438.1</u>	<u>538.6</u>	<u>100.5</u>	<u>22.9%</u>
Income Taxes	(57.5)	145.8	(203.3)	
% to Pretax Income	<u>-13.1%</u>	<u>27.1%</u>	<u>-40.2%</u>	
Income from Continuing Operations	495.6	392.8	(102.8)	-20.7%
Income from Discontinued Operations	<u>11.8</u>	<u>-</u>	<u>(11.8)</u>	
Net Income	<u><u>507.4</u></u>	<u><u>392.8</u></u>	<u><u>(114.6)</u></u>	<u><u>-22.6%</u></u>

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Full Year Highlights

	<u>2009</u>	<u>2010</u>	<u>F(U) Last Year</u>	
			<u>Amount</u>	<u>%</u>
Operating Revenues	13,877.1	15,870.4	1,993.3	14.4%
Operating Income	1,386.0	2,356.7	970.7	70.0%
% of Revenues	10.0%	14.8%	4.8%	
Income from Continuing Operations				
Income Amount	969.5	1,527.2	557.7	57.5%
Income Per Share-Diluted	1.93	3.03	1.10	57.0%
Net Income				
Income Amount	947.0	1,527.2	580.2	61.3%
Income Per Share-Diluted	1.89	3.03	1.14	60.3%
Free Operating Cash Flow	1,899.5	1,274.6	(624.9)	-32.9%

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Full Year Operating Analysis

	% F(U) Prior Year		
	<u>Operating Revenues</u>	<u>Operating Income</u>	<u>Operating Margins</u>
Base Manufacturing Business			
Operating Leverage	10.8%	44.2%	3.0%
Changes in VM & OH costs	-	6.0%	0.6%
Total	10.8%	50.2%	3.6%
Acquisitions/Divestitures	3.0%	1.9%	-0.2%
Translation	0.8%	1.5%	-
Impairment	-	7.5%	0.7%
Restructuring	-	8.9%	0.8%
Other	-0.2%	-	-0.1%
Total	14.4%	70.0%	4.8%

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Invested Capital

	<u>12/31/09</u>	<u>9/30/10</u>	<u>12/31/10</u>
Trade Receivables	2,491.5	2,627.7	2,678.1
Days Sales Outstanding	59.7	58.9	57.8
Inventories	1,356.2	1,544.7	1,547.4
Months on Hand	1.7	1.8	1.7
Prepays and Other Current Assets	276.2	286.0	251.2
Accounts Payable & Accrued Expenses	(2,049.0)	(2,115.4)	(2,147.5)
Operating Working Capital	2,074.9	2,343.0	2,329.2
% to Revenue(Prior 4 Qtrs.)	15%	15%	15%
Net Plant & Equipment	2,136.5	1,952.6	2,023.0
Investments	451.3	438.0	441.6
Goodwill and Intangibles	6,584.1	6,399.2	6,573.9
Other, net	(619.1)	(508.9)	(346.7)
Invested Capital	10,627.7	10,623.9	11,021.0
ROIC	13.9%	16.6%	15.6%

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Debt & Equity

	<u>12/31/09</u>	<u>9/30/10</u>	<u>12/31/10</u>
Total Capital			
Short Term Debt	213.7	644.9	317.8
Long Term Debt	2,914.9	2,737.3	2,512.0
Total Debt	3,128.6	3,382.2	2,829.8
Stockholders' Equity	8,817.9	8,890.8	9,381.2
Total Capital	11,946.5	12,273.0	12,211.0
Less:			
Cash	(1,318.8)	(1,649.1)	(1,190.0)
Net Debt & Equity	10,627.7	10,623.9	11,021.0
 Debt to Total Capital	26%	28%	23%
 Shares outstanding at end of period	502.3	495.9	497.7

ITW Cash Flow

	2009	2010
	<u>Q4</u>	<u>Q4</u>
Net Income	507.4	392.8
Adjust for Non-Cash Items	(233.1)	28.9
Changes in Operating Assets & Liabilities	232.0	37.3
Net Cash From Operating Activities	506.3	459.0
Additions to Plant & Equipment	(72.7)	(90.6)
Free Operating Cash Flow	433.6	368.4
Acquisitions	(163.3)	(208.3)
Proceeds from Divestitures	0.9	0.8
Dividends	(155.3)	(168.6)
Proceeds (Repayments) from Debt	138.0	(568.9)
Proceeds from Investments	9.7	7.8
Other	112.3	109.7
Net Cash Increase(Decrease)	375.9	(459.1)

ITW Acquisitions

	2009				2010			
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
Annual Revenues Acquired	75	54	6	155	26	253	120	131
Purchase Price								
Cash Paid	65	33	3	185	27	199	145	160
Number of Acquisitions	6	5	2	7	4	7	5	8

Transportation Quarterly Analysis

	<u>Operating Revenues</u>	<u>Operating Income</u>	<u>Operating Margins</u>
2009 Q4	592.2	86.5	14.6%
2010 Q4	644.1	91.2	14.2%
\$ F(U)	51.9	4.7	-0.4%
% F(U)	8.8%	5.4%	
<u>% F(U) Prior Year</u>			
Base Business			
Operating Leverage	7.1%	17.9%	1.5%
Changes in VM & OH costs	-	-15.3%	-2.1%
Total	7.1%	2.6%	-0.6%
Acquisitions/Divestitures	3.1%	3.2%	-
Translation	-1.5%	-1.0%	0.1%
Impairment	-	-	-
Restructuring	-	0.5%	0.1%
Other	0.1%	0.1%	-
Total	8.8%	5.4%	-0.4%

Transportation

Key Points

- **Transportation segment Q4 '10 organic revenues: +7.1% vs. Q4 '09**
- **Auto OEM/Tiers: Worldwide base revenue growth of 8.5% in Q4 '10 vs. Q4 '09 highlighted ITW product penetration capabilities in environment of more difficult auto build “comps”**
 - **North American Q4 '10 base revenues: +11.1% vs. Q4 '09**
 - **North American auto builds increased 8% in Q4 '10 vs. Q4 '09**
 - **International Q4 '10 base revenue: +6.6% vs. Q4 '09**
 - **European auto builds declined 4% in Q4 '10 vs. Q4 '09**
 - **2011 auto build forecast:**
 - **North America: 12.4 – 12.6 million units**
 - **Europe: 18.4 – 18.6 million units**
- **Auto aftermarket Q4 '10 worldwide base revenues: essentially flat in Q4 '10 vs. Q4 '09 due to inventory rebalancing at retail outlets**

Industrial Packaging Quarterly Analysis

	<u>Operating Revenues</u>	<u>Operating Income</u>	<u>Operating Margins</u>
2009 Q4	529.1	37.9	7.2%
2010 Q4	595.5	56.1	9.4%
\$ F(U)	66.4	18.2	2.2%
% F(U)	12.6%	48.0%	
<u>% F(U) Prior Year</u>			
Base Business			
Operating Leverage	12.6%	72.5%	3.8%
Changes in VM & OH costs	-	-63.3%	-4.0%
Total	12.6%	9.2%	-0.2%
Acquisitions	0.9%	1.2%	-
Translation	-1.0%	3.2%	0.3%
Impairment	-	-	-
Restructuring	-	34.4%	2.2%
Other	0.1%	-	-0.1%
Total	12.6%	48.0%	2.2%

Industrial Packaging Key Points

- **Segment Q4 '10 organic revenues: +12.6% reflected strong industrial production activity and related growth for many of our businesses**
 - **Total Q4 '10 North America industrial packaging base revenues: +15.3% vs. Q4 '09**
 - **Total Q4 '10 international industrial packaging base revenues: +10.2% vs. Q4 '09**
- **Q4 '10 North American and international plastic and steel strapping base revenues: +21.0% and +6.6%, respectively, vs. Q4 '09**
- **Q4 '10 protective packaging units: +10.8% vs. Q4 '09**

Food Equipment Quarterly Analysis

	<u>Operating Revenues</u>	<u>Operating Income</u>	<u>Operating Margins</u>
2009 Q4	489.4	68.6	14.0%
2010 Q4	511.3	64.3	12.6%
\$ F(U)	21.9	(4.3)	-1.4%
% F(U)	4.4%	-6.3%	
<u>% F(U) Prior Year</u>			
Base Business			
Operating Leverage	5.5%	16.6%	1.5%
Changes in VM & OH costs	-	-22.8%	-3.0%
Total	5.5%	-6.2%	-1.5%
Acquisitions	2.0%	-0.8%	-0.3%
Translation	-3.0%	-2.4%	-
Impairment	-	-	-
Restructuring	-	3.2%	0.4%
Other	-0.1%	-0.1%	-
Total	4.4%	-6.3%	-1.4%

Food Equipment Key Points

- **Segment Q4 '10 organic revenues: +5.5% vs. Q4 '09; equipment sales improved in Q4**
- **North America Q4 '10 base revenues: +0.8% vs. Q4 '09**
 - **Equipment base revenues: +3.3% in Q4 '10 vs. Q4 '09**
 - **Service base revenues: -1.2% in Q4 '10 vs. Q4 '09**
- **International Q4 '10 base revenues: +9.8% vs. Q4 '09; Asia Pacific and Europe contributed to growth**

Power Systems and Electronics Quarterly Analysis

	<u>Operating Revenues</u>	<u>Operating Income</u>	<u>Operating Margins</u>
2009 Q4	411.8	60.7	14.7%
2010 Q4	505.7	101.0	20.0%
\$ F(U)	93.9	40.3	5.3%
% F(U)	22.8%	66.5%	
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<u>% F(U) Prior Year</u>			
Base Business			
Operating Leverage	21.4%	55.9%	4.2%
Changes in VM & OH costs	-	-6.4%	-0.8%
Total	21.4%	49.5%	3.4%
Acquisitions	1.0%	-1.2%	-0.3%
Translation	0.4%	1.6%	0.1%
Impairment	-	5.9%	0.7%
Restructuring	-	10.8%	1.3%
Other	-	-0.1%	0.1%
Total	22.8%	66.5%	5.3%

Power Systems and Electronics Key Points

- **Segment Q4 '10 organic revenues: +21.4% due to strong contributions from welding and PC board fabrication units**
- **In Q4 '10, worldwide welding base revenues: +18.1% vs. Q4 '09**
 - **Q4 '10 North America welding base revenues: +23.3% vs. Q4 '09 due to heavy equipment OEM's and manufacturers**
 - **Q4 '10 International welding base revenues: +7.3% vs. Q4 '09; Europe and Asia Pacific both contributed to organic growth**
- **Q4 '10 PC board fabrication base revenues: +48.9% vs. Q4 '09 as consumer electronics demand remained strong**

Construction Products Quarterly Analysis

	<u>Operating Revenues</u>	<u>Operating Income</u>	<u>Operating Margins</u>
2009 Q4	432.3	42.6	9.9%
2010 Q4	479.2	55.3	11.5%
\$ F(U)	46.9	12.7	1.6%
% F(U)	10.8%	29.7%	
<u>% F(U) Prior Year</u>			
Base Business			
Operating Leverage	2.6%	10.5%	0.8%
Changes in VM & OH costs	-	10.9%	1.0%
Total	2.6%	21.4%	1.8%
Acquisitions	8.2%	0.9%	-0.8%
Translation	0.1%	6.8%	0.6%
Impairment	-	-	-
Restructuring	-	0.5%	0.1%
Other	-0.1%	0.1%	-0.1%
Total	10.8%	29.7%	1.6%

Construction Products

Key Points

- **Segment Q4 '10 organic revenues: +2.6% due to the positive international (European) construction environment**
- **International Q4 '10 base revenues: +4.2% vs. Q4 '09**
 - **Q4 '10 Europe base revenues: +8.3% vs. Q4 '09**
 - **Q4 '10 Asia Pacific base revenues: -0.2% vs. Q4 '09**
- **North America Q4 '10 base revenues: -1.7% vs. Q4 '09**
 - **Q4 '10 residential base revenues: -4.1% vs. Q4 '09**
 - **Q4 '10 commercial construction base revenues: -4.3% vs. Q4 '09**
 - **Q4 '10 renovation base revenues: +1.8% vs. Q4 '09**

Polymers and Fluids Quarterly Analysis

	<u>Operating Revenues</u>	<u>Operating Income</u>	<u>Operating Margins</u>
2009 Q4	332.3	46.3	13.9%
2010 Q4	366.6	49.4	13.5%
\$ F(U)	34.3	3.1	-0.4%
% F(U)	10.3%	6.6%	
<u>% F(U) Prior Year</u>			
Base Business			
Operating Leverage	5.2%	15.8%	1.4%
Changes in VM & OH costs	-	-9.9%	-1.3%
Total	5.2%	5.9%	0.1%
Acquisitions	6.9%	3.1%	-0.5%
Translation	-1.8%	-1.3%	0.1%
Impairment	-	-	-
Restructuring	-	-1.1%	-0.2%
Other	-	-	0.1%
Total	10.3%	6.6%	-0.4%

Polymers and Fluids

Key Points

- **Segment Q4 '10 organic revenues: +5.2% reflected better industrial demand for both polymers and fluids products in international end markets**
- **Q4 '10 worldwide polymers:**
 - **International base revenues: +6.6% vs. Q4 '09 due to strength in Latin America and Asia Pacific businesses**
 - **North America base revenues: +2.1% vs. Q4 '09**
- **Q4 '10 worldwide fluids:**
 - **International base revenues: +7.0% vs. Q4 '09**
 - **North America base revenues: -3.0% vs. Q4 '09**

Decorative Surfaces Quarterly Analysis

	<u>Operating Revenues</u>	<u>Operating Income</u>	<u>Operating Margins</u>
2009 Q4	255.9	24.0	9.4%
2010 Q4	255.6	23.5	9.2%
\$ F(U)	(0.3)	(0.5)	-0.2%
% F(U)	-0.1%	-2.4%	
<u>% F(U) Prior Year</u>			
Base Business			
Operating Leverage	2.3%	9.7%	0.7%
Changes in VM & OH costs	-	-31.3%	-2.9%
Total	2.3%	-21.6%	-2.2%
Acquisitions	-	-	-
Translation	-2.4%	-0.2%	0.2%
Impairment	-	-	-
Restructuring	-	19.5%	1.8%
Other	-	-0.1%	-
Total	-0.1%	-2.4%	-0.2%

Decorative Surfaces Key Points

- **Segment Q4 '10 organic revenues: +2.3% vs. Q4 '09**
- **North America laminate Q4 '10 base revenues: +6.5% vs. Q4 '09 due to improved commercial construction environment and ongoing product innovation by Wilsonart**
- **International Q4 '10 base revenues: +2.4% vs. Q4 '09 due to increased demand from China and other Asian countries**

All Other Quarterly Analysis

	<u>Operating Revenues</u>	<u>Operating Income</u>	<u>Operating Margins</u>
2009 Q4	733.8	109.6	14.9%
2010 Q4	836.3	138.7	16.6%
\$ F(U)	102.5	29.1	1.7%
% F(U)	14.0%	26.6%	
<u>% F(U) Prior Year</u>			
Base Business			
Operating Leverage	11.2%	35.0%	3.2%
Changes in VM & OH costs	-	-11.4%	-1.5%
Total	11.2%	23.6%	1.7%
Acquisitions/Divestitures	4.4%	0.9%	-0.6%
Translation	-1.7%	-1.7%	-
Impairment	-	-	-
Restructuring	-	3.9%	0.5%
Other	0.1%	-0.1%	0.1%
Total	14.0%	26.6%	1.7%

All Other Key Points

- **Segment Q4 '10 organic revenues: +11.2% vs. Q4 '09**
- **Q4 '10 worldwide test and measurement base revenues: +19.5% vs. Q4 '09; equipment orders improved in Asia Pacific (China)**
- **Q4 '10 worldwide finishing base revenues: +16.7% vs. Q4 '09; strong growth driven by both international and North American end market demand**
- **Q4 '10 worldwide industrial/appliance base revenues: +8.0% vs. Q4 '09; North America and the rest of world drove growth**
- **Q4 '10 worldwide consumer packaging base revenues: +5.0% vs. Q4 '09 due to strength in the decorating and graphics businesses**

ITW 2011 Forecast

	<u>Low</u>	<u>High</u>	<u>Mid Point</u>
<u>1st Quarter 2011</u>			
Total Revenues vs. 2010 (Estimated)*	12%	15%	13.5%
Diluted Income per Share - Continuing	\$0.81	\$0.87	\$0.84
<u>Full Year 2011</u>			
Total Revenues vs. 2010 (Estimated)*	11.5%	14.5%	13%
Diluted Income per Share - Continuing	\$3.60	\$3.84	\$3.72

*Estimated 2010 revenues restated to reflect the new international calendar year reporting

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 \$30 to \$40 million for the full year**
- **Tax rate range of 29.0% to 30.0% for the 1st quarter and full year**



ITW Conference Call

Q & A

Fourth Quarter

2010