Driven by our brands.

Guided by our perspective.

This is why ITW works.
Illinois Tool Works Inc. (NYSE: ITW) is a diversified manufacturing company with nearly 100 years of history delivering specialized expertise, innovative thinking and value-added products to meet critical customer needs in a variety of industries. ITW has approximately 840 decentralized business units in 57 countries that employ approximately 59,000 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 that our current number of global patents and patent applications exceeds 19,000.

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On the cover: Stamping foil provided by ITW Foils.
## Financial Highlights

**DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS**

### Operating Results

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>$13,877,068</td>
<td>$17,100,341</td>
<td>$16,110,267</td>
</tr>
<tr>
<td>Operating income</td>
<td>1,385,979</td>
<td>2,501,286</td>
<td>2,627,766</td>
</tr>
<tr>
<td>Operating income margin</td>
<td>10.0%</td>
<td>14.6%</td>
<td>16.3%</td>
</tr>
</tbody>
</table>

Income from continuing operations: $969,490 $1,691,093 $1,827,691

Operating revenues by segment:

- **Transportation**: $2,070,938 $2,347,366 $2,214,413
- **Industrial Packaging**: 1,895,704 2,618,922 2,414,860
- **Food Equipment**: 1,859,277 2,133,186 1,930,281
- **Power Systems & Electronics**: 1,614,472 2,356,853 2,245,514
- **Construction Products**: 1,529,510 1,990,683 2,064,477
- **Polymers & Fluids**: 1,155,838 1,249,653 944,851
- **Decorative Surfaces**: 998,191 1,230,995 1,239,190
- **All Other**: 2,786,695 3,226,927 3,103,337

### Per Share of Common Stock

Income from continuing operations:

- **Basic**: $1.94 $3.26 $3.31
- **Diluted**: 1.93 3.24 3.29

Cash dividends paid: $1.24 $1.15 $0.91

### Returns

- **Return on average invested capital**: 10.7% 16.0% 18.0%
- **Return on average stockholders' equity**: 11.8% 19.9% 19.9%

### Liquidity and Capital Resources

- **Free operating cash flow**: $1,899,487 $1,859,912 $2,130,942
- **Total debt to capitalization**: 26.2% 32.4% 19.7%

**Note:** Certain reclassifications of prior years' data have been made to conform with current year reporting.
### Transportation
Transportation-related components, fasteners, fluids and polymers, as well as truck remanufacturing and related parts and service.

**Percent of Total Company Revenues**
15%

**Primary Products and Service**
- Metal and plastic components, fasteners and assemblies for automobiles and light trucks
- Fluids and polymers for auto aftermarket maintenance and appearance
- Fillers and putties for auto body repair
- Polyester coatings and patch and repair products for the marine industry
- Truck remanufacturing and related parts and service

### Industrial Packaging
Steel, plastic and paper products and equipment used for bundling, shipping and protecting goods in transit.

**Percent of Total Company Revenues**
14%

**Primary Products**
- Steel and plastic strapping and related tools and equipment
- Plastic stretch film and related equipment
- Paper and plastic products that protect goods in transit
- Metal jacketing and other insulation products

### Food Equipment
Commercial food equipment and related service.

**Percent of Total Company Revenues**
13%

**Primary Products and Service**
- Warewashing equipment
- Cooking equipment, including ovens, ranges and broilers
- Refrigeration equipment, including refrigerators, freezers and prep tables
- Food processing equipment, including slicers, mixers and scales
- Kitchen exhaust, ventilation and pollution-control systems
- Food equipment service, maintenance and repair

### Power Systems & Electronics
Equipment and consumables associated with specialty power conversion, metallurgy and electronics.

**Percent of Total Company Revenues**
12%

**Primary Products**
- Arc welding equipment
- Metal arc welding consumables and related accessories
- Metal solder materials for PC board fabrication
- Equipment and services for microelectronics assembly
- Electronic components and component packaging
- Airport ground support equipment

### MAJOR END MARKETS
- Automotive OEM/Tiers: 56%
- Automotive Aftermarket: 28%

### PRIMARY BRANDS
- Acme
- Angleboard
- Fleetwood
- Mima
- Avery Berkel
- Bonnet
- Foster
- Gaylord
- Hobart
- Kairak
- DaeLim
- Deltar
- Drawform
- fibre Glass-Evercoat
- Filtertek
- Permatex
- Shakeproof
- Wynns
- MBM
- Peerless
- Thioide
- Traulsen
- Vulcan
- Wolf
- AXA Power
- Bernard
- Elga
- Hobart
- Kester
- Miller
- Speedline
- Tien Tai
- Tregaskiss
- Trimark
- Vitronics Soltec
- Weldcraft
### MAJOR END MARKETS

<table>
<thead>
<tr>
<th>General Industrial</th>
<th>Construction</th>
<th>MRO</th>
<th>Automotive Aftermarket</th>
</tr>
</thead>
<tbody>
<tr>
<td>31%</td>
<td>14%</td>
<td>12%</td>
<td>7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Commercial Construction</th>
<th>Renovation Construction</th>
<th>Residential Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>55%</td>
<td>28%</td>
<td>15%</td>
</tr>
</tbody>
</table>

### PRIMARY PRODUCTS

<table>
<thead>
<tr>
<th>Polymers &amp; Fluids</th>
<th>Decorative Surfaces</th>
<th>All Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adhesives, sealants, lubrication and cutting fluids, and hygiene products</td>
<td>Decorative surfacing materials for furniture, office and retail space, countertops, flooring and other applications</td>
<td>All other operating segments</td>
</tr>
</tbody>
</table>

#### PERCENT OF TOTAL COMPANY REVENUES

- **Construction Products**: 11%
- **Polymers & Fluids**: 8%
- **Decorative Surfaces**: 7%
- **All Other**: 20%

### PRIMARY BRANDS

**Construction Products**
- Alpine
- ITW Brands
- Buildex
- Paslode
- Proline
- Pryda
- Ramset
- Red Head
- Reid
- SPIT
- Truswal

**Polymers & Fluids**
- Densit
- Devcon
- Dymon
- Futura
- Krafft
- LPS
- Novadan
- Plexus
- ITW Polymer Technologies
- Rocol
- Schnee-Morehead
- Stokvis Tapes
- TACC

**Decorative Surfaces**
- Arborite
- Polyrey
- Resopal
- Wilsonart

**All Other**
- Avery Weigh-Tronix
- Hi-Cone
- Buehler
- Instron
- Chemtronics
- Magnaflux
- Devilbiss
- Minigrip
- Diagraph
- Ransburg
- Fastex
- Space Bag
- ITW Foils
- Texwipe
- Gema
- Zip-Pak

### MAJOR END MARKETS

- **Construction Products**
  - Residential Construction: 47%
  - Commercial Construction: 26%
  - Renovation Construction: 24%

- **Polymers & Fluids**
  - General Industrial: 31%
  - Construction: 14%
  - MRO: 12%
  - Automotive Aftermarket: 7%

- **Decorative Surfaces**
  - Commercial Construction: 55%
  - Renovation Construction: 28%
  - Residential Construction: 15%

- **All Other**
  - General Industrial: 25%
  - Food & Beverage: 16%
  - Consumer Durables: 14%
  - Electronics: 5%
Revenue Diversification

COMPARATIVE REVENUES BY END MARKET

- **1999**
  - 17% General Industrial
  - 17% Food Institutional/Restaurant/Service
  - 16% Auto OEM/Tiers
  - 15% Commercial Construction
  - 6% Residential Construction
  - 6% Beverage & Food
  - 5% Renovation Construction
  - 4% Consumer Durables
  - 3% Primary Metals
  - 3% Electronics
  - 8% Other

- **2009**
  - 18% General Industrial
  - 14% Food Institutional/Restaurant/Service
  - 10% Auto OEM/Tiers
  - 10% Commercial Construction
  - 7% Residential Construction
  - 5% Beverage & Food
  - 5% Renovation Construction
  - 5% Auto Aftermarket
  - 4% Electronics
  - 3% Primary Metals
  - 3% Consumer Durables
  - 16% Other

COMPARATIVE REVENUES BY GEOGRAPHY

- **1999**
  - 67% North America
  - 26% Europe, Middle East and Africa
  - 7% Asia Pacific and Other

- **2009**
  - 48% North America
  - 34% Europe, Middle East and Africa
  - 18% Asia Pacific and Other

25-Year Revenue/Operating Income

- Revenue (in millions)
- Operating Income (in millions)

Note: The prior years’ graphs presented above have not been restated for discontinued operations.
Despite these very challenging conditions and their impact on our company, ITW maintained focus on the guiding values and principles that have served the Company so well for nearly 100 years. As a result, we made steady improvements in our operating results as the year progressed and, most importantly, we are poised to capitalize on new opportunities ahead as our markets around the world continue improving.

OUR BUSINESSES – THE FREEDOM TO ADAPT
ITW draws its strength and stability from its decentralized operating structure of more than 800 distinct, locally managed businesses and associated brands around the globe, across a wide spectrum of industrial markets. Decentralization is a core attribute of ITW, one that empowers our people around the world, enabling them to act nimbly, seize opportunities, and adapt in response to market conditions.

In 2009, our decentralized structure gave us the ability to restructure our businesses quickly at the local business-unit level. Local management teams led these efforts to “right size” their operations according to their individual customer and market needs.

These restructuring initiatives led to important and necessary cost reductions as our businesses adjusted to the market realities of the economic downturn. These initiatives were also very painful, as they included a significant reduction in the workforce across our organization. As always, we felt confident that putting these decisions in the hands of our businesses—rather than issuing top-down, prescriptive goals—would be the best approach for minimizing the impact on our people while keeping each business focused on its customer and market needs.

As a result, we incurred $161 million of restructuring expenses during the year, which allowed significant improvement in operating margins as the year progressed and mitigated at least some of the economy’s negative effects on the Company.

OUR LEADERSHIP – THE POWER OF PRINCIPLES
But the ability of our individual businesses to adapt to a recessionary economy is only half the story.

We successfully weathered the storm in 2009 because all of our businesses are guided by ITW’s focus on 80/20, innovation, and global growth. These core strategies underpin the ITW Toolbox with leadership at all levels in our organization. Using these tools, rigorously and consistently, keeps our businesses focused and ensures that the Company is well positioned as our markets continue to improve.
Our businesses implement the ITW Toolbox in unique ways. In some cases, they employ the 80/20 rule to simplify product offerings or develop stronger partnerships with high-value customers. In others, they utilize our innovative processes to develop products better able to meet customers’ needs while raising the bar with better, technology-driven customer service. Innovation is an important component of our success and something our customers have grown to expect. In fact, ITW was awarded over 1200 new U.S. and foreign patents in 2009. We also consistently rank in the top 100 of U.S. patent recipients, a testament to our strong tradition of innovation.

And we cannot overlook how important our global growth has been over the past decade in helping us diversify even more. The strength of our businesses in the geographic regions and end markets that were less impacted by the recession helped offset deeper market declines in the U.S. and in Europe. With businesses in nearly every corner of the world—including higher-growth countries like China and India—our global footprint and the diversity of our business segments continue to serve us well.

In this year’s Annual Report, we proudly showcase eight examples that represent ITW’s successful integration of local brand solutions and strategy, with long-term commitment to our core strategies of 80/20, innovation, and global growth.

2009 FINANCIAL HIGHLIGHTS

Our full-year 2009 operating revenues of $13.9 billion were 18.8 percent lower than in 2008, reflective of the broad global recession impacting most of our markets. Base revenues fell 18.4 percent for the year, with North American base revenues decreasing 21.6 percent and international base revenues declining 14.9 percent.

While full-year operating margins of 10.0 percent were lower than in 2008, we were encouraged by the solid improvements in our operating margins during the second half of 2009. We have seen steady improvement in revenues in some segments, such as Transportation, since the second quarter, while other later-cycle businesses like Power Systems & Electronics experienced smaller rates of decline towards the end of the year.

This year, in particular, it is worth noting our extremely strong free operating cash flow of $1.9 billion for the full year. This performance stems from steady improvement in operating margins through the year and significant reductions in operating working capital, again underscoring the flexibility and swift response capabilities of our decentralized organization. We are also pleased that ITW’s credit ratings remained strong despite a turbulent economy. ITW has long been committed to maintaining a strong balance sheet and financial stability.

MANAGEMENT DEVELOPMENTS

Leadership experience and continuity among corporate management is especially important during a tumultuous economy. ITW’s senior management has an average tenure of nearly 20 years, and in 2009 we drew heavily on the experience of our leadership across the organization in guiding our businesses through many challenges. We were faced with much volatility and uncertainty, leading to many difficult decisions. Our people responded extremely well in so many ways, and we deeply appreciate their commitment to our core strategies and to the long term success of our businesses.

In June 2009, our Board of Directors elected Timothy Gardner as Executive Vice President with responsibility for ITW’s global consumer packaging businesses as well as the marking, coding and decorating businesses. Tim has proven management and leadership skills from 12 years of sales and general management experience within ITW’s consumer packaging businesses.

Our Board of Directors also appointed Randy Scheuneman as Principal Accounting Officer in August 2009 with responsibility for all aspects of accounting and financial reporting. Randy’s wide range of financial experience and expertise will serve the Company well. Joining our Board of Directors is David B. Smith Jr., who was elected to the Board in late 2009. David’s breadth of prior experience in the public and private sector will also serve ITW well in the coming years.
During the year, we said goodbye to Executive Vice President Russell Flaum, who retired this year after 33 years of service with the Company. We thank Russ for his many contributions over the years and wish him the very best in retirement.

LOOKING AHEAD
The economic challenges in 2009 were unprecedented, and it’s difficult to predict the speed and trajectory of the global economic recovery. Certainly business conditions will remain challenging for the coming year as markets continue to recover. But in the nearly 100 years of our history, ITW has worked through recessions in the past and has always emerged even stronger. We are confident that we will do just that again.

As we head into 2010, our focus on our core customers and markets will continue guiding the long-term investments that position ITW for strong and profitable growth ahead. We are proud of the manner in which our people all over the world responded during the challenging environment in 2009, and we thank all the women and men of ITW for their continued dedication in creating a strong future for our customers and our shareholders in 2010 and beyond.

DAVID B. SPEER
Chairman & Chief Executive Officer

THOMAS J. HANSEN
Vice Chairman

E. SCOTT SANTI
Vice Chairman
As an organization, what were the lessons learned from the 2009 recession?

The depth and breadth of this economic recession reminds us of the importance of decentralization in ITW’s business approach. This past year showed us how critically important our flexible structure—as well as our core business strategies of 80/20, innovation, and global growth—can be during extremely challenging times. There was great uncertainty and volatility in many of our end markets this past year, which meant that we had to make rapid assessments and adjust our business plans accordingly.

With more than 800 businesses worldwide, our local business leaders were able to make on-the-ground assessments of their customers and end markets and adapt quickly. Our decentralized structure allows our people the freedom to develop and implement plans appropriate for their local environment. Of course, significant restructuring programs and related expenses were reviewed at the corporate level, but the critical plans and recommendations were made locally.

Lessons we learned in 2009: decentralization and local decision making are tried and true ITW practices…and they work in all business environments! This remains more important than ever to the Company’s continued stability, growth and success.
Can ITW take advantage of growth opportunities in 2010?

In a word, absolutely! As a result of our restructuring efforts and the organization-wide application of our proven operating strategies, the Company continued to generate strong free operating cash flow amid the economic downturn. In 2009, we produced a robust $1.9 billion in free operating cash flow. This free cash will continue to help fuel both important investments in strategic growth initiatives as well as acquisition activity. As market conditions continue improving, we are well positioned for a strong acceleration in both our base revenue growth and our acquisition-related revenues.

We have advantageous product technologies in a variety of discrete end markets related to our early-cycle businesses such as automotive, polymers and fluids, and construction businesses. We believe these businesses and associated end markets are poised to recover more quickly than perhaps others in 2010. The same can be said of many of our businesses in the faster-growing emerging markets as well.

While we remain cautious in 2010 about some of our later-cycle equipment-related businesses and end markets driven more by capital expenditures, we believe these businesses remain fundamentally sound and will perform well when the recovery in their end markets begins to occur.

ITW made fewer acquisitions in 2009 versus prior years. What is the outlook and the ITW plan for acquisitions going forward?

At ITW, we have considerable experience with acquisitions and we apply real discipline to the process, recognizing reasonable valuations are important in achieving appropriate returns for our shareholders over time. We target acquisition opportunities we believe support our long-term growth strategies and fit appropriately in our business portfolio. We found that there were fewer opportunities in 2009 primarily due to the economic impact of the recession that drove a fundamental “price gap” between most buyers and sellers. As a result, in 2009 we closed only 20 deals for combined annualized revenues of $290 million—which is low by ITW standards.

We do anticipate the acquisition environment will improve in 2010 largely because potential acquisitions will see more stability in their business and improvement in their earnings. As acquisition opportunities arise, our decentralized business structure enables local managers to identify and execute the kind of transactions that can help accelerate our growth. And at the corporate office, our senior managers will continue to look at larger acquisition opportunities that may arise in potentially new market spaces in the coming year.
How will ITW continue to approach high-growth emerging markets?

At both the corporate and business unit level, we have a keen understanding and appreciation of the growth potential in emerging markets. Two prime examples: China and India. Both countries have impressive growth prospects over the next five years. Today, China is in our top ten revenue countries, which was not the case four years ago. Likewise, we view India as an important country with vibrant market opportunities and where we have made important investments the past several years. We are well positioned to experience significant growth in both these emerging markets across a variety of businesses.

Expanding our global footprint remains one of ITW’s core operating strategies. It’s why we have been steadily expanding our international operations and continue looking for business opportunities and partnerships in these markets. In fact, by 2013 we expect our international operations to represent approximately 60 percent of our total company revenues. Notably, the Asia Pacific region is projected to account for nearly 25 percent of total company revenues by 2013. In 2010, we will continue to extend ITW’s reach in emerging global markets with compelling growth prospects.

What is being done at ITW to ensure leadership continuity and strength?

At ITW, we recognize that our real strength lies in our people—their dedication, talent, and diverse skills. At the leadership level, this also includes significant experience, a deep knowledge of our key customers and markets, and a dedication to ITW’s proven values and principles.

We continue to refine our comprehensive internal leadership development programs and processes to identify and develop talent throughout our global organization. We are providing our future leaders with the training, experience, and mentorship that will empower them to take on new assignments within ITW and power our future growth. These future leaders are committed to ensuring the Company continues delivering the strong results our customers and our shareholders expect.
Despite the highly volatile economic conditions of 2009, ITW remained financially stable—and made steady improvements—as the year progressed. We owe our success to broad geographic and product diversification and to more than 800 decentralized, distinct business units and associated brands. From engineers and service technicians to general managers and executive leadership, our local businesses were able to act quickly, adapt, and seize opportunities.

But as a part of ITW, our businesses were also guided by ITW’s proven strategies of 80/20, innovation, and global growth. Throughout an extremely difficult year, ITW remained focused on long-term goals, employing our best tools so that we are poised to take advantage of any type of recovery.

At ITW, we are driven by our brands, and guided by our perspective.

This is why ITW works.
More efficient fuel door components

It began in 2006, when ITW acquired DaeLim, a local Korean auto components company. The acquisition was an ideal way for ITW to establish a relationship with Hyundai—and ultimately offer it a full-service, international auto component network, such as ITW Deltar, to match Hyundai’s ambitious global expansion plans.

Today, Deltar, DaeLim and other ITW businesses across the globe are serving Hyundai’s business—even replacing some of the company’s long-time strategic suppliers. In 2009, ITW Deltar and DaeLim began an initiative aimed at bringing more innovative technology to Hyundai’s traditional manufacturing processes. They developed lightweight plastic fuel door components that involve a simplified manufacturing process, requiring less material and labor than the welding and bolts of metal doors. The resulting product was such a good fit for Hyundai, DaeLim was added to its core group of fuel product suppliers—with production planned for the future.
Opening doors worldwide

Through long-term forecasting and other tools, the ITW auto businesses proactively determined which manufacturers will be building factories worldwide—despite current economic conditions. Hyundai, and their affiliate KIA, with its quality small and mid-size economy cars, are appealing to consumers’ changing attitudes about transportation. Hyundai is increasing their global presence and building new factories in the United States and Brazil to keep up with new demand for vehicle production.

ITW auto businesses continue to bring cutting-edge design to manufacturers in Europe, North and South America, and Asia. In today’s challenging economy, providing innovative products to growing companies like Hyundai is key to expanding and solidifying ITW’s global footprint.
Cement-based polymers pavement arrives in Russia

When St. Petersburg, Russia announced new port construction for 2009—the Russian team of ITW’s performance polymers and fluids was ready.

The group had been collaborating with a sister ITW polymers business in Denmark, Densit ApS, to bring its innovative Densiphalt pavement product to the Russian market. However, port officials were planning to use older, less-effective technology for the new port.

The Danish and Russian groups consulted a Moscow road construction research institute to prepare the products for local markets. Our teams were also able to demonstrate the product’s unique value: Densiphalt is a semi-flexible, joint-free topping, which combines the flexibility of asphalt with the excellent weight-bearing capacity of concrete. That makes it ideal for ports, warehouses, distribution centers, and other industrial, high-traffic areas.

In 2009, the port awarded ITW a significant contract that brings this technology to Russia for the first time.
Global polymers businesses unite—and conquer

Densiphalt is just one example of how collaboration, innovative products, and local expertise have helped ITW achieve and cultivate success in emerging markets. Working with the Danish team and local Russian research experts helped ITW’s polymers businesses meet unique local challenges.

With Densiphalt now certified in Russia, the Russian market has opened up to ITW’s multiple polymers businesses. The Russian team is pursuing airport construction and other leads as part of several regional sales strategies representing ITW performance polymers.

Densiphalt and other Densit cement-based products are already used all over Europe—and now, Russian businesses will benefit from this advanced technology.
Building sustainable partnerships

The demand for sustainable business practices has reached a tipping point. Increasingly, retailers, brand managers and consumers are looking to reduce their environmental impact.

As the country's third-largest and fastest growing lunchmeat brand, Land O’Frost is progressive about its environmental profile. With the knowledge that packaging plays a large role in sustainability, the brand decided to rethink its approach. And that’s why Land O’Frost partnered with Zip-Pak to develop a more sustainable solution—resealable flexible pouches.

Zip-Pak had recently commissioned independent research to assess the smaller environmental footprint of resealable flexible pouches versus rigid polypropylene tubs. They found that deli meat and breakfast cereal pouches have lower energy consumption, solid waste generation and greenhouse gas emissions than their rigid tub or bag-in-box counterparts.

Land O’Frost implemented the lower-impact ZIP-PAK® DoubleZip™ solution on its pouches, and is able to incorporate Zip-Pak’s research when it communicates the sustainability of its deli meat packaging to retail outlets.
Implementing a sustainable strategy

As organizations scramble to define and substantiate their environmental claims, Zip-Pak has already established itself as a credible, customer-focused partner in the packaging industry.

Following ITW’s focus on product and process innovation, Zip-Pak is creating innovative packing solutions that meet the demand for sustainable—but still convenient—food packaging. Zip-Pak is also changing its internal practices to extend this commitment to sustainability beyond product offerings. For example, Zip-Pak has redesigned zipper spools to double capacity and implemented a spool recycling program to prevent unnecessary waste.

Zip-Pak also used ITW’s 80/20 tools to simplify its product line and better align the right skills with the right roles to help achieve long-term growth. Through the ITW Toolbox, credible data and strategic consultation, Zip-Pak continues to satisfy customer needs in innovative ways while moving forward with global expansion plans.
Anywhere, anytime service

All over the world, fine hotels and restaurants depend on a continuous supply of clean tableware. A 5,000-person convention dinner cannot run out of plates, and hospitals need clean cutlery at all times. Customers expect 100 percent up time from their Hobart warewashers, mixers, and other critical food service equipment. In food service, problems simply can’t wait until the next day.

Hobart Germany’s field service division—the largest dedicated service organization covering commercial food equipment in Europe—has technicians and call-center staff available 24/7, equipped with GPS and mobile devices for fast, efficient service calls. Additional service products, like water treatment chemicals, help ensure optimal equipment performance. And soon, innovative new docutronic technology will enable real-time monitoring of key operating parameters through communication links embedded in customers’ machines, providing an enhanced level of speed and responsiveness to their customers’ service needs and maintenance requirements.
LEADERSHIP PERSPECTIVE

Service as the secret weapon

The ability to elevate service to a competitive advantage comes from a refusal to wait to find out what customers need. Hobart’s service group boasts its own in-house marketing experts who maintain close contact with end users in order to determine the service offerings and capabilities that are needed to deliver value to its customers. The business’s proactive customer contact and intensive market research yields insights that drive highly profitable innovative service offerings and shape the equipment development that remains at the core of Hobart’s business.

A strategic focus on service as a growth platform in combination with Hobart Germany’s strategy to drive industry-leading innovation and unrivaled performance in its core product categories have resulted in solid growth. Despite the challenges of the current economic climate, the business is well positioned for continued growth going forward.
The brands that builders trust

Contractors all over Australia are discovering that Ramset’s Insulfast GT insulation fastening system—using patented gas technology—is faster, more ergonomic, and safer than existing methods in meeting the rapidly growing market for energy-efficient buildings. They also recognize the benefits of reduced construction time with Reid’s patented RapidBrace precast bracing system for early and low strength concrete—as did the Concrete Institute of Australia in its 2009 awards program. And for award-winning garden tools, builders and owners turn to Cyclone, Australia’s leading garden tool manufacturer.

The names Cyclone, Zenith, Lane, Pryda, Reid, or Nylex may not sound familiar to North American contractors or retail consumers, but “down under,” these are household names that immediately convey home improvement, gardening, and construction quality.

The ITW construction businesses in Australia have steadily acquired these iconic brands—diverse, high-profile companies with long histories and proven product quality. Along with global brands Ramset, Buildex, and Paslode, the award-winning innovations and strong brand equity of these companies has helped ITW develop a strong presence in the Australia and New Zealand construction markets, which have stayed relatively strong despite the downturn in the global economy.
Building stronger businesses

The flexibility and innovation of the ITW construction businesses in Australia is found in more than just its products. ITW’s decentralized structure allowed leadership to give management teams at each of its companies a significant amount of control over their businesses. And that’s an important strategy for our local people who feel a strong sense of ownership toward these brands and dedication to innovative, quality work.

But each business has also received a helping hand from the ITW Toolbox. For example, tools like 80/20 have enabled some of these construction businesses to simplify product lines by identifying, in an extensive 12,000-product catalog, that only 750 or so bring in 80 percent of its revenues. By removing complexity from its acquired businesses—but retaining quality, innovation, and customer satisfaction—ITW has solidified its presence as a top supplier in the Australian construction market.
A partner for sustainable packaging solutions

As one of the oldest and largest ITW businesses in India, Signode is uniquely positioned to serve India’s Tata Steel Limited. Tata Steel has over 100 years of steel making experience and is among the top ten steel producers in the world. They also have a strong presence in European and fast-growing Asian markets, with manufacturing units in 26 countries. To maintain its record of the industry’s lowest production costs, Tata Steel consistently turns to Signode for cost-effective packaging solutions that ensure “as manufactured” delivery of their products.

Signode stations its employees in Tata’s facility to garner direct, real-time insights into the steel company’s packaging needs and overall strategic goals. The Signode team not only provides packaging services, they maintain Signode packaging equipment and collaborate on process improvement efforts.

Together, Signode India and Tata Steel continuously look for ways to strengthen their partnership. Signode has developed innovative packaging technology, such as the first CoilMaster coil wrapping equipment, to help Tata Steel enter segments requiring “clean and dry” steel. They’re also working on sustainability initiatives, simplified processes, and expansion into supply chain tracking and tracing.

UTTAM BHURA
Regional Manager – Key Accounts, Signode India

N. RAJESH
Chief – Cold Rolling Mill, Tata Steel, India
A partner for long-term, global growth

The partnership between Signode and Tata Steel illustrates ITW’s proven, long-term 80/20 strategy: 80 percent of a business should be derived from 20 percent of its best customers and products. Signode’s Key Account Management Process has been critical in securing and growing the partnership with its largest and best account in India, Tata Steel.

The partnership delivers local business growth while paving the way for global opportunities. In addition, the close partnership has provided Signode India with an invaluable opportunity to learn and implement best practices for its own operations. The relationship between the two businesses is also creating other avenues for long-term success by opening up opportunities for other ITW business units.
Strong, smart and stylish

Businesses, as well as individual consumers, seek high-performance decorative surfaces—those that endure while keeping their good looks. Demand for sleek, smart design, like the high-pressure laminate technology developed by Wilsonart more than fifty years ago, is especially strong in the commercial construction and furniture markets.

Wilsonart Thailand leads this competitive, high-end segment by quickly moving innovative new products into Asian and other markets. New wood grain patterns and a digital art laminate collection meet highly specific interior design needs. These new offerings are backed by Wilsonart’s outstanding customer service, which helps maintain long-lasting relationships with designers, contractors and distributors—the critical links to big-brand end users such as McDonalds, KFC and Citibank.
A smart strategy for Asian growth

International business units like Wilsonart have helped ITW generate revenue and operating income despite today’s lackluster economy. After all, not all nations have been affected equally. Many countries in the Asia-Pacific region, including Vietnam, Indonesia, and the Philippines, have not been hit as hard by the downturn. This makes Wilsonart’s Thailand business a perfect fit for gaining access to these markets—and a powerful example of how ITW’s global strategies can yield consistent growth despite economic conditions.

What’s more, Wilsonart Thailand’s application of 80/20 has helped the business achieve a strong presence in the decorative surfaces market. The vast majority of Wilsonart’s sales can be attributed to a group of its major distributors, with the remaining sales coming from a strong group of furniture customers.

KANNIKA SIBUNRUANG
General Manager
Putting all of the parts together

In an economic downturn, it’s unusual to find companies with the foresight to make large investments in their own businesses. But at Kester Semiconductor Materials, a global electronics company in ITW’s Power Systems & Electronics segment, a recent decision to invest in quality, innovation and new internal processes is helping solidify relationships with its best customers.

For 110 years, Kester has been supplying award-winning alloys, fluxes, interfaces and other materials that are critical in the manufacture of electronic components used in a wide variety of consumer and industrial products. Throughout much of its history, Kester relied primarily on a “one-size-fits-all” approach to serving its customers. But after Kester was acquired by ITW, a team was formed to understand and serve the unique needs of the semiconductor materials end market.

The Kester Semiconductor team identified gaps in quality, improved manufacturing facilities, and focused on technological innovation—even placing engineers on-site at the operations of key semiconductor customers to understand their needs first-hand, from the factory floor.
Companies like Kester illustrate how, regardless of economic conditions, ITW’s principles of 80/20, innovation, and global growth can lead to long-term growth and profitability.

By following these principles and investing in its core capabilities, Kester’s manufacturing processes and research and development facilities around the world were reengineered; the business can deliver consistent quality and innovation wherever its customers are located. In addition, by dedicating a team of people to the semiconductor materials market, Kester was able to identify key needs and respond quickly with innovative solutions.

As a result of these efforts, Kester is well positioned to take full advantage of global growth opportunities in the semiconductor materials end market in 2010 and beyond.
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.
Corporate Executives & Directors

**CORPORATE EXECUTIVES**

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

**THOMAS J. HANSEN**
Vice Chairman
29 Years of Service

**E. SCOTT SANTI**
Vice Chairman
27 Years of Service

**ROBERT E. BRUNNER**
Executive Vice President
29 Years of Service

**TIMOTHY J. GARDNER**
Executive Vice President
12 Years of Service

**PHILIP M. GRESH, JR.**
Executive Vice President
20 Years of Service

**CRAIG A. HINDMAN**
Executive Vice President
33 Years of Service

**ROLAND M. MARTEL**
Executive Vice President
16 Years of Service

**STEVEN L. MARTINDALE**
Executive Vice President
7 Years of Service

**JANE L. WARNER**
Executive Vice President
4 Years of Service

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

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

**ALLAN C. SUTHERLAND**
Senior Vice President, Taxes & Investments
16 Years of Service

**JAMES H. WOOTEN, JR.**
Senior Vice President, General Counsel & Secretary
22 Years of Service

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

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

**DR. LEI Z. SCHLITZ**
Vice President, Research & Development
2 Years of Service

**DIRECTORS**

**WILLIAM F. ALDINGER**
Retired Chairman and Chief Executive Officer
Capmark Financial Group Inc.
Director since 1998

**MARVIN D. BRAILSFORD**
Retired Vice President
Kaiser-Hill Company LLC
Director since 1996

**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

**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

**JIM 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

**HAROLD B. SMITH**
Retired Officer
Illinois Tool Works Inc.
Director since 1968

**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
Eleven-Year Financial Summary

DOLLARS AND SHARES IN THOUSANDS EXCEPT PER SHARE AMOUNTS

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating revenues</td>
<td>$13,877,068</td>
<td>$17,100,341</td>
<td>$16,110,267</td>
</tr>
<tr>
<td>Operating income</td>
<td>$1,385,979</td>
<td>$2,501,286</td>
<td>$2,627,766</td>
</tr>
<tr>
<td>Income from continuing operations before income taxes</td>
<td>$1,213,790</td>
<td>$2,351,538</td>
<td>$2,583,940</td>
</tr>
<tr>
<td>Income taxes</td>
<td>$244,300</td>
<td>$660,445</td>
<td>$756,249</td>
</tr>
<tr>
<td>Income from continuing operations</td>
<td>$969,490</td>
<td>$1,691,093</td>
<td>$1,827,691</td>
</tr>
<tr>
<td>Income (loss) from discontinued operations (net of tax)</td>
<td>$(22,481)</td>
<td>$(172,090)</td>
<td>$42,171</td>
</tr>
<tr>
<td>Cumulative effect of changes in accounting principles (net of tax)</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Net income</td>
<td>$947,009</td>
<td>$1,519,003</td>
<td>$1,869,862</td>
</tr>
</tbody>
</table>

Net income per common share - assuming dilution:
- Income from continuing operations: $1.93, $3.24, $3.29
- Income (loss) from discontinued operations: $(0.04), $(0.33), 0.08
- Cumulative effect of changes in accounting principle: $ -
- Net income: $1.89, $2.91, $3.36

**Financial Position:**
- Net working capital: $2,838,957, $928,886, $3,205,370
- Net plant and equipment: $2,136,527, $2,109,432, $2,194,010
- Total assets: $16,081,984, $15,203,551, $15,525,862
- Long-term debt: $2,914,874, $1,247,883, $1,888,839
- Total debt: $3,128,555, $3,681,856, $2,299,351
- Total Invested capital: $10,627,659, $10,613,997, $10,830,058
- Stockholders’ equity: $8,817,876, $7,675,091, $9,358,231

**Cash Flow:**
- Free operating cash flow: $1,899,487, $1,859,912, $2,130,942
- Cash dividends paid: $619,681, $598,690, $502,430
- Dividends paid per share (excluding Premark): $1.240, $1.150, $0.910
- Dividends declared per share (excluding Premark): $1.240, $1.180, $0.980
- Plant and equipment additions: $247,102, $362,312, $353,355
- Depreciation: $366,127, $367,615, $363,701
- Amortization and impairment of goodwill and other intangible assets: $308,798, $324,292, $161,043

**Financial Ratios:**
- Operating income margin %: 10.0, 14.6, 16.3
- Return on average stockholders’ equity %: 11.8, 19.9, 19.9
- Return on average invested capital %: 10.7, 16.0, 18.0
- Book value per share: $17.55, $15.38, $17.65
- Total debt to total capitalization %: 26.2, 32.4, 19.7

**Other Data:**
- Market price per share at year-end: $47.99, $35.05, $53.54
- Shares outstanding at December 31: 502,336, 499,115, 530,097
- Weighted average shares outstanding: 500,177, 518,609, 551,549
- Research and development expenses: $198,536, $212,658, $197,595
- Employees at December 31: 59,000, 65,000, 60,000
- Number of business units: 840, 895, 825
- Number of acquisitions: 20, 50, 52
- Cash paid for acquisitions: $281,674, $1,546,982, $812,757

Note: Certain reclassifications of prior years’ data have been made to conform with current year reporting.
<table>
<thead>
<tr>
<th>Year</th>
<th>Free Operating Cash Flow (in Millions of Dollars)</th>
<th>Total Debt to Total Capitalization (in Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>13,788,346</td>
<td>2,569,821</td>
</tr>
<tr>
<td>2005</td>
<td>12,540,360</td>
<td>2,110,874</td>
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<tr>
<td>2004</td>
<td>11,336,102</td>
<td>2,471,227</td>
</tr>
<tr>
<td>2003</td>
<td>9,662,593</td>
<td>3,294,299</td>
</tr>
<tr>
<td>2002</td>
<td>9,063,231</td>
<td>2,276,401</td>
</tr>
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<td>2001</td>
<td>8,911,243</td>
<td>1,587,332</td>
</tr>
<tr>
<td>2000</td>
<td>9,153,777</td>
<td>1,511,451</td>
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<tr>
<td>1999</td>
<td>8,538,366</td>
<td>1,227,570</td>
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</table>

### RETURN ON AVERAGE STOCKHOLDERS’ EQUITY (IN PERCENT)

<table>
<thead>
<tr>
<th>Year</th>
<th>Illinois Tool Works Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>2.95</td>
</tr>
<tr>
<td>1998</td>
<td>0.07</td>
</tr>
<tr>
<td>1997</td>
<td>3.01</td>
</tr>
<tr>
<td>1996</td>
<td>2.57</td>
</tr>
<tr>
<td>1995</td>
<td>1.66</td>
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<tr>
<td>1994</td>
<td>1.48</td>
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<tr>
<td>1993</td>
<td>1.27</td>
</tr>
<tr>
<td>1992</td>
<td>1.55</td>
</tr>
<tr>
<td>1991</td>
<td>1.35</td>
</tr>
</tbody>
</table>

### RETURN ON AVERAGE INVESTED CAPITAL (IN PERCENT)

<table>
<thead>
<tr>
<th>Year</th>
<th>Illinois Tool Works Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>0.705</td>
</tr>
<tr>
<td>1998</td>
<td>0.585</td>
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<tr>
<td>1997</td>
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<tr>
<td>1996</td>
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<td>1995</td>
<td>0.445</td>
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<tr>
<td>1994</td>
<td>0.410</td>
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<tr>
<td>1993</td>
<td>0.400</td>
</tr>
<tr>
<td>1992</td>
<td>0.370</td>
</tr>
<tr>
<td>1991</td>
<td>0.330</td>
</tr>
</tbody>
</table>

### FREE OPERATING CASH FLOW (IN MILLIONS OF DOLLARS)

<table>
<thead>
<tr>
<th>Year</th>
<th>Illinois Tool Works Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>1,717,746</td>
</tr>
<tr>
<td>1998</td>
<td>1,494,869</td>
</tr>
<tr>
<td>1997</td>
<td>1,338,694</td>
</tr>
<tr>
<td>1996</td>
<td>1,023,680</td>
</tr>
<tr>
<td>1995</td>
<td>712,592</td>
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<tr>
<td>1994</td>
<td>805,659</td>
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<tr>
<td>1993</td>
<td>957,980</td>
</tr>
<tr>
<td>1992</td>
<td>841,112</td>
</tr>
</tbody>
</table>

### TOTAL DEBT TO TOTAL CAPITALIZATION (IN PERCENT)

<table>
<thead>
<tr>
<th>Year</th>
<th>Illinois Tool Works Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>3.01</td>
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<tr>
<td>1998</td>
<td>2.60</td>
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<tr>
<td>1997</td>
<td>2.20</td>
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<tr>
<td>1996</td>
<td>1.66</td>
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<tr>
<td>1995</td>
<td>1.32</td>
</tr>
<tr>
<td>1994</td>
<td>1.57</td>
</tr>
<tr>
<td>1993</td>
<td>1.38</td>
</tr>
<tr>
<td>1992</td>
<td>1.50</td>
</tr>
<tr>
<td>1991</td>
<td>1.50</td>
</tr>
</tbody>
</table>

**RETURN ON AVERAGE STOCKHOLDERS’ EQUITY (IN PERCENT)**

- 1999: 2.95%
- 1998: 0.07%
- 1997: 3.01%
- 1996: 2.57%
- 1995: 1.66%
- 1994: 1.48%
- 1993: 1.27%
- 1992: 1.55%
- 1991: 1.35%

**RETURN ON AVERAGE INVESTED CAPITAL (IN PERCENT)**

- 1999: 0.705%
- 1998: 0.585%
- 1997: 0.500%
- 1996: 0.465%
- 1995: 0.445%
- 1994: 0.410%
- 1993: 0.370%
- 1992: 0.330%

**FREE OPERATING CASH FLOW (IN MILLIONS OF DOLLARS)**

- 1999: 1,717,746
- 1998: 1,494,869
- 1997: 1,338,694
- 1996: 1,023,680
- 1995: 712,592
- 1994: 805,659
- 1993: 957,980
- 1992: 841,112

**TOTAL DEBT TO TOTAL CAPITALIZATION (IN PERCENT)**

- 1999: 3.01%
- 1998: 2.60%
- 1997: 2.20%
- 1996: 1.66%
- 1995: 1.32%
- 1994: 1.57%
- 1993: 1.38%
- 1992: 1.50%
- 1991: 1.50%
Corporate Information

TRANSFER AGENT AND REGISTRAR
Computershare Investor Services LLC
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 7, 2010, 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 25 to 35 percent of the Company’s
trailing two years’ average income from
continuing operations. Effective with the
October 14, 2008 payment, the quarterly
cash dividend on ITW common stock was
increased to 31 cents per share. This
dividend represents an estimated payout
of 35 percent of the trailing two years’
average income from continuing operations.
ITW’s annual dividend payment has
increased 46 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
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 Investor
Services LLC.

For additional assistance regarding stock
holdings, please contact:
Kathleen Nuzzi
Shareholder Relations
847.657.4929

Security analysts and investment
professionals should contact:
John L. Brooklier
Vice President of Investor Relations
847.657.4104

MEDIA INQUIRES
Please contact:
Alison Donnelly
Corporate Communications Manager
847.657.4565

CORPORATE GOVERNANCE
On June 8, 2009, 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 2009 Annual Report on Form 10-K.

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HI-CONE RECYCLING
ITW Hi-Cone, manufacturer of recyclable
multi-pack ring carriers, offers assistance to
schools, offces 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

Outside the United States, contact:

ITW HI-CONE (ITW LIMITED)
Abbey House
1650 Arlington Business Park
Thame
RG7 4SA Berkshire, United Kingdom
44.1189.298082

ITW HI-CONE (ITW ESPAÑA)
Polig. Ind. Congost P-5, Naves 7-8-9,
08530 La Garriga, Barcelona, Spain
34.93.860.5020

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

DESIGN
Smith Design Co.
Evanston, Illinois