ITW AT A GLANCE

ITW is a Fortune 200 global industrial manufacturer of value-added consumables and specialty equipment with related service businesses. The company focuses on generating profitable growth with strong returns and free operating cash flow across its worldwide businesses. ITW businesses serve local customers and markets around the globe, with a significant presence in developed as well as emerging markets. The company has operations in 58 countries that employ approximately 60,000 women and men who adhere to the highest ethical standards. These talented individuals, many of whom have specialized engineering or scientific expertise, contribute to our global leadership in innovation. We are proud of our broad portfolio of nearly 12,000 active patents.

The 2012 ITW Corporate Social Responsibility Report is enclosed in the back pocket of this Annual Report.
## FINANCIAL HIGHLIGHTS

**DOLLARS IN MILLIONS EXCEPT PER SHARE AMOUNTS**

<table>
<thead>
<tr>
<th>YEAR ENDED DECEMBER 31</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING RESULTS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating revenues</td>
<td>$17,924</td>
<td>$17,787</td>
<td>$15,416</td>
</tr>
<tr>
<td>Operating income</td>
<td>2,847</td>
<td>2,731</td>
<td>2,254</td>
</tr>
<tr>
<td>Operating income margin</td>
<td>15.9%</td>
<td>15.4%</td>
<td>14.6%</td>
</tr>
<tr>
<td>Income from continuing operations</td>
<td>$2,495</td>
<td>$2,017</td>
<td>$1,452</td>
</tr>
<tr>
<td><strong>PER SHARE OF COMMON STOCK</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income from continuing operations:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$5.31</td>
<td>$4.10</td>
<td>$2.90</td>
</tr>
<tr>
<td>Diluted</td>
<td>5.27</td>
<td>4.08</td>
<td>2.89</td>
</tr>
<tr>
<td>Cash dividends paid</td>
<td>$1.84</td>
<td>$1.38</td>
<td>$1.27</td>
</tr>
<tr>
<td><strong>RETURNS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on average invested capital</td>
<td>15.0%</td>
<td>16.8%</td>
<td>14.6%</td>
</tr>
<tr>
<td>Return on average stockholders’ equity</td>
<td>24.2%</td>
<td>20.6%</td>
<td>15.9%</td>
</tr>
<tr>
<td><strong>LIQUIDITY AND CAPITAL RESOURCES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Free operating cash flow</td>
<td>$1,690</td>
<td>$1,603</td>
<td>$1,200</td>
</tr>
<tr>
<td>Total debt to capitalization</td>
<td>32.3%</td>
<td>28.5%</td>
<td>23.1%</td>
</tr>
<tr>
<td>Total debt to adjusted EBITDA</td>
<td>1.5x</td>
<td>1.2x</td>
<td>1.0x</td>
</tr>
</tbody>
</table>

Note: 2012 income from continuing operations includes a gain related to the sale of a 51% majority interest in the Decorative Surfaces segment. Refer to the Divestiture of Majority Interest in Decorative Surfaces Segment note to the financial statements in the company’s 2012 Annual Report on Form 10-K. Cash dividends paid in 2012 include a dividend payment accelerated from January 8, 2013 to December 31, 2012.

Certain reclassifications of prior years’ data have been made to conform with current year reporting, including discontinued operations. 2010 has been restated to reflect the elimination of the one-month international reporting lag. The company references certain non-GAAP measures in the 2012 Annual Report including return on average invested capital, free operating cash flow, total debt to adjusted EBITDA, adjusted earnings per share and percent of 2012 total company revenues excluding Decorative Surfaces. Refer to the company’s Form 8-K dated January 29, 2013 which includes the company’s fourth quarter 2012 earnings release and conference call presentation, and the 2012 and 2011 Annual Reports on Form 10-K for calculations of these non-GAAP measures. Return on average stockholders’ equity is calculated as income from continuing operations divided by average stockholders’ equity.
Effective January 1, 2013, the company changed its reportable segments. The segments presented below and the percent of 2012 total company revenues are based on the 2013 segment structure. Percentages are calculated using 2012 total company revenues excluding Decorative Surfaces. The 2012 Annual Report on Form 10-K has not been restated for the 2013 changes in segment reporting. See the Segment Information note to the financial statements in the 2012 Annual Report on Form 10-K for further information regarding the 2013 segment changes.

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

**PERCENT OF TOTAL COMPANY REVENUES**
14%

**REVENUES BY PRODUCT CATEGORY**
- Consumables: 80%
- Equipment & Tools: 12%
- Service & Parts: 7%
- Other: 1%

**MAJOR END MARKETS**
- General Industrial: 23%
- Primary Metals: 22%
- Beverage & Food: 10%
- Paper Products: 8%

**SELECTED BUSINESSES AND BRANDS**
- Acme
- Angleboard
- Fleetwood
- Ogspack
- Signode
- Stripspex
- Avery Weight-Tronix
- Buehler
- Brooks
- Despatch
- Intron

**TEST & MEASUREMENT AND ELECTRONICS**
Equipment and related software for testing and measuring of materials and structures, metal solder materials for PC board fabrication, and equipment and services for microelectronics assembly

**PERCENT OF TOTAL COMPANY REVENUES**
13%

**REVENUES BY PRODUCT CATEGORY**
- Consumables: 34%
- Equipment & Tools: 54%
- Service & Parts: 12%

**MAJOR END MARKETS**
- Electronics: 25%
- General Industrial: 22%
- Consumer Durables: 6%
- Industrial Capital Goods: 6%

**SELECTED BUSINESSES AND BRANDS**
- Kester
- Speedline
- Stokvis Tapes
- Vitronics Soltex
- DaeLim
- Deltar
- Drawform

**AUTOMOTIVE OEM**
Components and fasteners for automotive-related applications

**PERCENT OF TOTAL COMPANY REVENUES**
13%

**REVENUES BY PRODUCT CATEGORY**
- Consumables: 100%

**MAJOR END MARKETS**
- Big 3 Auto & Truck: 37%
- Europe-based Auto & Truck: 32%
- Asia-based Auto & Truck: 14%
- Auto Aftermarket: 5%

**SELECTED BUSINESSES AND BRANDS**
- Densit
- Devcon
- Dymon
- Futura
- Kraft
- LPS
- Novadan
- Plexus
- Prolim
- Rocol
- Schnee-Morehead
- Permatex
- Rain-X
- Slime
- TACC
- Wynn’s

**POLYMERS & FLUIDS**
Adhesives, sealants, lubrication and cutting fluids, janitorial and hygiene products, and fluids and polymers for auto aftermarket maintenance and appearance

**PERCENT OF TOTAL COMPANY REVENUES**
13%

**REVENUES BY PRODUCT CATEGORY**
- Consumables: 98%
- Equipment & Tools: 1%
- Service & Parts: 1%

**MAJOR END MARKETS**
- Automotive Aftermarket: 39%
- General Industrial: 14%
- MRO: 11%
- Commercial Construction: 6%
FOOD EQUIPMENT
Commercial food equipment and related service

PERCENT OF TOTAL COMPANY REVENUES
11%

REVENUES BY PRODUCT CATEGORY
- Equipment & Tools: 65%
- Service & Parts: 35%

MAJOR END MARKETS
- Food Institutional/Restaurants: 43%
- Food Service: 38%
- Food Retail: 16%

SELECTED BUSINESSES AND BRANDS
- Avery Berkel
- Bonnet
- Foster
- Gaylord
- Hobart
- Kairak
- MBM
- Thirode
- Traulsen
- Vulcan
- Wolf

CONSTRUCTION PRODUCTS
Construction fastening systems and truss products for the commercial, residential and remodeling/renovation sectors

PERCENT OF TOTAL COMPANY REVENUES
11%

REVENUES BY PRODUCT CATEGORY
- Consumables: 84%
- Equipment & Tools: 13%
- Service & Parts: 2%
- Other: 1%

MAJOR END MARKETS
- Residential Construction: 44%
- Renovation Construction: 26%
- Commercial Construction: 25%

SELECTED BUSINESSES AND BRANDS
- ATW Brands
- Buildex
- Pastide
- Proline
- Pryda
- Ramset
- Red Head
- Reid
- SPIT
- Truswal

WELDING
Arc welding equipment, consumables and accessories for a wide array of industrial and commercial applications

PERCENT OF TOTAL COMPANY REVENUES
11%

REVENUES BY PRODUCT CATEGORY
- Equipment & Tools: 54%
- Consumables: 39%
- Service & Parts: 4%
- Other: 3%

MAJOR END MARKETS
- General Industrial: 22%
- Energy: 16%
- Fabrication: 11%
- MRO: 10%

SELECTED BUSINESSES AND BRANDS
- AXA Power
- Bernard
- Elga
- Hobart
- Miller
- Tien Tai
- Tregaskiss
- Trimark
- Weldcraft

SPECIALTY PRODUCTS
Diversified segment includes plastic reclosable packaging, product coding and marking equipment and consumables, beverage packaging equipment and consumables, and truck component remanufacture and service

PERCENT OF TOTAL COMPANY REVENUES
14%

REVENUES BY PRODUCT CATEGORY
- Consumables: 58%
- Equipment & Tools: 21%
- Service & Parts: 21%

MAJOR END MARKETS
- Food & Beverage: 24%
- Consumer Durables: 13%
- General Industrial: 12%
- Printing & Publishing: 8%

SELECTED BUSINESSES AND BRANDS
- Chemtronics
- Diagraph
- Fastex
- Harness
- Hi-Cone
- Magnaflux
- Texwipe
- Vertique
- Zip-Pak
REVENUE COMPOSITION

COMPARATIVE REVENUES BY GEOGRAPHY

- **2002**
  - 66% North America
  - 26% Europe, Middle East and Africa
  - 8% Asia Pacific and Other

- **2012**
  - 50% North America
  - 30% Europe, Middle East and Africa
  - 20% Asia Pacific and Other

REVENUES BY PRODUCT CATEGORY

- **2012**
  - 65% Consumables
  - 25% Equipment & Tools
  - 10% Service & Parts

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 or the elimination of the one-month international reporting lag.
LETTER TO SHAREHOLDERS

In 2012, in the midst of a challenging global economic environment, ITW generated organic revenue growth of two percent. Modestly positive industrial production trends in the U.S. helped offset tough economic conditions in Europe and uneven market conditions in Asia. In particular, our welding, test & measurement and automotive businesses delivered strong organic growth despite the difficult macroeconomic environment.

We also made solid progress in profitability improvement in 2012. We increased our adjusted earnings per share 10 percent and improved operating margins by 50 basis points. In addition, we invested nearly $100 million in restructuring projects, many of which were associated with the execution of enterprise strategy initiatives that will further enhance our future profitability and returns on capital. We also increased our dividend payment for the fiftieth consecutive year,* and in December, accelerated our January 2013 dividend payment to enable our shareholders to benefit from the dividend tax rate that expired at the end of 2012.

ITW’S DIFFERENTIATED BUSINESS MODEL: OUR UNIQUE CORE CAPABILITIES

At ITW, our commitment to operational excellence and innovation has kept us on a path of strong financial performance for more than 100 years. The company is built on a differentiated business model comprised of three unique core capabilities: our 80/20 business process, sustainable differentiation and our entrepreneurial culture. These have long been the core of who we are as a company and the source of our ability to deliver value-added solutions for our customers and differentiated financial performance for our shareholders.

However, we did not reach 100 years as a company by not changing along the way. There is no question that the competitive landscape is changing and, despite our past success, we must adapt to these changes. In 2012, we launched our 2012-2017 enterprise strategy, which is centered on three enterprise-wide initiatives that focus the company on generating maximum performance leverage and impact from ITW’s unique core capabilities.

KEY ENTERPRISE INITIATIVES

As the competitive environment in which we operate continues to intensify and globalize, operational excellence alone is no longer enough to generate best-in-class margins and returns. Through our portfolio management initiative we are shifting sustainable differentiation from a “desirable” to a “must-have” attribute as we construct our portfolio and invest our capital. As a result, we will focus the company on businesses with distinctive and robust competitive advantages that are well positioned to deliver solid organic growth, and divest businesses that no longer align with the company’s strategy.

With our business structure simplification initiative, we are simplifying and scaling up our operating structure in order to focus our energy and resources on our larger businesses and best growth opportunities. In doing so, we will move average annual revenue per division from approximately $25 million to $100 million or more. This process will generate both improved overhead cost productivity and enhanced capacity and resources for the marketing and innovation investments necessary to sustain differentiation and drive organic growth.

Lastly, through our strategic sourcing initiative, we are committed to aggressively leveraging our scale at the enterprise level in order to drive meaningful reductions in sourced material costs.

HIGHLY DISCIPLINED CAPITAL ALLOCATION

Our enterprise strategy is underpinned by a highly disciplined approach to capital allocation. We will allocate capital only to businesses and growth opportunities that have the potential to generate long-term risk adjusted returns significantly above our cost of capital. A key component of our disciplined capital allocation strategy is the willingness to return a meaningful percentage of our free operating cash flow to our shareholders in the form of dividends and share repurchases. The past year was no exception as we returned over $800 million to our shareholders in the form of dividends and more than $2 billion through share repurchases. Based on the strength of our business model, dividends and share repurchases will continue to contribute meaningfully to total returns for our shareholders as we execute our 2012-2017 enterprise strategy.

DIFFERENTIATED PERFORMANCE

Through the implementation of our three enterprise strategy initiatives in combination with ITW’s differentiated business model, we are positioning the company to deliver solid growth with strong returns and best-in-class operating performance. The performance goals that we have established in conjunction with the execution of our enterprise strategy reflect our commitment to leveraging ITW’s unique core capabilities to their full potential. ITW’s enterprise strategy performance goals are detailed on page 17 of this report.

MANAGEMENT DEVELOPMENTS

A deeply talented and experienced management team has long been a hallmark of ITW. Our current senior leadership team averages over 20 years of service with the company and, simply put, they are an exceptional group of leaders.

We were all deeply saddened by the passing of Chairman and Chief Executive Officer David Speer in November. He will be greatly missed. David served as a mentor to many of us over the years, and

*except during period of government controls in 1971
ITW was fortunate to have the benefit of his leadership for more than 30 years. We are well positioned to lead ITW into the future thanks to the solid foundation David helped build.

Early in 2013, Jane L. Warner retired as executive vice president. Jane joined ITW in 2005 as president of worldwide finishing and was named executive vice president in 2007. We would like to thank Jane for her valuable contributions to ITW and wish her the very best in retirement.

Lastly, we would like to sincerely thank all the talented ITW people around the world for their creativity, passion and dedication to serving our customers and the company with excellence.

**MOVING FORWARD**

Through the execution of the enterprise strategy that we detail in this annual report, we will be the same ITW—only more focused, more efficient and more streamlined in order to deliver profitable growth with best-in-class operating margins and returns. Our management team is executing aggressively on the opportunity that we have to enhance our performance through narrowing the focus of our business portfolio, simplifying our operating structure and better leveraging our purchasing power. Since our founding a century ago, ITW has never been afraid to change and adapt when necessary. We look to the future with confidence in the strength of our business model, and we are committed to leveraging it fully for the benefit of our customers and our shareholders through the implementation of our 2012-2017 enterprise strategy.

Sincerely,

E. SCOTT SANTI
PRESIDENT &
CHIEF EXECUTIVE OFFICER

ROBERT S. MORRISON
NON-EXECUTIVE
CHAIRMAN OF THE BOARD

David Speer, an insightful leader, mentor and friend to many, passed away on November 17, 2012. In addition to his remarkable business acumen, his warmth and integrity touched many lives. He will be greatly missed.

Beginning in 1978, David served in a number of marketing and management positions before becoming general manager of ITW’s Buildex division in 1984. David was a natural, charismatic leader—and a savvy salesman—and his roles and responsibilities continued to expand. In 2005, David was elected chief executive officer, and in 2006 he added the role of chairman of the board of directors.

David’s success never affected his demeanor or work style. He remained a hands-on manager who saw no fundamental difference between himself and his employees, regardless of their role or position. He believed in the potential of each person and his enthusiasm about ITW’s strengths and opportunities was infectious. Under David’s leadership, ITW achieved unprecedented global growth. The ITW he helped build has roots in virtually every corner of the globe.

David’s dedication and compassion extended beyond ITW. He was well known for his philanthropic efforts and firmly believed in giving back to local communities. He expanded the ITW Foundation’s programs and charitable contributions and was equally generous with his own time. You were as likely to see David rolling up his sleeves at a Junior Achievement Bowl-a-Thon as you were to see him chairing a black-tie fundraiser. He truly believed that individuals and businesses could make a difference in the lives of others.

We will miss David and will honor his memory by staying true to ITW’s culture and values and building on the strong foundation he left us to move ITW into the future.
ITW’S DIFFERENTIATED BUSINESS MODEL: LEVERAGING OUR UNIQUE CORE CAPABILITIES

80/20 BUSINESS PROCESS
SUSTAINABLE DIFFERENTIATION THROUGH INNOVATION
DECENTRALIZED ENTREPRENEURIAL CULTURE
FINDING THE SWEET SPOT

80/20 BUSINESS PROCESS

ITW’s proprietary 80/20 business process has been integral to our success for nearly 30 years. Simply put, 80/20 focuses our businesses on the 20 percent of customers that generate 80 percent of revenues. We structure our businesses around serving and growing our relationships with these key customers—and finding and developing relationships with new customers who are just like them. The focus that this process brings also allows us to structure our businesses to serve our key customers in a highly efficient manner, resulting in industry leading margins and strong free operating cash flow.

80/20 has been in a constant state of evolution and development within ITW since the mid-1980s. From the United States to the Czech Republic to China, our businesses continuously experiment with and develop new approaches to applying our 80/20 principles. ITW’s 80/20 business process drives profitable growth and strong returns on capital. We have yet to encounter an alternative operating process in an industrial manufacturing environment that has the ability to produce results that come anywhere close.

A key component of our 2012-2017 enterprise strategy is a renewed commitment to maximizing our capabilities in the practice of our 80/20 business process throughout the company. As we move forward, we are making the investments necessary to ensure that 80/20 remains a strong driver of ITW’s competitive advantage for many years to come.

“Our construction tool business is a great example of 80/20 in action. 80/20 helped us identify our key products for our key customers, and these innovative products are now a thriving part of our business. An added benefit was our ability to integrate multiple manufacturing processes to improve our overall profitability.”

JIM PUPURA
Business Unit Manager
Paslode, United States
ITW’s very first products—invented around 100 years ago—were new types of machines for making gears and washers that solved customer problems no other company had been able to master. Since then, customer-focused innovation has fueled decades of profitable growth at ITW. Ideas like the Hi-Cone beverage carrier, the capless fuel fill system for automobiles, and the Paslode cordless nailer—to name just a few—have provided meaningful solutions to our customers’ major problems and, in a number of cases, transformed entire industries. Today ITW’s business model remains squarely centered on constantly seeking ways to deliver value-added solutions to our key (“80”) customers. In 2012, ITW was issued 1,267 new patents and we currently hold a portfolio of nearly 12,000 active patents.

At ITW, innovation is “80/20 enabled”—the fact that our businesses focus on a relative handful of major customer relationships allows them to develop deep knowledge and insight around their largest customers’ pain points. These key customer insights are the fuel that drives customer-focused innovation at ITW.

“I see innovation everywhere—innovation with a lot of passion, encouragement and support.”

YUN (“DAISY”) ZHENG
Director, Human Resources
ITW Automotive, China

“When I began here as an engineer, I helped roll out a new line of Vulcan ranges, analyzing and tweaking the design based on feedback from our customers and assembly people. Everyone at ITW is encouraged to share ideas and input—not just the engineers. In fact, our innovations often result from listening. These ranges have broad popularity with customers in their market segment, and I’m proud of that.”

RASHAD NELSON
Assistant Branch Manager
Hobart Service, United States
FAST, FLEXIBLE AND FOCUSED

ITW’S DECENTRALIZED ENTREPRENEURIAL CULTURE

At ITW, we believe that our decentralized, entrepreneurial culture is a key competitive advantage. While we have become a big company in terms of our size, we work hard to make sure that we continue to think and act like a much smaller company—fast, flexible, and focused. We allow our businesses a high degree of latitude within the framework of our business model to customize how they apply it in order to best serve their customers and maximize the performance of their business. Our people have a well-developed disdain for organizational complexity and bureaucracy. They are energized and empowered—and they deliver.

“ITW is a world-class company, with a small business feel at the division level. Freedom to innovate makes us more accountable to add value to all that we do.”

Gaurav Chauhan
Head of Consumable Sales
Signode, India
2012-2017 ENTERPRISE STRATEGY
KEY INITIATIVES
PORTFOLIO MANAGEMENT
BUSINESS STRUCTURE SIMPLIFICATION
STRATEGIC SOURCING
Through our portfolio management initiative, we are narrowing the focus of the company in order to concentrate our efforts, resources and capital on areas of opportunity that have the potential to fully leverage ITW’s highly differentiated business model. As global competition continues to intensify, operational excellence alone is no longer enough to generate best-in-class profitability and returns on capital. Only businesses that can generate both world-class operating efficiency from 80/20 and sustainable differentiation through innovation can achieve maximum performance leverage and impact from ITW’s business model. As a result, we are elevating sustainable differentiation from a “desirable” to a “must-have” attribute as we construct our business portfolio and invest our capital and, in doing so, we will divest businesses that no longer align with our strategy.
We are simplifying our business structure in order to better focus our energy and resources on our larger businesses and best growth opportunities. In order to accomplish this, we are scaling up our divisional operating structure and, in doing so, we will increase average annual revenue per division from $25 million to $100 million or more. We will transition from 800 plus business units at the end of 2011 to 110 to 120 larger scale global divisions.

We remain deeply committed to decentralization and to simple, focused organizational structures as these are essential elements to maintaining our fast, responsive and entrepreneurial culture. However, we also recognize that we need more scale in our divisional structure in order to improve our capacity to make the marketing and innovation investments that are necessary to sustain differentiation. Through business structure simplification, we will better focus and concentrate our growth and innovation investments and reduce our organizational infrastructure costs.
We are executing an aggressive plan to better leverage the overall size and scale of ITW in our sourcing approach in order to reduce costs and further enhance competitiveness for our businesses. As a total enterprise, ITW spent over $11 billion on procured materials and services across the company in 2012...from commodities like steel and plastic to travel and telecommunication services. We have a compelling opportunity to further improve our performance and competitiveness through the implementation of a more focused, coordinated and strategic enterprise sourcing approach. We have a strong plan in place to drive meaningful bottom line benefits from this initiative and we are moving forward aggressively in implementing it.
DIFFERENTIATED PERFORMANCE
CAPITAL ALLOCATION STRATEGY
FINANCIAL PERFORMANCE GOALS
Our enterprise strategy is underpinned by a highly disciplined approach to capital allocation. We will allocate capital only to businesses and growth opportunities that have the potential to generate long-term risk-adjusted returns significantly above our cost of capital through leveraging ITW's core capabilities and business model. A key component of our highly disciplined capital allocation approach is the willingness to return a meaningful percentage of our free operating cash flow to our shareholders in the form of both dividends and share repurchases. Based on the strength of our business model, we expect that annual dividends and share repurchases will continue to contribute meaningfully to total returns for our shareholders as we execute our enterprise strategy over the 2012-2017 plan period.

**ITW’s Capital Allocation Priorities**

1. **Organic Investments**
   Investments to support our core businesses, drive profitable organic growth/improve margins

2. **Dividends**
   ITW has increased its dividend for over 50 consecutive years*

3. **External Investments**
   Allocated based on best risk-adjusted returns

Share Repurchases

Acquisitions

*except during period of government controls in 1971
Through the execution of our 2012-2017 enterprise strategy, we are focusing the company on investing resources and deploying capital only into areas of opportunity that have the potential to fully leverage ITW’s differentiated business model. We are convinced that this is the right path to maximize the performance potential of our company and long-term returns for our shareholders.
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 more than 20 years of company service.
BOARD OF DIRECTORS

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

SUSAN CROWN
Vice President
Henry Crown and Company
Director since 1994

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

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

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

ROBERT S. MORRISON
Retired Vice Chairman
PepsiCo, Inc.
Director since 2003, Chairman since 2012

E. SCOTT SANTI
President & Chief Executive Officer
Illinois Tool Works Inc.
Director since 2012

JAMES A. SKINNER
Retired Vice Chairman & Chief Executive Officer
McDonald’s Corporation
Director since 2005

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

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

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

ANRÉ D. WILLIAMS
President, Global Merchant Services
American Express Company
Director since 2010
### ELEVEN-YEAR FINANCIAL SUMMARY

**DOLLARS AND SHARES IN MILLIONS EXCEPT PER SHARE AMOUNTS**

<table>
<thead>
<tr>
<th>INCOME:</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
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<td>$2,254</td>
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<td>Income from continuing operations before income taxes</td>
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<td>$2,089</td>
</tr>
<tr>
<td>Income taxes</td>
<td>$1,108</td>
<td>$576</td>
<td>$637</td>
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<tr>
<td>Income from continuing operations</td>
<td>$2,495</td>
<td>$2,017</td>
<td>$1,452</td>
</tr>
<tr>
<td>Income (loss) from discontinued operations (net of tax)</td>
<td>$375</td>
<td>$54</td>
<td>$51</td>
</tr>
<tr>
<td>Cumulative effect of changes in accounting principles (net of tax)</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Net income</td>
<td>$2,870</td>
<td>$2,071</td>
<td>$1,503</td>
</tr>
<tr>
<td>Per common share - assuming dilution:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income from continuing operations</td>
<td>$5.27</td>
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<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Net income</td>
<td>$6.06</td>
<td>$4.19</td>
<td>$2.99</td>
</tr>
</tbody>
</table>

**FINANCIAL POSITION:**

|  | 2012  | 2011  | 2010  |
| Net working capital | $5,309 | $3,872 | $2,948 |
| Net plant and equipment | $1,994 | $2,025 | $2,066 |
| Total assets | $19,309 | $17,984 | $16,412 |
| Long-term debt | $4,589 | $3,488 | $2,542 |
| Total debt | $5,048 | $3,990 | $2,868 |
| Total invested capital | $12,839 | $12,846 | $11,254 |
| Stockholders’ equity | $10,570 | $10,034 | $9,358 |

**CASH FLOW:**

|  | 2012  | 2011  | 2010  |
| Free operating cash flow | $1,690 | $1,603 | $1,200 |
| Cash dividends paid | $1,065 | $680 | $636 |
| Dividends paid per share | $1,840 | $1,380 | $1,270 |
| Dividends declared per share | $1,480 | $1,400 | $1,300 |
| Plant and equipment additions | $382 | $353 | $288 |
| Depreciation | $323 | $336 | $335 |
| Amortization and impairment of goodwill and other intangible assets | $290 | $258 | $214 |

**FINANCIAL RATIOS:**

|  | 2012  | 2011  | 2010  |
| Operating income margin | %15.9 | %15.4 | %14.6 |
| Return on average stockholders’ equity | %24.2 | %20.6 | %15.9 |
| Return on average invested capital | %15.0 | %16.8 | %14.6 |
| Book value per share | $23.23 | $20.75 | $19.23 |
| Total debt to total capitalization | %32.3 | %28.5 | %23.1 |

**OTHER DATA:**

|  | 2012  | 2011  | 2010  |
| Market price per share at year-end | $60.81 | $46.71 | $53.40 |
| Shares outstanding at December 31 | 455.1 | 483.6 | 497.7 |
| Weighted average shares outstanding | 469.8 | 491.4 | 500.8 |
| Research and development expenses | $266 | $243 | $213 |
| Employees at December 31 | 60,000 | 65,000 | 61,000 |
| Number of acquisitions | 23 | 28 | 24 |
| Cash paid for acquisitions | $723 | $1,308 | $497 |

**Note:** 2012 income from continuing operations includes a gain related to the sale of a 51% majority interest in the Decorative Surfaces segment. Refer to the Divestiture of Majority Interest in Decorative Surfaces Segment note to the financial statements in the company’s 2012 Annual Report on Form 10-K. Cash dividends paid in 2012 include a dividend payment accelerated from January 8, 2013 to December 31, 2012.

Certain reclassifications of prior years’ data have been made to conform with current year reporting, including discontinued operations. 2010 and 2009 have been restated to reflect the elimination of the one-month international reporting lag. The company references certain non-GAAP measures in the 2012 Annual Report including return on average invested capital and free operating cash flow. See “Management’s Discussion and Analysis” in the company’s 2012 Annual Report on Form 10-K for a calculation of return on average invested capital and free operating cash flow. Return on average stockholders’ equity is calculated as income from continuing operations divided by average stockholders’ equity.
Continuing operations divided by average stockholders' equity. Analysis" in the company's 2012 Annual Report on Form 10-K for a calculation of return on average invested capital and free operating cash flow. Return on average stockholders' equity is calculated as income from international reporting lag. The company references certain non-GAAP measures in the 2012 Annual Report including return on average invested capital and free operating cash flow. See "Management's Discussion and Certain reclassifications of prior years' data have been made to conform with current year reporting, including discontinued operations. 2010 and 2009 have been restated to reflect the elimination of the one-month note to the financial statements in the company's 2012 Annual Report on Form 10-K. Cash dividends paid in 2012 include a dividend payment accelerated from January 8, 2013 to December 31, 2012. Note: 2012 income from continuing operations includes a gain related to the sale of a 51% majority interest in the Decorative Surfaces segment. Refer to the Divestiture of Majority Interest in Decorative Surfaces Segment Cash paid for acquisitions $  723   1,308   497   281   1,547   813   1,379   627   588   204   188 Number of acquisitions   23   28   24   20   50   52   53   22   24   28   21 Employees at December 31  60,000   65,000   61,000   59,000   65,000   60,000   55,000   50,000   49,000   47,500   48,700 Shares outstanding at December 31   455.1   483.6   497.7   502.3   499.1   530.1   55,000   49,000   47,500   48,700   47,500 Market price per share at year-end $  60.81   46.71   53.40   47.99   35.05   53.54   56.66   57.11   60.48   61.73   61.23 DOLLARS AND SHARES IN MILLIONS EXCEPT PER SHARE AMOUNTS  2012 2011 2010 2009  2008 2007 2006 2005 2004 2003 2002

STOCKHOLDERS' EQUITY (IN MILLIONS OF DOLLARS) 13,573 16,544 15,550 13,254 12,029 10,836 9,201 8,669
1,383 2,410 2,535 2,286 2,021 1,808 1,407 1,318
1,214 2,260 2,491 2,294 2,064 1,885 1,470 1,347
245 636 726 676 642 616 498 473
969 1,624 1,765 1,618 1,422 1,269 972 874
4 (105) 105 100 73 69 51 52
1,973 1,519 1,870 1,718 1,495 1,339 1,024 713
1.93 3.12 3.17 2.84 2.47 2.08 1.57 1.42
0.01 (0.20) 0.19 0.18 0.13 0.11 0.08 0.08
- - - - - - - - (0.35)
1.94 2.91 3.36 3.01 2.60 2.20 1.66 1.16
7,814 929 3,205 2,570 2,111 2,471 3,294 2,276
2,097 2,109 2,194 2,053 1,807 1,877 1,729 1,631
15,811 15,204 15,526 13,880 11,446 11,352 11,193 10,623
2,861 1,248 1,889 956 958 921 920 1.460
3,075 3,682 2,299 1,418 1,211 1,125 976 1.582
10,428 10,614 10,830 9,849 8,393 8,090 7,191 7,183
8,699 7,675 9,358 9,021 7,552 7,633 7,899 6,659
1,912 1,860 2,131 1,765 1,558 1,254 1,110 1.017
620 599 502 399 335 305 285 272
1,240 1,150 910 705 585 500 465 0.445
1,240 1,180 980 750 610 520 470 0.450
256 362 353 301 293 283 258 271
376 368 364 319 299 294 282 278
309 324 161 125 84 59 24 28
10.2 14.6 16.3 17.2 16.8 16.7 15.3 15.2
11.8 19.1 19.2 19.5 18.7 16.3 13.4 13.7
10.6 15.4 17.4 17.5 16.9 15.9 12.9 11.8
17.32 15.38 17.65 16.15 13.46 13.06 12.80 10.86
26.1 32.4 19.7 13.6 13.8 12.8 11.0 92
47.99 35.05 53.54 46.19 44.00 46.34 41.96 32.43
502.3 499.1 530.1 558.8 561.6 584.5 617.3 613.2
500.2 518.6 551.5 565.6 571.1 604.8 614.1 612.3
192 203 188 136 116 111 95 91
59,000 65,000 60,000 55,000 50,000 49,000 47,500 48,700
20 50 52 53 22 24 28 21
281 1,547 813 1,379 627 588 204 188

RETURN ON AVERAGE STOCKHOLDERS' EQUITY (IN PERCENT) 20%
RETURN ON AVERAGE INVESTED CAPITAL (IN PERCENT) 20%
FREE OPERATING CASH FLOW (IN MILLIONS OF DOLLARS) 2500
TOTAL DEBT TO TOTAL CAPITALIZATION (IN PERCENT) 30%
CORPORATE INFORMATION

TRANSFER AGENT AND REGISTRAR
Computershare Trust Company, N.A.
Contact Information:
ITW
Computershare CIP
c/o Computershare Investor Services
P.O. Box 43078
Providence, RI 02940-3078
www.computershare.com/investor
Phone Toll Free: 888.829.7424
International: +1.312.360.5155

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 3, 2013, 3:00 p.m.
The Northern Trust Company
50 South LaSalle Street
Chicago, IL 60603

STOCK AND DIVIDEND ACTION
The company’s dividend guideline provides for the dividend payout rate to be in a range of 30 to 45 percent of the company’s last two years’ average free operating cash flow. Effective with the October 10, 2012 payment, the quarterly cash dividend on ITW common stock was increased to 38 cents per share. ITW’s annual dividend payment has increased 50 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 the company’s transfer agent, Computershare Trust Company, N.A.

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

For additional assistance regarding stock holdings, please contact:
Janet O. Love
Deputy General Counsel
847.724.7500

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

MEDIA INQUIRIES
Please contact:
Alison S. Donnelly
Director of Communications, Investor Relations
847.657.4565

CORPORATE GOVERNANCE
On June 4, 2012, the company’s chairman & chief executive officer certified to the New York Stock Exchange (NYSE) that he was not aware of any violation by the company of the NYSE corporate governance listing standards. The company has provided certifications by the president & 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 2012 Annual Report on Form 10-K.

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1140 West Bryn Mawr Avenue
Itasca, IL 60143
630.438.5300
www.hi-cone.com

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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
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Florence, KY 41042
859.342.6400

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Evanston, Illinois