ITW Overview
2012: What We Expect

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Today's Topics

Economic Trend Review—2011

Economic Trend Outlook—2012

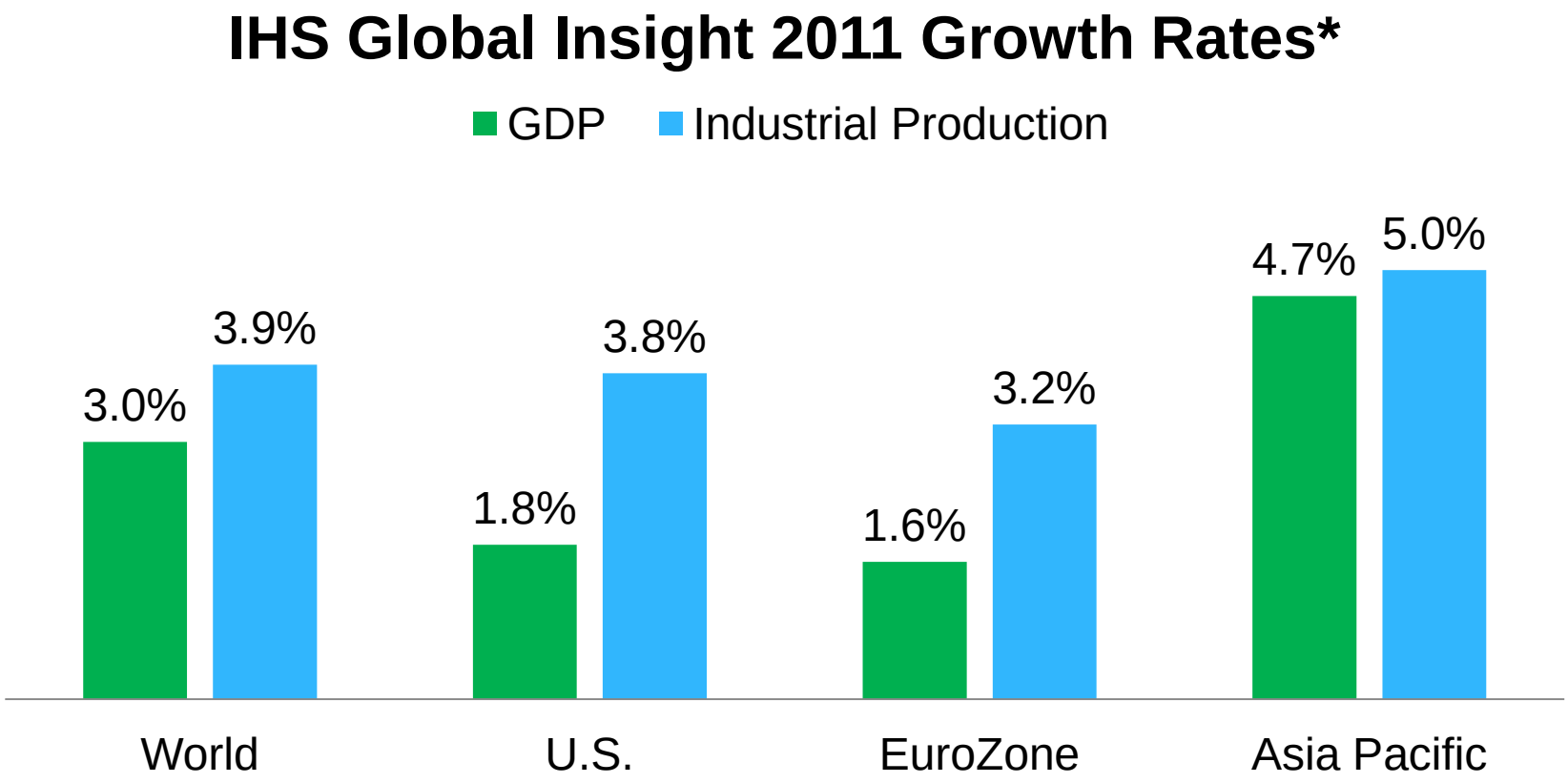
2011 Segment Overview

2012 Growth Assumptions

Q & A

Economic Trend Review—2011

Economic Trend Review – 2011



*full year forecast as of November 15, 2011

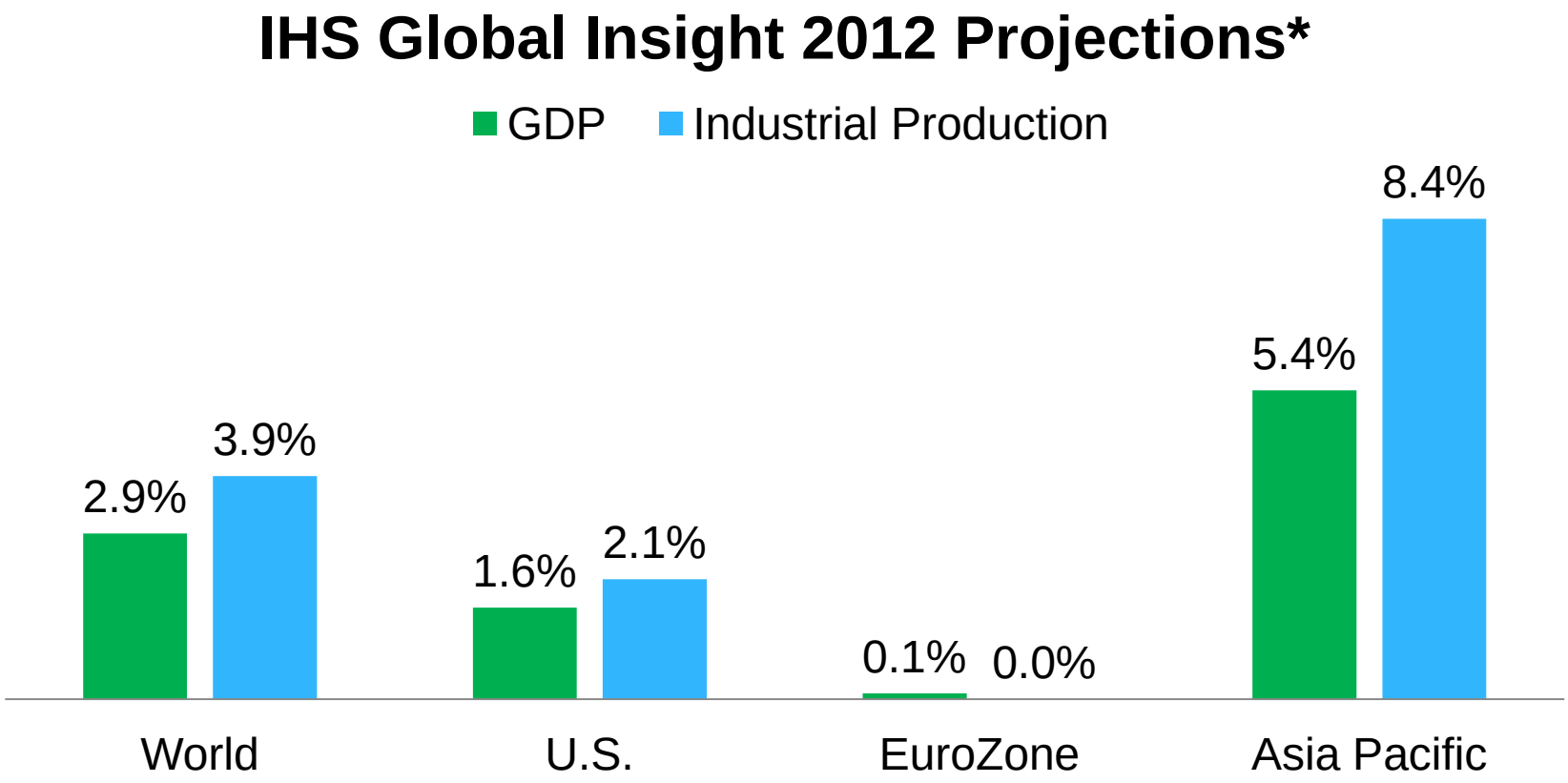
Economic Trend Review – 2011

U.S. Industrial Production	October 2011: 3.9%
U.S. ISM	October 2011: 50.8%
NA Auto Builds	2011 Forecast: 13 million units
U.S. Housing Starts	2011 Forecast: 570k
EuroZone Industrial Production	September 2011: 2.7%
EuroZone PMI	October 2011: 47.1%
Euro Auto Builds	2011 Forecast: 19.8 million units

Sources: Industrial Production, ISM and PMI data from Baird Capital Goods Bulletin; auto builds from CSM and housing starts from NAHB

Economic Trend Outlook—2012

Economic Trend Outlook – 2012



*as of November 15, 2011

Key End Market Outlook – 2012

	Full Year 2012	Source
U.S. Housing Starts	650k-670k	ITW/NAHB
NA Auto Builds	13.6 to 13.8 million units	ITW/CSM
Euro Auto Builds	19.5 to 19.8 million units	ITW/CSM
Rest of World Auto Builds (China, Japan, Korea, Brazil, India, & Others)	48 to 49 million units	ITW/CSM

ITW Reporting Segment Overview

2011 Segment Overview

2011(F) Revenues by Segment

Transportation	Power Systems & Electronics	Industrial Packaging	Food Equipment	Construction Products	Polymers & Fluids	Dec. Surfaces	All Other
17% of total company revenues	16% of total company revenues	15% of total company revenues	11% of total company revenues	11% of total company revenues	8% of total company revenues	6% of total company revenues	16% of total company revenues
$3.1B	$2.8B	$2.6B	$2.0B	$1.9B	$1.4B	$1.1B	$2.9B

2012 Growth Assumptions

Transportation

2012 Growth Assumptions

- 2012 worldwide organic revenues: **4% to 6% vs. 2011**
  - Auto OEM: 6% to 8%
  - Auto Aftermarket: 2% to 4%
- **North America**
  - Full-year Detroit 3 and New Domestics auto builds (13.7 million units) vs. 2011 (13.0 million units)
- **Europe**
  - Full-year European OEM auto builds (19.5 million units) vs. 2011 (19.8 million units)
- **Rest of World (China, Japan, Korea, Brazil, India, & Others)**
  - 48.6 million units vs. 43.4 million units in 2011

Power Systems & Electronics

2012 Growth Assumptions

- 2012 worldwide base revenues: **5% to 7% vs. 2011**
- Worldwide welding businesses: 6% to 8%
  - Continued strength in heavy equipment-related end markets (infrastructure, agriculture, mining)
- Electronics base revenues: 3% to 5%
  - Weakness from Q42011 expected to continue into early part of 2012 followed by an improving market in the second half of year

Industrial Packaging
2012 Growth Assumptions

- 2012 worldwide base revenues: **2% to 4% vs. 2011**
  - Worldwide Signode businesses: 2% to 4%
  - Other industrial packaging businesses: 3% to 5%
- Continued strong growth expected in Asia (India/China)
- Moderate growth in N. America, while Europe remains flat

Food Equipment
2012 Growth Assumptions

- 2012 worldwide base revenues: **3% to 5% vs. 2011**
  - Equipment: 4% in North America; 3% in Europe
  - Service: 4% in North America and Europe
- Softening market conditions in North America and Europe, particularly in the institutional segments
- Market growth and continued penetration gains in Asia and Latin America is targeted to achieve 15% growth

Construction Products

2012 Growth Assumptions

- 2012 worldwide organic revenues: **3% to 5% vs. 2011**
  - North America:
    - Modest housing recovery helps our organic growth for residential but focus is on market penetration and innovative solutions
  - Europe:
    - Residential construction market growth rates expected to be flat
    - Commercial expected to be flat. Focus is on innovation and new market trends such as energy conservation
  - Asia Pacific:
    - Australia and New Zealand key concentration (mid-single digit organic growth) fueled by “disaster reconstruction”
    - China and Brazil small but expected to grow 20%

Polymers & Fluids

2012 Growth Assumptions

- 2012 worldwide base revenues: **3% to 5% vs. 2011**
  - North America and Europe in low single digits due to challenging market conditions
  - Asia and Latin America double digit growth with increased acquisition activity and market penetration

Decorative Surfaces

2012 Growth Assumptions

- 2012 worldwide base revenues: **3% to 5% vs. 2011**
  - U.S. commercial construction activity in key decorative surfaces end markets are forecasting modest growth
  - U.S. residential and commercial renovation opportunities continue in 2012 with an increasing number of contractors working on distressed properties
  - European markets are showing signs of slowing with uncertain economic factors
  - Asia continues strong growth with high pressure laminate opportunity

All Other
2012 Growth Assumptions

- **Test & Measurement:**
  - 2012 worldwide base revenues: **7% to 9% vs. 2011**
  - Overall capital spending levels expected to moderate somewhat when compared to a very strong increase in 2011
  - Continued higher rates of growth in emerging markets driven by demand for more sophisticated testing and increased product quality
  - Risk surrounding continued levels of government spending (worldwide) on research and education
- **Consumer Packaging (including decorating, coding, and graphics):**
  - 2012 worldwide base revenues: **2% to 4% vs. 2011**
- **Global Appliance:**
  - 2012 worldwide base revenues: **flat vs. 2011**

Segment Overview

Segment	2011(F) Organic Growth	2012(F) Organic Growth
Transportation	11%	4% to 6%
Power Systems & Electronics	12%	5% to 7%
Industrial Packaging	8%	2% to 4%
Food Equipment	3%	3% to 5%
Construction Products	3%	3% to 5%
Polymers & Fluids	5%	3% to 5%
Decorative Surfaces	7%	3% to 5%
All Other	7%	3% to 5%
Total Company	**7%**	**3% to 5%**

Summary

2012 Growth Assumptions

- We foresee modest growth in worldwide end markets in 2012
  - Asia Pacific and North America stronger; Europe more challenging
- Total company organic revenues expected to be in a range of 3% to 5%
- Revenue growth helped by initiatives in developed and emerging countries
- Strong balance sheet and robust free cash allows company to maintain balanced approach around dividends, acquisitions and share repurchase

Longer-Term Growth Initiatives

2011-2015: What to Expect

- Organic revenue: 5% to 6%
  - Innovation
  - Emerging market growth
  - Developed market penetration
- Acquired revenues: 5% to 7%
  - Accelerate growth in key platforms
  - Add new higher growth platforms

Revenues

- Operating margins for base businesses 50 to 70 basis points higher than prior peak periods
- Ongoing 80/20 implementation in core and acquired businesses
- Continue to drive margin improvement

Operating Margins

- ROIC remains in sweet spot of 15% to 17%
- We will continue to make growth investments that achieve returns significantly above our cost of capital over the long term

ROIC

Q&A