

Driven by our brands.

Guided by our perspective.

This is why ITW works.

ITW at a Glance

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.

Table of Contents

Financial Highlights	1
ITW Business Segments	2
Revenue Diversification	4
25-Year Revenue/Operating Income	4
Letter to Our Shareholders	5
Q & A with David Speer	8
This is Why ITW Works	11
ITW Corporate Management	28
Corporate Executives & Directors	29
Eleven-Year Financial Summary	30
Corporate Information	32

Financial Highlights

DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS		2009		2008		2007	
YEAR ENDED DECEMBER 31							
OPERATING RESULTS							
Operating revenues	\$	13,877,068	\$	17,100,341	\$	16,110,267	
Operating income		1,385,979		2,501,286		2,627,766	
Operating income margin		10.0%		14.6%		16.3%	
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.

ITW Business Segments



Transportation

Transportation-related components, fasteners, fluids and polymers, as well as truck remanufacturing and related parts and service

PERCENT OF TOTAL COMPANY REVENUES

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



Automotive Aftermarket: 28%

PRIMARY BRANDS

Deltar Permatex Drawform Shakeproof Fibre Glass-Wynn's Evercoat



Industrial Packaging

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

PERCENT OF TOTAL COMPANY REVENUES

PRIMARY PRODUCTS

Steel and plastic strapping and related tools and equipment

Plastic stretch film and related

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

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

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%

DaeLim Filtertek

MAJOR END MARKETS

General Industrial: 29% Primary Metals: 20% Food & Beverage: 12% Construction: 10%

PRIMARY BRANDS

Orgapack Acme Angleboard Pabco Fleetwood Signode Mima Strapex

MAIOR END MARKETS

Food Institutional/Restaurant: 47% Food Service: 32%

Food Retail: 15%

PRIMARY BRANDS

Avery Berkel MBM Bonnet Peerless Foster Thirode Gaylord Traulsen Hobart Vulcan Kairak Wolf

MAJOR END MARKETS

General Industrial: 46%

Electronics: 16% Construction: 7%

PRIMARY BRANDS

AXA Power Speedline Bernard Tien Tai Elga Tregaskiss Hobart Trimark Kester Vitronics Soltec Miller Weldcraft



Construction Products

Tools, fasteners and other products for construction applications

PERCENT OF TOTAL COMPANY REVENUES

11%

PRIMARY PRODUCTS

Fasteners and related fastening tools for wood and metal applications

Anchors, fasteners, and related tools for concrete applications

Metal plate truss components and related equipment and software

Packaged hardware, fasteners, anchors and other products for retail



Residential Construction: 47% Commercial Construction: 26% Renovation Construction: 24%

PRIMARY BRANDS

Alpine Ramset
ITW Brands Red Head
Buildex Reid
Paslode SPIT
Proline Truswal
Pryda



Polymers & Fluids

Adhesives, sealants, lubrication and cutting fluids, and hygiene products

PERCENT OF TOTAL COMPANY REVENUES

8%

PRIMARY PRODUCTS

Adhesives for industrial, construction and consumer purposes

Chemical fluids that clean or add lubrication to machines

Epoxy and resin-based coating products for industrial applications

Hand wipes and cleaners for industrial applications

Pressure-sensitive adhesives and components for telecommunications, electronics, medical and transportation applications

MAJOR END MARKETS

General Industrial: 31% Construction: 14%

Automotive Aftermarket: 7%

PRIMARY BRANDS

MRO: 12%

Plexus

Densit ITW Polymer
Devcon Technologies
Dymon Rocol
Futura SchneeMorehead
Krafft Stokvis Tapes
TACC



Decorative Surfaces

Decorative surfacing materials for furniture, office and retail space, countertops, flooring and other applications

PERCENT OF TOTAL COMPANY REVENUES

7%

PRIMARY PRODUCTS

Decorative high-pressure laminate for furniture, office and retail space, and countertops

High-pressure laminate flooring High-pressure laminate worktops





All Other

All other operating segments

PERCENT OF TOTAL COMPANY REVENUES

20%

PRIMARY PRODUCTS

Equipment and related software for testing and measuring of materials and structures

Plastic reclosable packaging for consumer food storage

Plastic reclosable bags for storage of clothes and home goods

Plastic consumables that multi-pack cans and bottles and related equipment

Plastic and metal fasteners and components for appliances and industrial applications

Foil, film, and related equipment used to decorate consumer products

Paint spray and adhesive-dispensing equipment

MAJOR END MARKETS

General Industrial: 25% Food & Beverage: 16% Consumer Durables: 14%

Electronics: 5%

MAJOR END MARKETS

Commercial Construction: 55% Renovation Construction: 28% Residential Construction: 15%

PRIMARY BRANDS

Arborite Polyrey Resopal Wilsonart

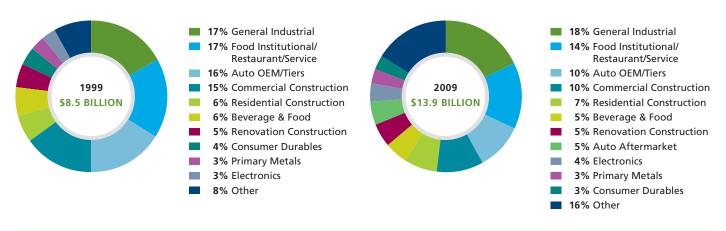
PRIMARY BRANDS

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

ILLINOIS TOOL WORKS INC.

Revenue Diversification

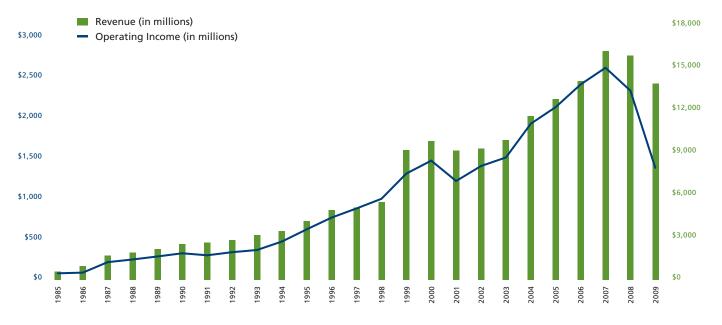
COMPARATIVE REVENUES BY END MARKET



COMPARATIVE REVENUES BY GEOGRAPHY



25-Year Revenue/Operating Income



Note: The prior years' graphs presented above have not been restated for discontinued operations.

Letter to Our Shareholders

The economic climate in 2009 was both volatile and unpredictable. It was a year of unprecedented change and dramatic declines in nearly all of our worldwide end markets. The market uncertainty created an extremely difficult operating environment for our customers and certainly for our business units. And while we saw modest improvements in most markets later in the year, there is still a long road ahead to full recovery.

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 highergrowth 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



Q&A with David Speer

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.



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.



DOUG MARCINIAKVice President &
General Manager

EDDIE KIMKey Account Manager

MIKE GLYNN Vice President & General Manager





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® packaging.

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.

Zip-Pak resealable pouches have a lower environmental impact than plastic tubs and bag-in-box packaging.









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.



BRAND SOLUTIONS A partner for sustainable packaging solutions As one of the oldest and largest ITW businesses in **Industrial** India, Signode is uniquely positioned to serve India's **Packaging** 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 UTTAM BHURA initiatives, simplified processes, and expansion into Regional Manager - Key Accounts, Signode India supply chain tracking and tracing. N. RAJESH Chief - Cold Rolling Mill, Tata Steel, India





distributors—the critical links to big-brand end users such as McDonalds, KFC and Citibank.

LEADERSHIP PERSPECTIVE

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.

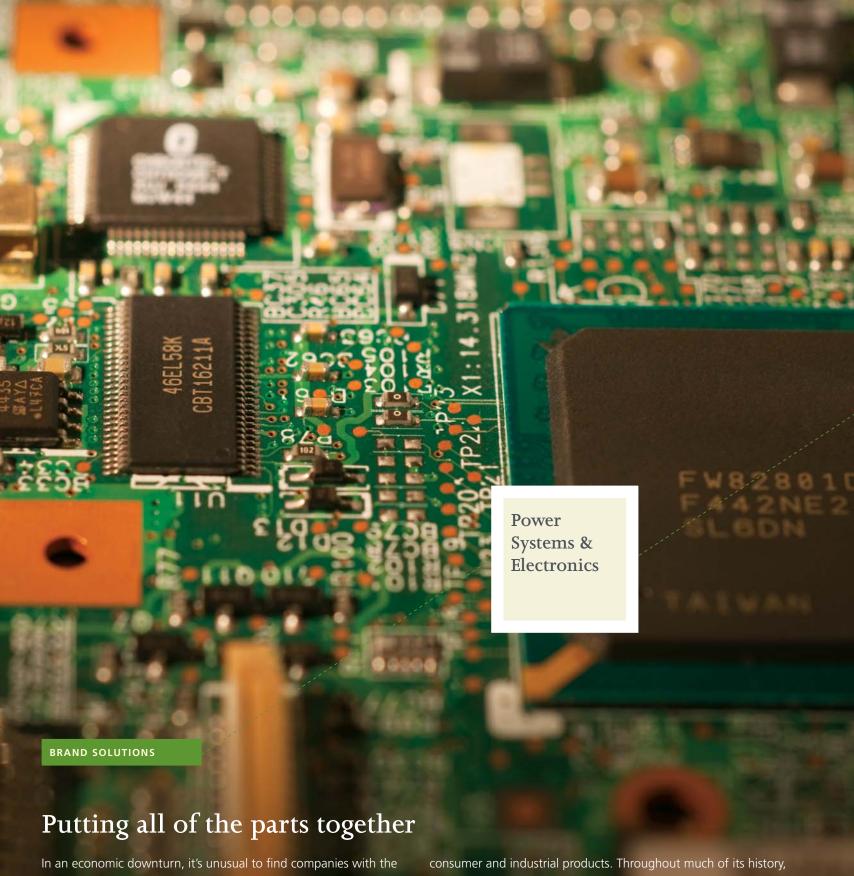
What's more, Wilsonart Thailand's application of 80/20 has helped the business achieve a strong presence in the decorative surfaces market. The vast majority of Wilsonart's sales can be attributed to a group of its major distributors, with the remaining sales coming from a strong group of furniture customers.

KANNIKA SIBUNRUANG General Manager



Decorative

Surfaces



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.



Controller

CARMELLE GIBLIN

Vice President & General Manager

ROB DEBLIECK

Global Operations Manager

BRIAN DERAM

Technology & Marketing Manager

FILIPINAS MARCIAL-HATFIELD

Director of Quality

LEADERSHIP PERSPECTIVE

Playing a part in global growth

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 in the semiconductor materials end market in 2010



ITW Corporate Management

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.



PHIL GRESH
STEVE MARTINDALE
MARK CROLL
JANE WARNER
RON KROPP



CRAIG HINDMAN ROBERT BRUNNER LEI SCHLITZ SCOTT SANTI AL SUTHERLAND



DAVID PARRY
SHARON BRADY
TOM HANSEN
ROLAND MARTEL
JAMES WOOTEN



TIM GARDNER
JUAN VALLS
DAVID SPEER
JOHN BROOKLIER

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

DAVID C. PARRY

Executive Vice President 15 Years of Service

JUAN VALLS

Executive Vice President 20 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		2009	2008	2007
Income:				
Operating revenues	\$	13,877,068	17,100,341	16,110,267
Operating income	\$	1,385,979	2,501,286	2,627,766
Income from continuing operations before income taxes	\$	1,213,790	2,351,538	2,583,940
Income taxes	\$	244,300	660,445	756,249
Income from continuing operations	\$	969,490	1,691,093	1,827,691
Income (loss) from discontinued operations (net of tax)	\$	(22,481)	(172,090)	42,171
Cumulative effect of changes in accounting principles (net of tax)	\$	-	-	-
Net income	\$	947,009	1,519,003	1,869,862
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.





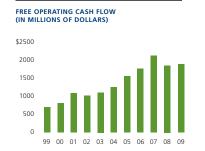


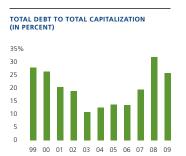


2006	2005	2004	2003	2002	2001	2000	1999
13,788,346	12,540,360	11,336,102	9,662,593	9,063,231	8,911,243	9,153,777	8,538,366
2,385,391	2,115,230	1,905,517	1,493,323	1,379,970	1,187,687	1,454,594	1,276,487
2,390,975	2,156,241	1,980,239	1,556,093	1,407,003	1,196,687	1,460,081	1,318,957
710,424	675,806	650,101	529,697	493,042	416,688	513,736	497,193
1,680,551	1,480,435	1,330,138	1,026,396	913,961	779,999	946,345	821,764
37,195	1,460,433	8,556	(2,716)	20,522	25,660	11,635	19,348
37,195	14,434	6,550	(2,710)	(221,891)	25,000	11,055	19,540
- 1,717,746	- 1,494,869	1,338,694	1,023,680	712,592	- 805,659	- 957,980	- 841,112
1,717,740	1,494,009	1,336,094	1,023,060	712,392	605,059	937,960	041,112
2.95	2.57	2.18	1.66	1.48	1.27	1.55	1.35
0.07	0.03	0.01	(0.00)	0.03	0.04	0.02	0.03
-	-	-	-	(0.36)	-	-	-
3.01	2.60	2.20	1.66	1.16	1.32	1.57	1.38
2,569,821	2,110,874	2,471,227	3,294,299	2,276,401	1,587,332	1,511,451	1,227,570
2,053,457	1,807,109	1,876,875	1,728,638	1,631,249	1,633,690	1,629,883	1,529,455
13,880,439	11,445,643	11,351,934	11,193,321	10,623,101	9,822,349	9,514,847	8,978,329
955,610	958,321	921,098	920,360	1,460,381	1,267,141	1,549,038	1,360,746
1,418,331	1,211,220	1,124,621	976,454	1,581,985	1,580,588	1,974,827	1,914,401
9,849,356	8,392,897	8,089,817	7,190,735	7,183,372	7,354,877	7,254,860	6,528,524
9,021,232	7,552,094	7,632,586	7,898,764	6,659,074	6,056,513	5,431,328	4,847,076
3,021,232	7,552,054	7,032,360	7,030,704	0,055,074	0,030,313	3,431,320	4,047,070
1,765,022	1,558,441	1,254,237	1,110,429	1,017,332	1,094,464	809,617	701,386
398,846	335,092	304,581	285,399	272,319	249,141	223,009	183,587
0.705	0.585	0.500	0.465	0.445	0.410	0.370	0.315
0.750	0.585	0.520	0.470	0.445	0.410	0.370	0.315
301,006	293,102	282,560	258,312	271,424	256,562	305,954	317,069
319,362	299,232	294,162	282,277	277,819	281,723	272,660	250,119
124,544	83,842	59,121	24,276	27,933	104,585	118,905	71,540
4	46.0	45.0	45.5	45.0	40.0	45.0	45.0
17.3	16.9	16.8	15.5	15.2	13.3	15.9	15.0
20.3	19.5	17.1	14.1	14.4	13.6	18.4	18.0
18.3	17.6	16.8	13.7	12.3	10.6	13.7	12.9
16.15	13.45	13.06	12.80	10.86	9.93	8.98	8.06
13.6	13.8	12.8	11.0	19.2	20.7	26.7	28.3
46.19	44.00	46.34	41.96	32.43	33.86	29.78	33.78
558,750	561,627	584,457	617,273	613,166	609,853	604,897	601,137
565,632	571,058	604,752	614,138	612,313	608,224	603,147	600,316
145,438	126,305	121,655	104,967	99,061	100,311	104,785	103,597
55,000	50,000	49,000	47,500	48,700	52,000	55,300	52,800
750	700	650	622	603	614	592	488
53	22	24	28	21	29	45	32
1,378,708	626,922	587,783	203,726	188,234	556,199	798,838	805,664









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.

TRADEMARKS

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HI-CONE RECYCLING

ITW Hi-Cone, manufacturer of recyclable multi-pack ring carriers, offers assistance to schools, offices 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 Theale RG7 4SA Berkshire, United Kingdom 44.1189.298082

ITW HI-CONE (ITW ESPAÑA)

Polg. 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





ILLINOIS TOOL WORKS INC.
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