Second Quarter 2016 Conference Call

July 20, 2016

Forward Looking Statement & Non-GAAP Measures

Safe Harbor Statement

This conference call contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including, without limitation, statements regarding the expected impact of product line simplification activities and enterprise initiatives, future financial performance, operating performance, growth in free cash flow, organic and total revenue growth, operating margin growth, growth in diluted income per share, restructuring expenses and related benefits, tax rates, exchange rates, timing and amount of share repurchases, after-tax return on invested capital, end market economic conditions, the expected impact of acquisitions on financial results and the company's related 2016 guidance. These statements are subject to certain risks, uncertainties, and other factors which could cause actual results to differ materially from those anticipated. Important risks that could cause actual results to differ materially from the company's expectations include those that are detailed in ITW's Form 10-K for 2015 and Form 10-Q for the first quarter of 2016.

Non-GAAP Measures

The company uses certain non-GAAP measures in discussing the company's performance. The reconciliation of those measures to the most comparable GAAP measures is detailed in ITW's press release for the second quarter of 2016, which is available at www.itw.com, together with this presentation.

Highlights

- **Strong results:**
  - GAAP EPS of $1.46 … +12%
  - $0.07 above guidance mid-point
    - $0.04 operating margin
    - $0.01 revenue
    - $0.02 non-operating
  - 2% organic revenue growth excluding Product Line Simplification (PLS) impact, 1% net organic growth

- **Record Quarterly Performance:**
  - Operating Income of $792 million … +8%
  - 23.1% operating margin … +180 basis points
  - 22.9% after-tax ROIC* … +260 basis points

- **Making good progress in pivot to accelerating organic growth**

* See ITW's second quarter 2016 press release for the reconciliation from GAAP to non-GAAP measurements.

Making good progress in pivot to accelerating organic growth

ITW

Organic Revenue Growth By Segment

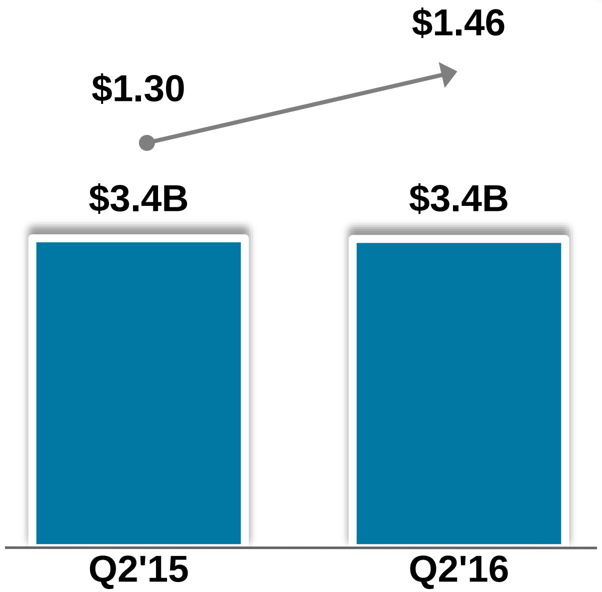
	FY'15	1H'16	V bps
Automotive OEM	5.8%	3.4%	(240) bps
Food Equipment	3.4	4.0	+60
T&M and Electronics	(5.2)	0.5	+570
Welding	(7.6)	(9.9)	(230)
Polymers & Fluids	(2.0)	1.2	+320
Construction Products	3.7	4.0	+30
Specialty Products	(2.3)	1.7	+400
ITW Organic	(0.4)%	0.9%	+130 bps
ITW Organic ex. PLS	**0.6%**	**1.9%**	**+130 bps**
# of segments growing	*3*	*6*	*+3*

Financial Performance

ITW

Q2 Results

EPS +12%



	Q2'15	Q2'16	
GAAP EPS	**$1.30**	**$1.46**	
Total Revenue	**$3.4B**	**$3.4B**	
Operating Margin	**21.3%**	**23.1%**	**+180 bps**
After-tax ROIC*	**20.3%**	**22.9%**	**+260 bps**

Highlights

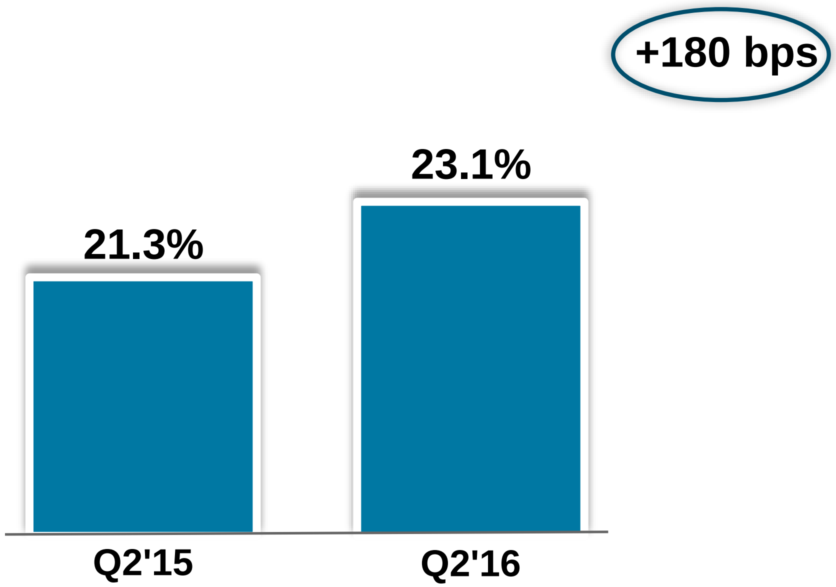
- GAAP EPS of $1.46 +12%, $0.07 above guidance mid-point
- 1% organic revenue growth, 2% excluding PLS
  - 6 of 7 seven segments with positive organic growth
  - Consumer facing +3%, Industrial facing (2)%
  - EMEA +2.9%, North America +0.4%, Asia +1.0%, China +0.4%
- All-time quarterly records for Key Performance Metrics
  - Operating Income, Operating Margin, after-tax ROIC
- Free Cash Flow* +23%, 90% conversion (typical seasonality)
- $500M share repurchase, $198M dividends paid

Solid execution drives record results

* See ITW's second quarter 2016 press release for the reconciliation from GAAP to non-GAAP measurements.

Operating Margin Performance

Q2 Operating Margin



Key Margin Drivers

	Q2'16
Enterprise Initiatives	+120 bps
Price/Cost	+20
Volume/Other	+40
Margin Expansion	**+180 bps**

Enterprise Initiatives drive record operating margin performance

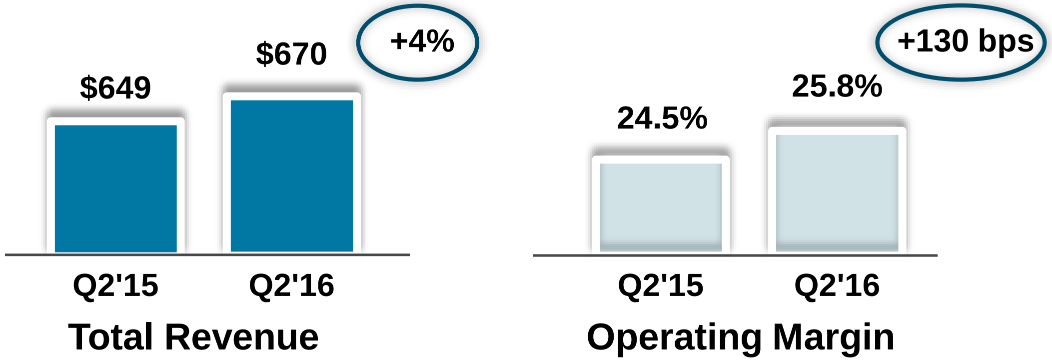
Segment Performance

Q2 Operating Margin by Segment

	OM%	V bps
Automotive OEM	25.8%	+130 bps
Food Equipment	25.0	+300
T&M and Electronics	18.6*	+250
Welding	24.9	(120)
Polymers & Fluids	20.9*	-
Construction Products	24.3	+440
Specialty Products	26.0	+250
ITW	**23.1%**	**+180 bps**

*Includes 370 bps for T&M and Electronics and 420 bps for Polymers & Fluids of unfavorable non-cash operating margin impact of amortization from acquisition-related intangible assets.

Automotive OEM



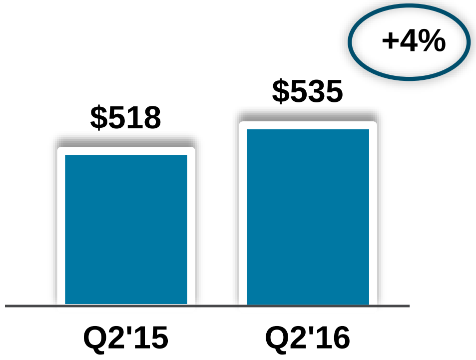
Highlights

- Organic revenue +4% vs. builds +3% … no signs of a slow-down, slightly lower penetration gains due to last year's significant new program launches in Europe
- Organic growth by region
  - North America +3% vs. builds +2%
  - Europe +8% vs. builds +8%
  - China +13% vs. builds +4%, EU & NA OEM flat

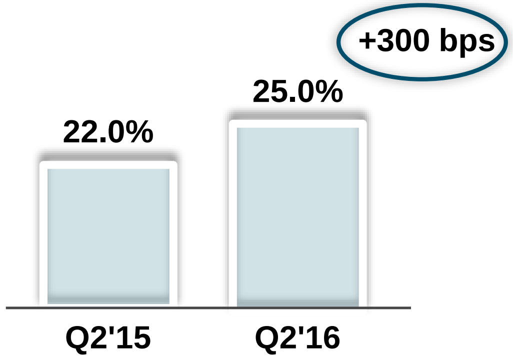
ITW Shakeproof ITW Global Automotive DELTAR

Segment Performance

Food Equipment



Total Revenue

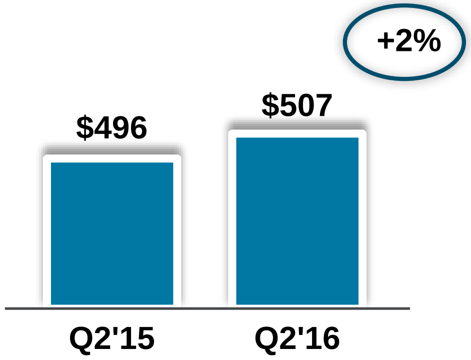


Operating Margin

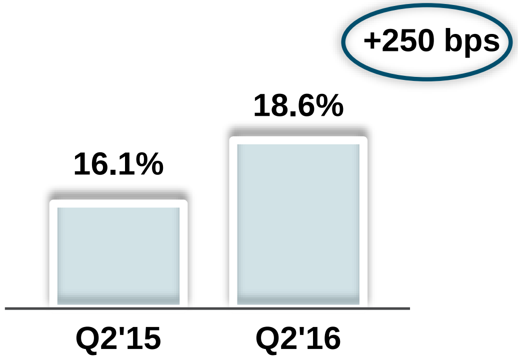
Highlights

- Organic revenue +5% … North America +6% despite challenging comparison (Q2’15 +7%), International +3%
- North America Equipment +9%, Service +1%
- International Equipment +4%, Service +2%

Test & Measurement/Electronics



Total Revenue



Operating Margin

Highlights

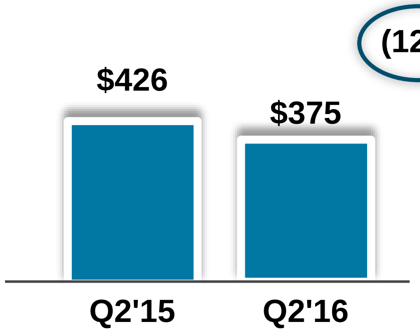
- Organic revenue +3%
- Electronics +6%
- Test & Measurement stable

HOBART Traulsen VULCAN INSTRON BUEHLER LOMA SYSTEMS

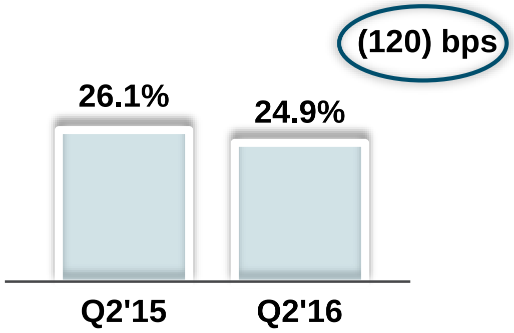
Segment Performance

ITW

Welding



Total Revenue

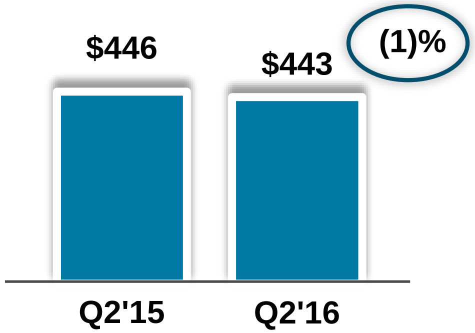


Operating Margin

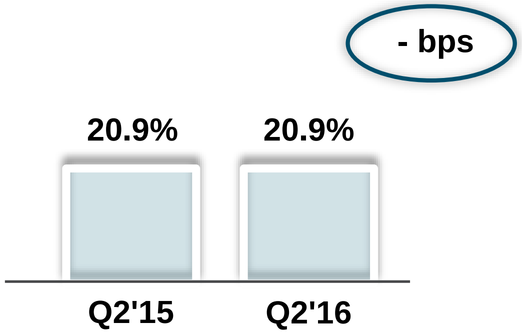
Highlights

- Organic revenue (11)% … Equipment (13)%, Consumables (10)%
- North America (8)%
- International (21)%
- Q2’16 operating margin includes (140) basis points of restructuring

Polymers & Fluids



Total Revenue



Operating Margin

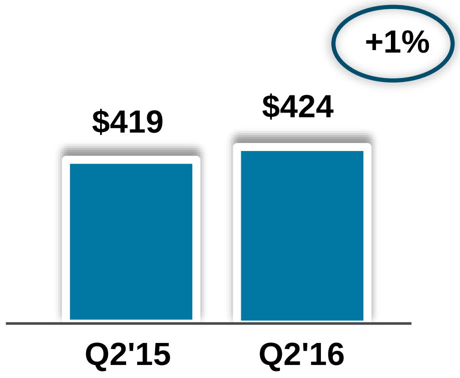
Highlights

- Organic revenue +2% … Automotive Aftermarket +3%
- North America +1%
- International +3%
- Q2’16 operating margin includes (70) basis points of restructuring

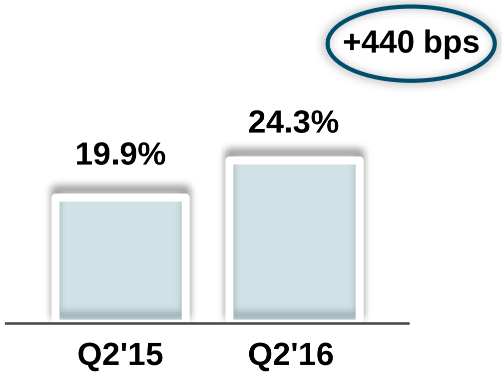
Miller. HOBART FILLER METALS rain-x Devcon PLEXUS Structural Adhesives

Segment Performance

Construction Products



Total Revenue

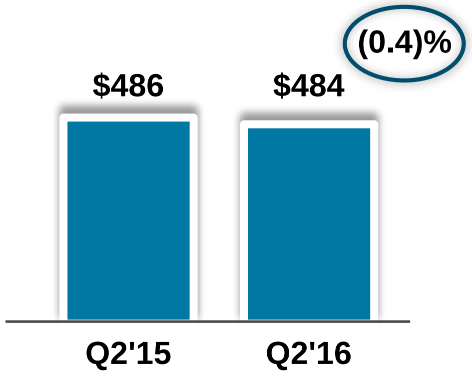


Operating Margin

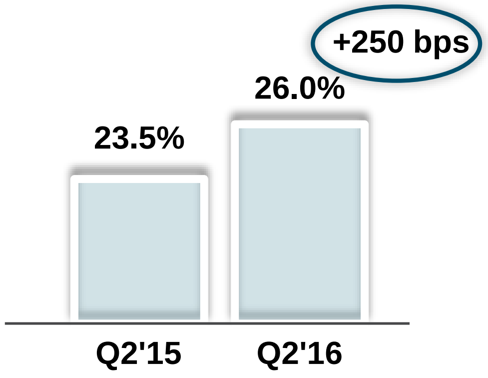
Highlights

- Organic revenue +3%
- North America (1)% with challenging comparison (Q2’15 +15%) … Renovation/Remodeling (6)%, Commercial +5% and Residential +1%
- Asia Pacific +7%
- Europe +6%

Specialty Products



Total Revenue



Operating Margin

Highlights

- Organic revenue flat with solid growth in consumer packaging
  - North America flat
  - International +1%

Acquisition of EF&C completed July 1, 2016

- **Highly complementary ~$470 million addition to ITW's Automotive OEM segment**
- **Broadens our ability to serve global and regional customers and expands our long-term growth potential**
  - Expands ITW's ability to drive additional growth in global content per vehicle
- **Significant potential to improve performance through the application of ITW's 80/20 business management system**
  - Current EF&C operating margin is ~10% … expect to generate ~20% operating margin by year 5
  - Very capable operating team already in place
- **Expected 2016 Financial impact**
  - Purchase price ~$450 million
  - $220 to $240 million revenues
  - Reduces ITW operating margin and after-tax ROIC by ~50 basis points (ITW operating margin from ~23% to 22.5%+)
  - No EPS impact after non-cash acquisition accounting (accretive in '17)
- **Expect EF&C acquisition to generate after-tax ROIC of 16% to 19% by year 7**

2016 Financial Outlook (incl. EF&C acquisition)

2016 Guidance

EPS +9%

	2015	2016E
GAAP EPS	$5.13	$5.50 - $5.70
Total Revenue	$13.4B	~$13.7B
Operating Margin	21.4%	22.5%+
After-tax ROIC*	20.4%	~21%

Highlights

- Raising guidance $0.10 to GAAP EPS $5.50 to $5.70
  - Strong Q2 results and continued strong operating margin performance
  - Expect that demand remains stable and assuming current foreign exchange rates
- Organic revenue from 1 to 3% to 1 to 2%
  - Continued challenging demand environment in Welding
- 22.5%+ operating margin … more than 100 bps of operating margin improvement from Enterprise Initiatives
- Third quarter 2016 guidance
  - GAAP EPS $1.42 to $1.52
  - 1 to 3% organic growth and ~23% operating margin

Continued strong performance

* See ITW's second quarter 2016 press release for the reconciliation from GAAP to non-GAAP measurements.

Q&A