ILLINOIS TOOL WORKS INC
Form 10-K
February 17, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2011

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 1-4797

ILLINOIS TOOL WORKS INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**36-1258310**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

3600 W. Lake Avenue, Glenview, Illinois	**60026-1215**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant s telephone number, including area code: (847) 724-7500

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2011 was approximately $23,100,000,000 based on the New York Stock Exchange closing sales price as of June 30, 2011.

Shares of Common Stock outstanding at January 31, 2012: 483,773,784.

Documents Incorporated by Reference

Portions of the 2012 Proxy Statement for Annual Meeting of Stockholders to be held on May 4, 2012.	Part III

PART I

ITEM 1. ***Business***

General

Illinois Tool Works Inc. (the Company or ITW) was founded in 1912 and incorporated in 1915. The Company is a multinational manufacturer of a diversified range of industrial products and equipment with operations in 58 countries. These businesses are internally reported as 52 operating segments to senior management. The Company s 52 operating segments have been aggregated into the following eight external reportable segments:

Transportation: Businesses in this segment produce components, fasteners, fluids and polymers, as well as truck remanufacturing and related parts and service.

In the Transportation segment, products and services include:

- plastic and metal components, fasteners and assemblies for automobiles and light trucks;
- fluids, polymers and other supplies for auto aftermarket maintenance and appearance;
- fillers and putties for auto body repair;
- polyester coatings and patch and repair products for the marine industry; and
- truck remanufacturing and related parts and service.

Power Systems & Electronics: Businesses in this segment produce equipment and consumables associated with specialty power conversion, metallurgy and electronics.

In the Power Systems & Electronics segment, products include:

- 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;
- static and contamination control equipment;

- airport ground support equipment; and
- pressure sensitive adhesives and components for telecommunications, electronics, medical and transportation applications.

Industrial Packaging: Businesses in this segment produce steel, plastic and paper products and equipment used for bundling, shipping and protecting goods in transit.

In the Industrial Packaging segment, products include:

- steel and plastic strapping and related tools and equipment;
- plastic stretch film and related equipment;
- paper and plastic products that protect goods in transit; and
- metal jacketing and other insulation products.

Food Equipment: Businesses in this segment produce commercial food equipment and related service.

In the Food Equipment segment, products and services include:

- 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; and
- food equipment service, maintenance and repair.

Construction Products: Businesses in this segment produce tools, fasteners and other products for construction applications.

In the Construction Products segment, products include:

- 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; and
- packaged hardware, fasteners, anchors and other products for retail.

Polymers & Fluids: Businesses in this segment produce adhesives, sealants, lubrication and cutting fluids, and hygiene products.

In the Polymers & Fluids segment, products include:

- adhesives for industrial, construction and consumer purposes;
- chemical fluids which clean or add lubrication to machines;
- epoxy and resin-based coating products for industrial applications; and
- hand wipes and cleaners for industrial applications.

Decorative Surfaces: Businesses in this segment produce decorative surfacing materials for furniture, office and retail space, countertops, and other applications.

In the Decorative Surfaces segment, products include:

- decorative high-pressure laminate for furniture, office and retail space, and countertops; and
- high-pressure laminate worktops.

All Other: This segment includes all other operating segments.

In the All Other segment, products include:

- equipment and related software for testing and measuring of materials and structures;
- plastic reclosable packaging for consumer food storage;

plastic consumables that multi-pack cans and bottles and related equipment;

plastic fasteners and components for appliances, furniture and industrial uses;

metal fasteners and components for appliances and industrial applications;

foil, film and related equipment used to decorate consumer products;

product coding and marking equipment and related consumables; and

line integration, conveyor systems and line automation for the food and beverage industries.

80/20 Business Process

A key element of the Company s business strategy is its continuous 80/20 business process for both existing businesses and new acquisitions. The basic concept of this 80/20 business process is to focus on what is most important (the 20% of the items which account for 80% of the value) and to spend less time and resources on the less important (the 80% of the items which account for 20% of the value). The Company s operations use this 80/20 business process to simplify and focus on the key parts of their business, and as a result, reduce complexity that often disguises what is truly important. The Company s operations utilize the 80/20 process in various aspects of their business. Common applications of the 80/20 business process include:

- Simplifying product lines by reducing the number of products offered by combining the features of similar products, outsourcing products or, as a last resort, eliminating low-value products.

- Segmenting the customer base by focusing on the 80/20 customers separately and finding alternative ways to serve the 20/80 customers.

- Simplifying the supplier base by partnering with 80/20 suppliers and reducing the number of 20/80 suppliers.

- Designing business processes, systems and measurements around the 80/20 activities.

The result of the application of this 80/20 business process is that the Company has over time improved its long-term operating and financial performance. These 80/20 efforts can result in restructuring projects that reduce costs and improve margins. Corporate management works closely with those businesses that have operating results below expectations to help those businesses better apply this 80/20 business process and improve their results.

Acquisitions and Divestitures

As part of the Company s ongoing strategy, the Company acquires businesses with complementary products and services as well as larger acquisitions that represent potential new platforms. Refer to the Acquisitions note in Item 8. Financial Statements and Supplementary Data for discussion of the Company s acquired businesses.

The Company periodically reviews its operations for businesses which may no longer be aligned with its long-term objectives. Refer to the Discontinued Operations note in Item 8. Financial Statements and Supplementary Data for discussion of the Company s discontinued operations.

Current Year Developments

Refer to Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Financial Information about Segments and Markets

Segment and operating results are included in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and the Segment Information note in Item 8. Financial Statements and Supplementary Data.

The principal end markets served by the Company s eight segments by percentage of revenue are as follows:

End Markets Served	Transpor-tation	Power Systems & Electronics	Industrial Packaging	Food Equipment	Construction Products	Polymers & Fluids	Decorative Surfaces	All Other	Total Company
Commercial Construction	1%	4%	6%	%	22%	11%	55%	1%	8%
Residential Construction			2		44	2	14		6
Renovation Construction					26	2	30		5
General Industrial	4	43	26	1	4	31	1	22	18
Automotive OEM/Tiers	56	4	1			3		4	12
Automotive Aftermarket	31	1				7			6
Food Institutional/Restaurant				43		1			5
Food Service				36		2		3	5
Food Retail			1	16				3	2
Consumer Durables	1	3	3		2	4		15	4
Food & Beverage			13			2		21	6
Electronics		17	1			1		2	3
Primary Metals		3	21			1		2	4
Other	7	25	26	4	2	33		27	16
	100%	100%	100%	100%	100%	100%	100%	100%	100%

Other includes several end markets, some of which are maintenance, repair and operations, or MRO , paper products, and printing and publishing.

The Company s businesses primarily distribute their products directly to industrial manufacturers and through independent distributors.

Backlog

Backlog generally is not considered a significant factor in the Company s businesses as relatively short delivery periods and rapid inventory turnover are characteristic of most of its products. Backlog by segment as of December 31, 2011 and 2010 is summarized as follows:

In Thousands	2011	2010
Transportation	$ 373,000	$ 315,000
Power Systems & Electronics	245,000	180,000
Industrial Packaging	151,000	117,000
Food Equipment	213,000	204,000
Construction Products	32,000	33,000
Polymers & Fluids	55,000	60,000
Decorative Surfaces	31,000	26,000
All Other	391,000	366,000
Total	$ 1,491,000	$ 1,301,000

Backlog orders scheduled for shipment beyond calendar year 2012 were not material as of December 31, 2011.

The information set forth below is applicable to all industry segments of the Company unless otherwise noted:

Competition

With operations in 58 countries, the Company offers a wide range of products in a myriad of markets, many of which are fragmented, and we encounter a variety of competitors that vary by product line, end market and geographic area. Our competitors include many regional or specialized companies, as well as large U.S. and non-U.S. companies or divisions of large companies. Each of our segments generally has several main competitors and numerous smaller ones in most of their end markets and geographic areas. In addition to numerous smaller regional competitors, the welding business in the Power Systems & Electronics segment competes globally with Lincoln Electric and the Decorative Surfaces segment competes globally with the Formica Group.

In virtually all segments, we compete on the basis of product innovation, product quality, brand preference, service delivery and price. Technical capability is also a competitive factor in most of our segments. We believe that for each of our segments, our primary competitive advantages derive from our decentralized operating structure, which creates a strong focus on end markets and customers at the local level, enabling our businesses to respond rapidly to market dynamics. This structure enables our business units to drive operational excellence utilizing our 80/20 business process and leverages our product innovation capabilities. We also believe that our global footprint is a competitive advantage in many of our markets, especially in our Transportation and Decorative Surfaces segments.

Raw Materials

The Company uses raw materials of various types, primarily steel, resins, chemicals and paper, that are available from numerous commercial sources. The availability of materials and energy has not resulted in any significant business interruptions or other major problems, and no such problems are currently anticipated.

Research and Development

Developing new and improved products, broadening the application of established products, and continuing efforts to improve and develop new methods, processes and equipment all contribute to the Company s organic growth. Many new products are designed to reduce customers costs by eliminating steps in their manufacturing processes, reducing the number of parts in an assembly or by improving the quality of customers assembled products. Typically, the development of such products is accomplished by working closely with customers on specific applications. Research and development expenses were $242,979,000 in 2011, $213,339,000 in 2010 and $191,859,000 in 2009.

Intellectual Property

The Company owns approximately 3,800 unexpired U.S. patents and 8,500 foreign patents covering articles, methods and machines. In addition, the Company has approximately 1,700 applications for patents pending in the United States Patent Office and 5,000 pending in foreign patent offices, but there is no assurance that any of these patents will be issued. The Company maintains an active patent department for the administration of patents and processing of patent applications.

The Company believes that many of its patents are valuable and important; however, the expiration of any one of the Company s patents would not have a material effect on the Company s results of operations or financial position. The Company also credits its leadership in the markets it serves to engineering capability; manufacturing techniques; skills and efficiency; marketing and sales promotion; and service and delivery of quality products to its customers.

In addition to patents, many of the Company s products and services are sold under various owned or licensed trademarks, which are important to the Company in the aggregate. Some of the Company s more significant trademarks include ITW, which is also used in conjunction with many of its businesses; Deltar and Shakeproof in the Transportation segment; Signode in the Industrial Packaging segment; Miller in the Power Systems & Electronics segment; Hobart in the Food Equipment segment; Paslode in the Construction Products segment; and Wilsonart in the Decorative Surfaces segment.

Environmental

The Company believes that its manufacturing plants and equipment are in substantial compliance with all applicable environmental regulations. Additional measures to maintain compliance are not expected to materially affect the Company s capital expenditures, competitive position, financial position or results of operations.

Various legislative and administrative regulations concerning environmental issues have become effective or are under consideration in many parts of the world relating to manufacturing processes and the sale or use of certain products. To date, such developments have not had a substantial adverse impact on the Company s revenues or earnings. The Company has made considerable efforts to develop and sell environmentally compatible products.

Employees

The Company employed approximately 65,000 persons as of December 31, 2011 and considers its employee relations to be excellent.

International

The Company s international operations include subsidiaries and joint ventures in 57 foreign countries on six continents. These operations serve such end markets as construction, general industrial, automotive, food institutional/restaurant and service, food and beverage, electronics, consumer durables, primary metals, and others on a worldwide basis. The Company s revenues from sales to customers outside the United States were approximately 59% of revenues in 2011, 58% of revenues in 2010 and 58% of revenues in 2009.

Refer to Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and the Segment Information note in Item 8. Financial Statements and Supplementary Data for additional information on international activities. International operations are subject to certain risks inherent in conducting business in foreign countries, including price controls, exchange controls, limitations on participation in local enterprises, nationalization, expropriation and other governmental action, and changes in currency exchange rates. Additional risks of our international operations are described under Item 1A. Risk Factors.

Executive Officers

Executive Officers of the Company as of February 17, 2012 were as follows:

Name	Office	Age
Sharon M. Brady	Senior Vice President, Human Resources	61
Timothy J. Gardner	Executive Vice President	56
Maria C. Green	Senior Vice President, General Counsel & Secretary	59
Craig A. Hindman	Executive Vice President	57
Ronald D. Kropp	Senior Vice President & Chief Financial Officer	46
Roland M. Martel	Executive Vice President	57
Steven L. Martindale	Executive Vice President	55
Sundaram Nagarajan	Executive Vice President	49
Christopher O Herlihy	Executive Vice President	48
David C. Parry	Vice Chairman	58
E. Scott Santi	Vice Chairman	50
Randall J. Scheuneman	Vice President & Chief Accounting Officer	44
David B. Speer	Chairman & Chief Executive Officer	60
Juan Valls	Executive Vice President	50
Jane L. Warner	Executive Vice President	65

The executive officers of the Company serve at the pleasure of the Board of Directors. Except for Ms. Green, Ms. Warner and Messrs. Gardner, Martindale, Nagarajan, O Herlihy, Scheuneman and Valls, each of the foregoing officers has been employed by the Company in various elected executive capacities for more than five years. Ms. Green was elected Senior Vice President, General Counsel & Secretary of the Company in February 2012. She joined the Company in 1997 as an Associate General Counsel and Assistant Secretary, became Deputy General Counsel and Assistant Secretary in 2008, and was elected Vice President, General Counsel & Secretary in August 2011. Ms. Warner was elected Executive Vice President in 2007. Prior to joining the Company in 2005 as President of the worldwide finishing businesses, she was President of Plexus Systems and a Vice President of EDS. Mr. Gardner was elected Executive Vice President in 2009. He joined the Company in 1997 and has held various sales and management positions in the consumer packaging businesses. Most recently, he served as Group President of the consumer packaging businesses. Mr. Martindale was elected Executive Vice President in 2008. Prior to joining the Company in 2005 as President of the test and measurement businesses, he was Chief Financial Officer and Chief Operating Officer of Instron. Mr. Nagarajan was elected Executive Vice President in 2010. He joined the Company in 1991 and has held various engineering and management positions in the welding businesses. Most recently, he served as Group President within the welding businesses. Mr. O Herlihy was elected Executive Vice President in 2010. He joined the Company in 1989 and has held various operational, management and leadership positions of increasing responsibility. Most recently he served as President, international food equipment businesses. Mr. Scheuneman was appointed Vice President and Chief Accounting Officer in 2009. Prior to joining the Company in 2009, he held several financial leadership positions at W.W. Grainger, Inc., including Vice President, Finance, for the Lab Safety Supply business from 2006 to 2009, and Vice President, Internal Audit, from 2002 to 2006. He was appointed Principal Accounting Officer in 2009. Mr. Valls was elected Executive Vice President in 2007. Prior to this, he was Vice President and General Manager of ITW Delfast International. He joined the Company in 1989 and held various management positions in the European automotive businesses.

Available Information

The Company electronically files reports with the Securities and Exchange Commission (SEC). The public may read and copy any materials the Company has filed with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Copies of the Company s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are also available free of charge through the Company s website (www.itw.com), as soon as reasonably practicable after electronically filing with or otherwise furnishing such information to the SEC, and are available in print to any shareholder who requests them. Also posted on the Company s website are the following:

Statement of Principles of Conduct;

Code of Ethics for CEO and key financial and accounting personnel;

Charters of the Audit, Corporate Governance and Nominating, and Compensation Committees of the Board of Directors;

Corporate Governance Guidelines;

Global Anti-Corruption Policy;

Corporate Citizenship Statement; and

Government Affairs Information.

ITEM 1A. ***Risk Factors***

The Company s business, financial condition, results of operations and cash flows are subject to various risks, including, but not limited to those set forth below, which could cause actual results to vary materially from recent results or from anticipated future results. These risk factors should be considered together with information included elsewhere in this Annual Report on Form 10-K.

The Company s results are impacted by global economic conditions. Weakness or downturns in the markets served by the Company could adversely affect our business, results of operations or financial condition.

During 2010 and 2011, many of our end markets showed improvement in general economic conditions, but European economic conditions slowed in the second half of 2011. We cannot be assured that we will not experience adverse effects from broad economic trends in Europe or other geographies. Instability in global economic conditions could have an adverse effect on the Company s business, results of operations or financial condition.

The global nature of our operations subjects the Company to political and economic risks that could adversely affect our business, results of operations or financial condition.

The Company currently operates in 58 countries. In 2011, approximately 59% of the Company s revenues were generated from sales to customers outside of the U.S. As the Company continues to expand its global footprint, these sales may represent an increasing portion of the Company s revenues. The risks inherent in our global operations include:

- fluctuation in currency exchange rates;
- limitations on ownership or participation in local enterprises;
- price controls, exchange controls and limitations on repatriation of earnings;
- transportation delays and interruptions;
- political, social and economic instability and disruptions;
- acts of terrorism;
- government embargoes or foreign trade restrictions;
- the imposition of duties and tariffs and other trade barriers;
- import and export controls;
- labor unrest and current and changing regulatory environments;
- the potential for expropriation or nationalization of enterprises;
- difficulties in staffing and managing multi-national operations;
- limitations on its ability to enforce legal rights and remedies; and
- potentially adverse tax consequences.

If the Company is unable to successfully manage these and other risks associated with managing and expanding its international businesses, the risks could have a material adverse effect on the Company s business, results of operations or financial condition.

Our acquisition of businesses could negatively impact our profitability and return on invested capital.

As part of our business strategy, we acquire businesses in the ordinary course. Our acquisitions involve a number of risks and financial, accounting, managerial and operational challenges, including the following, any of which could adversely affect our growth and profitability:

- Any acquired business, technology, service or product could under-perform relative to our expectations and the price that we paid for it, or not perform in accordance with our anticipated timetable.

- Acquisitions could cause our financial results to differ from our expectations in any given fiscal period, or over the long term.

- Acquisition-related earnings charges could adversely impact operating results.

- Acquisitions could place unanticipated demands on our management, operational resources and financial and internal control systems.

- We may assume unknown liabilities, known contingent liabilities that become realized or known liabilities that prove greater than anticipated. The realization of any of these liabilities may increase our expenses or adversely affect our financial position.

- As a result of our acquisitions, we have recorded significant goodwill and other identifiable intangible assets on our balance sheet. If we are not able to realize the value of these assets, we may incur charges relating to the impairment of these assets.

We may incur fines or penalties, damage to our reputation or other adverse consequences if our employees, agents or business partners violate anti-bribery or other laws.

We cannot provide assurance that our internal controls will always protect us from reckless or criminal acts committed by our employees, agents or business partners that would violate U.S. and/or non-U.S. laws, including anti-bribery laws, competition, and export and import compliance. Any such improper actions could subject us to civil or criminal investigations in the U.S. and in other jurisdictions, could lead to substantial civil or criminal monetary and non-monetary penalties against us or our subsidiaries, and could damage our reputation.

A significant fluctuation between the U.S. Dollar and other currencies could adversely impact our operating income.

Although the Company s financial results are reported in U.S. Dollars, a significant portion of our sales and operating costs are realized in other currencies, with the largest concentration of foreign sales occurring in Europe. The Company s profitability is affected by movements of the U.S. Dollar against the Euro and other foreign currencies in which we generate revenues and incur expenses. Significant long-term fluctuations in relative currency values, in particular an increase in the value of the U.S. Dollar against foreign currencies, could have an adverse effect on our profitability and financial condition.

Diminished credit availability could adversely impact our ability to readily obtain financing or to obtain cost-effective financing.

The Company may utilize the commercial paper markets for a portion of its short-term liquidity needs. If conditions in the financial markets decline, there is no assurance that the commercial paper markets will remain available to us or that the lenders participating in our revolving and long-term credit facilities will be able to provide financing in accordance with the terms of our credit agreements. A failure of one or more of the syndicate members in our credit facilities could reduce the availability of credit and adversely affect our liquidity. If we determine that it is appropriate or necessary to raise capital in the future, funds may not be available on cost-effective terms.

Raw material price increases and supply shortages could adversely affect results.

The supply of raw materials to the Company and to its component parts suppliers could be interrupted for a variety of reasons, including availability and pricing. Prices for raw materials necessary for production have fluctuated significantly in the past and significant increases could adversely affect the Company s results of operations and profit margins. Due to pricing pressure or other factors, the Company may not be able to pass along increased raw material and components parts prices to its customers in the form of price increases or its ability to do so could be delayed. Consequently, its results of operations and financial condition may be adversely affected.

If the Company is unable to successfully introduce new products or adequately protect its intellectual property, its future growth may be adversely affected.

The Company s ability to develop new products based on innovation can affect its competitive position and often requires the investment of significant resources. Difficulties or delays in research, development or production of new products and services or failure to gain market acceptance of new products and technologies may reduce future revenues and adversely affect the Company s competitive position.

Protecting the Company s intellectual property is critical to its innovation efforts. The Company owns a number of patents, trademarks and licenses related to its products and has exclusive and non-exclusive rights under patents owned by others. The Company s intellectual property may be challenged or infringed upon by third parties, particularly in countries where property rights are not highly developed or protected, or the Company may be unable to maintain, renew or enter into new license agreements with third-party owners of intellectual property on reasonable terms. Unauthorized use of the Company s intellectual property rights or inability to preserve existing intellectual property rights could adversely impact the Company s competitive position and results of operations.

An unfavorable environment for making acquisitions may adversely affect the Company s growth rate.

Suitable acquisitions can be difficult to complete due to high valuations for attractive acquisitions, competition among prospective buyers, the need for antitrust or other regulatory approval and the availability of affordable financing. Changes in regulatory or accounting requirements or instability in the credit markets could adversely impact our ability to consummate acquisitions. Our ability to grow through acquisitions depends on our ability to identify and successfully complete suitable acquisitions at appropriate prices. There can be no assurance that the Company will be able to find attractive businesses to purchase or that it will be able to acquire such businesses on acceptable terms. If the Company is unsuccessful in its efforts, its growth rate could be adversely affected.

Unfavorable tax law changes and tax authority rulings may adversely affect results.

The Company is subject to income taxes in the United States and in various foreign jurisdictions. Domestic and international tax liabilities are based on the income and expenses in various tax jurisdictions. The Company s effective tax rate could be adversely affected by changes in the mix of earnings among countries with differing statutory tax rates, changes in the valuation allowance of deferred tax assets or tax laws. The amount of income taxes and other taxes are subject to ongoing audits by U.S. federal, state and local tax authorities and by non-U.S. authorities. If these audits result in assessments different from amounts recorded, future financial results may include unfavorable tax adjustments.

Our defined benefit pension plans are subject to financial market risks that could adversely affect our results of operations and cash flows.

The performance of the financial markets and interest rates impact our funding obligations under our defined benefit pension plans. Significant changes in market interest rates, decreases in the fair value of plan assets and investment losses on plan assets may increase our funding obligations and adversely impact our results of operations and cash flows.

Potential adverse outcome in legal proceedings may adversely affect results.

The Company s businesses expose it to potential toxic tort and other types of product liability claims that are inherent in the design, manufacture and sale of its products and the products of third-party vendors. The Company currently maintains insurance programs consisting of self insurance up to certain limits and excess insurance coverage for claims over established limits. There can be no assurance that the Company will be able to obtain insurance on acceptable terms or that its insurance programs will provide adequate protection against actual losses. In addition, the Company is subject to the risk that one or more of its insurers may become insolvent and become unable to pay claims that may be made in the future. Even if it maintains adequate insurance programs, successful claims could have a material adverse effect on the Company s financial condition, liquidity and results of operations and on its ability to obtain suitable, adequate or cost-effective insurance in the future.

Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of words such as believe, expect, plans, strategy, prospects, estimate, pr target, anticipate, guidance, forecast, and other similar words, including, without limitation, statements regarding the expected acquisition or disposition of businesses, the availability of raw materials and energy, the expiration of any one of the Company s patents, the cost of compliance with environmental regulations, the continued growth in North American and Asia Pacific markets and slower growth in European markets in 2012, the adequacy of internally generated funds and credit facilities, the meeting of dividend payout objectives, the ability to fund debt service obligations, the likelihood of future goodwill or intangible asset impairment charges, the Company s portion of future benefit payments related to pension and postretirement benefits, the availability of additional financing, the outcome of outstanding legal proceedings, the impact of adopting new accounting pronouncements and the estimated timing and amount related to the resolution of tax matters. 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 may influence future results include those risks described above. These risks are not all inclusive and

given these and other possible risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Any forward-looking statements made by ITW speak only as of the date on which they are made. ITW is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements, whether as a result of new information, subsequent events or otherwise.

ITW practices fair disclosure for all interested parties. Investors should be aware that while ITW regularly communicates with securities analysts and other investment professionals, it is against ITW s policy to disclose to them any material non-public information or other confidential commercial information. Shareholders should not assume that ITW agrees with any statement or report issued by any analyst irrespective of the

content of the statement or report.

ITEM 1B. ***Unresolved Staff Comments***

Not applicable.

ITEM 2. ***Properties***

As of December 31, 2011, the Company operated the following plants and office facilities, excluding regional sales offices and warehouse facilities:

	Number Of Properties	Floor Space		
		Owned	**Leased**	**Total**
		(In millions of square feet)		
Transportation	99	4.0	2.3	6.3
Power Systems & Electronics	110	5.5	2.0	7.5
Industrial Packaging	134	6.4	4.2	10.6
Food Equipment	48	3.7	0.7	4.4
Construction Products	94	2.9	1.5	4.4
Polymers & Fluids	93	3.5	1.6	5.1
Decorative Surfaces	9	4.1		4.1
All Other	193	5.1	2.9	8.0
Corporate	43	4.3	0.2	4.5
Total	823	39.5	15.4	54.9

The principal plants and office facilities outside of the U.S. are in Australia, Belgium, Brazil, Canada, China, Czech Republic, Denmark, France, Germany, Ireland, Italy, Netherlands, Spain, Switzerland and the United Kingdom.

The Company s properties are primarily of steel, brick or concrete construction and are maintained in good operating condition. Productive capacity, in general, currently exceeds operating levels. Capacity levels are somewhat flexible based on the number of shifts operated and on the number of overtime hours worked. The Company adds productive capacity from time to time as required by increased demand. Additions to capacity can be made within a reasonable period of time due to the nature of the businesses.

ITEM 3. ***Legal Proceedings***

Not applicable.

ITEM 4. ***Mine Safety Disclosures***

Not applicable.

PART II

ITEM 5. ***Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Common Stock Price and Dividend Data The common stock of Illinois Tool Works Inc. was listed on the New York Stock Exchange for 2011 and 2010. Quarterly market price and dividend data for 2011 and 2010 were as shown below:

	Market Price Per Share		Dividends Declared Per Share
	High	Low	
2011:			
Fourth quarter	$ 49.92	$ 39.12	$ 0.36
Third quarter	59.27	40.82	0.36
Second quarter	58.79	52.09	0.34
First quarter	56.36	52.42	0.34
2010:			
Fourth quarter	$ 53.89	$ 45.57	$ 0.34
Third quarter	47.67	40.33	0.34
Second quarter	52.72	41.05	0.31
First quarter	50.15	41.94	0.31

The approximate number of holders of record of common stock as of January 31, 2012 was 9,459. This number does not include beneficial owners of the Company s securities held in the name of nominees.

ITEM 6. ***Selected Financial Data***

In Thousands (except per share amounts)	2011	2010	2009	2008	2007
Operating revenues	$ 17,786,583	$ 15,415,692	$ 13,572,996	$ 16,544,281	$ 15,549,806
Income from continuing operations	2,017,014	1,452,438	968,638	1,623,963	1,764,678
Income from continuing operations per common share:					
Basic	4.10	2.90	1.94	3.13	3.20
Diluted	4.08	2.89	1.93	3.12	3.17
Total assets at year-end	17,983,514	16,412,311	15,811,432	15,203,551	15,525,862
Long-term debt at year-end	3,488,198	2,542,087	2,861,304	1,247,883	1,888,839
Cash dividends declared per common share	1.40	1.30	1.24	1.18	0.98

Certain reclassifications of prior years data have been made to conform to current year reporting, including the elimination of the one month lag for the reporting of the Company s international operations outside of North America (fiscal years 2010 and 2009 only), and discontinued operations as discussed below.

Prior to 2011, the Company s international operations outside of North America had a fiscal reporting period that began on December 1 and ended on November 30. Effective January 1, 2011, the Company eliminated the one month lag for the reporting of its international operations outside of North America. As a result, the Company is now reporting both North American and international results on a calendar year basis. The Company determined that the elimination of the one month reporting lag was preferable because the same period-end reporting date improves overall financial reporting as the impact of current events, economic conditions and global trends are consistently reflected in the financial statements of the North American and international business units. The Company has applied this change in accounting principle retrospectively to fiscal periods 2010 and 2009. Refer to the International Reporting Lag note in Item 8. Financial Statements and Supplementary Data for discussion of this change in accounting principle.

The Company periodically reviews its operations for businesses that may no longer be aligned with its long-term objectives. For businesses reported as discontinued operations in the statement of income, all related prior period income statement information has been restated to conform to the current year reporting of these businesses. Income (loss) from discontinued operations was $54,370,000, $50,514,000, $4,059,000, $(104,960,000), and $105,184,000 in the years 2011, 2010, 2009, 2008, and 2007, respectively. Refer to the Discontinued Operations note in Item 8. Financial Statements and Supplementary Data for discussion of the Company s discontinued operations.

On January 1, 2009, the Company adopted new accounting guidance related to business combinations. The new accounting guidance requires an entity to recognize assets acquired, liabilities assumed, contractual contingencies and contingent consideration at their fair value on the acquisition date. This new guidance also requires prospectively that (1) acquisition-related costs be expensed as incurred; (2) restructuring costs generally be recognized as post-acquisition expenses; and (3) changes in deferred tax asset valuation allowances and income tax uncertainties after the measurement period impact income tax expense. Refer to the Acquisitions note in Item 8. Financial Statements and Supplementary Data for discussion of this change in accounting principle.

On January 1, 2009, the Company adopted new accounting guidance on fair value measurements for all nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value on a nonrecurring basis. The new accounting guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and provides guidance for measuring fair values and the necessary disclosures. Refer to the Goodwill and Intangible Assets note in Item 8. Financial Statements and Supplementary Data for discussion of this change in accounting principle.

On January 1, 2008, the Company adopted new accounting guidance related to defined benefit plans which required the Company to change its measurement date to correspond with the Company s fiscal year-end. The Company previously used a September 30 measurement date. As allowed under the provisions of this new guidance, the Company elected to remeasure its plan assets and benefit obligation as of the beginning of the fiscal year. Upon adoption, the Company recorded an after-tax charge of $12,788,000 to beginning retained earnings and an after-tax gain to accumulated other comprehensive income of $3,573,000 related to the three months ended December 31, 2007.

Information on the comparability of results is included in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

INTRODUCTION

Illinois Tool Works Inc. (the Company or ITW) is a multinational manufacturer of a diversified range of industrial products and equipment with operations in 58 countries. These businesses are internally reported as 52 operating segments to senior management. The Company s 52 operating segments have been aggregated into the following eight external reportable segments: Transportation; Power Systems & Electronics; Industrial Packaging; Food Equipment; Construction Products; Polymers & Fluids; Decorative Surfaces; and All Other.

Due to the large number of diverse businesses and the Company s decentralized operating style, the Company does not require its businesses to provide detailed information on operating results. Instead, the Company s corporate management collects data on several key measurements: operating revenues, operating income, operating margins, overhead costs, number of months on hand in inventory, days sales outstanding in accounts receivable, past due receivables and return on invested capital. These key measures are monitored by management and significant changes in operating results versus current trends in end markets and variances from forecasts are discussed with operating unit management.

The results of each segment are analyzed by identifying the effects of changes in the results of the base businesses, newly acquired companies, restructuring costs, goodwill and intangible asset impairment charges, and currency translation on the operating revenues and operating income of each segment. Base businesses are those businesses that have been included in the Company s results of operations for more than 12 months. The changes to base business operating income include the estimated effects of both operating leverage and changes in variable margins and overhead costs. Operating leverage is the estimated effect of the base business revenue changes on operating income, assuming variable margins remain the same as the prior period. As manufacturing and administrative overhead costs usually do not significantly change as a result of revenues increasing or decreasing, the percentage change in operating income due to operating leverage is usually more than the percentage change in the base business revenues.

A key element of the Company s business strategy is its continuous 80/20 business process for both existing businesses and new acquisitions. The basic concept of this 80/20 business process is to focus on what is most important (the 20% of the items which account for 80% of the value) and to spend less time and resources on the less important (the 80% of the items which account for 20% of the value). The Company s operations use this 80/20 business process to simplify and focus on the key parts of their business, and as a result, reduce complexity that often disguises what is truly important. The Company s operations utilize the 80/20 process in various aspects of their businesses. Common applications of the 80/20 business process include:

- Simplifying product lines by reducing the number of products offered by combining the features of similar products, outsourcing products or, as a last resort, eliminating low-value products.

- Segmenting the customer base by focusing on the 80/20 customers separately and finding alternative ways to serve the 20/80 customers.

- Simplifying the supplier base by partnering with 80/20 suppliers and reducing the number of 20/80 suppliers.

- Designing business processes, systems and measurements around the 80/20 activities.

The result of the application of this 80/20 business process is that the Company has over time improved its long-term operating and financial performance. These 80/20 efforts can result in restructuring projects that reduce costs and improve margins. Corporate management works closely with those businesses that have operating results below expectations to help those businesses better apply this 80/20 business process and improve their results.

INTERNATIONAL REPORTING CHANGE

Effective January 1, 2011, the Company eliminated the one month lag for the reporting of its international operations outside of North America. As a result, the Company now reports both North American and international results on a calendar year basis. Prior to this, the international fiscal reporting period began on December 1st and ended on November 30th. The Company has applied this change in accounting principle retrospectively to all prior period financial statements presented. Refer to the International Reporting Lag note in Item 8. Financial Statements and Supplementary Data for discussion of the international reporting change.

DISCONTINUED OPERATIONS

The Company periodically reviews its operations for businesses that may no longer be aligned with its long-term objectives. For businesses reported as discontinued operations in the statement of income, all related prior period income statement information has been restated to conform to the current year reporting of these businesses. Refer to the Discontinued Operations note in Item 8. Financial Statements and Supplementary Data for discussion of the Company s discontinued operations.

CONSOLIDATED RESULTS OF OPERATIONS

The Company s consolidated results of operations for 2011, 2010 and 2009 are summarized as follows:

Dollars In Thousands	2011	2010	2009
Operating revenues	$ 17,786,583	$ 15,415,692	$ 13,572,996
Operating income	2,731,008	2,254,017	1,382,963
Margin %	15.4%	14.6%	10.2%

In 2011 and 2010, the changes in revenues, operating income and operating margins over the prior year were primarily due to the following factors:

	2011 Compared to 2010			2010 Compared to 2009		
	% Increase (Decrease)		% Point Increase (Decrease)	% Increase (Decrease)		% Point Increase (Decrease)
	Operating Revenues	Operating Income	Operating Margins	Operating Revenues	Operating Income	Operating Margins
Base business:						
Revenue change/Operating leverage	7.5%	21.0%	1.9%	10.1%	40.7%	2.8%
Changes in variable margins and overhead costs		(4.9)	(0.7)		2.4	0.2
	7.5	16.1	1.2	10.1	43.1	3.0
Acquisitions and divestitures	4.8	2.3	(0.4)	3.2	2.2	(0.2)
Restructuring costs		(0.6)	(0.1)		8.7	0.8
Impairment of goodwill and intangibles					7.5	0.7
Translation	3.1	3.4	0.1	0.4	1.5	0.1
Other				(0.1)		
	15.4%	21.2%	0.8%	13.6%	63.0%	4.4%

Operating Revenues

Revenues increased 15.4% in 2011 versus 2010 primarily due to higher base revenues, revenues from acquisitions, and the favorable effect of currency translation. Base revenues increased 7.5% in 2011 versus 2010 as worldwide economic conditions strengthened. However, European economic conditions slowed in the second half of the year. North American and international base revenues increased 9.0% and 5.7%, respectively, in 2011 versus 2010. Base revenues in Europe and China increased 5.6% and 14.2%, respectively, in 2011 versus 2010. End markets associated with welding, transportation and test and measurement businesses showed strength in 2011. In 2012, the company anticipates

continued growth in North American and Asia Pacific markets with European markets expected to be relatively flat as compared to 2011.

Revenues increased 13.6% in 2010 versus 2009 primarily due to higher base revenues and revenues from acquisitions. Base revenues increased 10.1% in 2010 versus 2009 as the Company saw improvement in macroeconomic indices across many geographies as worldwide end markets began to recover from the global recession. North American and international base revenues increased 11.2% and 9.1%, respectively, in 2010 versus 2009. End markets associated with transportation, welding, industrial packaging, PC board fabrication and electronics showed improvement in 2010.

Operating Income

Operating income increased 21.2% in 2011 versus 2010 primarily due to the increase in base revenues, the favorable effect of currency translation and income from acquisitions. Base margins increased 120 basis points primarily due to the positive leverage effect of the increase in base revenues, partially offset by the negative impact of selling price versus material cost comparisons. Additionally, acquisitions and divestitures diluted margins by 40 basis points primarily due to amortization expense related to intangible assets.

Operating income increased 63.0% in 2010 versus 2009 primarily due to the increase in base revenues, lower restructuring expenses, and 2009 goodwill and intangible asset impairment charges. Base margins increased 300 basis points primarily due to the positive leverage effect of the increase in base revenues. Additionally, benefits from restructuring projects were partially offset by unfavorable selling price versus material cost comparisons. Lower restructuring expenses in 2010 versus 2009 reflect the Company s 2009 efforts to reduce costs in response to weak economic conditions. In 2009, the Company recorded impairment charges of $90.0 million and $15.6 million against goodwill and intangibles, respectively, compared to $1.0 million in intangible asset impairment charges in 2010.

TRANSPORTATION

Businesses in this segment produce components, fasteners, fluids and polymers, as well as truck remanufacturing and related parts and service.

In the Transportation segment, products and services include:

- plastic and metal components, fasteners and assemblies for automobiles and light trucks;
- fluids, polymers and other supplies for auto aftermarket maintenance and appearance;
- fillers and putties for auto body repair;
- polyester coatings and patch and repair products for the marine industry; and
- truck remanufacturing and related parts and service.

In 2011, this segment primarily served the automotive original equipment manufacturers and tiers (56%) and automotive aftermarket (31%) markets.

The results of operations for the Transportation segment for 2011, 2010 and 2009 were as follows:

Dollars In Thousands	2011	2010	2009
Operating revenues	$ 3,108,349	$ 2,522,226	$ 2,092,249
Operating income	474,592	369,454	155,373
Margin %	15.3%	14.6%	7.4%

In 2011 and 2010, the changes in revenues, operating income and operating margins over the prior year were primarily due to the following factors:

	2011 Compared to 2010		2010 Compared to 2009	
	% Increase (Decrease)	% Point Increase (Decrease)	% Increase (Decrease)	% Point Increase (Decrease)

	Operating Revenues	Operating Income	Operating Margins	Operating Revenues	Operating Income	Operating Margins
Base business:						
Revenue change/Operating leverage	10.1%	25.1%	2.0%	18.0%	85.6%	4.2%
Changes in variable margins and overhead costs		(7.0)	(0.9)		19.0	1.2
	10.1	18.1	1.1	18.0	104.6	5.4
Acquisitions and divestitures	10.6	8.6	(0.3)	2.5	7.4	0.2
Restructuring costs		(1.3)	(0.2)		16.1	1.0
Impairment of goodwill and intangibles					9.1	0.6
Translation	2.6	3.1	0.1	0.1	0.7	
Other	(0.1)				(0.1)	
	23.2%	28.5%	0.7%	20.6%	137.8%	7.2%

Operating Revenues

Revenues increased 23.2% in 2011 versus 2010 primarily due to the increase in base business, revenues from acquisitions and the favorable effect of currency translation. The increase in acquisition revenue was primarily due to the purchase of a North American automotive aftermarket business in the first quarter of 2011. Worldwide automotive base revenues increased 10.0%. International automotive base revenues increased 10.2% primarily due to growth in European auto builds of 5% and increased product penetration. Additionally, Asian automotive base revenues increased 20.8% primarily due to improved product penetration and higher auto builds in China and India of 2% and 10%, respectively. North American automotive base revenues increased 9.8% in 2011 versus 2010 primarily due to an increase in auto builds of 10%. The truck remanufacturing and related parts and service business increased 19.7% over the prior year due to increased demand in North America and Canada related to oil and gas exploration. Automotive aftermarket base business increased 4.5% over the prior year with growth in both transportation materials and consumer-based businesses.

Revenues increased 20.6% in 2010 versus 2009 primarily due to the increase in base revenues and revenues from acquisitions. The increase in acquisition revenue was primarily due to the purchase of a North American automotive aftermarket business in the second quarter of 2010. Worldwide automotive base revenues increased 28.4%. North American automotive base revenues increased 37.8% in 2010 versus 2009 primarily due to an increase in auto builds of approximately 39%. International automotive base revenues increased 21.2% primarily due to an increase in European auto builds of approximately 16% and increased product penetration. The automotive aftermarket businesses, which were less impacted in 2009 by the economic downturn, were virtually flat over the prior year. Base revenues for the truck remanufacturing and related parts and service business declined 5.3% over the prior year.

Operating Income

Operating income increased 28.5% in 2011 versus 2010 primarily due to the increase in base revenues, income from acquisitions and the favorable effect of currency translation. Base margins increased 110 basis points primarily due to the positive leverage effect of the increase in base revenues described above, partially offset by the negative impact of selling price versus material cost comparisons. In addition, acquisitions diluted total operating margins by 30 basis points.

Operating income increased 137.8% in 2010 versus 2009 primarily due to the increase in base revenues, lower restructuring expenses, 2009 goodwill and intangible asset impairment charges, and income from acquisitions. Base margins increased 540 basis points primarily due to the positive leverage effect of the increase in base revenues described above, benefits from restructuring projects and favorable inventory obsolescence expense comparisons. During the third quarter of 2009, a $12.0 million goodwill impairment charge was recorded in the truck remanufacturing and related parts and service business.

POWER SYSTEMS & ELECTRONICS

Businesses in this segment produce equipment and consumables associated with specialty power conversion, metallurgy and electronics.

In the Power Systems & Electronics segment, products include:

- 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;

- static and contamination control equipment;
- airport ground support equipment; and
- pressure sensitive adhesives and components for telecommunications, electronics, medical and transportation applications.

In 2011, this segment primarily served the general industrial (43%), electronics (17%), construction (4%) and automotive original equipment manufacturers (4%) markets.

The results of operations for the Power Systems & Electronics segment for 2011, 2010 and 2009 were as follows:

Dollars In Thousands	2011	2010	2009
Operating revenues	$ 2,872,161	$ 2,409,204	$ 2,004,402
Operating income	580,674	469,244	198,673
Margin %	20.2%	19.5%	9.9%

In 2011 and 2010, the changes in revenues, operating income and operating margins over the prior year were primarily due to the following factors:

	2011 Compared to 2010			2010 Compared to 2009		
	% Increase (Decrease)		% Point Increase (Decrease)	% Increase (Decrease)		% Point Increase (Decrease)
	Operating Revenues	Operating Income	Operating Margins	Operating Revenues	Operating Income	Operating Margins
Base business:						
Revenue change/Operating leverage	12.5%	26.2%	2.4%	18.5%	74.8%	4.7%
Changes in variable margins and overhead costs		(2.8)	(0.5)		4.6	0.4
	12.5	23.4	1.9	18.5	79.4	5.1
Acquisitions and divestitures	4.3	(1.1)	(1.0)	1.1	0.8	(0.1)
Restructuring costs		(0.7)	(0.1)		10.3	0.9
Impairment of goodwill and intangibles					44.7	3.7
Translation	2.4	2.2	(0.1)	0.6	1.0	
Other						
	19.2%	23.8%	0.7%	20.2%	136.2%	9.6%

Operating Revenues

Revenues increased 19.2% in 2011 versus 2010 due to growth in base business, revenues from acquisitions and the favorable effect of currency translation. Worldwide welding base business revenues increased 21.0% in 2011 versus 2010. North American welding base business revenues increased 24.6% due to improvements in a number of industrial-based end markets. In particular, increased sales in the oil and gas end market as well as sales to heavy equipment OEM s and other manufacturers helped drive base revenues. Base business revenues for the international welding businesses increased 12.3% in 2011 versus 2010 primarily due to growth in European and Asian oil and gas and infrastructure-related end markets. Base revenues for the electronics businesses increased 1.7% mainly due to base growth of 6.3% in the PC board fabrication businesses, though end markets significantly slowed for these businesses in the fourth quarter of 2011. The other electronics businesses were virtually flat due to weakening end markets and softer consumer demand. Acquisition revenue was primarily due to the purchase of a thermal processing and environmental equipment manufacturer in the third quarter of 2011 and an automated welding systems business in the fourth quarter of 2010.

Revenues increased 20.2% in 2010 versus 2009 primarily due to growth in base business. Worldwide welding base revenues increased 11.0%. North American welding base business revenues increased 16.0% as end markets began to experience recovery, particularly for heavy equipment OEM s and general manufacturers. Base business revenues for the international welding businesses increased 0.6% in 2010 versus 2009 primarily due to increased oil and gas end market activity, partially offset by declines in Asian shipyard activity. Base revenues for the electronics businesses increased 34.3% due to growth in the PC board fabrication businesses of 71.0% and other electronics businesses of 20.2% as demand for consumer electronics and capital equipment increased significantly.

Operating Income

Operating income increased 23.8% in 2011 versus 2010 primarily due to the favorable leverage effect of the growth in base revenues and the favorable impact of currency translation. Base margins increased 190 basis points primarily due to the favorable leverage effect of the growth in base revenues, partially offset by the negative impact of selling price versus material cost comparisons. Acquisitions diluted total operating

margins by 100 basis points versus the prior year.

Operating income increased 136.2% in 2010 versus 2009 mainly due to the favorable leverage effect of the growth in base revenues, 2009 impairment charges and lower restructuring expenses. During the first quarter of 2009, a $60.0 million goodwill impairment charge was recorded against the pressure sensitive adhesives business and $24.7 million of goodwill and intangible asset impairment charges were recorded against the PC Board fabrication and welding accessories businesses. Base margins increased 510 basis points in 2010 versus 2009 primarily due to the favorable leverage effect of the growth in base revenues, the cumulative benefits of restructuring projects and favorable product mix, partially offset by unfavorable selling price versus material cost comparisons.

INDUSTRIAL PACKAGING

Businesses in this segment produce steel, plastic and paper products and equipment used for bundling, shipping and protecting goods in transit.

In the Industrial Packaging segment, products include:

- steel and plastic strapping and related tools and equipment;
- plastic stretch film and related equipment;
- paper and plastic products that protect goods in transit; and
- metal jacketing and other insulation products.

In 2011, this segment primarily served the general industrial (26%), primary metals (21%), food and beverage (13%) and construction (8%) markets.

The results of operations for the Industrial Packaging segment for 2011, 2010 and 2009 were as follows:

Dollars In Thousands	2011	2010	2009
Operating revenues	$ 2,612,108	$ 2,272,059	$ 1,940,887
Operating income	273,342	231,303	95,128
Margin %	10.5%	10.2%	4.9%

In 2011 and 2010, the changes in revenues, operating income and operating margins over the prior year were primarily due to the following factors:

	2011 Compared to 2010			2010 Compared to 2009		
	% Increase (Decrease)		% Point Increase (Decrease)	% Increase (Decrease)		% Point Increase (Decrease)
	Operating Revenues	Operating Income	Operating Margins	Operating Revenues	Operating Income	Operating Margins
Base business:						
Revenue change/Operating leverage	8.4%	31.6%	2.2%	13.9%	110.0%	4.1%
Changes in variable margins and overhead costs		(18.8)	(1.8)		(5.3)	(0.2)
	8.4	12.8	0.4	13.9	104.7	3.9
Acquisitions and divestitures	3.0	2.9		2.3	3.3	(0.1)
Restructuring costs		(2.1)	(0.2)		31.3	1.3
Impairment of goodwill and intangibles					(0.8)	
Translation	3.6	4.6	0.1	0.9	4.6	0.1
Other					0.1	0.1
	15.0%	18.2%	0.3%	17.1%	143.2%	5.3%

Operating Revenues

Revenues increased 15.0% in 2011 versus 2010 due to the increase in base revenues, the favorable effect of currency translation and revenues from acquisitions. Base revenues for the North American strapping and equipment businesses increased 12.2% in 2011 largely due to higher steel and plastic strapping prices and increased equipment sales. Base revenues for international strapping and equipment businesses grew 7.2% primarily due to higher strapping prices and higher equipment sales. Base revenues for stretch packaging worldwide increased 10.2% in 2011 versus 2010 and worldwide protective packaging grew 7.1% over the prior period. The increase in acquisition revenue is primarily due to the purchase of a protective packaging business in the second quarter of 2011.

Revenues increased 17.1% in 2010 versus 2009 due to the increase in base revenues, revenues from acquisitions and the favorable effect of currency translation. Base revenues increased 23.1% for the North American strapping and equipment businesses in 2010 largely due to an increase in steel and plastic strap volume driven by improved industrial production demand in key industries including primary metals and general industrial. Base revenues for the international strapping and equipment businesses increased 10.1% while worldwide protective packaging increased 16.6% and worldwide stretch packaging increased 12.3% over the prior period. Acquisition revenue increased primarily due to the purchase of a North American protective packaging business in the fourth quarter of 2009.

Operating Income

Operating income increased 18.2% in 2011 versus 2010 primarily due to the increase in base revenues, the favorable impact of currency translation and income from acquisitions, partially offset by higher restructuring expenses. Base operating margins increased 40 basis points primarily due to leverage from the increase in base revenues, partially offset by unfavorable selling price versus material cost comparisons.

Operating income increased 143.2% in 2010 versus 2009 primarily due to the increase in base revenues and lower restructuring expenses. Base operating margins increased 390 basis points primarily driven by leverage from the increase in base revenues and restructuring benefits, partially offset by unfavorable selling price versus material cost comparisons. Lower restructuring expenses compared to 2009 increased total operating margins by 130 basis points.

FOOD EQUIPMENT

Businesses in this segment produce commercial food equipment and related service.

In the Food Equipment segment, products and services include:

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; and

food equipment service, maintenance and repair.

In 2011, this segment primarily served the food institutional/restaurant (43%), service (36%) and food retail (16%) markets.

The results of operations for the Food Equipment segment for 2011, 2010 and 2009 were as follows:

Dollars In Thousands	2011	2010	2009
Operating revenues	$ 1,982,187	$ 1,857,051	$ 1,862,950
Operating income	303,771	255,060	255,891
Margin %	15.3%	13.7%	13.7%

In 2011 and 2010, the changes in revenues, operating income and operating margins over the prior year were primarily due to the following factors:

	2011 Compared to 2010		2010 Compared to 2009	
	% Increase (Decrease)	% Point Increase (Decrease)	% Increase (Decrease)	% Point Increase (Decrease)

	Operating Revenues	Operating Income	Operating Margins	Operating Revenues	Operating Income	Operating Margins
Base business:						
Revenue change/Operating leverage	2.8%	8.9%	0.8%		0.1%	0.1%
Changes in variable margins and overhead costs		10.6	1.4		(4.7)	(0.7)
	2.8	19.5	2.2		(4.6)	(0.6)
Acquisitions and divestitures	1.2	(0.4)	(0.2)	0.7	0.2	(0.1)
Restructuring costs		(3.0)	(0.4)		4.4	0.6
Impairment of goodwill and intangibles						
Translation	2.7	3.0		(1.1)	(0.4)	0.1
Other				0.1	0.1	
	6.7%	19.1%	1.6%	(0.3)%	(0.3)%	

Operating Revenues

Revenues increased 6.7% in 2011 versus 2010 due to the growth in base business, the favorable effect of currency translation and revenues from acquisitions. North American food equipment base revenues increased 3.9% in 2011 versus 2010 as equipment revenues increased 4.6% and service revenues grew 2.7%. Equipment revenues increased primarily due to better, but still modest growth in the casual dining restaurant category, partially offset by weakness in institutional categories where government budgets were constrained. International base revenues increased 1.7% for the period as equipment revenues increased 1.0% and service revenues increased 3.3%. Growth in Asian and Latin American revenues was partially offset by lower European sales in 2011 versus 2010. The acquired revenues were attributable to the acquisition of a European food equipment business in the third quarter of 2010.

Revenues decreased 0.3% in 2010 versus 2009 as the unfavorable effect of currency translation was partially offset by acquisition revenues. North American base revenues declined 1.4% in 2010 versus 2009 primarily due to declines in equipment sales for end markets including the lodging and casino markets. North American base revenues in the service portion of the business increased 1.5% as customers continued to maintain existing equipment. International base revenues increased 2.4% for the period largely due to increased Asian and Latin American revenue offset by lower European equipment sales in 2010 versus 2009. The acquired revenues were attributable to the acquisition of a European food equipment business in the third quarter of 2010.

Operating Income

Operating income increased 19.1% in 2011 versus 2010 primarily due to the increase in base revenues and lower operating expenses. Base business margins increased 220 basis points primarily due to the positive leverage effect of the increase in base revenues, lower operating expenses and adjustments related to a European business in 2010. Higher restructuring expenses in 2011 versus 2010 decreased total operating margins by 40 basis points.

Operating income decreased 0.3% in 2010 versus 2009. Base business margins decreased 60 basis points primarily due to higher overhead expenses and adjustments related to a European business in 2010, partially offset by favorable selling price versus material cost comparisons and benefits from restructuring. Lower restructuring expenses in 2010 versus 2009 increased total operating margins by 60 basis points.

CONSTRUCTION PRODUCTS

Businesses in this segment produce tools, fasteners and other products for construction applications.

In the Construction Products segment, products include:

- 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; and
- packaged hardware, fasteners, anchors and other products for retail.

In 2011, this segment primarily served the residential construction (44%), renovation construction (26%), and commercial construction (22%) markets.

The results of operations for the Construction Products segment for 2011, 2010 and 2009 were as follows:

Dollars In Thousands	**2011**	**2010**	**2009**
Operating revenues	$ 1,958,370	$ 1,753,485	$ 1,547,365
Operating income	225,448	192,070	104,795

Margin %	11.5%	11.0%	6.8%

In 2011 and 2010, the changes in revenues, operating income and operating margins over the prior year were primarily due to the following factors:

	2011 Compared to 2010			2010 Compared to 2009		
	% Increase (Decrease)		% Point Increase (Decrease)	% Increase (Decrease)		% Point Increase (Decrease)
	Operating Revenues	Operating Income	Operating Margins	Operating Revenues	Operating Income	Operating Margins
Base business:						
Revenue change/Operating leverage	2.7%	10.7%	0.9%	4.1%	24.4%	1.3%
Changes in variable margins and overhead costs		(7.4)	(0.8)		50.8	3.3
	2.7	3.3	0.1	4.1	75.2	4.6
Acquisitions and divestitures	3.0	0.1	(0.3)	5.4	(0.5)	(0.6)
Restructuring costs		4.4	0.5		(4.1)	(0.3)
Impairment of goodwill and intangibles						
Translation	6.0	9.5	0.3	3.8	12.6	0.4
Other		0.1	(0.1)		0.1	0.1
	11.7%	17.4%	0.5%	13.3%	83.3%	4.2%

Operating Revenues

Revenues increased 11.7% in 2011 versus 2010 primarily due to the favorable effect of currency translation, revenues from acquisitions and an increase in base revenues. European base revenues increased 6.9% due to improved conditions in commercial construction in the first half of the year; however, the rate of growth moderated in the second half of the year compared to early 2011. North American base revenues increased 2.3% primarily due to price increases implemented to offset higher steel prices, partially offset by the one-time licensing agreement settlement in the commercial construction business that positively impacted revenues in 2010. In North America, renovation base revenue growth was 5.5%, residential base revenue growth was 2.7% and commercial construction base revenue declined 3.0%. North American base revenue was impacted by 1% growth in remodeling expenditures, 3% annualized growth in U.S. housing starts as well as a 2% decline in commercial construction square footage activity. Base revenues for the Asia-Pacific region declined 1.8% as market conditions in the Australian residential construction market progressively softened throughout the year. Acquisition revenue was primarily the result of the purchase of a European retail distribution business in the second quarter of 2010 and a North American fastener business in the second quarter of 2011.

Revenues increased 13.3% in 2010 versus 2009 primarily due to revenues from acquisitions, an increase in base revenues and the favorable effect of currency translation. European base revenues increased 7.5% in 2010 primarily due to improved market conditions. Base revenues for the Asia-Pacific region increased 2.4% as market conditions in the Australian residential construction market improved. North American base revenues increased 1.8% primarily due to modest inventory restocking and a one-time licensing agreement settlement in the second quarter of 2010 in the commercial construction business. The North American base business was negatively impacted by an 8% decline in U.S. housing starts on an annualized basis and an 18% decline in commercial construction square footage activity. Acquisition revenue was primarily the result of the purchase of a European retail distribution business in the second quarter of 2010.

Operating Income

Operating income increased 17.4% in 2011 versus 2010 primarily due to positive leverage from the increase in base revenues described above, the favorable effect of currency translation, and lower restructuring expenses. Base margins increased 10 basis points versus the prior year primarily due to the favorable leverage effect of the increase in base revenues, partially offset by a one-time licensing agreement settlement in the commercial construction business that favorably affected margins in 2010 and the negative impact of selling price versus material cost comparisons.

Operating income increased 83.3% in 2010 versus 2009 primarily due to positive leverage from the increase in base revenues described above, lower operating expenses and the favorable effect of currency translation, partially offset by higher restructuring expenses. Base margins increased 460 basis points versus the prior year primarily due to the favorable leverage effect of the increase in base revenues, favorable selling price versus material cost comparisons, favorable inventory obsolescence expense comparisons, benefits from restructuring projects and a

favorable one-time licensing agreement settlement in the second quarter of 2010 in the commercial construction business.

POLYMERS & FLUIDS

Businesses in this segment produce adhesives, sealants, lubrication and cutting fluids, and hygiene products.

In the Polymers & Fluids segment, products include:

- adhesives for industrial, construction and consumer purposes;
- chemical fluids which clean or add lubrication to machines;
- epoxy and resin-based coating products for industrial applications; and
- hand wipes and cleaners for industrial applications.

In 2011, this segment primarily served the general industrial (31%), construction (15%), MRO (17%) and automotive aftermarket (7%) markets.

The results of operations for the Polymers & Fluids segment for 2011, 2010 and 2009 were as follows:

Dollars In Thousands	2011	2010	2009
Operating revenues	$ 1,364,004	$ 1,106,025	$ 980,305
Operating income	208,873	188,696	150,065
Margin %	15.3%	17.1%	15.3%

In 2011 and 2010, the changes in revenues, operating income and operating margins over the prior year were primarily due to the following factors:

	2011 Compared to 2010			2010 Compared to 2009		
	% Increase (Decrease)		% Point Increase (Decrease)	% Increase (Decrease)		% Point Increase (Decrease)
	Operating Revenues	Operating Income	Operating Margins	Operating Revenues	Operating Income	Operating Margins
Base business:						
Revenue change/Operating leverage	4.5%	11.6%	1.2%	6.0%	17.3%	1.6%
Changes in variable margins and overhead costs		(8.4)	(1.4)		(2.0)	(0.3)
	4.5	3.2	(0.2)	6.0	15.3	1.3
Acquisitions and divestitures	15.1	8.0	(0.9)	6.4	3.8	(0.5)
Restructuring costs		(4.2)	(0.7)		5.4	0.8
Impairment of goodwill and intangibles						
Translation	3.8	3.6		0.4	1.3	0.1
Other	(0.1)	0.1			(0.1)	0.1
	23.3%	10.7%	(1.8)%	12.8%	25.7%	1.8%

Operating Revenues

Revenues increased 23.3% in 2011 versus 2010 primarily due to revenues from acquisitions, an increase in base revenues and the favorable effect of currency translation. Acquisition revenue was primarily the result of the purchase of a Latin American fluids business and a European polymers business in the fourth quarter of 2010. End market demand was stronger in North America and Asia Pacific but weaker in Europe. Total base revenues for the polymers businesses increased 4.3% while the fluids businesses increased 4.7% in 2011 versus 2010. North American base revenues increased 6.3% and European base revenues were relatively flat, while Asia-Pacific base revenues increased 9.3% primarily due to growth in China.

Revenues increased 12.8% in 2010 versus 2009 primarily due to an increase in base revenues and revenues from acquisitions. Acquisition revenue was primarily the result of the purchase of four Latin American adhesive businesses in 2009 and a Latin American polymers business in the third quarter of 2010. Total base revenues for the polymers businesses and fluids businesses increased 5.2% and 7.9%, respectively, due to recovery in most of the industrial based end markets served by the worldwide polymers and fluids businesses. Growth in the emerging markets of Brazil and China was particularly strong during 2010.

Operating Income

Operating income increased 10.7% in 2011 versus 2010 primarily due to the increase in base revenues, income from acquisitions, and the favorable effect of currency translation, partially offset by higher operating costs and restructuring expenses. Base margins declined 20 basis points versus last year primarily due to the negative impact of selling price versus material cost comparisons and a loss on an international polymers contract, partially offset by the positive leverage effect of the increase in base revenues.

Operating income increased 25.7% in 2010 versus 2009 primarily due to the increase in base revenues described above, lower restructuring expenses and higher income from acquisitions. Base margins increased 130 basis points versus the prior year, primarily due to the positive leverage effect of the increase in base revenues. Lower restructuring expenses in 2010 versus 2009 increased total operating margins by 80 basis points.

DECORATIVE SURFACES

Businesses in this segment produce decorative surfacing materials for furniture, office and retail space, countertops and other applications.

In the Decorative Surfaces segment, products include:

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

- high-pressure laminate worktops.

In 2011, this segment primarily served the commercial construction (55%), renovation construction (30%) and residential construction (14%) markets.

The results of operations for the Decorative Surfaces segment for 2011, 2010 and 2009 were as follows:

Dollars In Thousands	2011	2010	2009
Operating revenues	$ 1,083,157	$ 987,692	$ 971,900
Operating income	132,394	117,333	113,227
Margin %	12.2%	11.9%	11.7%

In 2011 and 2010, the changes in revenues, operating income and operating margins over the prior year were primarily due to the following factors:

	2011 Compared to 2010			2010 Compared to 2009		
	% Increase (Decrease)		% Point Increase (Decrease)	% Increase (Decrease)		% Point Increase (Decrease)
	Operating Revenues	Operating Income	Operating Margins	Operating Revenues	Operating Income	Operating Margins
Base business:						
Revenue change/Operating leverage	7.2%	24.7%	1.9%	2.4%	8.7%	0.7%
Changes in variable margins and overhead costs		(18.3)	(2.0)		(8.8)	(1.0)
	7.2	6.4	(0.1)	2.4	(0.1)	(0.3)
Acquisitions and divestitures						
Restructuring costs		4.6	0.5		3.2	0.4
Impairment of goodwill and intangibles						
Translation	2.4	1.9	(0.1)	(0.8)	0.6	0.2

Other	0.1	(0.1)			(0.1)	(0.1)
	9.7%	12.8%	0.3%	1.6%	3.6%	0.2%

Operating Revenues

Revenues increased 9.7% in 2011 versus 2010 primarily due to the increase in base revenues and the favorable effect of currency translation. Base revenues for the North American high-pressure laminate business increased 6.4% primarily due to new product introductions and improved product demand in the office furniture market. International base revenues increased 8.1% primarily due to growth in China and certain European end markets.

Revenues increased 1.6% in 2010 versus 2009 due to the increase in base revenues, partially offset by the unfavorable effect of currency translation. Base revenues increased 3.2% for the North American laminate business primarily due to improvement in the commercial construction sector, including office equipment. International base revenues increased 1.4% primarily due to improvements in Asian end markets, partially offset by modest declines in European end markets.

Operating Income

Operating income increased 12.8% in 2011 versus 2010 primarily due to the increase in base revenues described above, lower restructuring expenses and the favorable effect of currency translation, partially offset by higher operating costs. Base margins decreased 10 basis points versus the prior year primarily due to unfavorable selling price versus material cost comparisons and higher overhead costs, partially offset by the positive leverage of the increase in base revenues.

Operating income increased 3.6% in 2010 versus 2009 primarily due to the increase in base revenues and lower restructuring expenses, partially offset by higher operating costs. Base margins decreased 30 basis points versus the prior year primarily due to unfavorable selling price versus material cost comparisons, partially offset by the benefits of restructuring projects and the positive leverage of the increase in base revenues.

ALL OTHER

This segment includes all other operating segments.

In the All Other segment, products include:

- equipment and related software for testing and measuring of materials and structures;
- plastic reclosable packaging for consumer food storage;
- plastic consumables that multi-pack cans and bottles and related equipment;
- plastic fasteners and components for appliances, furniture and industrial uses;
- metal fasteners and components for appliances and industrial applications;
- foil, film and related equipment used to decorate consumer products;
- product coding and marking equipment and related consumables; and
- line integration, conveyor systems and line automation for the food and beverage industries.

In 2011, this segment primarily served the general industrial (22%), food and beverage (21%), consumer durables (15%), food retail/service (6%) and automotive original equipment manufacturers (4%) markets.

The results of operations for the All Other segment for 2011, 2010 and 2009 were as follows:

Dollars In Thousands	**2011**	**2010**	**2009**
Operating revenues	$ 2,889,699	$ 2,598,475	$ 2,238,604
Operating income	531,914	430,857	309,811
Margin %	18.4%	16.6%	13.8%

In 2011 and 2010, the changes in revenues, operating income and operating margins over the prior year were primarily due to the following factors:

	2011 Compared to 2010			2010 Compared to 2009		
	% Increase (Decrease)		% Point Increase (Decrease)	% Increase (Decrease)		% Point Increase (Decrease)
	Operating Revenues	Operating Income	Operating Margins	Operating Revenues	Operating Income	Operating Margins
Base business:						
Revenue change/Operating leverage	7.0%	18.9%	1.8%	9.7%	31.9%	2.8%
Changes in variable margins and overhead costs		1.3	0.2		(4.0)	(0.5)
	7.0	20.2	2.0	9.7	27.9	2.3
Acquisitions and divestitures	2.3	0.9	(0.3)	7.0	2.8	(0.7)
Restructuring costs		0.1			8.3	1.1
Impairment of goodwill and intangibles		0.2			0.3	
Translation	1.9	2.0		(0.6)	(0.3)	0.1
Other		0.1	0.1		0.1	
	11.2%	23.5%	1.8%	16.1%	39.1%	2.8%

Operating Revenues

Revenues increased 11.2% in 2011 versus 2010 due to an increase in base business revenues, revenues from acquisitions and the favorable effect of currency translation. Acquisition revenue was primarily due to the purchase of a test and measurement business in the fourth quarter of 2010, a heat transfer business in the second quarter of 2011, and a plastics and security business in the second quarter of 2010. Base business revenues for the test and measurement businesses increased 15.7% due to increased equipment orders both internationally and in North America. Growing worldwide product regulatory standards contributed to growth in these businesses. Base revenues for the consumer packaging business increased 4.8% in 2011 versus 2010 due to growth in the beverage packaging solutions, decorating equipment and marking and labels businesses. Base revenues for the industrial fasteners and appliance businesses declined 0.7% due to prolonged construction-associated weakness in the appliance end market, partially offset by increased demand in the industrial fasteners end market.

Revenues increased 16.1% in 2010 versus 2009 primarily due to an increase in base business revenues and revenues from acquisitions. The acquisition revenue was primarily due to the purchase of a consumer packaging business in the fourth quarter of 2009. Base business revenues increased 9.5% for the test and measurement businesses due to increased demand for capital equipment, particularly in the Asia-Pacific region. Base revenues increased 8.2% in 2010 versus 2009 for the consumer packaging business due to improvement in decorating end markets. Base revenues for the industrial fasteners and appliance businesses improved 15.2% due to increased demand for domestic appliances.

Operating Income

Operating income increased 23.5% in 2011 versus 2010 primarily due to the growth in base revenues. Base margins increased 200 basis points primarily due to the positive leverage effect from the increase in base revenues and benefits from past restructuring projects. In addition, acquisitions and divestitures diluted total operating margins by 30 basis points in 2011.

Operating income increased 39.1% in 2010 versus 2009 primarily due to the growth in base revenues and lower restructuring expenses. Base margins increased 230 basis points primarily due to the positive leverage effect from the increase in base revenues and benefits from past restructuring projects, partially offset by unfavorable selling price versus material cost comparisons. In addition, lower restructuring expenses increased total operating margins by 110 basis points. Acquisitions and divestitures diluted total operating margins by 70 basis points in 2010.

AMORTIZATION OF INTANGIBLE ASSETS

Amortization expense increased to $255.3 million in 2011 and $207.4 million in 2010, versus $197.5 million in 2009, due to intangible asset amortization for newly acquired businesses.

IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

In 2011, the Company performed its annual goodwill and indefinite lived intangible asset impairment assessment which resulted in no goodwill or other intangible asset impairment charges. Total goodwill and other intangible asset impairment charges by segment for the years ended December 31, 2010 and 2009 were as follows:

In Thousands	2010	2009
Transportation	$	$ 12,347
Power Systems & Electronics		85,043
Industrial Packaging		386
Food Equipment		53
Polymers & Fluids		4,122
All Other	1,006	3,617
	$ 1,006	$ 105,568

The 2009 charges were primarily due to goodwill impairment charges related to the pressure sensitive adhesives reporting unit of $60.0 million, the PC board fabrication reporting unit of $18.0 million and the truck remanufacturing and related parts and service reporting unit of $12.0 million. See the Goodwill and Intangible Assets note in Item 8. Financial Statements and Supplementary Data for further details of the impairment charges.

INTEREST EXPENSE

Interest expense increased to $192.1 million in 2011 which includes interest expense on the 3.375% and 4.875% notes issued in late August 2011, versus $175.2 million in 2010. Interest expense increased to $175.2 million in 2010 versus $164.6 million in 2009 primarily due to interest on the 6.25% and 5.15% notes which were issued in March 2009, partially offset by lower interest related to the 5.75% notes, which were repaid at maturity in March 2009, and lower commercial paper borrowings. The weighted-average interest rate on commercial paper was 0.1% in 2011, 0.2% in 2010 and 0.3% in 2009.

OTHER INCOME (EXPENSE)

Other income (expense) was income of $53.8 million in 2011 versus $10.0 million in 2010. This increase was primarily due to higher interest income of $40.3 million (versus $24.1 million in 2010), lower losses on foreign currency transactions of $4.3 million (versus $16.7 million in 2010) and gains on disposal of operating affiliates of $1.8 million (versus losses of $8.0 million in 2010).

Other income (expense) was income of $10.0 million in 2010 versus expense of $4.5 million in 2009. This increase was primarily due to higher income from investments of $20.8 million (versus $4.9 million in 2009).

INCOME TAXES

The effective tax rate was 22.2% in 2011, 30.5% in 2010, and 20.2% in 2009. The effective tax rate for 2011 was favorably impacted by the discrete non-cash tax benefit of $165.9 million in the first quarter of 2011 related to the decision in the Company s favor by the Federal Court of Australia, Victoria with respect to a significant portion of the income tax deductions that had been challenged by the Australian Tax Office. The effective tax rate for 2010 was unfavorably impacted by the discrete tax charge of $21.9 million in the first quarter of 2010 related to the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act. The effective tax rate for 2009 was favorably impacted by discrete tax adjustments in the fourth quarter of $85.5 million related to a global legal structure reorganization and $77.5 million related to a favorable settlement reached with the German tax authorities. In the above mentioned reorganization, the Company reorganized its ownership structure in certain U.S. and foreign subsidiaries in the fourth quarter of 2009 and made an election regarding the U.S. tax treatment of a foreign subsidiary. The Company recorded a reduction in tax expense primarily for the effect of the resulting foreign tax credits. Also during the fourth quarter of 2009, the Company finalized a settlement with the German tax authorities primarily regarding the treatment of an intercompany financing transaction which resulted in the reversal of previously established tax reserves as a reduction of tax expense.

See the Income Taxes note in Item 8. Financial Statements and Supplementary Data for further details on these discrete tax adjustments and a reconciliation of the U.S. Federal statutory rate to the effective tax rate.

INCOME FROM CONTINUING OPERATIONS

Income from continuing operations in 2011 of $2.0 billion ($4.08 per diluted share) was 38.9% higher than 2010 income of $1.5 billion ($2.89 per diluted share). Income from continuing operations in 2010 was 49.9% higher than 2009 income of $968.6 million ($1.93 per diluted share).

FOREIGN CURRENCY

The weakening of the U.S. Dollar against for