

## — PARTICIPANTS

### Corporate Participants

---

**Janet Pfeffer** – VP-Business Development & Investor Relations  
**Michael W. Lamach** – Chairman, President & Chief Executive Officer  
**Steven R. Shawley** – Chief Financial Officer & Senior Vice President

### Other Participants

---

**Steve Tusa** – Analyst, JPMorgan Securities LLC  
**Nigel Coe** – Analyst, Morgan Stanley & Co. LLC  
**Andrew Obin** – Analyst, Bank of America Merrill Lynch  
**Terry Darling** – Analyst, Goldman Sachs & Co.  
**Brett Logan Linzey** – Analyst, KeyBanc Capital Markets  
**Shannon O’Callaghan** – Analyst, Nomura Securities International, Inc.  
**Julian C. Mitchell** – Analyst, Credit Suisse (United States)  
**Steven Eric Winoker** – Analyst, Sanford C. Bernstein & Co. LLC

## — MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the Ingersoll-Rand Fourth Quarter 2011 Earnings Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will be given at that time. [Operator Instructions] As a reminder, this conference is being recorded. I would now like to introduce our host for today, Ms. Janet Pfeffer, Vice President of Business Development and Investor Relations. Ma’am, please go ahead.

### Janet Pfeffer, VP-Business Development & Investor Relations

---

Thank you, Karen. Good morning, everyone. Welcome to Ingersoll-Rand’s Fourth Quarter 2011 Conference Call. We released earnings at 7 AM this morning, and the release is posted on our website. We will be broadcasting, in addition to the phone call, through our website at [ingersollrand.com](http://ingersollrand.com), where you will find the slide presentation that we will be using this morning. This call will be recorded and archived on our website and will be available tomorrow morning.

If you would please go to Slide 2. Statements made in today’s call that are not historical facts are considered forward-looking and are made pursuant to the Safe Harbor provisions of Federal Securities Law. Please see our SEC filings for a description of some of the factors that may cause actual results to vary materially from anticipated.

Now, I’d like to introduce the participants on this morning’s call. We have Mike Lamach, Chairman, President and CEO, Steve Shawley, Senior Vice President and CFO and, Joe Fimbianti, Director of Investor Relations.

With that, please go to Slide 3, and I’ll turn it over to Mike.

**Michael W. Lamach, Chairman, President & Chief Executive Officer**

Thanks, Janet. Good morning, and thank you for joining us on today's call. Before we dive into our fourth quarter results, I'd like to take a couple of minutes to put the full year 2011 in context. Then, Steve will take you through the quarterly results and, finally, I'll discuss our guidance for 2012.

In 2011, we experienced a challenging economic backdrop in some of our key markets. We're mindful that the performance challenges we faced in the residential business hindered our ability to reach to our original earnings goal for the year. Notwithstanding significant hurdles, some from the market and some within our businesses that we've corrected, we are pleased with the progress we made this past year in several important areas.

In 2011, despite a significant decline of revenues and profits at residential and slightly lower volumes in commercial security, we achieved a revenue increase of over 8%, including double-digit revenue growth in Industrial, Thermo King and Trane commercial HVAC equipment. We also recorded significant growth overseas, helping us offset weakness in non-residential and residential construction activity in North America.

Our strategy to focus on innovation continued to deliver, with the percentage of revenue from innovation jumping from 13% in 2008 to 23% in 2011. Productivity gains combined with positive impact from our pricing strategy have led to improved operating margins, which were up 1.3 percentage points. That includes significant progress in the operating margins of our climate and industrial segments, both up over 2 percentage points. An essential component of that margin improvement is our focus on steadily improving operational excellence.

To this end, in 2011 we continued to enhance quality and reduce our manufacturing footprint, the number of suppliers, cycle times and functional costs. Productivity savings added over \$400 million to operating income despite almost no contribution from our residential business. Full-year earnings per share from continuing operations were up 19%, to \$2.82. We're also making good progress in restoring the health of the balance sheet; we generated \$944 million of available cash flow.

We are shaping our portfolio businesses for improved growth and value creation, with our action in Hussmann as an example of this. And a solid balance sheet and cash flow supported our buyback and dividend programs. We initiated share repurchases in June 2011, purchasing 36 million shares by year-end, and we increased our dividend by another 33% following a 71% raise earlier in the year.

Please go to slide 4. Excluding Hussmann, we saw 130 basis points of operating margin improvement in the year. As you can see, both climate and industrial expanded margins by over 200 basis points. We made substantial progress there, particularly in price/cost and volume conversion. Residential was a significant drag to our performance, with margins down almost 600 basis points on lower volume, poor mix and operational inefficiencies, some self-inflicted, which are now fixed.

We've executed the program we laid out in mid-2011 for residential according to plan, where we entered the market with an R-22 product in August. Get-well actions for the product launches have proceeded on schedule, and we have met cost targets. In the fourth quarter, we took 410-A inventory levels down by almost \$90 million, \$10 million more than our original target, and have opened 2012 with levels more aligned to the market. And finally, commercial security essentially held margins on flat physical volumes.

Please go to slide 5. We have steadily improved the flow of new products and services to the market. Innovations crossed all sectors and regions. About 13% of our 2008 revenues were generated from products and services introduced in the last three years. Our initial target for 2011

was 20% of revenues, which we exceeded, ending the year at 23% of revenues and our goal for 2012 was 25%. So, innovation will continue to be an important part of our strategy going forward.

Please go to slide 6. In 2011, we advanced our operational excellence initiative, which is our long-term approach to have lean transformation in the company. This is a multi-pronged effort to reduce working capital, expand margins and, ultimately, increase market share across our businesses. We continued to restructure and decrease the size of our manufacturing footprint in 2011. Since 2009, we have reduced the number of facilities 94 to 72. Direct material makes up about 40% of our cost base and we continued to make progress in our direct material cost reduction programs.

In November, we centralized the management of spend and consolidation of our vendor base to better leverage our strategic sourcing capabilities. We're also reducing costs and improving quality through value engineering activities in all of our businesses, with regionally-based teams from engineering and strategic sourcing. Since starting our lean transformation, we have seen a separation in the performance of the initial 19 value streams versus the company average. The 19 value streams in 2011 have achieved a 35% reduction, on average, in cycle time, an increase on average of 2.5 percentage points of margin and a 19 point improvement in employee engagement scores.

As we've discussed, over the next three to four years we will be systematically reducing our functional costs to move toward top-quartile metrics of approximately 3% of revenues. While the program entails many aspects, a key enabler is the implementation of common systems and processes across the enterprise, including common ERP platforms. That project is fully underway, and the first wave of the implementations will be in early 2013 and this will continue through 2015.

And now, I'll turn over it to Steve to take you through the quarter.

---

**Steven R. Shawley, Chief Financial Officer & Senior Vice President**

---

Thanks, Mike. Please go to slide number 7. Adjusted earnings per share from continuing operations for the fourth quarter was \$0.76. During the quarter, we were able to more than offset the costs associated with the acceleration of the key factory consolidation in China and the absorption impact from the greater-than-planned inventory reduction in residential HVAC through a favorable tax rate.

In the fourth quarter, we saw revenue growth of 1%, excluding the Hussmann refrigeration business that we sold during 2011. We experienced a moderation in revenues in several businesses. Most notable was a double-digit decline in residential HVAC revenues against a tough comparison, as expiring tax credits and buying in advance of announced 2011 price increases boosted volumes in the fourth quarter of 2010.

Revenues were up 1%, 2% excluding FX, with single-digit increases in climate and industrial, a single-digit decrease at security, and residential down double digits. Excluding Hussmann, orders as reported were down 2% and 1%, excluding currency. Operating margin for the quarter was 9.5%, up 100 basis points. If we exclude Hussmann from both years, margin in the fourth quarter was slightly higher at 9.6% and up 70 basis points from fourth quarter 2010. Although margins improved from pricing and productivity, they were depressed by a year-over-year decline in revenues, adverse mix and unabsorbed costs in residential HVAC.

We significantly reduced production levels in the fourth quarter in order to reduce 410-A inventory levels, which were taken down by about \$90 million during the quarter. All of our businesses continuing to realize positive pricing, and in the fourth quarter our pricing outpaced direct material inflation for the third consecutive quarter.

Please go to slide number 8. Orders for the fourth quarter of 2011 were down 2% overall and 1% excluding currency. During the quarter, we saw a moderating bookings in industrial, air and productivity and in commercial HVAC. In commercial HVAC we are up against a tough comparison, as fourth quarter 2010 equipment orders were up over 20%, partially due to customers placing orders before the effective date of announced price increases. Additionally, fourth quarter book and ship orders in the industrial segment were negatively impacted, as we accelerated the consolidation of two facilities in China. This action suppressed the industrial orders improvement by 4 to 5 percentage points during the quarter.

Transport demand was strong in North America and in container, but European truck trailer was down slightly. Global security orders in the quarter were down 5%, North American security orders were up slightly and international security orders were down low-double digits, mainly due to lumpy order patterns in Asia. Residential orders were down 18% year-over-year, impacted by a stagnant U.S. housing market and lack of consumer demand for the 410-A replacement systems. The decline was compounded by higher-than-normal volumes in the fourth quarter of 2010 from expiring tax credits and buying in advance of announced 2011 price increases.

Please go to slide number 9. Here is a look at the revenue trends by segment. We think revenues, excluding currency, shown on the bottom of the chart give a better view of our organic growth. Note that the climate and total company data for the fourth quarter and full year excludes Hussmann from the comparisons. Fourth quarter revenues were up 2%, excluding currency, fairly similar to the 3% growth we achieved in the third quarter. Industrial had strong, but slightly moderating, growth at 8%, again partially constrained by that factory move.

Climate revenues increased 5% on top of a very strong fourth quarter 2010. Residential was down 13% against a high revenue level last year, driven by the expiration of the tax credits. Commercial security revenues were down 3%. On a geographic basis, revenues were flat in the U.S. and up 2% in the international markets.

Please go to slide number 10. This chart walks the change in operating margin from fourth quarter 2010 of 8.9% to fourth quarter 2011, which was 9.6%. This data excludes Hussmann for comparison purposes. Volume, mix and foreign exchange were a 1.6 percentage point headwind to margins. This was mainly attributable to lower-margin residential HVAC mix.

Last year's fourth quarter had a higher proportion of high-efficiency units due to the \$1,500 tax credit, which expired at the end of 2010. There was also some impact from lower volumes from the high-margin security sector. Our pricing programs continued to outpace material inflation, adding 180 basis points to margin. Productivity offset by other inflation added another percentage point. And year over year investments were higher, which impacted margins by 50 basis points.

Please go to slide number 11. This bridge analyzes fourth quarter adjusted EPS from continuing operations of \$0.76 versus our October guidance, which was \$0.64 to \$0.70, with a midpoint of \$0.67. Our revenue guidance for the quarter had a midpoint of \$3.575 billion versus our actual of \$3.507 billion, a difference of \$68 million.

There was one structural change since we issued guidance. On December 30, we divested our North American security integration business. Results of that business have been moved to discontinued operations for all of 2011 and in all prior periods. Fourth quarter 2011 revenue for that business of about \$20 million with no OI was included in the guidance that is now in Disc. Ops.

The factory consolidation in China impacted about \$30 million of revenue and is part of the \$0.04 shown on the line below the volume and mix line. This leaves about \$18 million of lower sales volume across mainly residential and security, or about \$0.01 of earnings. The combination of foregone revenue and incurred costs for the China factory consolidation and the inventory takedown at residential accounted for \$0.04.

The favorable tax rate in the quarter was driven by three factors: one, a favorable geographic distribution of operating income; two, a discrete FIN 48 adjustment due to the final settlement of an open issue; and, three, a positive impact from the annual revaluation of our loss carryforward positions. This revaluation work is performed every year and also had a positive impact in the fourth quarter last year. In fact, the only real difference in the tax rate for the fourth quarter of 2011 and that of 2010 is the discrete settlement item I mentioned earlier. Share count was favorable, adding \$0.02 due to the timing of repurchases during the quarter.

Please go to slide number 12. The climate solutions segment includes TRANE commercial HVAC and Thermo King transport refrigeration. Total revenues for the fourth quarter, excluding Hussmann for comparability, of \$1.9 billion were up 4% and 5% excluding currency. Global commercial HVAC orders were down 3%, with global equipment orders down mid-single digits due to unusually high orders in the fourth quarter of last year, as customers placed orders in advance of the effective dates for announced price increases. Global commercial HVAC equipment orders were up over 20% in the fourth quarter of last year.

TRANE's global commercial HVAC fourth quarter revenues were up 1% versus a very strong fourth quarter last year, particularly in HVAC equipment. HVAC revenues in North America were down slightly. Revenues in other regions were up mid-single digits. Global commercial equipment revenues increased 1% against a tough comparison. Equipment revenues in the fourth quarter of last year were up over 15%. Global parts, services and solutions revenue was flat to prior year, with a decrease in contracting offset by an increase in parts and services.

For the global Thermo King transport business, revenues increased mid-teens. Our worldwide refrigerated truck and trailer revenues were also up mid-teens, with strength in North America and some moderation in Europe. Global APU, marine container and after-market revenues showed strong growth in the quarter. Thermo King orders were up approximately 20% in the fourth quarter, with increases in all regions. The operating margin for climate solutions was 10.2% in the quarter, a 270 basis point improvement versus fourth quarter 2010, driven by pricing, volume gains and productivity, partially offset by inflation.

Please go to slide number 13. Industrial technologies' fourth quarter revenues were \$744 million, up 8% on a reported basis and excluding FX. Air and productivity revenues increased 7% versus last year. Air and productivity orders were up 5%, with demand moderating in all regions. Revenue and orders in Asia were negatively impacted by the facility consolidation decision that I mentioned earlier, which had as much as a 4 percentage point to 5 percentage point impact on total ITS revenue and bookings for the quarter. Club Car revenues in the quarter were up 9% and orders were flat. Industrial's operating margin of 15.3% was up 2.2 percentage points compared with last year, from higher revenues, pricing and productivity partially offset by inflation.

Please go to slide number 14. In the residential business, fourth quarter revenues of \$443 million were down 13% compared with last year on both a reported basis and excluding foreign exchange. Bookings were down 18%. Our residential HVAC revenues were down 21%, as a continued sluggish housing market depressed the market for HVAC systems. Additionally, the fourth quarter of 2010 was unusually strong, revenues were up 20% due to the timing of pricing announcements and the expiration of tax credits for higher-efficiency units at the end of 2010.

Industry unit shipments in the fourth quarter were down 15% from last year. During the quarter, we significantly reduced HVAC inventory levels, taking out approximately \$90 million of inventory to better match demand going into 2012. Revenues for the residential security portion of the sector were up high-teens with increases in the new builder channel and in the big box customer volumes. Sector operating margin of negative 1.2% was down 10.6 percentage points compared with 2010. Improved pricing was more than offset by lower volume, adverse mix, the impact of significantly decreased production and inflation.

Please go to slide number 15. Revenues for security technologies were \$415 million, down 3% and also down 3% excluding currency. Americas revenues were down slightly and overseas revenues were down mid-single digits. Global bookings were down 5%, Americas was up slightly. Overseas orders were impacted by lower orders in Asia due to the timing of booking on large projects. Operating margin for the quarter was 19.1%, up 20 basis points from last year, as productivity and price realization were partially offset by volume and material inflation.

On December 30, we divested our North American security integration business. The results of that business have been moved to discontinued operations for all of 2011 and all prior periods. Full-year 2011 revenue was \$72 million and the business had an after-tax operating loss for the full year of \$1 million. This disposition resulted in an after tax loss on sale of \$5 million, also recorded in discontinued operations.

Let's go to slide 16. Let's move to the balance sheet. Our balance sheet remains in good shape and in the quarter we continued buying shares under our share repurchase program. We ended the quarter with \$1.2 billion of cash on the balance sheet and net debt of \$2.5 billion. We purchased 19 million shares in the quarter and 36 million shares during 2011. We generated \$944 million of available cash flow in 2011.

Let's go to slide 17. We finished the fourth quarter with working capital at 1.6% of revenues, which we believe is a record for the company. We achieved this through excellent performance across the board. During 2011, we decreased day sales outstanding more than 1 day and increased inventory turns by 10 basis points. Inventories decreased by over \$100 million in the fourth quarter, with the majority of that reduction coming from residential.

With that, I will turn it back to Mike to take you through the forecast.

---

**Michael W. Lamach, Chairman, President & Chief Executive Officer**

---

Okay, thanks, Steve. And with that, let's go to slide 18. Our revenue outlook for 2012 is based on varied levels of activity in our key end markets. We believe activity levels indicate moderating growth in industrial markets. We expect North American commercial HVAC equipment market still driven mainly by replacement, to grow, but at a slower pace. We continue to see solid growth in Asia and Latin America and a slight decline in Europe. We expect moderate growth in transport markets in North America, with some contraction in Europe.

We see continuation of the current conditions in residential markets, as single-family housing starts and consumer confidence remain at very low levels. We expect R-22 and low-SEER units to remain a significant portion of a flattish market in 2012. For commercial security, we expect to see a continuation of challenging conditions in the U.S. non-residential and new construction market for the next year, particularly in our key institutional markets.

Foreign exchange will be a headwind in 2012, adversely impacting revenue growth by about 2 points. Based on this strict backdrop, our revenue target for the full year 2012 is \$14 billion to \$14.4 billion, flat, up 3%, compared with 2011 revenues up \$14 billion, excluding Hussmann. Excluding FX, the organic growth rate is 2% to 5%.

Climate solutions' top-line is expected to be up 1% to 4%, excluding Hussmann. Excluding foreign exchange, they'll be up 3% to 6%. We expect industrial to show revenue gains of 2% to 4%, which include the 3 point drag from FX. Based on a continuation of the current market conditions, we expect residential solutions revenues to be flat to up 2%. Commercial security is expected to show revenues flat to 3% down versus 2011. Adjusting for foreign exchange, security's organic growth will be in the range of down 1% to up 2%.

Please go to slide 19. Let's turn now to full-year earnings. There's some moving pieces in EPS, let me take a few minutes to walk you through the mechanics and the outlook. After removing Hussmann from the 2011 base, the starting point is \$2.68 of EPS. Assuming organic growth, excluding currency of 2% to 5% with continued good but somewhat moderating pricing along with productivity savings by netting out inflation, operations will contribute \$0.60 to \$0.80 of higher earnings.

At the midpoint, that's about a 60% conversion on a fairly modest revenue increase. Foreign exchange will be a drag of \$0.12. The results of our share repurchases, a lower average share count of 315 million in 2012 versus the 2011 average of 339 million shares, adds \$0.22. The estimated tax rate will be 25% in 2012, and that subtracts \$0.12 of earnings.

Incremental investments in cost reductions and restructuring along with some growth investments net to \$0.30. And we had some positive one timers in 2011 that we don't expect to recur which total \$0.06, and that brings us to a range of \$2.90 to \$3.10 per share. We expect to generate available cash flow of about \$1.1 billion.

Please go to slide 20. Our first quarter EPS will be lower than prior year, due to the timing of restructuring and cost reduction investments. Additionally, revenue will be lower than 2011 as we run up against some hard comparisons, particularly in residential. Recall the first quarter 2011 residential sales were up 10%. We have significant amount of channel restocking in HVAC following the surge in the fourth quarter 2010 from expiring tax credits.

We expect commercial HVAC volumes to start the year slightly down from very strong first quarter of 2011 and to improve on a comparable basis through the year. Transport will be slightly down the first quarter based on the opening backlog. First quarter revenues are forecasted to be \$2.975 billion to \$3.075 billion. Revenue on a comparable basis, excluding Hussmann, are forecast down 3% to up slightly versus the first quarter of 2011, that includes FX which will be a headwind of about 1 point. That means excluding foreign exchange, revenue is down 2% to up 1%.

Together pricing, volume, mix, productivity net of inflation will add \$0.03 to \$0.09 of earnings. FX negatively impacts earnings by \$0.03, and given our revenue outlook, we have launched several cost reduction programs, including further restructuring, that are front-end loaded in the year in order to have some payback in the year. And that, along with some modest growth investments, we'll have an adverse impact in the first quarter of \$0.16. Restructure costs for the remainder of the year will be about flat with 2011. Share count and other items net to about a \$0.01 positive bringing us to range of \$0.20 to \$0.26 per share.

Please go to slide 21. We clearly have higher long-term aspirations for the company as economic conditions improve. We know this will take time in some key markets. But we are intent on not waiting for a rising economic tide to raise the company. We're focused on continued change and improvement to ensure that we are managing our business optimally across the spectrum of economic conditions. Our focus for the next year ahead is on positioning Ingersoll-Rand to continue growing revenues, earnings and cash flow overall by employing tailored strategies across diverse markets.

As we look at both 2012 and beyond, we feel good about our company, including our portfolio of outstanding market-leading brands, our ability to generate high levels of cash flow even in the face of a challenging backdrop, the longer-term attractiveness of the end markets in which we operate and our competitive positioning, which will allow us to benefit as those factors of the economy improve and a strong penetration and positioning in emerging markets with significant growth potential.

We realize that we can't rely solely on these fundamentals to achieve our goals, and our management team is committed to actively managing the company's businesses to generate sustainable profitable growth. Again, we're not waiting for a macroeconomic lift to improve our business, instead, we're proactively working to reduce costs and invest in our growth markets.

Steve and I along with the rest of the leadership team look forward to talking with you in more detail about our company at our Investor Meeting on March 13 and March 14 here in Davidson. And now Steve and I will be happy to take your questions.

**QUESTION AND ANSWER SECTION**

Operator: [Operator Instructions] Our first question comes from the line of Steve Tusa of JPMorgan.

**<Q – Steve Tusa – JPMorgan Securities LLC>**: Hey, good morning.

**<A – Michael Lamach – Ingersoll-Rand Plc>**: Hi, Steve.

**<A – Steven Shawley – Ingersoll-Rand Plc>**: Hi, Steve.

**<Q – Steve Tusa – JPMorgan Securities LLC>**: A question on the resi business. So you talked about, I guess, flat similar product mix, but I guess you're ramping up your R-22 product and then I guess what does that mean for margins? How do we think about resi margins, given that you had the, I guess, you called it \$50 million plus kind of unusual headwinds this year? So how do we think about the margin in resi?

**<A – Michael Lamach – Ingersoll-Rand Plc>**: Yeah, first of all, Steve, on the market, we think that the market will be relatively flat in terms of total motor bearing units. We think that we'll actually see probably a 4% increase, which is a fairly modest share gain there, in total it's about 50 basis points, really, just by being in the market for the full year. So, it would equate to something like to 40,000 to 50,000 units that weren't in the market last year will be in the market this year.

And, obviously, that puts some pressure on margins there because that growth will come at a lower incremental margin. So, we look at that business overall as growing in the year flat to 2% and margins there probably growing about 200 basis points, so getting back from the miscues in 2011 and certainly picking up the volume in the R-22 business, but at a lower incremental.

**<Q – Steve Tusa – JPMorgan Securities LLC>**: Sorry, what was the 4% number? You just mentioned – so if the market is flat and you're gaining share, are you – does that mean the security business is down that offsets that?

**<A – Michael Lamach – Ingersoll-Rand Plc>**: No, actually I'm talking about only HVAC. So we assume that the market for motor bearing units would be flat. We think that we'll actually be up about 4%, driven by the unitary business...

**<Q – Steve Tusa – JPMorgan Securities LLC>**: Right.

**<A – Michael Lamach – Ingersoll-Rand Plc>**: which is about a 50% (sic) [5%] market share gain for us. It's solely, though, as a result of actually being in the market with the product for a full year.

**<Q – Steve Tusa – JPMorgan Securities LLC>**: So, then why are resi revenues flat to up 2% if you're growing resi HVAC 4%? Does that mean the resi security business is flat or down?

**<A – Michael Lamach – Ingersoll-Rand Plc>**: No, we look at furnace, we look at air handler and we look at...

**<Q – Steve Tusa – JPMorgan Securities LLC>**: Okay, got you. And then if that business, just as a follow-up, if that business is up 200 basis points, what's the total company kind of margin improvement target that you're looking for in 2012? And then I guess that I would assume that it's not 200 basis points, and some of the other businesses are kind of more moderate margin increases?

**<A – Michael Lamach – Ingersoll-Rand Plc>**: Yeah, Steve, at the midpoint of the range ex-Hussmann it's about 50 basis points.

**<Q – Steve Tusa – JPMorgan Securities LLC>:** So, then the rest of the businesses are really showing kind of like in line with that to little bit light of the 50 basis points?

**<A – Michael Lamach – Ingersoll-Rand Plc>:** Yeah, climate, you might be looking at 30 basis points to 50 basis points, industrial, probably still little bit stronger there, 110 basis points to 130 basis points, res we talked about and security you could think about being fairly flat.

**<Q – Steve Tusa – JPMorgan Securities LLC>:** Great, thanks for the detail. Appreciate it.

Operator: Thank you. And our next question comes from the line of Nigel Coe of Morgan Stanley.

**<Q – Nigel Coe – Morgan Stanley & Co. LLC>:** Yeah, thanks. Steve took all my questions there. Could you maybe talk about where you see the major upside and downside risks in your forecasts? And it looks like your resi forecasts a pretty conservative, mostly your comps are forecasting low-to-mid single digit growth. Maybe compare and contrast your view of the market versus your competitors?

**<A – Michael Lamach – Ingersoll-Rand Plc>:** Well, I mean one thing, Nigel, I think in particular, is we're all looking at the same data, we interpret it probably less optimistically in Europe, particularly on our industrial businesses, we think which would be probably first to see that and we've seeing some softening there. So, we've got a view in Europe across the whole company as reported, which we include currency, of course, say, to be down 10% to 12% with currency. That's a bit more negative or less positive than I think you're hearing some other companies at this point of time.

The other place where it's a bit of wild card, but you look at North American HVAC equipment, and we look at a number of data points here, but one that's fairly reliable for us is the Dodge put-in-place number. And then, figuring from that the usage factors that we get from security product and HVAC product as it applies to the specific markets that are being built. So, it breaks them down by particular verticals in those businesses.

And that could imply a kind of a negative 5%, negative 7% type equipment environment for next year, which, again, is a little bit more pessimistic than what we're seeing. But, again, this has been a fairly accurate indicator for us in the past. So, to the extent that those don't materialize, that there's more equipment in place quicker, that we're on-site faster, it could have an impact the other way for us as well.

**<Q – Nigel Coe – Morgan Stanley & Co. LLC>:** Sorry, the downside 7%, will that be for the security business or the commercial HVAC equipment?

**<A – Michael Lamach – Ingersoll-Rand Plc>:** Both about the same, they kind of follow same markets with HVAC typically leading security. But it'll be the same outlook for both. Of course, different usage factors and a different market mix based on what new construction is being built. So, the institutional markets would hurt the security business more than it would hurt the HVAC business.

**<Q – Nigel Coe – Morgan Stanley & Co. LLC>:** So, we're swinging from a high-single digit growth in equipment to potentially a down 5% in the U.S. What's changing from year-to-year?

**<A – Michael Lamach – Ingersoll-Rand Plc>:** Well, I mean, one thing, if you look at fourth quarter last year and the first quarter of this year, I mean, if you go back to the fourth quarter of last year as an example, we saw unitary bookings in fourth quarter up almost 40% and we saw applied bookings in the quarter up something like 28%. The unitary, not all that shipped in the quarter, but obviously some of it did, but the applied all shipped in the first quarter of last year. So, you see a weaker first quarter against really tough comps.

So, we were way about sort of the market in the first quarter of last year for revenue and way above the market in 2010 fourth quarter for bookings. So, we're lapping some very difficult comps there. But if you look again at sort of the just the proposal pipeline, you look at the orders in hand and look at the McGraw-Hill put-in-place and how that would relate to book and turn in the year and we get to a slightly recovering market in the year, so that for the full year equipment globally, we'll be fairly flat. We would see, I think, good growth again in contracting parts and service, probably up in the 8% range, and that will give us for the climate solutions business something closer to the full year 1% to 4% range that we're forecasting.

**<Q – Nigel Coe – Morgan Stanley & Co. LLC>:** Okay, that's really helpful. And then so you said down 10% for Europe. I'm assuming that's mid-singles ex-currency. What are you baking in for China and the emerging markets in 2012?

**<A – Michael Lamach – Ingersoll-Rand Plc>:** Yeah, good growth, Nigel, but slower, slower growth kind of across the board. It will still be good growth for us. If you look at Asia for the company, we'll probably still see mid-teens for the year, I think a slower first quarter, but mid-teens for the year. Latin America still is exciting for us again, slower start to the year, but a mid-teens rate in Latin America.

**<Q – Nigel Coe – Morgan Stanley & Co. LLC>:** Thanks, Mike.

Operator: Thank you. And our next question comes from the line of Andrew Obin of Bank of America.

**<Q – Andrew Obin – Bank of America Merrill Lynch>:** Yes, good morning, guys. Just a question on profitability drivers in climate solution, which saw a very nice pickup in profitability. I assume that a lot of it is Thermo King, which is pretty profitable. But could you just get us a sense of what are the TRANE cost savings versus Thermo King volume, if you could give us a sense for that? Thank you.

**<A – Michael Lamach – Ingersoll-Rand Plc>:** Well, volume overall in the quarter didn't have a huge impact for us in terms of the profitability there. So we had lower inflation, we had very good productivity across the board there. We still invested in the business. We've got some new product launches that we're putting out in the quarter. So really it's leveraging again some of the work that's been done over the past year or two around the cost base, around the manufacturing footprint.

I would also tell you that we're seeing a nice separation in the value streams that we've been working on from the Lean portfolio, we're seeing 2.5 points of margin differential versus the average across the company in the quarter. So, just to give you a sense there, I think it's really gaining traction in our climate businesses. Steve, I don't know if you want to add anything on your point of view.

**<A – Steven Shawley – Ingersoll-Rand Plc>:** The other thing that happened I think in the quarter, Andy, was our TRANE commercial services business leveraged a bit better and it was an area where we were investing a lot of money in last year. We intentionally invested new money in our TRANE commercial contracting service and parts business, so for most of the year there was actually a flat to maybe even a possibly negative leverage there and that improved in Q4. And, quite frankly, we are looking forward to that piece of the business continuing to improve leverage and volume into 2012.

**<Q – Andrew Obin – Bank of America Merrill Lynch>:** All right, terrific. And just a question on pricing. If you look at the progression of pricing throughout the year, we exited the year at a very nice run rate. But if I look at your guidance for 2012, we only have 1 percentage point of pricing. And looking at the numbers it seems that, at least for the first three quarters, the comps should be

fairly easy. So, I'm just wondering what are we – how should I be thinking about pricing progression throughout 2012? Thank you.

**<A – Michael Lamach – Ingersoll-Rand Plc>**: Yeah, so, Andrew, for the first quarter, we think we have about 170 basis points of price. We think it will moderate through the year and we'll probably end the year down a little over 1 point, 1.1 point, as you said. We'll see lower inflation – at this point lower inflation throughout the year as well. So, we'll maintain a positive spread. Spread in the first quarter versus material costs is probably about 90 basis points and then over the course of the year it moderates to 70 basis points or 80 basis points over the course of the year.

**<Q – Andrew Obin – Bank of America Merrill Lynch>**: Right, but how does it average out to 1%? Or is it – or is 1% just an approximation, it could be a little bit better than that?

**<A – Michael Lamach – Ingersoll-Rand Plc>**: Well, it's you're lapping again pretty aggressive price increases, so it's getting tougher as you get towards back of the year, right? I mean, fourth quarter pricing was pretty strong for us, so fourth quarter pricing was on margin of about 2.7 points of price to margin, so that was fairly strong for us. I think as we get into the back half of next year, it's going to be a little bit tougher.

**<Q – Andrew Obin – Bank of America Merrill Lynch>**: Terrific, thank you very much.

Operator: Thank you. And our next question comes from the line of Terry Darling of Goldman Sachs.

**<Q – Terry Darling – Goldman Sachs & Co.>**: Actually, Mike, I'm wondering if you could expand a little bit on the view on industrial segment margin expansion in 2012? 110 basis points, 130 basis points on 2% to 4% organic looks very strong there. Wondering if you could talk about maybe the pieces there as well, Club Car versus the other part, the compressor business?

**<A – Michael Lamach – Ingersoll-Rand Plc>**: Yeah, I would say that, for the most part, we're talking about those gains coming really in the industrial business, Club Car will leverage the great growth of the industrial businesses. And, again, it's really going back over a two or three year period where it's been a constant drumbeat around new product introduction and launching better product, better cost position, higher quality, less warranty, aggressive on the consolidation including the move in China, the early restructuring really paying off.

So, what you saw here is that the 2009, 2010 and 2011 restructuring done there leveraging against those volumes. So, any volume that I think we get there is going to leverage at a fairly substantial rate. They've done a nice job around their footprint over those years.

**<Q – Terry Darling – Goldman Sachs & Co.>**: So, it sounds like more company-specific restructuring cost out -

**<A – Michael Lamach – Ingersoll-Rand Plc>**: Yeah, I mean, I don't know if you were at the Mocksville facility, but that's a great example for us. They've actually gained in that product line 3 points of share, and this is the CAGI reported number, so this isn't our view, this is market view. 3 points of share there, and the first thing we saw was really good working capital management, then we saw that was sustained, we saw margin improvement, that's been sustained. And it's really turned now into much shorter cycle times and that's all related to higher share there of 3 points. And so they're doing a great job and I think it'll continue through 2012.

**<Q – Terry Darling – Goldman Sachs & Co.>**: That's great to see. And continued sluggish golf market, do we interpret that as kind of flattish?

**<A – Michael Lamach – Ingersoll-Rand Plc>:** Yeah, flat maybe up slightly, up a couple of points. They're working at their version of restructuring. They've been working through some warranty issues on some battery problems that we've had over the last couple of years with that business. I think that will get better. So, we'll see good leverage there as those warranty issues disappear and they continue – they're own lean implementation down in Augusta, so that's going well, too.

**<Q – Terry Darling – Goldman Sachs & Co.>:** And then maybe a little more color, Mike, on the pieces within Thermo King. I think I heard you indicate you're expecting transport Europe down for the year. How much down and the how much up on the U.S. truck side maybe would be helpful?

**<A – Michael Lamach – Ingersoll-Rand Plc>:** I'll let Steve get you a little bit of detail here, but if you net it all out, it will be flat to up real low-single digits for the year. So, the increase in North America offset by almost an equivalent size business in Europe down the same level. So kind of a – sort of a higher-single digit North America, a lower negative single-digit in Europe, offsetting to just about a flat to low-single digit market.

**<Q – Terry Darling – Goldman Sachs & Co.>:** And then just lastly, I wonder if you could just clarify on share count. I think 19 million buyback off of the 312 million would get you to 293 million on the ordinary and then the differential between ordinary and diluted looks like 13 million, which would take you 306 million versus 315 million. What am I missing there in the other pieces?

**<A – Steven Shawley – Ingersoll-Rand Plc>:** Yeah, we count the ordinary at about 299 million, Terry. So you add back the dilutions, so it's more like 312 million for the diluted count at this point. End-of-year diluted count.

**<Q – Terry Darling – Goldman Sachs & Co.>:** Okay. And then some additional share issuance to get you to 315 million, is that the assumption?

**<A – Steven Shawley – Ingersoll-Rand Plc>:** Yeah, what we'll likely go on here is we'll pick up a few shares because the share price has popped up a little bit, remember the converts, so we'll pick up a few shares there on the dilute count. And also it seems like our share, our options kind of come above water, at about mid \$30s, \$36 a share. It's just kind of an average number in back of my head, so we will pick up a few diluted shares because of the share price.

**<Q – Terry Darling – Goldman Sachs & Co.>:** And there is no incremental buyback assumed in the 315 million then, right?

**<A – Steven Shawley – Ingersoll-Rand Plc>:** No.

**<Q – Terry Darling – Goldman Sachs & Co.>:** Okay, thanks very much.

**<A – Steven Shawley – Ingersoll-Rand Plc>:** I'll take that back, we do have the possibility of buying back some shares in the second half to control that dilution, okay. So, we're not expecting a big number coming out of any share compensation programs this year. It would be mainly driven by options coming into the money. And so in the second half we do – I wouldn't be surprised if we do spend some money buying back a few shares, not a lot, to control the dilution.

**<A – Michael Lamach – Ingersoll-Rand Plc>:** Terry, we would earmark \$300 million to \$400 million for buyback in the back half of 2012, just due to the seasonality of the business. But if you think about that as a September kind of midpoint, it's got very little effect on the average share count for the year.

**<Q – Terry Darling – Goldman Sachs & Co.>:** So you do have \$300 million or \$400 million of buyback in the 315 million assumption, just to be clear?

**<A – Steven Shawley – Ingersoll-Rand Plc>:** The commitment we're making is that we said relative to our capital allocation strategies that we are committed to controlling that dilution and we will do what it takes to maintain the 315 million.

**<Q – Terry Darling – Goldman Sachs & Co.>:** Okay, thanks. I'll pass it on.

Operator: Thank you. And our next question comes from the line of Jeff Hammond of KeyBanc Capital Markets.

**<Q – Brett Linzey – KeyBanc Capital Markets>:** Hi, good morning, guys. This is Brett Linzey stepping in for Jeff. Mick, question, order rates don't suggest there's an acceleration in U.S. non-res. It feels like a lot of your peers are pointing to this as an area of optimism. Any signs of improvement in terms of coding, bidding activity to support a recovery here?

**<A – Michael Lamach – Ingersoll-Rand Plc>:** To make sure I understand your question, we're not optimistic around the first quarter, it's a very tough comp for us, anyway, we were up 10% in the first quarter of last year, and this year we see that obviously being impacted heavily in the first quarter. We'll probably be down 6% to 9% in the first quarter in the res business. So, maybe take it from there as to your question.

**<Q – Brett Linzey – KeyBanc Capital Markets>:** Okay, great. And then, just in terms of residential solutions, I know you guys had a significant inventory reduction in 4Q. I mean, how would you characterize inventory levels at the company level now and then as you look and speak with distributors as we kind of start the year here?

**<A – Michael Lamach – Ingersoll-Rand Plc>:** Well, first of all I'm going to tell you getting \$80 million of the wrong product out of the channel and then exceeding that by \$10 million, the \$90 million was a great achievement in the res business. And so I think that in terms of indication of that team executing, first of all I'll tell you that's a heck of an execution on the commercial team getting that out of the channel itself. And then, obviously, I said in the earlier part of call, that they're right on track with their cost reductions and all the get-well actions that were in place so that we're in a good starting position kind of coming into the year there.

We look a lot less now at weeks of inventory. In fact, our game and the game we want to play with our independent distribution is to be able to stock less and build to a shorter, shorter, shorter replenishment cycle. And so we're looking at what was a 20-day to 30-day replenishment cycle from order to arrival at the distributor to be something in the 12-day to 20-day range this year. So, we're taking it down by design across the channel and taking our cycle times down. So, I look at it really as just sort of sentiment coming from the channel, I look at it from sort of the order rates coming in, but not at the inventory so weeks of inventory are less meaningful to us going forward.

**<Q – Brett Linzey – KeyBanc Capital Markets>:** Okay, great. Thanks, guys.

**<A – Michael Lamach – Ingersoll-Rand Plc>:** Thank you.

Operator: Thank you. And our next question comes from line of Shannon O'Callaghan of Nomura.

**<Q – Shannon O'Callaghan – Nomura Securities International, Inc.>:** Good morning, guys.

**<A – Michael Lamach – Ingersoll-Rand Plc>:** Hi, Shannon.

**<A – Steven Shawley – Ingersoll-Rand Plc>:** Hi, Shannon.

**<Q – Shannon O’Callaghan – Nomura Securities International, Inc.>**: Hi. So, on the commercial equipment business, I mean, were there any price increases there in this fourth quarter or first quarter? And when do they get implemented?

**<A – Michael Lamach – Ingersoll-Rand Plc>**: Well, if you go back to when they were put in place last year, it was a combination. You had price increases on some of the more catalogued equipment, but you didn’t see that this year going in. But what you do is a lot more systems and tools and sophistication being put into the policies and the implementation of the pricing policies across the various channels and the various segments. So, it’s not sort of that one-time – sort of across-the-board price increase that we would have seen in 2011. Much more targeted, systematic approach, and that’s the capability that we’ve been building over the last 18 months.

**<Q – Shannon O’Callaghan – Nomura Securities International, Inc.>**: Okay, so it was the catalogue dynamic that would drive more of the pull-forward, whereas the stuff you’re doing now doesn’t really create that dynamic, right?

**<A – Michael Lamach – Ingersoll-Rand Plc>**: Yeah, I mean if you recall last year, we were sitting here actually fourth quarter 2010. We were surprised, and we had a 40% increase in our unitary order rate. And we were thinking 20%, 25% of the pull-forward. So a lot of pull-forward came through that price increase last year – over a year ago.

**<Q – Shannon O’Callaghan – Nomura Securities International, Inc.>**: Okay, and then just maybe on the \$50 million of restructuring cost reductions, can you give us a little more feel in terms of within the segments or geographies how that breaks out and what you’re targeting?

**<A – Michael Lamach – Ingersoll-Rand Plc>**: Yeah, I mean, first of all, you’d expect a lot of that to be in the climate business, it’s the largest business, and so of the \$50 million plus, it’s roughly \$30 million. And here you’ve got the consolidation of two plants, so there will be two fewer plants at the end of the first quarter than there were starting, so that’s one piece of it. But they’ve also gone and really began to attack the front end of the business and to get, I would say, more synergy in the whole product management, program management areas of the company. So, that’s a significant piece for them.

The other factor is our doing a lot – you’ll see that industrial will finish the consolidation in China, they’ve also taken some action on the front end of their business, as well as security taking a smaller action on the front end of their business as well, just sort of right-sizing it and even changing some of the go-to-market dynamics about how we’re looking to go-to-market in those businesses.

And then finally, what we’re seeing is a investment into the information technology systems and so one of the largest single investments here is in the ERP conversion. We’ve got 122 full-time people dedicated today in this transition, that’s compared to last year at this time, and by the end of the year we’ll be close to 240. And that’ll continue to 2015 as we deploy common ERP systems across the company.

We’ve also continued to invest centrally in supply chain and in OpEx. And so, bringing in a lot of lean expertise and really a lot of talent into the sourcing organization to get to the next level there in terms of capability. And so that’s the other investments we’re making. The investments we’re making in terms of restructuring and the cost reduction investments are actually slightly accretive for the year.

So, we’ll put \$0.16, \$0.17 into it in the first quarter and we’ll get, say, \$0.20 out of it by the end of the year. And that answers a little bit of a hockey stick question about how do you get from first quarter here of about 8% of the your full-year earnings to the \$3. You pull out restructuring of about 12%, and that’s exactly what we did in 2011, but if you compare it to 2010, we were about 3%. And

in that year we were much more aggressive around restructuring. And I would equate our approach to 2012 to much more akin to 2010 in taking aggressive actions in the front of the year to kind of counter-balance some flattish markets.

**<Q – Shannon O’Callaghan – Nomura Securities International, Inc.>**: Okay, got it. That helps, thanks.

**<A – Michael Lamach – Ingersoll-Rand Plc>**: Sure.

Operator: Thank you. And our next question comes from the line of Julian Mitchell of Credit Suisse.

**<Q – Julian Mitchell – Credit Suisse (United States)>**: Thanks a lot. Yeah, I guess my first question was I mean last year it was fairly sort of controversial when you guys had this contingency number in your bridge and there was a lot of talking around that. I mean is it fair to say that your guidance for 2012 has some contingency build into it, it’s just for understandable reasons you don’t want to put in print in an EPS bridge?

**<A – Michael Lamach – Ingersoll-Rand Plc>**: Well, we base the guidance on what we’re seeing in the markets for top line and more realistic pricing expectations. You can see from the guidance, we’re pretty bearish on Europe, believe we’re going to see a mild recession there. And we’ve really there and across the company began to execute the scenario plans that are associated with that outlook. You remember, Julian, we talked a lot about building scenario plans across the businesses and the company at multiple levels and so we’re working that.

The euro at 1.30 versus the average in 2011 of 1.40 has an impact for us. So, I’d say the guidance reflects a level of operational performance that we have a line of sight to achieving based on the current capabilities of the organization and the action plans that we believe are actually solid for the year. Now, you’d expect, too, there are internal plans that are going to be set higher than that and that are in the guidance range we gave you. But we feel that the current range is appropriate for what we’re seeing today and appropriate for what the current execution capability is inside the company.

**<Q – Julian Mitchell – Credit Suisse (United States)>**: Okay, thanks. And then just to revisit the point on the balance sheet, I mean, there is this \$1.1 billion of available cash generation and so on. So, can you confirm that there’s no appetite or whatever to go for more M&A? Because obviously after dividends and the \$300 million or \$400 million you mentioned in the second half that still implies several hundred million of available cash after all that.

**<A – Michael Lamach – Ingersoll-Rand Plc>**: Yeah, let me give my thoughts on cap allocation for 2012. So you just said, we’ve got \$1.1 billion that we’re planning for the year. We ended the year with \$1.2 billion of cash on the balance sheet. So, we’re in good shape there. The convertible bonds that mature in April are going to use about \$350 million. When we raise the dividend by 33% with the March payout, it’ll use in total then about \$200 million. So, we earmarked about \$300 million to \$400 million for buyback, which would be in the back half of 2012.

That’s going to leave around \$300 million to \$400 million available for deployment and, as you know, we’ve historically have used cash in the first half. So, when we get to the second half, we’ll see what share price is and we’ll make the call. And if there are smaller acquisitions that are attractive and actionable at a reasonable valuation, we’re going to pursue them. Again, this is going to depend on where the share price is. We would like to build on to some of the core businesses, particularly overseas.

But the valuation and profit of the targets will have to be consistent with our goals and with our commitments and, obviously, even if all the excess cash went to M&A, we’re not talking about anything large in the context of a \$14 billion enterprise. And if we decide that the best path is to put

the money back into further repurchase, then we'll do that as well. But we'll make that call on the last \$300 million, \$400 million based on the dynamics, which are always moving. We'll make that call in the back half of the year.

**<Q – Julian Mitchell – Credit Suisse (United States)>**: Thanks a lot. And then just one quick follow-up. It seems like this year in the HVAC industry generally in the U.S., there'll be an abnormally sort of compressed supply chain effort to get stuff ready for the summer selling season. Obviously, inventories are very lean, distributors and not in a rush to start ordering yet. So, on the assumption that you have a very soft Q1 and then a sort of abnormal spike into Q2 to get everything ready for the summer, how do you guys feel about the ability of your kind of manufacturing plants and supply chain to cope with that? Because, obviously, when we've had demand spikes before in late 2010 there was some issues around managing that.

**<A – Michael Lamach – Ingersoll-Rand Plc>**: I mean, our suppliers are all in the same position looking at the same sequentials and they're kind of trying to look at how do they respond to the same potential in the marketplace. So, we put for the major suppliers a lot of protection programs in place to be able to protect for increases. Julian, of course, it all depends on how much the magnitude of an increase would be, but I don't see, sort of according to the plan we've got here on the outlook that we're seeing through the new few months, that that's going to be a significant risk for us at all.

**<Q – Julian Mitchell – Credit Suisse (United States)>**: Thanks a lot.

Operator: Thank you. And we have time for one more question today. Our next question comes from the line of Steven Winoker of Sanford Bernstein.

**<Q – Steve Winoker – Sanford C. Bernstein & Co. LLC>**: Thanks for fitting me in.

**<A – Michael Lamach – Ingersoll-Rand Plc>**: Hey, Steve.

**<Q – Steve Winoker – Sanford C. Bernstein & Co. LLC>**: Good morning. So just you mentioned price inflation, you talked about 2.7 in price and 0.9 material inflation on the quarter. Just that 1% on productivity and other inflation, how are you, how much was the other inflation and how much was the productivity? Just the same breakout you gave on price?

**<A – Michael Lamach – Ingersoll-Rand Plc>**: It's actually embedded in the fourth quarter, if that's what you're asking. So, productivity equaled inflation.

**<Q – Steve Winoker – Sanford C. Bernstein & Co. LLC>**: But it showed 100 basis point positive.

**<A – Michael Lamach – Ingersoll-Rand Plc>**: Productivity, okay, I'm adding back material inflation into of that. So, I'm saying total productivity and total inflation about netted.

**<Q – Steve Winoker – Sanford C. Bernstein & Co. LLC>**: But, not including price. So, productivity equaled total inflation.

**<A – Michael Lamach – Ingersoll-Rand Plc>**: Right.

**<Q – Steve Winoker – Sanford C. Bernstein & Co. LLC>**: Okay, all right. And that kind of run rate when you sort of think about that going forward to get your 50 basis points mid-point margin expansion next year, are you thinking about in acceleration there in the productivity? Particularly as you ramp through the year, given the additional restructuring? And how might we dimensionalize it?

**<A – Michael Lamach – Ingersoll-Rand Plc>**: Yeah, I mean absolutely. The restructuring and the cost reduction investments being made now in the first quarter are all about that, Steve. So we

would expect to ramp it up in Q3 and Q4, we would expect to have the benefit of that. Q2 we're still going to be – if you look at how we're spending that investment restructuring for the year, it's all Q1 and Q2, and the Q2 starts will be fairly early in Q2, so we would expect back half of the year.

**<Q – Steve Winoker – Sanford C. Bernstein & Co. LLC>:** And the 19 value streams, are those – are you expanding those early in the year or just sticking to those or?

**<A – Michael Lamach – Ingersoll-Rand Plc>:** Yeah, no, we actually expanded on. What we decided to do, though, is take the value streams and, as an example, we've got several that would have been order to ship and we've expanded them from a proposal to cash. So we've widened the value stream. We've had great success in taking it through the entire value stream. We'll add a few to it, but we're going to stick to our mantra, which is really to go a mile deep and an inch at a time. And so, happy with the 19. I think we're at or ahead where we expected to be. I think it's a large transformational cultural change in the company and the last thing we want to do is to spread ourselves too thin.

The – and we'll talk about this in March when we're together, but the resources and the capability building that's gone on over the last couple of years that have been added to this is really outstanding. And so I'm more encouraged every day looking at the capability coming into the company and maturing in the company to be able to go an inch wider as we go. So, we'll expand some, we'll add a couple of new, but we won't go so far as to spread ourselves too thin, and that's working for us.

**<Q – Steve Winoker – Sanford C. Bernstein & Co. LLC>:** Okay, and is the ERP benefit, I know you're building cost there still, but that – when do you start to ramp in benefits into that productivity number, or are you already doing it?

**<A – Michael Lamach – Ingersoll-Rand Plc>:** Yeah, later in 2013. Another thing that happened – another investment we're making is we outsourced a lot of the infrastructure for IT and so we're in the middle of transitioning about 350 people to a third-party to be able to do that for us. And so, we're actually transitioning in quarter one, actually quarter four, quarter one, quarter two with duplication of resources there to handle that transition.

That kicks in fully in 2013, as well as the initial phase of the ERP. But that's going to be a slow fuse all the way through 2016 in terms of when you really get the benefit. We don't come to North America until 2015 with that ERP transformation. So, we're doing Europe, then Asia and then North America. So, it will ramp up over time.

**<Q – Steve Winoker – Sanford C. Bernstein & Co. LLC>:** Okay, and then just a follow-up to your prior answers on a couple of questions. The risk on the supply chain, we just heard yesterday Emerson say pretty strongly that they have issues – potential issues in downsizing relative to the rest of their customer base. So, I guess I would just note that you feel protected even on that front with those guys?

**<A – Michael Lamach – Ingersoll-Rand Plc>:** Well, we have a number of sources, Steve, in terms of what we're buying. Okay, so yeah, we're looking and if you think about sort of what's growing for us, it's really, on the res side, 13 SEER, it's a quarter of the market, right. And what we're buying there, really isn't necessarily going to be an Emerson compressor. It could be, it doesn't have to be. We're fairly agnostic around that and we've designed to be agnostic around some of this. So, we'll look to protect.

We'll work with great suppliers, like Emerson, to be able to handle our demand and, to Julian's question, it's always a matter of degree. So, I think we're planning in some degree a sequential recovery here. We're not planning for a barn burner. And if we see that coming, we'll look to pressure test that supply chain.

<Q – Steve Winoker – Sanford C. Bernstein & Co. LLC>: Okay, great. And I'll just follow up with the rest of the questions offline. Thank you.

<A – Michael Lamach – Ingersoll-Rand Plc>: Thank you, Steve.

---

**Janet Pfeffer, VP-Business Development & Investor Relations**

---

Thank you, everyone. And Joe and I will be available to have any – answer any follow-ups for the rest of the day. Thank you.

Operator: Ladies and gentleman, thank you for your participation in today's conference. This does conclude the program and you may now disconnect. Everyone, have a good day.

**Disclaimer**

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

*The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2012. CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.*