# Ingersoll Rand

**Baird 2011 Industrial Conference**

**November 2011**

Ingersoll Rand
Inspiring Progress™

# Safe Harbor

This presentation includes “forward-looking statements,” which are statements that are not historical facts, including statements that relate to the mix of and demand for our products, performance of the markets in which we operate, our future operational performance and our 2011 full-year and fourth-quarter financial performance. These forward-looking statements are based on our current expectations and are subject to risks and uncertainties, which may cause actual results to differ materially from our current expectations. Factors that could cause such differences can be found in our Form 10-K for the year ended December 31, 2010, Form 10-Q for the quarters ended March 31, 2011, June 30, 2011 and September 30, 2011 and in our other SEC filings. We assume no obligation to update these forward-looking statements.

This presentation also includes adjusted non-GAAP financial information which should be considered supplemental to, not a substitute for, or as superior to, the financial measure calculated in accordance with GAAP. Further information about the adjusted non-GAAP financial information, including why management believes the information is useful, the purposes for which management uses the information and reconciliation to the nearest GAAP measure, is included in financial tables attached to the earnings news release that can be found at www.ingersollrand.com.

All data for beyond the third quarter of 2011 are estimates.

# A Family of Strong, Well-Known Brands

## ENTERPRISE BRAND

*"Reliable. Sets higher standards."*

## STRATEGIC BRANDS

*"It's the car of choice."*

*"I would stand behind Schlage. They are the leader."*

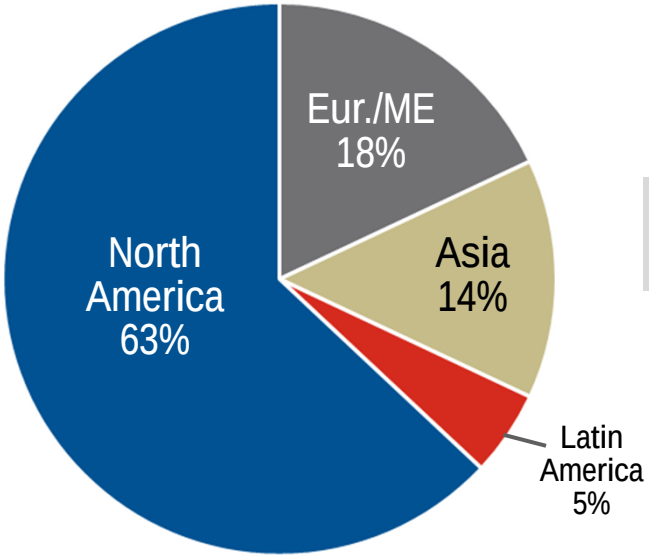
*"Ingersoll Rand makes big, industrial stuff that lasts forever. I see them as the leader in compressed air."*

*"Thermo King is the best of its class."*

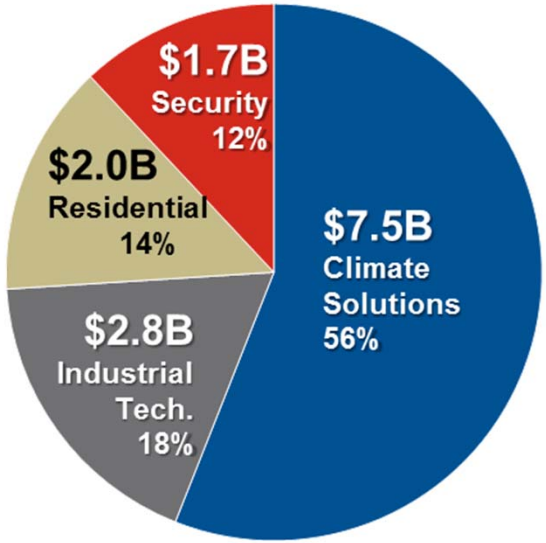
*"I know TRANE…it's like saying Kleenex...it is so entrenched."*

**Strategic Brands Drive Leading Market Positions**

# Revenue Profile 2011 A/F

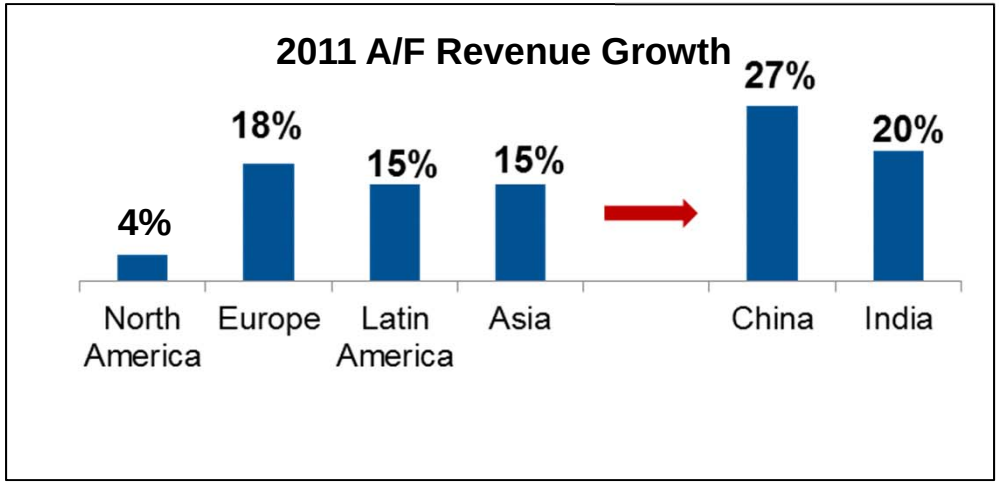



**2011 Revenue: $14B**
**8% Growth**




**BY GEOGRAPHY**

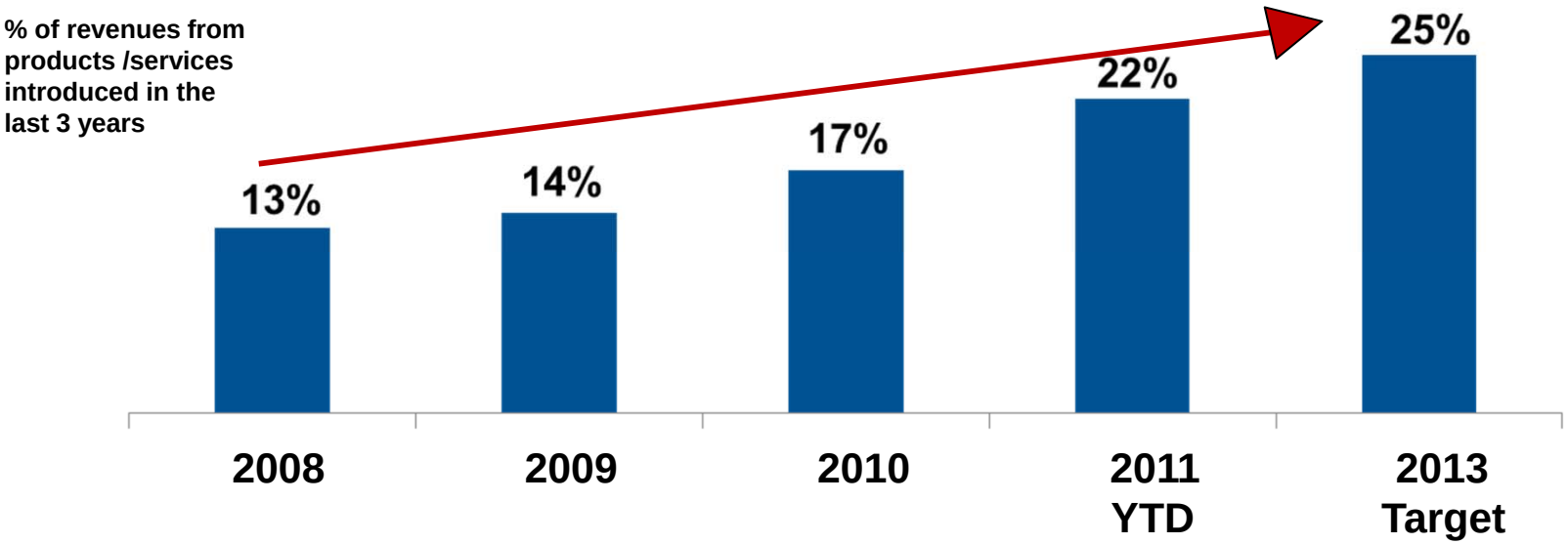
**BY SEGMENT**




***Data excludes Hussmann***

**2-3X GDP Growth in Emerging Markets**

# Growth Through Innovation



Trane ComfortLink© Thermostat

Cargo Box ColdCube™

Air Impact Tool

**Targeting 25% of Revenue from Innovation in 2013**

# Innovation Roadmap Industrial

**2009-2010** | **2011-2012** | **2013 & Beyond**

*Product Innovation*

*Global Services Innovation*

*Business Model and Productivity Innovation*

High Quality Air

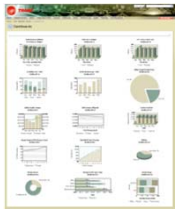
Energy efficient Accessories

Intelligent Monitoring and Control

PackageCare

Energy Efficiency and Sustainability Services

Visage



Guaranteed Uptime

Asset Management

High-Performance Plant

Precision

2-Way Globalization

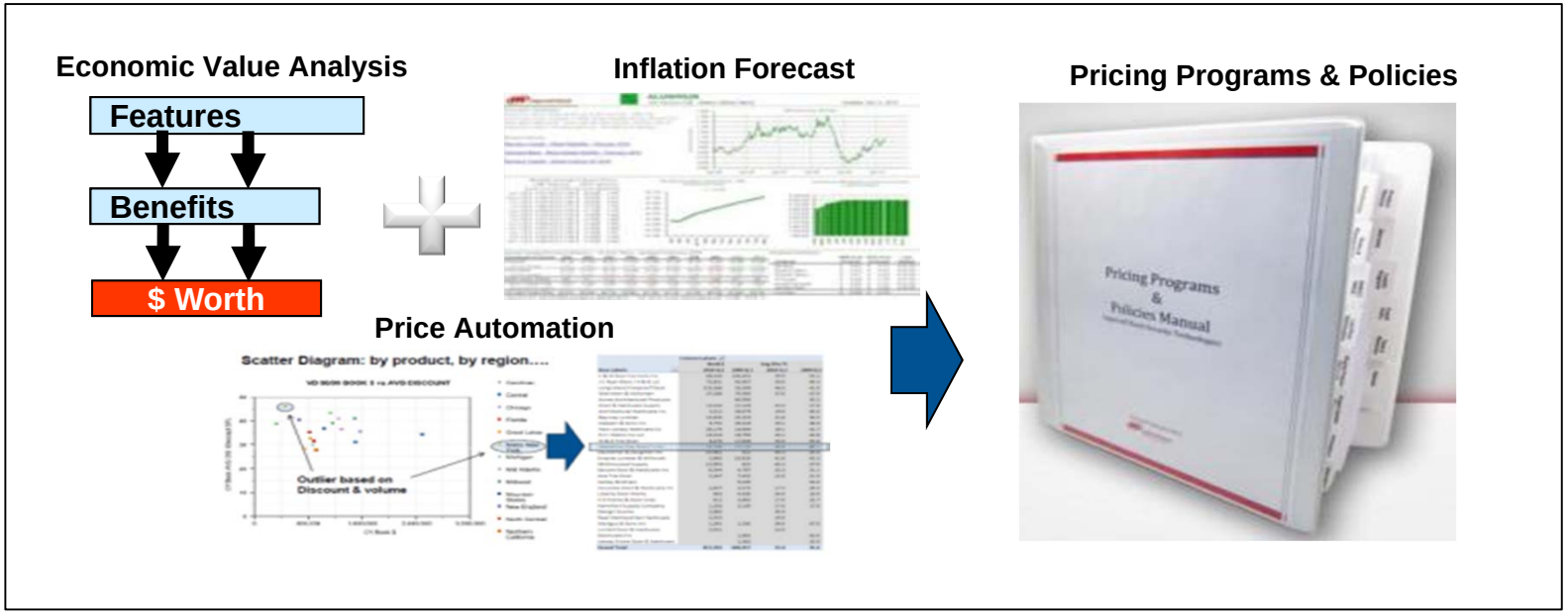
Traceability
Serviceability
Reliability

**Product Focused** → **Integrated / Proactive**

# Price Management

## Pricing to Offset Material Inflation

- Value analysis to identify and capture maximum price
- Automated analysis of value drivers
- Price policies, programs and metrics to offset inflation

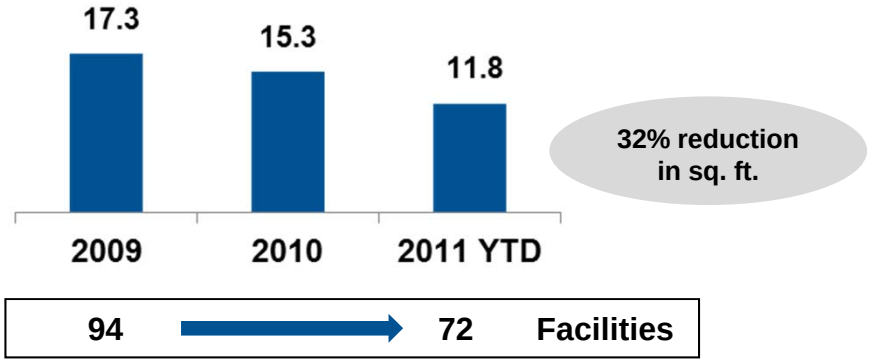



**Productivity & Pricing: Key Drivers of Margin Improvement**

# Operational Excellence

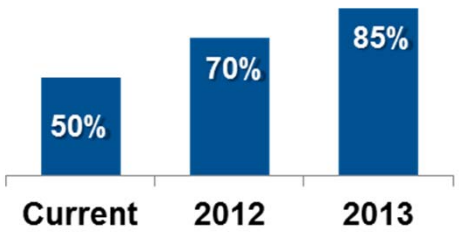
- Restructuring of manufacturing footprint
- Material productivity
  - Global procurement
    - Centralize spend
    - Reduce suppliers by 50%
  - Value engineering – war on copper
    - Reduce annual copper usage at Climate Solutions by 12%, equal to 7 million lbs.
- Lean transformation
  - 138 Rapid Improvement Events YTD
  - Strong improvement in key metrics
    - 25% reduction in cycle time
    - 48% reduction in cost of poor quality
- Functional costs
  - 3 to 4 year program to reduce back office costs: IT, Finance, HR, Legal
  - Common systems as enabler

**Mfg. Sq. Footage (mil)**



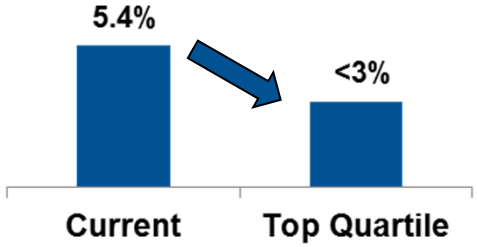

**Direct Material Spend**

*% spend centrally led*




**Copper to Aluminum**

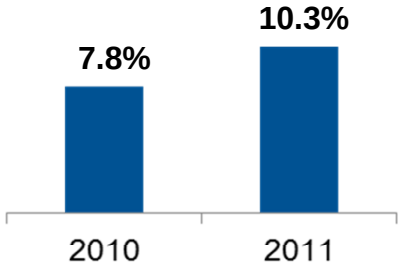
**Functional Costs as a % of Revenue**



# 2011 Year to Date Operating Margins

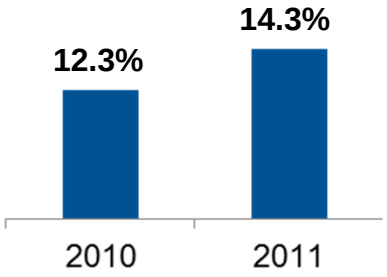
## Climate

Without Hussmann



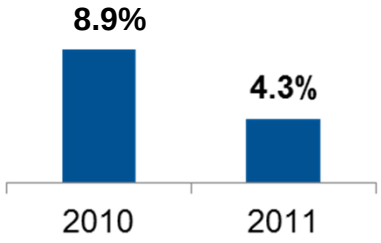

- Revenue increase 14% ex Hussmann
- Margin improvements at Thermo King and Trane commercial HVAC

## Industrial



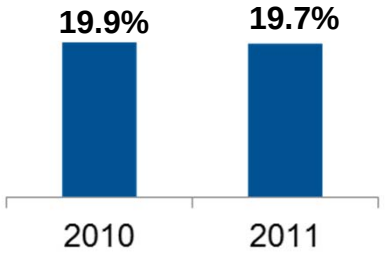

- 18% revenue growth
- Strong markets and efficiency gains
- 2.8 margin point improvement in Air & Productivity

## Residential




- 3% revenue decline
- Adverse mix
- Operations issues being addressed

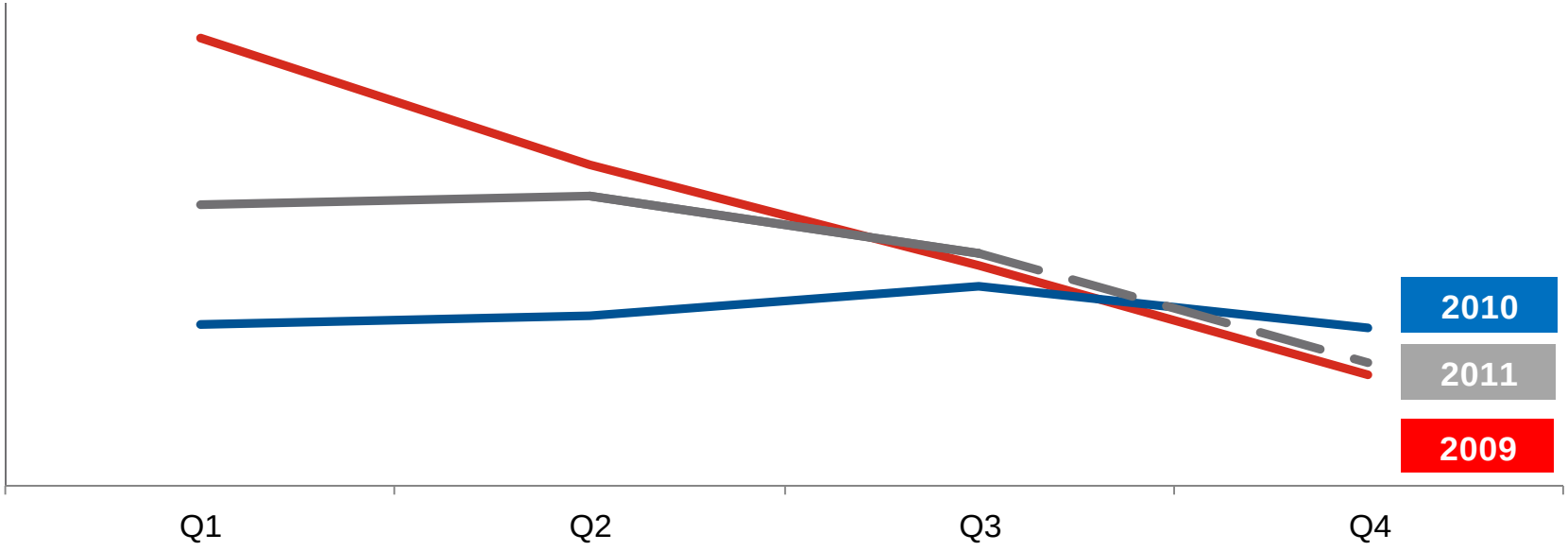
## Security




- 4% revenue growth – flat North America
- North American volumes ex price down ~30% from peak
- Flat margins despite soft end market

# Working Capital Performance

## Working Capital $'s at Quarter End




**WC% Revenue***

| | Q1 | Q2 | Q3 | Q4 |
|---|---|---|---|---|
| 2009 | 9.5% | 5.8% | 3.9% | 2.1% |
| 2010 | 3.4% | 2.8% | 3.3% | 2.6% |
| 2011 | 5.3% | 4.4% | 3.7% | |

**2011 Q3 change in working capital vs. Q3 2010***

- Accounts receivable increased $49M
- Inventories increased $109M
- NIBCL's increased $76M
- Total working capital increase of $82M

*Note: Working capital as % of revenue = working capital/quarter revenue annualized.*
** Figures include balances for Hussmann business divested on September 30, 2011*

**Continued Focus on Working Capital Management**

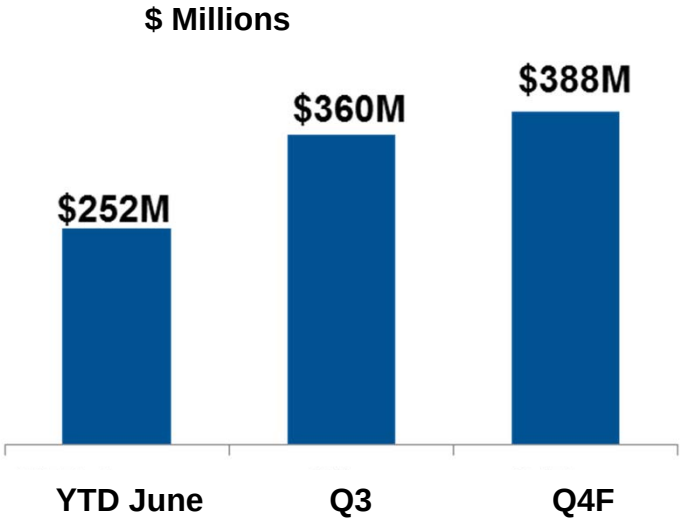
# Balance Sheet, Repurchase and Cash Flow

| $ Millions | Q1'10 | Q2 | Q3 | YE | Q1'11 | Q2 | Q3 |
|---|---|---|---|---|---|---|---|
| Cash | 599 | 822 | 811 | 1,014 | 918 | 1,260 | 1,404 |
| Debt | 3,931 | 3,885 | 3,661 | 3,684 | 3,679 | 3,635 | 3,641 |
| Net Debt | 3,332 | 3,063 | 2,850 | 2,670 | 2,761 | 2,375 | 2,237 |

## Share Repurchase

- Share buyback initiated in June
- 16 million shares purchased in Q3 and ~22 million YTD (Oct.19) for ~$720 million
- Expect to repurchase more than 35 million shares in 2011
- Diluted shares 2011
  - Full year: 340 million
  - Q4: 323 million

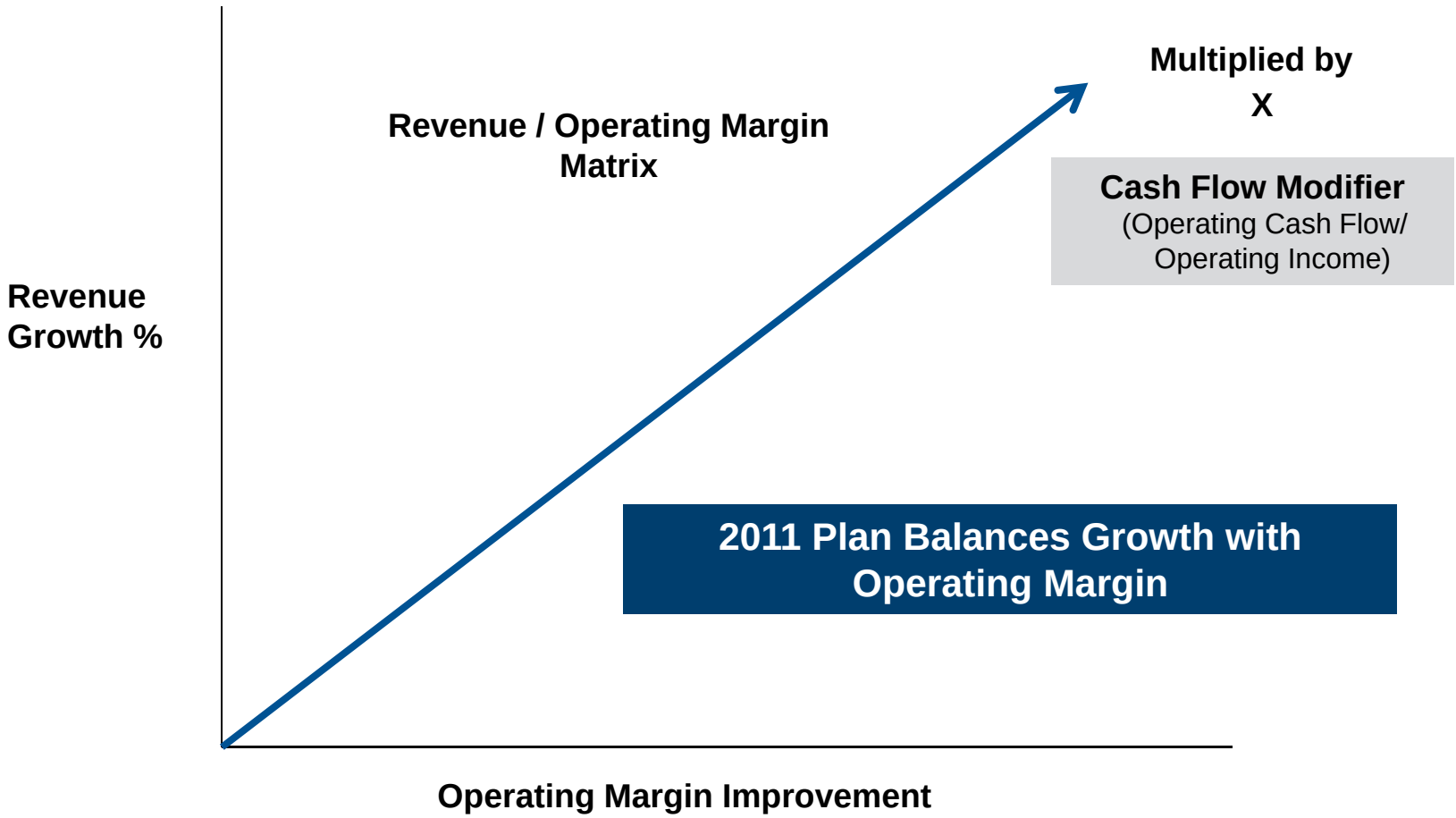
## 2011 Available Cash Flow




**$1.0 Billion Available Cash Flow Target**

**Solid Balance Sheet and Cash Flow Support Buyback and Dividends**

# Business Alignment and Incentives




**Engaged People, Setting High Execution Standards**

# Capital Allocation

Ingersoll Rand

**Strategic Business Investment**
- Innovation
- Productivity Investments

**Deleverage Balance Sheet to A metrics**

Ongoing

**Raise Dividend Payout Consistent with Peers**

Increased by 71% in 2011
Additional increases going forward

**Share Repurchase – Dilution From Convertible Securities and Benefit Programs**

Repurchasing 35+ million shares in 2011

**Acquisitions to Build the Core Business**

**Balancing Capital Allocation Alternatives**

# Positioned to Grow Earnings and Cash Flow

## Driving Improved Performance

- Well positioned in attractive end markets: Positive long-term market trends and competitive position
  - Strong brands and distribution
  - Global expansion
  - Service and aftermarket growth
- Customer-driven innovation
- Pricing excellence
- Operational excellence
  - Restructuring of footprint
  - Material cost reduction
  - Lean transformation
  - Functional costs
- Generating strong cash flow
- Balance sheet strength funding growth, dividends and share repurchase

**Growing EPS and Improving ROIC**

# Ingersoll Rand

November 2011

Ingersoll Rand
Inspiring Progress™

# Full-Year 2011 Revenue Forecast (as of 10/20/11 – not an update)

| | Year-Over-Year Change | |
|---|---|---|
| **Climate*** | 11% to 12% | • HVAC equipment replacement and aftermarket growth<br>• Transport replacement activity moderating |
| **Industrial** | 14% to 15% | • Worldwide strength in industrial new equipment and aftermarket<br>• Continuing sluggish golf market |
| **Residential** | -3% to -4% | • Stagnant new residential construction<br>• Unfavorable product mix and soft replacement market for HVAC |
| **Security** | 3% to 4% | • Continued weak, uneven commercial construction demand in US and Europe |
| **Total*** | 8% to 9% | • Small net change from lower currency revenue offsetting lower physical volume |

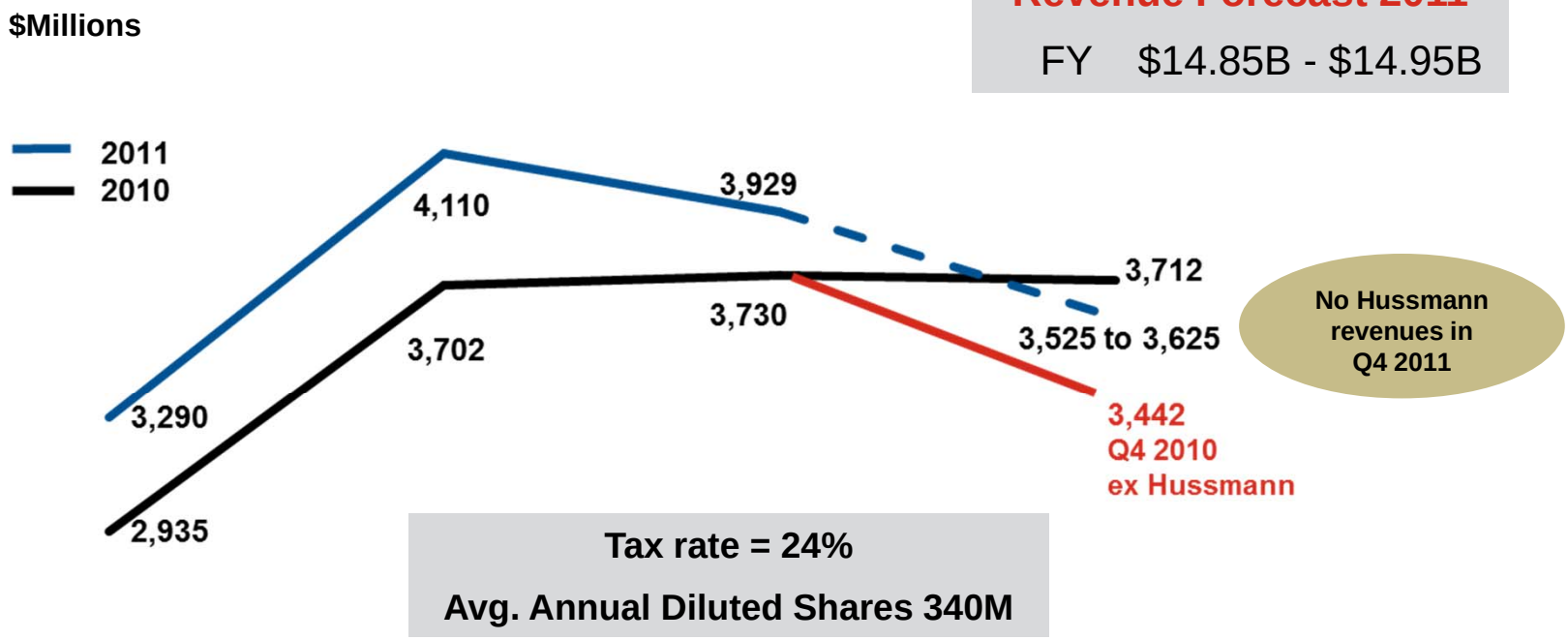
** Excludes Hussmann*

**2011 Revenues of $14.85 to $14.95B, ex Hussmann, $14.0 to $14.1B**

# 2011 Revenue & EPS Outlook (as of 10/20/11 – not an update)

**Revenue Forecast 2011**

FY $14.85B - $14.95B




**Tax rate = 24%**

**Avg. Annual Diluted Shares 340M**

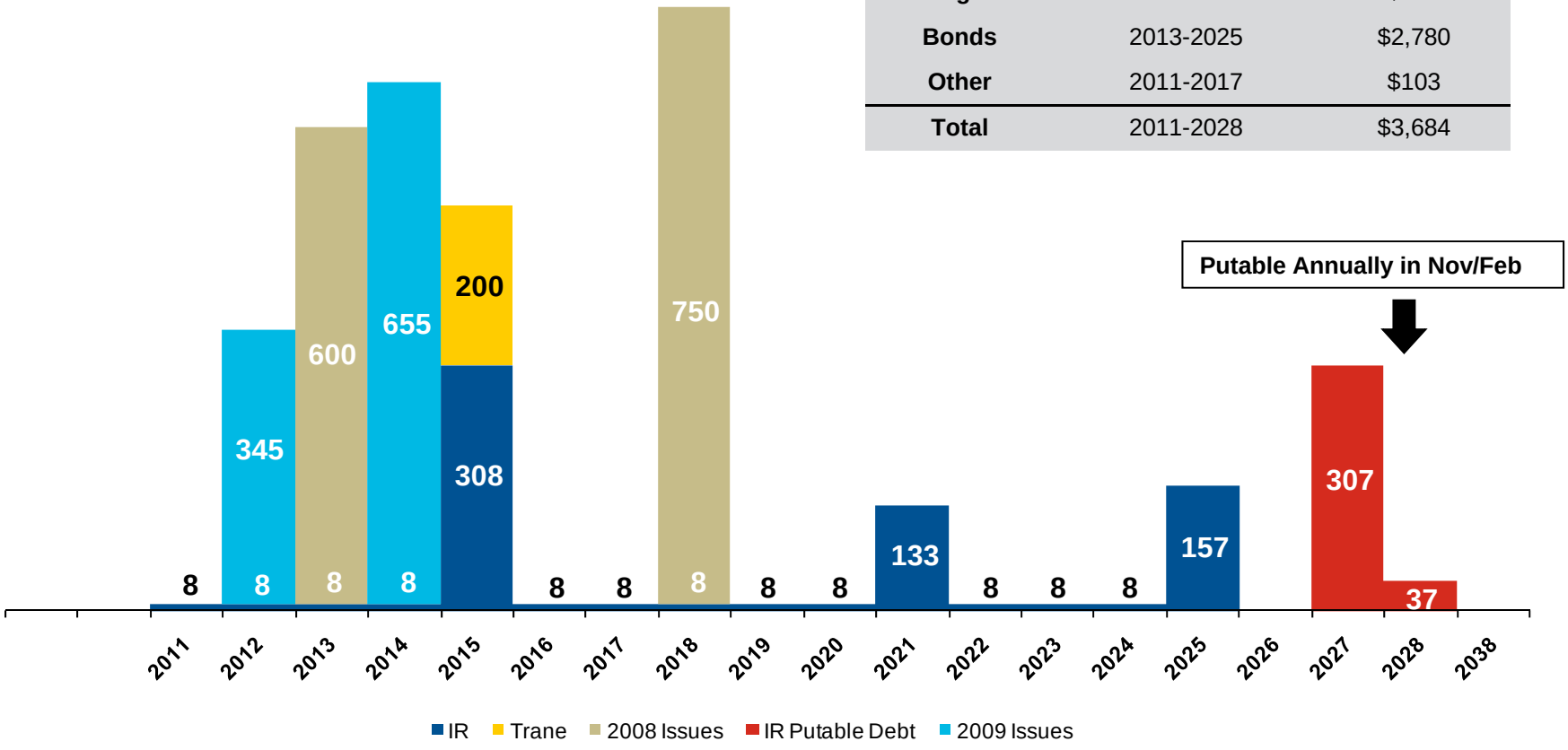
## 2011 Adjusted EPS from Continuing Operations

| 1Q | 2Q | 3Q | 4QF | Full Year |
|---|---|---|---|---|
| $0.34 | $0.91 | $0.81 | $0.64 | $2.70 |
| | | | $0.70 | $2.76 |

**Full-Year Adjusted EPS of $2.70 to $2.76**

# Debt Maturity Profile

| | Maturity | 2010 YE Amount ($M) |
|---|---|---|
| **Convertibles** | 2012 | $345 |
| **Putable Bonds** | 2027/2028 | $344 |
| **Sinking Fund** | 2011-2025 | $113 |
| **Bonds** | 2013-2025 | $2,780 |
| **Other** | 2011-2017 | $103 |
| **Total** | 2011-2028 | $3,684 |




**Manageable Debt Maturities**

**For additional information, please contact Ingersoll Rand Investor Relations:**

**Joe Fimbianti**
**joseph_fimbianti@irco.com**
**(704) 655-4721**

**- or -**

**Janet Pfeffer**
**janet_pfeffer@irco.com**
**(704) 655-5319**