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PRESENTATION

Jim Lucas *- Pentair Ltd. - VP - IR*

Good morning, everyone. I am Jim Lucas, Vice President of Investor Relations here at Pentair. This is a very strange Investor Day for me because as many of you know, I used to sit out there. I used to think you would just get a press release, get an invite and you showed up and that was the Investor Day, but there's a lot that goes into making sausage, and we are looking forward to sharing an exciting story here today. It has been a very interesting year for Pentair and we're happy to share this with you today.

So, here we go. We have to start with the forward-looking statements. I'm sure all of you have this memorized at this point. Today, we're going to have four speakers. First, you're going to hear from our CEO, Randy Hogan, who's going to talk about the new Pentair, why we have a solid foundation, why we are better positioned today, and talk about the Pentair culture. Following Randy, you're going to hear from Todd Gleason and Todd is going to talk about the integration and standardization efforts. It is both integration and standardization and hopefully by the end of the day you'll understand that these are two very interlinked opportunities.

We'll take a short break after that, then you're going to hear from Michael Schrock, who's going to talk about our proven operating model, the Pentair Integrated Management System. This is part of Pentair's DNA and, you know, this is going to be a very important part of the execution in the story. And finally, you're going to hear from John Stauch. Now, many of you have probably already flipped ahead to the punch line, but John is going to come up and share some details about what Pentair -- where our goals are.

So, I'd like to ask everyone to please turn your Blackberries, iPhones, iPads, mobile devices to silent mode because we know you won't turn them off, but please put them in silent mode. We're going to have a Q&A at the end and given that we do have people on the webcast, we ask you to

please wait for the microphone to be delivered to you and state your name and affiliation. And with that, we're very glad that you're able to join us today and we have a lot of excitement to share here today. And before we bring Randy up, we think a picture is worth a thousand words and wanted to share a video with you.

(VIDEO PRESENTATION)

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

Welcome everybody and thanks for coming this morning. I'm Randy Hogan, you probably all know that. I'm really excited to talk to you about the Pentair we've created and the Pentair that we're going to deliver, the results we'll show you today, and we're going to show you the way we do that.

Before I do that though, I'd like to just again get grounded on what the current environment looks like. This isn't new news, we talked about it in the third quarter, but when you look at Pentair as it ended the third quarter, before the merger, we had year-to-date growth of only about 1% and that's largely because of price, because we're facing some challenges and some of the end markets that a lot of companies are.

Yet our year-to-date margins actually improved another 70 basis points and we got to 12.7%. We announced the 37th consecutive annual increase in our dividends and we closed right on time, six months to the date after announcing the merger with Flow Control, we closed that, September 28.

Now, in terms of markets, the markets I mentioned earlier are consistent with what other people are saying. Finally, after six tough years in the US residential market, we're beginning to see the signs of some positive movement. Also for us, in our niche US municipal market, our backlog is finally growing and fast growth markets have continued to be quite good for us.

Western Europe though is every bit as bad as we thought it would be, and we think that's going to continue. And then industrial certainly has decelerated, whether that's because of the uncertainty here in the US or more, we'll find out soon enough. But that's the market environment we're dealing with.

Now, in the face of that, we feel pretty good about the fact that we have other levers to pull. We're going to talk a lot about those levers, and that's primarily because of where we are in the integration. Our day one, which was October 1st, was better than anticipated and you'll see more of that in Todd Gleason's speech. We have very few transition service agreements with Tyco Security & Fire. We really are stand-alone with no reliance on the former Tyco.

We've already visited over 30 Flow Control sites and seen over 25% of the people who are now just joining Pentair since September 28, and we have increased confidence in our opportunities to deliver both cost synergies and growth synergies, and we're quite excited about the early steps we're taking to deliver that.

So, when we add those greater cost synergies to the revenue synergies, we're getting a much more granular look at, and again, you'll see in Todd's pitch, we feel really good about being in this environment with these opportunities to deliver what we talk about this morning. So, again, getting these out of the way so we all can focus on this. This is our revenue and earnings guidance for 2013 and our goal for 2015.

We see about 3% growth next year in revenue, and on that, we expect to be able to deliver 20% operating income growth which you will see embedded in all the presentations today as why we think we can do that and that yields an EPS, together with our cost structure and our tax structure, of about $3.10 to $3.30 a share.

Now, when you look at 2015 and you remember the original goals we set as of March 28, we are still committed to the $5.00 goal. We're not getting there the same way. Our growth we see over the next three years is on average 5%, safe -- 4% to 6% -- and given that the growth is lower than we said, you can imagine that the synergies have to be higher, and we'll show why we believe that today.

Revenue growth accelerating slightly next year, operating income growth expanding, and EPS delivering. Now, let me tell you how we're going to do that. This is our clock and we want to deliver like clock work. I'm going to talk today about why we are a stronger company today, and why that is foundational in terms of our ability to execute beyond.

Todd is going to talk about the opportunities we have with the Integration & Standardization team he is leading to deliver on the cost synergies and the revenue synergies. Michael Schrock is going to talk about the proven operating disciplines that we've embedded in this company over the last eight years and how important that is as well as building high performance in this new, one company. And then finally, John will come up and review in detail how we're setting expectations and how we're going to meet those expectations.

Let me get into why we're a stronger company today. I'm going to talk about our foundation, I'm going to talk about why we have a better portfolio, and I'm going to talk about why given that we have a great future.

Pentair has been an interesting company. We are a company that has been in transition and has transformed several times. Since the year 2000, we've really gone through three periods. The first was reshaping our portfolio. We sold our largest business, professional power tools, and we doubled down in water. At the same time, we took a company that was largely a holding company of independent smaller companies, somewhat independent smaller companies, and we began a Lean journey because we believe that Lean enterprise is the single most powerful way to build a high-performance company.

The next phase was really to turn that into operational excellence more broadly in the Company, and as we exit Legacy Pentair, three of our five legacy GBUs, Global Business Units, are approaching world class in terms of lean. So, we're not even done in our legacy businesses, but there has been incredible progress. We've standardized on what we called our Pentair Integrated Management System, and we'll talk more about that. We've organized at the same time even as we faced a downturn in residential markets, our biggest market in legacy Pentair, even as we've faced that downturn we invested for growth -- we invested for global growth, and we invested to embed that operational excellence more broadly across the Company.

Now, where are we? We're going to keep executing that strategy, and I'll show you that the strategy hasn't changed. The strategy is the same, but we're more global, we're in a better position, we've added growth tools to our PIMS toolkit, we've got more innovation, and we really do control our destiny. The strategic framework that we have used over these last 12 years is really just these two areas, controlling our destiny and being in good growth markets, and you've heard this before. Our focus throughout has to be in better businesses and to be able to control our destiny in those businesses.

So, what did we do? We strengthened our portfolio as we actively managed it to a better place, and this deal did that, too. We became much more disciplined about where we put our capital bets and where we put our innovation bets, and where we put our growth bets. And one of those bets has been to embed PIMS and Lean into the DNA across the Company.

As a result, we're more innovative, we have award winning products that we never had 10 years ago, and that has led to us exiting or entering this century where we had -- only had about a $1.2 billion market cap. The day before we closed the merger, our market cap was $4.3 billion, and today, it's $10 billion. So, we have transformed the Company, and we have delivered value at the same time, and we intend to continue to deliver value as we go.

This vision was the vision we set in 2004, and again, that vision remains the same, and our buying Flow Control -- our merging with Flow Control -- was consistent with that vision. It was to build -- our vision is to build a narrowly diverse industrial company with global reach, focused on customers that's founded on operational excellence, has great values, and great people. We wrote this in 2004 as we exited Power Tools and we doubled on Water and has been the guiding vision as we went -- as we've gone forward.

We didn't need to do this deal because Pentair had trouble. We're actually in pretty good shape, pre-merger, this year $3.6 billion in sales pro forma, 44% in industry and agriculture, 23% US residential, 12% non-US residential, 11% in commercial, 10% in infrastructure, not a bad mix. Still skewed to the US, 61% US, 21% in developed non-US, and less than 20% in the fast-growth markets, places we've made progress but more progress was left to be made.

Pro forma, this year we've seen record sales, seen record operating profit, and record EPS. So, we were in good shape and largely in control of our destiny. Despite the fact that we were in good shape, we've seized the day when we merged with Flow Control, and as a result, we are in more control of our destiny today than anyone else we compete with. It was a great strategic fit, particularly with Water & Fluid, but also in Equipment Protection because the Thermal business fit our strategy in what we used to call Technical Products, and I'll come back and talk more about that.

The products were a little more complementary, lots of questions early on why synergies weren't higher. Synergies weren't higher because we didn't have a lot of product overlap to eliminate plants. That's actually good news because when you have a lot of overlap and you eliminate plants, one plus one rarely equals two. You usually lose some sales as we've seen and others have seen when you do mergers.

In this case, we're complementary. We have seen no losses and we've been very focused to make sure we haven't had any losses in products, and if anything and you'll see in the examples, we have made progress in terms of leveraging that complementarity to drive some growth.

We have much better geographic reach, and then the balance sheet, we have a strong balance sheet that we will use in a disciplined way. You can see the geographical mix. One of the things that really excited us about Flow Control was they were 45% developed non-US. They are already 25% in fast growth, 30% in North America, so much more global in position than Pentair and some very attractive end markets.

So, it fits our vision and it fits our strategy. Now, let me show this is the way we will talk about Pentair going forward. We will have three reporting segments. The largest is Water & Fluid Solutions., at about 43% of the pro forma $7.5 billion. Valves & Controls, a new segment that's basically lifted from the Flow Control Business, at 32%, and then now what we're calling Technical Solutions as opposed to Technical Products at about 25%. Nice balance, very complementary extensions.

When you look at geography, you can see US and Canada is only 40% of our sales. Fast growth regions are approaching 25% combined, Western Europe about 20% and developed non-US 15%, truly a global company now. And then by vertical, a very attractive set of verticals and it fits what we talked before about the new, new world, about serving growth where growth will be. Energy will undeniably grow. Industry will grow to support the 4 billion new middle class people.

Residential & Commercial is still a big part of our market, Infrastructure, more global in reach. And then Food & Beverage as we look at it, now 9% of this combined company, certainly bigger scale, bigger more exciting opportunity.

Let me go through each of the segments in turn, starting with Water & Fluid Solutions, about $3.2 billion pro forma, 11% pro forma margins. What this is, is the former Water & Fluid Solutions of Pentair plus the Water and Environmental Systems business from Flow Control. Together, Residential & Commercial is still a very big market for Water & Fluid Solutions, Infrastructure much bigger and much more global. Food & Beverage is 17% and you can see the other markets, Industrial and Energy.

By geography, still a little skewed towards US and Canada, certainly more so than overall, but you can see fast growth regions over 20%, so big opportunities. Now, we have leading positions in pumps and filtration. We've actually added a pump business with what we got from Water & Environment Systems, and we also added our reach into one market which has a big mining and infrastructure opportunity, which is Australia and New Zealand.

We're going to benefit from the recovery in North American Residential & Commercial. We should benefit to the extent that it's fast or slow. Our backlog is growing in what we called the break-and-fix world of municipal. It's never been a focus strategically for us although as we think about that with the new reach that the new Pentair has. We're very excited about the opportunities for infrastructure outside the US.

Much stronger position in Food & Beverage, and we'll talk more about that and some of the examples for growth, and you'll see this in both Todd's presentation and in John's presentation, still huge opportunities for standardization efficiencies across Water, huge opportunities. So, that's our largest segment.

Our other legacy segment, now called Technical Solutions, is made up of two global business units. One is called Equipment Protection, our former Technical Products business. We took the opportunity to get a name that we felt was more representative, but it's basically exactly what Technical

Products was. And two, we've added what they used to call Thermal Control and the Thermal people wanted to rename it Thermal Management because they thought it was a better representation. So, that's what we call it, Thermal Management.

Both of these GBUs provide high-value products to high-value applications. As a result, it's our smallest segment at $1.8 billion. It's already our most profitable at our pro forma operating profit margin of 16.6%, and interestingly, Thermal was also their highest-performing business from a standardization path which you'll see again later. So, given that there standardization is well along, this is the business that we could see really accelerating growth by focusing particularly globally. The one area that both legacy Pentair and the Thermal Management business have is they're relatively smaller outside the US and Canada versus the other two segments, so big opportunity to grow these businesses outside the US.

And then our new segment, Valves & Controls and, again, this is Valves & Controls, a straight lift from Flow Control and you can see the split. Energy is the largest market for Valves & Controls. Industrial is also a big market, 30%, and you could see some other niche businesses there, particularly Food & Beverage, where we believe that they have product that we can grow more rapidly, and we'll show you that. This is our most global business. Developed non-US is 43%, Fast Growth Regions is already 34%, and they have a footprint of 91 service locations that we believe can be a strategic asset for us to grow the business forward.

At $2.4 billion, its pro forma operating margins are about 10.1%. The way these margins, and you'll hear more about this from John, but those margins may be a little lower than you think. We've taken the segment numbers and allocated corporate cost to the segment. This is the basis upon which we'll be talking about the business in the future. And what's interesting as we look at this business at $2.4 billion, about half of it serves the installed base. It's either replacing, repairing, or servicing the installed base. It's a nice stable business to build upon.

Energy is the largest vertical, and we like that because Energy has a number of tailwinds and Valves & Controls are critical in the energy or any process industry. There are opportunities to leverage our Water & Fluid Solutions positions in a couple of industries, and particular Infrastructure in Food & Beverage in order to gain market share we believe for valves in those markets. And this is the big opportunity for reduction of complexity. This is a hugely complex organization, and basically, if you think back to Pentair if you followed us for a long time, the Pentair 12 years ago was a product was a plant -- was a brand with a business with all the complexities that took.

Over time, we have eliminated that complexity and that's led to productivity. Valves & Controls is there. It's at the front-end to that -- of that journey, and the good news is we know the path. We've been very focused on building one company as fast as possible. We have a window of opportunity to bring these companies together and establish one company -- one company, and I'm really pleased with our progress today. We've already visited, as I said, over 30 facilities, factories, service centers, sales offices, and we've seen over 25% of the new 15,000 people that are joining Pentair.

We've seen a great deal and I'm not being Pollyana this year, but there's incredibly good alignment between what they believe they need to do, and they're excited about being in a company that sees them as a priority for investment. They're excited about that, and the businesses are coming in as whole and intact with the three businesses operated within Tyco as they are, going to operate inside Pentair.

We've really focused on taking our "Win Right" culture, which they're very excited about, and making that "Win Right" together, taking the best of both of being very clear about what that means to us. And we've already started our communications from day one in 11 languages because we are truly global. So, what I believe is on both sides, we're becoming one company and everyone is energized and engaged around a common purpose and that is to build the most successful company we can, 127 people from the Flow Control units and corporate side have joined Pentair in leadership positions above or within the GBUs.

We've already moved, and we're going to move more senior people back and forth between the companies in very specific roles that we will talk about more, and we're very focused on building a solid bench as we pull our HR systems together. I mentioned earlier our vision was set and our strategy remains. Even though we have done this merger, our strategy doesn't change because the merger was part of the strategy. The merger was consistent with the strategy.

We remain focus on driving innovative technology, driving though on innovation around some of the tectonic movements or the big movements in the markets around energy, around scarcity, around sustainability because we believe that there are a lot of businesses where green can be green, and it's the right thing to do, and we believe we can be the leader in that. We continue to focus on fast growth markets because that's where

the future is and we're very focused on building the organic growth capability as part of our toolkit system. So, that strategy doesn't change and that's the solid foundation.

Let me talk about the better portfolios. This is just pictures. The video did it better justice and in fact, that video you saw is the same video that I've showed all those 30 sites when we talked. We always start with that video because that video represents what we are and it represents the promise of what we can be. But the way to think about the Company now is around these key growth verticals. In Energy, we put in oil and gas, we have power, we also put mining in there, and that represents 28% of our pro forma sales in 2012 and you'll see later what our assumptions are about the growth of each of these.

In Industrial, we put general industrial, automotive, and processing chemical in there, some can argue that some of that would be over in Energy, but this is the way we're bucketing it right now. So, we have good focus on 26% of our sales. Residential & Commercial all together is still 24% of our sales. Infrastructure now 13% of our sales and then Food & Beverage 9%, a $700 million business that we see a real focus in our scale will be able to grow.

When we think about the three segments, Water & Fluid Solutions, Valves & Controls, and Technical Solutions, that's what the alphabet soup is there. Across those growth sectors, you can see this is kind of where our positions are and then what we intend to with it. You can see Valves & Controls and Technical Solutions much stronger in Energy and we want to leverage that position to help pull through some of our unique solutions that we have in Water & Fluid Solutions. Examples, you'll see in a little bit.

Industrial, and I think that the shading here giving half shade for Water & Fluid Solutions is a charitable grade. But clearly in Industrial, very strong businesses for two, again, it can help us pull for the Water & Fluid Solutions with that broader reach. In Infrastructure, we're much more global where more important infrastructure customers were already being approached by infrastructure customers in different ways to see how we can work with them.

In Food & Beverage, I mentioned we have real scale now -- real scale and real focus to build.

And then finally, in Residential & Commercial, we finally after six years have some wind at our back and we want to enjoy that one. So, together, we're much, much stronger.

Let me talk now about the future. You're going to see a lot more in-depth on this, but why we think the operational cost synergies there are real growth synergies, how we're going to leverage PIMS, and then what our financial outlook is as we go forward.

Regarding operational cost synergies, the left side of this chart shows what we said we thought the synergies were on March 28. We said we had about $200 million in cost synergies, $40 million of which was going to be in how we structured the corporation to operate as a combined company. In fact what that was, we were going to eliminate over $80 million in cost on their pro forma that they were going to have to put in place and then we're going to add back $40 million in order to drive standardization, drive PIMS, drive our integration and standardization for a net savings of $40 million. And then there was another $160 million -- that's where the $200 million came from.

And then on top of that, we estimated about $50 million of benefit from taxes and really the way to think about that is we were focused on getting to a 25% tax rate. I'm happy to say that we are there starting January 1st, 2013, we will be at that 25% tax rate on a run rate basis and we've accomplished the corporate savings and the structure we intended to. That left the $160 million and then we think -- focus on $160 million and with the work we've done in this first two months or so since we closed and, of course, before, we now see about $230 million in operating synergies.

This is where we'll make up the difference from having a lower growth outlook is by delivering these synergies and you're going to hear a lot more about the specifics of these synergies as we go forward. We feel good about this, and again, we're only two months in, and as you'll see, there are more opportunities for us to think about.

We've talked before about the Pentair Integrated Management System and our four elements of that. Lean Enterprise, what we launched over 12 years ago, first in Technical Products and in Pumps. To that, we added a commitment to world class talent management processes and then 3D -- our 3D process for innovation, and then most recently what we call the Rapid Growth Process.

Mike will cover in detail Lean Enterprise in his section. Todd is going to cover the 3D process and the Rapid Growth Process so that you can see how that fits in to driving that higher growth of the growth synergies that we see now. I'd like to spend a little bit of time and talk about talent.

Part of the journey we've been on in Pentair wasn't just change in the portfolio and wasn't just adding Lean. It was about building out capability or managing talent differently. Over 10 years ago, we had less than 12,000 people, much less than 10% of those people were in fast growth markets. We had HR processes that were inconsistent. They basically, as I mentioned, a plant was a brand with a business. Each one had their own HR processes and very little interconnection.

As a result, we had 54 US benefit plans. We had -- I don't know how many international benefit plans. We had a US-centric talent management focus and talent management was managed within each of the businesses and we had a great code of conduct that was written in 1966 when the company was founded, but there were local opportunities only for people and there were limited abilities to move people across. We addressed that fairly early on pre-merger, and we are to the point where with 15,000 people, we had 25% in fast growth markets already. We had gotten to one standard global HR process with one US benefit plan, I think your book says six, but it was actually one.

We have an international benchmark that we used to focus on benefits, and really powerfully, we have a global team. We move people around. It's one of the reasons we're able to embed Lean Enterprise, and we took that code of conduct then we turned it into what we call our "Win Right" culture. It's an important grounding part of Pentair because as we become more and more global there are more and more challenges to "Win Right".

Keeping it front and center, not just in Pentair, but as we come together as New Pentair, has been really important and as it says there in the last column, we want to turn "Win Right" into a competitive advantage both in the markets we're in, but also in our ability to attract great talent. People are attracted to our culture.

Now we have 30,000 employees, about 35% of those employees are resident in fast growth markets. We have PeopleSoft embedded across the Company and we're rolling that up now across our businesses to enable how we manage HR. We have a process where we're taking a "choose and go" approach, taking the best elements of the Flow Control process and the Pentair process and we already combined that into one process and how we manage people, and we're already looking at those opportunities and you'll see examples of them as we move them together, and it's important because in the end we will succeed only when we have our talent aligned and committed and that's what we do, that's where our focus is.

What are we doing specifically to ensure success? First, we did complete the merger successfully, smoothly, despite the complexity of the deal. We're up and running and we're on track. The businesses as I mentioned earlier, the three businesses -- Valves & Controls, Thermal Management, and Water & Environmental Systems, are coming over intact and as executing units. This is a risk mitigation. It's also the right thing to do because that's how we think about optimizing the organization. We'd like to optimize businesses around fighting units if you will, and those three fighting units came in to join the five fighting units we have in Pentair to now have eight global business units.

We have Lean Enterprise disciplines. We have a standardization playbook. It was actually one of the things that the Tyco Board of Directors liked. They knew the journey that the Flow Control business needed to be on. The fact that we had been on it, and we had made progress on it and we actually had it in the can if you will was something that they saw as a positive in the combination and we have already began rolling that out as you'll see in detail.

IST, Integration & Standardization Team, which is the team that Todd Gleason leads, wasn't just put together to get us from announcements to close. It's a group that's staying together to ensure accountability and oversight for the critical projects over and above the base business performance. At the same time, those projects we've embedded into the business plans for each of the presidents of the GBUs and those presidents are being held accountable for their entire plans including their piece of the synergies.

Finally, any further adds, whether it's acquisitions or whether it's capital allocated or sales people or innovation, it's being gated to those businesses that have already got standardization up and running because they're the ones that can do the best job of executing on any further investments. So, we're very clearly setting expectations for our businesses about, if you will, when they'll get the opportunity to grow even faster. They can earn the right to do that by making progress on standardization.

We're building alignment across the organization by focusing very heavily on all of our pieces of leadership -- the presidents, the officers, the Integration &Standardization Team. We're also already moving people. We're moving operations leaders in Valves & Controls because that's where we have this huge complexity and we have this huge opportunity. So, we're moving people in it, who know how to do it.

Our Lean rangers are already deployed. When I was out in Redwood City, California, at a Thermal Management facility, mI was pleasantly surprised when I walked in to see two 5S Kaizens going on led by folks from our Pool business from down in Moorpark, California. They had driven up, spent the week, and they were teaching basically where you begin with Lean, which is with 5S, and they're having fun. Everyone at that plant was having fun even though they were down on the floor scrubbing, they were sorting things out, big pile of red tagged items. It's already happening.

We're moving supply and sourcing leaders, you'll see we have big opportunities; we are at $7.5 billion and we buy a lot of stuff. We have lots of opportunities and you'll see more about that. But we're also moving sourcing and supply leaders where the opportunities are. I mentioned the 127 key Pentair corporate roles are being filled, and it doesn't mean that they're just people at the staff level. We have leadership positions that are in the field and corporate by people from the Flow Control side, and of course, the leaders of the GBUs that have come over.

As I have mentioned, we have one common talent management process we've already adopted and we're already rolling out as we look for other opportunities to move people around because we know again, talent is key to success.

The $5.00 goal, what does that simple CEO math look like? Our pro forma number in 2012 has earnings focused on delivering $1.00 per share in base business performance improvement, another $0.80 in Integration & Standardization synergies, if you will, and then to that $1.80 is another $0.68 a share and what we call capital allocation which John will talk more about, but in essence, that's basically the stock buyback to correct the capital inefficiencies of the nature of the deal, as well as the tax benefits we get by being a Swiss Company, and that's how we get the $5.00 per share and that's our goal.

It was the goal we set with the Pentair board and the Tyco board and we said publicly we're committed still to that $5.00 goal. So that's our math for value creation. So back to the clock, and we're 15 minutes early. What do you think of that Todd? I'm going to turn it over to Todd who's going to go through the synergies story.

Todd Gleason - *Pentair Ltd. - President - Integration & Standardization*

Good morning. There is no podium to set this on, so I hope I don't drop it. It's great to see everyone this morning. Thanks for making the drive, the flight, the train, whatever you had to do to get here. It's a privilege to stand in front of this group, many of you I know from my time in Investor Relations and, of course, in different functions here at Pentair. We do have a tremendous amount of opportunities, but I don't have a great video or a movie like Randy has.

I think one of the takeaways you're going to hear from my section and then also from Mike's and then when John Stauch brings it all together, that our video or movie of opportunity is a movie that we've seen before. It's a playbook that we know how to do then so my goal today and our goal in the Integration Team is to provide you with the type of detail that you need to understand what we're going after with confidence that we have a playbook, we have a movie that you've seen before. They were playing again to deliver on those opportunities, and then at the end of the day, help you understand and track it as we go through our journey which we'll be doing with you.

So, we do have opportunities, back in March, early April when we announced the deal, all of our synergies were described as non-growth related. We spent the last eight months putting together an organization to combine to Pentair, and in that process, we have found that there's a lot more than we knew back in March and April. Allow me to share some of those details.

When Randy and the Leadership Team and the Board asked that I step into this role and lead the Integration & Standardization Team like any good playbook, your role needed to be clear, and my role was we needed to deliver number one business continuity on day one on September 28 which we said was the stated date that we would -- Tyco would spin, Pentair and Tyco's Flow Control business would merge that we needed to not disrupt the base business. We needed to deliver, turn on the lights as we called it in all of our facilities and all of our Pentair facilities and all of our e-mail and all of our supply chains and all of our customers needed to feel like business continuity was there.

And then the second thing Randy said to me is -- you know, Todd, the other thing we need to absolutely do because it's critical to ourselves, to our future and to our shareholders is pay for the deal, right? We've stated initially $250 million of synergies, $160 million of which were cost synergies another $90 million of which were between how we were going to approach our tax benefits and the benefit of only having one corporate headquarters or corporate organization. But $160-million worth really at the time cost synergies and how were we going to go after that at that time knowing very little really about what the opportunities were.

Third and equally important across all of this is when we look back a couple of years from now and we say who are we, what's our operating organization? What have we done to standardize so that we can do additional deals so that we can really maximize the value of this combined organization?

How are we taking our processes? Some of which are very mature and we're excited to just walk in and start to implement them. Some of which were really early in our own Pentair processes around PIMS which Mike is going to spend a significant amount of time talking about what we're doing in the Pentair Integrated Management System but how do we drive those standardizations?

When I reflected on that and then I started to put together the team, we said, they're each equally important. We can't show up on September 28, right, and have done everything to just create business continuity and ignore the other two because decisions that we will make between April 1st and September 28th could both positively and negatively impact what those opportunities are. And then also, we need to really understand where we have playbooks, where we have standard models in both sides of the organization, what is Flow Control bringing on best practices and what are we bringing and quickly choosing though on those best practices, put them into standardization playbook and head out.

We didn't look at them as three sort of separate Chevrons if you will. We wanted to put together a team and organization and a playbook that took each one of them seriously throughout the process. We didn't want to be standing up here today even though this way was on our calendar and say, we're now turning our attention to finding synergies. We had to be finding those synergies all the way through this summer and the early fall.

The first thing we did as you can imagine is put together what we think was the right team, clear roles, clear responsibilities, a dedicated team where we had a Program Management Office, a budget, clear direction made up of myself, a small team from HR, Finance, Legal and a Program Director tracking all our major initiatives.

On the functional side, what we called two-in-a-box taking a seasoned leader from our Human Resources Organization, one of our top folks putting them together with a senior person from Flow Control saying, we need to be working together on making sure you have business continuity on day one, making sure that we are looking for synergies within your function and across functions, and looking for the best practices so that when we show up on October 1st, the first real full day, we hit the ground running. We don't hit the ground walking or talking. We hit the ground running, and we did that across all of our functional teams.

On the dedicated Integration and Standardization Team led by the Program Management Office, we have the two-in-a-box concept bringing ideas, concepts, and proven practices from both sides and then because a lot of the opportunities, of course, for growth and for cost, resided our global business units. We have dedicated resources from each of them, as well as resources in each of our key international locations. So, a big team, an important team, a team that's been energized and passionate and about this for many, many months now -- now, not a team that we're putting together at the last minute to go after this.

I also would say, I've left the slide but my last comment is different and I think a lot of the programs than we had run before. Now, of course, the size of this integration would ask for that, but I also think that as we look at who Pentair was becoming and what Pentair was going to become is a result of this merger, having a dedicated team driving this functional excellence program, helping to support PIMS and the bottom up from the

businesses and the top-down from the corporation was important, and that's why we're here today. The IST is going nowhere. Sorry to tell you that you're going to probably see me next year as we continue to talk about what we're doing to drive this model through the organization.

If we didn't get day one right, we would have struggled to do numbers twos and threes even though we were doing things in parallel, and I'm happy report as you all know from reading and listening to our earnings calls and reading our updates that we are extremely proud of what we accomplished by September 28.

As you know, putting together two almost $4 billion organizations, is no small feat. Putting together a complicated structure, thanks to team of resources that we have from Pentair that leaned in a dedicated way, we're able to accomplish that on day one, making sure that our business units felt no blip in their supply chains, in their customers, in how we were selling and how we were delivering so that when our customers made their order on September 27th, it showed up on October 3rd as promised on time, with the quality and reliability that they expected.

And then for our employees, I got to tell you, on October 2nd everyone started celebrating as if we haven't run payroll yet, and we were going to run payroll with the combined organization, and so I think it was October 14th or 15th or whatever that day was. I said, I'll sleep easier when I know that two things, people got paid and then at the top left corner of that paycheck, you have that little Pentair logo because that's a strong signal to our organization that they now work for a new company.

Last but not the least on this is that we drink a lot of coffee over that six months and I can say that the Keurig Company should have a good uptake in their up income, and if they don't, then it's not our responsibility.

I could have 20 slides on things that we're proud of accomplishing by September 28, the deadline that we set on ourselves and that we work in close coordination with Flow Control, but if I were to just point out just a few, again, 140 critical day one projects that -- those were the projects that our Program Management Office was tracking, but if we didn't get it right, September 28 could have been in jeopardy across both organizations. Of course, there were thousands - we have probably many more projects, but we had 140 that we can -- we deemed to be critical day one.

Randy talked a little bit about culture, and I'm going to talk a little bit more about it as well, but I've never seen an organizational run to the message like we've seen in the combination of Pentair with Flow Control, 180 site ambassadors signed up to work throughout the weekend to make sure that on day one the organization felt excited about the message, understood the message and that they knew what the change meant, because change management in these programs is extremely important and that cultural alignment that we've seen throughout this has been strong and had been consistent.

I know that John is going to talk a little bit more about our tax structure but, again, no small feat to show up on day one to be able to look everyone in the eyes that we've delivered for next year already, a structure that will provide immediate shareholder value in the ultimate bottom line and that's got the staying power, of course, as you know to continue.

What happened to energize our culture? A lot of fun stuff. You know, people running to embrace the new organization, the look and feel, the message, the vision, the "Win Right" culture that we've developed in Pentair for decades where people know what the values stand for but they can sum it up in two words, we "Win Right". And so the signs came down, a new Pentair, if you will, across all of our organization was born with a slightly new and updated brand image which we'll share a little bit more about. You've seen in the foyer areas as you walk around, a strong and we think a more modern look and feel. And people came together and they celebrated and they celebrated because they were excited about what the future had, not just because of what had happened but they celebrated about the future.

If you could check the box on one of them, great, and we have. Now, like I said, we start to turn our focus, to paying for the deal and making sure that we adopt fully across our entire organization, the Pentair Integrated Management System because we know it's a winning playbook and what allows us by having the confidence that we could deliver on day one early in the process by having a good methodical process with the right people, the right talent, and the right sort of goals and objectives along the way. It allowed us earlier in the process to start to focus on what those synergies and standardization opportunities really work.

About halfway through the pre-close process, we sort of took a step back as an Integration & Standardization Team, and we said, you know, we look at these opportunities in two ways coming together and the way we would sort of summarize it is every big deal you see the light. You see the - maybe the inefficiencies that exist around multiple facilities. You see the redundancies that could exist with some of your organizations.

You see the $3 billion in supply sets expand and you say, boy, that's the light. That's the opportunity for us to go after and that's where a lot of organizations focus and so did we and so are we like seeing that light, seeing the obvious, seeing the -- I'm not going to call a low-hanging fruit because none of this is easy, but it is there for us for the taking and that seeing the light is something that we saw early on, just like you all have I'm sure.

But we also and this is where Pentair was focusing, feel the heat and it's a negative. Tt's actually part of what we're excited about with Pentair Integrated Management System, and when we talk about standardization, but pointing out what we say are the more complex opportunities to go after. But you must go after them. The tangled wires represent the kind of complexity that exists when you like Pentair have grown through acquisition over the years same with the Flow Control business, and now you're putting two of them together.

How you're going to go after the 70 ERP systems? How you're going to go after the duplicate and redundant office locations, the multiple accounting centers, the multiple processes that can exist? And I would suggest to you the following, and this was our realization months ago that seeing the light is sort of like going on a crash diet, and you need to do it because it allows you take out a little bit of the fat and allows you to really deliver on our thinned out synergies, but running to feel the heat is creating an organization, a body if you will, an entity that's going to stay lean.

That's going to make sure that you keep that weight off and start to be able to put together an organization that can even combine more, take more opportunities around acquisitions, take more opportunities and fast growth markets because you have standard processes and a more streamlined organization.

I would just want you to know that we have been seeing the light and feeling the heat for many, many months, and we were in a position to do that because, again, thanks to the hard work of really a small handful of people that tirelessly work to ensure that we could deliver on day one at least $90 million worth of synergies and real shareholder value, which apply to our multiple is $1 billion in market cap and we're excited to have delivered that on September 28.

The tax savings, being in a position so that you can enter next year to 25% rate. Having that Swissco structure completed allows us to focus on the heat and the light early by looking smartly at the combined corporate organization, finding those synergies that existed and making sure that we didn't made the right early choices to avoid adding cost where we didn't need to, but choosing and going with the best talent which are sometimes very difficult choices and choosing and going with the best processes in the corporate organization allows us to focus on the light and the heat for the long-term.

Because we were able to do that as Randy already provided to you, and I'm sure you've already flip forward and seen. We were confident in our $160 million and we start to building even more confidence in a bigger number and that confidence grew as we put together our plans to go after the opportunities and what we didn't have knowledge of maybe back in April, we certainly have knowledge of today, and that is a larger set of opportunities that include now growth.

If you look at the $230 million which I'm going to provide more granular detail in a second, I would suggest that the $70 million of additional synergies are half because we now see and we're already moving quickly to achieve real growth opportunities. So, half of that $70 million, about $35 million, we believe over the next three years, we'll deliver through growth opportunities that may not have existed without the strong brands, the strong channels, the strong markets, the strong products and systems across all of our new organization. The other half, I would say we felt compelled to ensure that we delivered because the opportunity existed and because we, like you, understand that the markets continue to look choppy, and we better go after those opportunities fast and now to streamline our organization, to ensure that we have the right diet so that when we walk out of 2013 we have real momentum.

2013 now has a number of that $230 million and the number is $90 million which is despite the fact that many of us live in Minnesota the land of hockey. Well, we're proud to say this is not a hockey stick process, but believe you me, we're going to get to $230 million by the end of 2015. Now, we need to make sure that we're tracking a big set of opportunities and as you can see here really the $90 million includes very little growth.

It includes a significant amount of this what we call repositioning, restructuring much of which will take in charge in this quarter to ensure that it is behind us and there's more opportunity in that of course, but we kick off this three-year journey with the fast start, with real momentum, with the solid plan, roles and responsibilities of myself and my team can continue to track and go after in a detailed way.

So, I'm going go through some of the segmentation. Mike is going to go through, and by the way, Mike and I could be standing up here talking about the Integration & Standardization Team and Pentair Integrated Management System together. They're intertwined. You don't do one without the other. Yes, maybe we're the scouts that are running out ahead where PIMS needs to come in and be more methodical as a process but we're laying the foundation already to bring our organizations together in a fast way and so the combination really of everything is around PIMS as a powerful force now in our company and one that I don't think existed when I joined 5.5 years ago into or near the level that exist today and that's part of the movie now that I talked about earlier that we've seen before. We've played this movie before.

The segmentation for the 2015 numbers is real. It isn't something that we haven't already evaluated and parsed out, and we have teams working on it. These absolutely are happening. When you look at how the $230 million is built from the bottom up, the repositioning is all next year. So, let's start with that. We have to go get it, we will, we are. You go to the second and the third back office standardization and sales synergies, teams working. We're going to provide more details here in my section and then Mike as well a little bit on how we're working through the standardization initiatives to make sure that those occur.

That's going to be my focus for the next few minutes and then Mike is going to talk about this and more but the Lean Enterprise opportunity that we have across our entire network and the direct material and as well as some of the indirect material which you'll find in some of our base business results and in some of the other buckets. We're very focused with very detailed plans on how we're going to achieve this for 2013 and 2015, and the key is fast start. So, any time you want to have a fast start, you better have some key projects you're going after and you better apply resources to go after them.

If you're going to be calling Jim Lucas, and I hope you do, over the next few months, few quarters and years, this isn't a bad slide to ask Jim how things are going. If you said, "Jim how is it going in the Valves & Controls organizations to functionalize?", we think this is significant opportunity as does David Dunbar, the leader of Valves & Controls. It's an organizational change that's been announced that we're rapidly moving against completing.

If you said, "Jim, how is it going on the ERP consolidation?" That's another one that we think is a significant opportunity. How does that drive standardization in back office and functionalization. "Jim, how is John doing and how are the other functional leaders doing to reduce complexity?" and then of course, from a growth perspective, we could have pick the multitude of opportunities here and fast growth markets is certainly one that we feel we're going to be able to leverage.

Let's start with repositioning because if we deliver this for 2013, we feel better about the $90 million than we do anything else, and it's important that we deliver it. When we look at repositioning and again, John is going to talk about this as we wrap-up a little more as well, we have the repositioning actions broken down by business and by function already. We're going after those.

This $75 million of saving which will have -- we believe at this time an associated charge of between $40 million and $50 million savings by labor category, savings by geography, and savings segment. Fairly diverse, 85% of our repositioning actions take place in the developed regions of the United States and other non-US developed.

We're really going after the redundancies and the opportunities that exist there. Although there are some opportunities, of course, and we're going to talk about those in about $10 million in the Fast Growth Markets where we see the type of back office operations and synergies that exist when, again, you have duplicative organizations that have been rolling in China, in India, and Brazil separately but now can grow together. That was

Valves & Controls, our largest segment. We're not just singling this one out because we decided to pick on one of the eight. This is $2.5 billion of our almost $8 billion company.

When you look at the snapshot like this and you've been tracking Pentair for as many years as many of you have, the left side -- the pre-merger, general management structure reminds Randy for sure, of the Pentair that he worked hard to streamline, instead of general managers all over with brands and their factories driving their own teams separately, right? We need to and we're running to streamline and functionalize the Valves & Controls Organization to put together a process in an organization that will be much more efficient.

We'll have real substance in Switzerland providing the tax efficient model that this organization will yield to the bottom line and allow us to drive the Pentair Integrated Management System much more rapidly through our largest business unit, and as we look at doing future opportunities in the Valves & Control space, if they can get to a functional organization and when they get to that functional organization will be in a position that as we look at growing our organization and our business we know where and how to invest and we'll be smart about that.

Just one example when we talk about functional standardization there's 10 or so functions in our company just like in almost any industrial organization from finance to HR to Legal, Supply et cetera, et cetera. John is a perfect example of one of our leaders that stepped up and said, look, it's time for us to really go after the functional organization and Finance in a very focused way, and this in conjunction, I think, a lot with the ERP consolidation that we're charging to consolidate.

If you look here with over 100 different closing locations, the complexity of the combined organization, the goal to go down to fewer than 20 by 2015, really takes out a lot of redundancy that exists and processes and systems and people and go after that, again, in a very steady way, and that's what the Integration & Standardization Team along with the partnership that we have with all of our functional leaders is specifically identifying opportunities that exist in the feeling of the heat, the light that exists when we see the Valves & Controls organization that looks a lot like Pentair used to look, the complexity that doesn't need to exist, the redundant G&A structure that doesn't need to exist.

How can we put something in a tax efficient model and with real Swiss substance like we did in our business five, six, seven years ago, let's play that movie again, not seeing the light, feeling the heat is knowing that we have all of our functions have an opportunity to bring PIMS into their own life in a more powerful way. A lot of blue dots, and by the way, we didn't even put them all on here because I think if we would have shown some of the fast growth markets and some of the regional ERP systems then this thing would have been like a Pac-man board but this complexity does not need to exist and each one of our eight business units has an ERP roadmap plan of how they're going to be taking these out.

We have experience with this on the bottom right corner with Water Purification and Aquatic Systems, right? Over $1 billion of the old Pentair, check the box, right? Smartly done, done over time, done without a lot of noise to the financial and to the investment community, and we're going to be talking those playbooks and making sure that we're running those across our other organizations especially in the new Pentair Global Business Units.

As I mentioned, with $35 million of our new increased synergies coming from growth, we'll we better go after it fast. We better not just let it happened on its own. Two years ago, we made, of course, the discussion with the investment community that we're applying real resources and real process thinking to growth. And we haven't grown fast enough but we're putting together the processes to ensure that as we grow as an organization, we maximize the opportunities that are there for us.

The Pentair Integrated Management System starting a few years ago, added some new bullets, some new tools to its tool chest and that's the Rapid Growth Process in the 3D innovation. Let's start with 3D innovation and just give you a quick summary of what these are, and I know that over the years, you've heard Dr. Phil Rolchigo and myself even present on these topics. But how do you take $200 million worth of R&D investment and make sure that it's aligned with your key strategies? How do you make sure that you have a process that you're discovering, developing and then deploying your best innovations against your best opportunities?

So, having a process will be to look at our redundant R&D Centers combine them into Centers of Excellence, take out real cost but also have a focused $200 million, $300 million, $400 million however large and effective R&D budget grows have an effective organization that are built for

the future and built for sustainability -- having those common languages, common tools so that as we're developing talent, they're all working together in a seamless way.

Same thing on the Rapid Growth Process, we want to ensure that our organization views growth not as a game of chance but a game of skill. When we look at the best opportunities across our organization, we're smart about ensuring that each one of our businesses priorities aligned with Randy's priorities across the Company. That we make Monday matter the week after we have our strategy meetings, we don't just put a book on the shelf and walk away.

We say, okay, of your five priorities in your business, how are you going to start to test small and fast and go after those growth opportunities? It's an exciting opportunity for us at Pentair and I tell you in the new organization, in the new Flow Control, these two components are areas that they hadn't even thought to really begin to standardize on and they're excited about that, and you'll see here on this slide that we're off to a fast start and this fast start really represents the adoption that we're already seeing just seven weeks into the new combined organization.

Because of certain restrictions that were important, we really couldn't sit down as growth teams and start going through this in advance. So, this on this chart is really occurred since October 1st -- fast start on adopting and training and making sure that both organizations understand what the 3D model is, and how to align all of our innovations across the organization. We've had Global Technology Mapping so we can see where is business strong, and where they're not and what are our goals and objectives to improve some of the weaknesses if they align with our vision and strategy.

On the Rapid Growth Process, we have already been in all of our new organization and had Multi-Day Growth Council Meetings from the presidents back in October to the Marketing VPs and the Rapid Growth leadership is going to be out there driving what we call alpha test in each one of the businesses going after fast, small deployment opportunities to grow, and really plant the seeds that we have a process that we stick to that keeps us aligned as a fleet going after these opportunities, and therefore, when we see big obstacles in our way, we can turn and we can move in a different direction.

The output of those sessions in the multitude of those sessions is a large growth funnel that we're developing. Now, if you start at the top, we are targeting a $135 million worth of top line, organic growth by the end of 2015. That means we need to develop a funnel that's 2X that, somewhere in the $250 million to $300 million range. We're not there yet, but we're just starting. We're just starting to really come together as an organization to begin to have these conversations where we haven't done one strategy sessions really together and that's coming but by creating the type of funnel that exists through 3D and Rapid Growth, we already see that there's big new product development opportunities that we could do, and that's hard to do.

We have big sort of concepts and ideas that we haven't really fleshed out yet, but 50 of those working all the way down to the bottom, there's 12 to 15 real growth projects that we've already launched in the relaunching. One of those of the dozen or so growth opportunities that we're already launching is joint-selling.

Let me show what we're already doing around joint-selling that's delivered real growth and real results for 2013. This example here which is a distillery where -- with our Sudmo valves, we're in a good position to have about $2.5-million worth of valve content in a set of distillery upgrades and in a new distillery plant over the next three years. We were able to partner with the Valves & Controls organization and Industrial Keystone Valves and bring the joint-selling effort to the customer and say, maybe Sudmo had a lead position because of brand awareness but these valves need to be part of the system solution, and we've won. So, already identified, already real, almost $2 million in sales synergies, six, seven weeks into the deal.

We have a team that's focusing on how do we think about joint-selling across businesses where joint-selling's a real opportunity and, again, having that fast start momentum where we can point to and say, jeez, if those guys can do it, so can we. That's critically important to growth.

The second is market access. If you were to breakdown that 12 to 15 projects that we're already running after $50 million of growth, you'd say, well, there must be great opportunities where you have strong market positions that you could just bring more product through into that market. Here's one real example, when we sell a Pentair LNG gas conditioning system, the average one of those systems could have 100 to 150 valves on it. Well,

you can imagine before we were just purchasing valves through our normal supply chain and maybe not differentiating what valves we would be purchasing, certainly not specifying to ourselves what valves we were specifying what we certainly are now.

Whenever we sell a system, let's make sure that we have the right valves on our own systems and start to bring that through. And so for this example, where we sold two skids for over $1 million, we have identified that as we sell future skids on this particular system, it's an extra $200,000 to $300,000 of sales opportunity which is high gross margin as you can imagine from an internal process and we can deliver in real synergies.

Cross-selling -- how do we give the catalogue if you will across the right businesses where we have the right market position to just cross-sell. Within our Thermal business, for example, where they have strong positions in parts of different industries and parts of different geographies then maybe we just didn't participate in, and even with the strength of our Equipment Protection, Hoffman enclosures, brand and business just them using the projects that they know were already on the horizon, that they're already bidding and working at least $2 million in sales synergies that we've already identified that they're going after by bringing our enclosures and validating with -- of additional customers as why are you buying the competitors' enclosures?

Buy from Pentair. You already trust Pentair from the Thermal Management perspective. Let us bring it through, right? Let us cross-sell that, right? Now, the devil's in the details of cross-selling and we know that because we've all grown up in multitude of organizations where we know the challenges of incentives and marketing and brand. So, we're leaning into it. We're running to that heat to make sure the cross-selling again, but we're not putting all of our eggs in one basket is my point as we methodically go through have our segmenting, our growth opportunities.

Services -- with the 90 service centers, the Flow Control business brings an awful lot of eye-opening opportunity to us. There are two or three different opportunities that we see. One is how do we help ourselves to expand our service network more rapidly, more efficiently because every time you open up a service center and you do it right, it's immediate top line growth. So, how do we go after that?

The other is how do we leverage the 90 service centers that exist, that already have great customer relationships and bring other products into those service centers such as pumps or Flow Control, right? How do we cross-sell, starting with number one, how do we start to cross-sell those customers these products and have the inventory there in the service centers to sell? Number two, how do we make sure that we have replacement parts so that we can start and test a new business model for that which we are starting to do in one service center where we're just testing with the customer accept it. What do we need to make sure we have in for the service center opportunity?

Where can we develop rental programs for whether it's a disaster situation, whether it's a routine maintenance, that wasn't identified and now they did a rental program for a short-term where they get something replaced long-term? How can we leverage these 90 facilities to ensure that we have the type of equipment that a lot of the customers who need it on a short-term basis?

Fourth but certainly not last and this is maybe few years away, you have to think of the after-market as the free market, so the more we get established as an organization in this service, we'll start to work more proactively with the customer upfront. We'll know what jobs are coming and we'll have that network, so an exciting opportunity.

You can't talk about growth without saying, you need to be smart in places you're growing the fastest. Over the last few years, Pentair has invested a lot in putting together an organization that is growing rapidly in China, in India, in Brazil, and in the Middle East, staying with the Flow Control business. Bringing those together, creating a one Pentair approach where each of our businesses has targeted distribution or direct channels, but we as an organization in this fast growth markets is sitting down with the customer and explaining what the power of Pentair of is, and as you've seen in the second, we've put together some great material on that.

We think there's $10 million of efficiencies next year alone. I'm just making sure that we're consolidating offices as Mike will talk about in a second. We're choosing and going with the right talent, right? There's no reason we need, multiple people doing the same operation in each one of these locations. Well, making those decisions fast and early, taking up a co-structure and making sure that we can deliver that to the bottom line in 2013 is imperative, and there's no reason to wait.

Leveraging that footprint, Pentair had a growing and important business in the Middle East. We never had a facility like we do now. A significant manufacturing and assembly organization sitting right there in the heart of the Middle East that we can now leverage and we can bring new products through that we were challenged to bring through whether it was just from a competitive position around taxes or whether we're just not having the assembly and the spare parts to service them but booster pumps, HVAC systems, desalination pumps.

We actually have a location that we can start to invest in and make sure that we're leveraging for growth, and these examples exist in a multitude of different locations. You can do all that and still confuse your customer. We've learned that the hard way, and we're getting better at it. It's a powerful statement of what Pentair is and who we are, and who we look like today. This isn't your older siblings Pentair.

We would suggest if you go and when you take a break and afterwards if you walk through the trade show booth outside in the hallway, I think you'll see that you know seven, eight weeks into the deal, we're already running to create a brand and a marketing approach that our customers can understand, our customers can get excited about, and future customers which is what marketing is all about. You can ask for us by name.

As Randy put out, how do we go after Energy, Industrial, Food and Beverage, Infrastructure, Residential and Commercial? How do we make sure that we get those right, that we put together our solution offerings that way? With a brand strategy that doesn't look like this, right. You can't show up in China and win with 14 brands on pumps, right.

In a Pentair over the last 12 to 18 months, we've put a concerted effort to say, what are our powerful strategic brands? How do we build equity up to a new modern Pentair? And you can see on the left side where we have Aurora and Berkeley. These are the brands that we want to invest in that open doors for us around the world, that build equity at the Pentair, and Pentair can leverage that and build equity back down. What are the number of the strategic brands that again, we're going to be smart about, that we're going to remove the clutter, and ensure that we have maximum growth?

In summary, the words that are not on this slide but I think are important, we're off to a fast start. Momentum is critical. The cultural combination that Randy's pointed out, the marriage if you will between our two organizations makes a lot of sense. We generally get along in more ways than I would have guessed many, many months ago. We're running to the same opportunities. We see the functions the same way, right.

This is an industrial combination that I think, culturally, is about as good a fit that I've ever seen. And that allows us us to focus on the right things as opposed to the wrong things. So those are the words that aren't on this slide. I think the words that are on this slide is that we're focused and we're clear about what we need to deliver. We understand it. We understand you're watching. And we're not going to take our eye out for what we need to deliver. We have a proven operating model, which Mike is going to talk about after the break on Pentair Integrated Management System and it's a never ending journey of getting better.

So with that, thank you very much for your time. I look forward to speaking with you after this and answering any questions you have.

And with that, we're going to take a 20 minute break, so 10.15 or so. For those of you that are listening on the webcast, we're going to take a 20-minute break and be -- we will get back together on 10.15. Thank you.

(BREAK)

PRESENTATION

Michael Schrock - *Pentair Ltd. - President, COO*

I'm Michael Schrock and it is a pleasure to be here with you today. Thank you all for being here. It's great to be in New York and exciting to see everyone. I'm going to talk about our operating disciplines. As those of you who have followed us for some time probably recognize, we're talking about operating disciplines. We're really talking about PIMS, Pentair Integrated Management System. And there are four parts of PIMS, Rapid Growth

and 3D which Todd has covered already, and talent management which Randy has taken you through. And then I'm going to go deeper on Lean Enterprise.

If there are three takeaways that I'd like you to get by the end of the day, these are the three. First of all, Lean, we believe deeply in Lean. We've got a lot of track record of success with Lean. We think the opportunities are huge and we believe that there's virgin territory in the new company for us to execute these proven Lean disciplines. So we're very positive with what the opportunities are.

Secondly, I'm going to go a little bit more into detail on some of the financial target -- targets around operating excellence so you can see what they are, but we do -- we feel and we hope we can communicate that those targets are reasonable. We have strong belief in those and we are committed to achieving those targets.

And the third point I'd like to make today is that we are often running through a very fast start in operating excellence and I think you'll see that with some of the examples that I hope to show you today. So, Lean, what do we mean when we talk about Lean? At Pentair, our definition always starts with a customer. So, it's all about delivering value to the customer. And what we say is that the customer knew about our processes, would they pay for those processes. Everything that they wouldn't pay for is considered waste, and we see to either eliminate it or at least, reduce it to the minimum level.

It's all about pleasing customers and reducing waste, and at the same time, improving speed and efficiency throughout the organization. On the upper right, you can see the continuum and we recognize that Lean is a process. There is no end but we are making steady, very solid progress. Randy mentioned we've been in this game for about a dozen years, and we continue to advance as we go.

We have very strong internal metrics to talk about our progress in Lean, including Lean score cards, Lean assessment process. Those are all very good, but about two years ago, we took on an objective. Just as we're coming out of the recession, we said, you know, we're tired of playing defense on this recession, let's play some offense. Our goal was that we wanted to apply for the Shingo Prize, and we wanted to be good enough that we got a side assessment on our first try, and we wanted to do that by 2012.

Not only did we get a side assessment, we actually were awarded the Shingo Silver Medallion Award this year, in 2012, which is a tremendous honor, and validated some of our efforts. So, we really felt good about the external validation of our processes. This is a rigorous analysis process. So we felt good about that. But we also, even more importantly, learned a lot through the Shingo application process.

A big part of Shingo is about driving a Lean culture and Pentair has always been about driving a Lean culture. We learned a lot of new ways to do that. We felt very good about this and more external validation about the progress that we've been making that kind of built on top of our internal confidence that we've had.

Lean, the point of this slide is not dependent on an individual, not dependent on a few corporate [edits] or anything, we have a very structured process that includes talent and structure, detailed playbooks, and finally, results, showing the results and execution. As far as talent and structure, we have a Lean leader at Pentair who leads Lean all the way across the organization. Every GBU has a Director of Lean operations. Every plant has a plant Lean site leader. Below that site leader, they've got either engineers or Lean coordinators who help drive it and depending on the size of planning works from say five to seven.

Supplementing that, we've got what we call Lean Rangers. And Lean Rangers are people that are highly expert in their occupation and who can parachute in to resolve problems and assist the local organization. So, they're either experts on a specific subject or they're able to take Lean through a new level.

We started with about three to five of those. We found it generated tremendous success. Now, we've got about 10 and our goals have 15 of these Lean Rangers. So, a very structured process with talent, we've got about 150 people dedicated full-time to Lean. In addition to that, we've got 25 to 50 people who serve in rotational assignments in and around Lean. So they'll work Lean for six months and then they'll rotate back into their old jobs. So in this way, we're able to see the entire organization with Lean expertise. So it's not only dependent on these full time people, but the people that we have imbedded that have been through training and have been these Lean Rangers or have been site leaders or in and so forth.

We find we also work very hard to make sure that those Lean leaders have a career path that is encouraging to others who might want to pursue the same discipline. So that's talent and structure, and we work a lot on, and we feel very good about it.

Secondly, five or six years ago, we had made great progress in some areas of our organization, but we have not made unified progress across all of our organization. And so, we're really concerned about that. So we did what all Lean companies do, we did a Kaizen around it. And we said, okay, what are we going to do and how are we going to approach this.

So out of that Kaizen came what we call seven Tranformational Disciplines - Strategy Deployment, there's a Lean Transformation, Standard Work, Visual Management, Managing Daily Improvement, Making Material Flow, and Creating Continuous Flow are just some of the examples. Those are some of the seven Transformational Disciplines that we've developed.

They worked so well that we said, let's institutionalize those. We institutionalized those in what's called our Lean Enterprise Playbook. It's right here. It's a very impressive document and I hope you get a chance to see this, and browse through it. I would've left this outside but I was afraid Cliff would lift it. And I wouldn't have it to show all of you.

But I will put it outside to give you a chance to look through it. I've been through a lot of other companies, this is the most impressive I've ever seen put together by our Lean team. And so, it's a structured method.

Around these, around the seven Transformational Disciplines then, we have built training modules. And I know, on here, we see 11. There are 11. It's the seven plus making material flow, we split into three pieces. And then, there's also another -- a general introduction to Lean. And then, Lean tools, there's another one on Lean tools.

So, we've got these 11 e-learning modules out there. And they're interactive, they include video, they include samples, and they include simulations. So, they're very good. The people have taken them, very impressed. And over 2,200 people in the new organization and just the Flow Control piece has taken these modules and the feedback so far is very good. So, you know, getting great traction here.

The overall execution, I'll talk about it in a minute. Our overall target has been gross margin up 100 basis points per year, and as I'll show you in just a minute, we've done that. So this is what I promised, here we go. So this is a picture we've spread -- split the Technical Solutions side from the Water & Fluid Solutions so you can see our progress. Steady progress, year over year, averaging 100 basis points of gross margin improvement.

Not only have we done that, we've done that in overcoming some headwinds in material inflation, also emerging market mix as we've grown more in the emerging markets where we experienced some more margins in those areas. Finally, we've made global investments in all the while, increasing our gross margins. We've invested in increased manufacturing capability in China, in India, in Latin America, all through the world.

We've been able to gain solid productivity via Lean. We started in at the end of '07, we had about 60 manufacturing sites through increased productivity, through the ability with Lean to be much more efficient in our use of floor space, we've been able to reduce that number all the way from 60 down 55, down to 40 that we had currently in the Legacy Pentair organization prior to the merger. So, great results there and as I'll allude to in a few minutes, we think we have opportunities across the entire organization as we go forward.

In addition to the financial -- direct financial benefits, I said, this is all about the customer. We've generated significant improvements in quality in on time delivery, and I'll show you some of those.

One of the things that's important in driving these goals is generating Lean culture and I use this example. I've traveled. I used to have a job in Europe and I traveled in France a lot, and I was always kind of annoyed by how hard the French worked to preserve their language. For example, a computer is not a computer, it's an ordinateur in France. I was confused by it, kind of frustrated, why did they do that? Well, then I realized that language was tightly linked with culture. And what they're really trying to do is preserve their culture and have -- and do that by preserving their language.

By the same token, we think that there's a language with Lean. And we have made great strides in just preserving and perpetuating the same language at Lean all the way across organizations. So if you go to anyone of our businesses and said, what are you trying to drive, what are our metrics still say, SQDCC, Safety, Quality, Delivery, Cost, and Cash. And these are our goals.

Our goal safety, for example, we have already at industry best levels. We have proved four years in a row. The Flow Control business was very strong here, and they will only add to this capability.

Warranty, when we started this process, we were over 2% of sales in warranty. Currently, we're well below that. We've taken about $30 million out of warranty. And while we've done that, we've also improved the customer experience.

Delivery, our goal is 95% on time. We're in that range, close, about 93% currently. But we've improved by 200 basis points to 300 basis points per year over the last several years. We have a very demanding metric by the way. I know you can't compare these across companies, but we've done a very, very nice job of improving the customer experience.

Cost, I mentioned our goal, 100 basis points per year, gross margin per year, we've been able to accomplish that and in cash, free cash flow in excess of net income. I think Randy mentioned that eight out of the last 10 years, we've achieved that as well.

These are our goals. Focusing on a very strict set and maintaining the language of Lean across our organization. Now, let's take a look more directly at what the synergies are, what we see, and what we're targeting.

Here, you can see $20 million in direct material synergies. We've got about a $3 billion spend overall, about $2.2 billion is in indirect material. We've got a very strong robust funnel. Then, Lean Enterprise, $45 million and I'll show you how that breaks out in a minute. Indirect synergies were about $40 million, which were imbedded in some of these other things that you see, and Todd has talked about like back-office standardization, et cetera.

Going forward, talking a little bit more out of the manufacturing cost and this 100 basis points for your gross margin. So, by 2015, 300 basis points of gross margin improvement. And as you can see, our targets here are 100 basis points apiece and you know manufacturing overhead, manufacturing labor, and material. We feel very good about those, and we think those are reasonable targets based on what we have in front of us.

I'll talk more about material and give you a little bit deeper insight into that. But we have, for example, Lean, if we took the 40 largest former Flow Control businesses, and we say, well, supposed we could save $2 million apiece in each one of these. Well, that's $80 million right there. So, a huge opportunity in front of us and we are -- we've got a large funnel to achieve the commitment that we've got. And -- but this also aligns with the Pentair experience of about what we think we can do by aggressive implementation of Lean.

Furthermore, their best site actually happens to be run by a former Pentair manager. Tyco's Flow Control business stole one of our people from us. And it's in Italy, and they have achieved $2 million in savings in the last couple of years. So, we feel this is a decent number. It's a longer-term number, but with aggressive implementation of Lean, we think we can get that.

We've got other opportunity streamlining logistics. Obviously, with a number of new sites, there's a lot of opportunities to improve on this and pull it together. I'll talk a little bit about footprint and some of the things we'll do with the factors. So that's a 300 basis points targeted.

We track this business by business. Here, I've grouped them into the reporting segments just for convenience sake, and so we didn't have too many bubbles on the chart. The Flow Control businesses, where do they fit? They would all be around that bottom of the chart. I'm telling you, it's virgin territory. They would agree to that. They've done very little implementation of Lean, they have not optimized across their businesses, they focused on a per factory -- factory by factory approach.

They recognized these synergies were there, great opportunity for -- as we drive them up the chain and get them pass some of the more advanced areas of Lean into what we call continuous improvement stage where made a lot of big changes. No, it's just year after year, day after day continuing to improve.

I want to give you a little more detail on how we're approaching it, so you can get some feel for what we mean when we say, we're off to a fast start. Within the first two weeks, we had conducted roll outs in each one of the regions. In Europe, we did one for the Americas, we did one in China, that brought in all of Asia, and we did one in Australia. Through those roll outs, we trained the top 150 Ops and Supply leaders on Lean.

Currently, we have undergoing additional training, strategy employment, and overall advanced levels of Lean through, and that'll be complete by the end of November. Just with these two modules, we will have touched and trained the top 500 former Flow Control employees.

In addition to that, if you see the longer bubble down there in the chart, we believe and we are executing against all sites having in place at a minimum PIMS scorecards of strategy to deployment down to level 3 and transformation plans in place. Now, on top of that, we've identified 15 focus sites. And this is something that has worked very well for us in our legacy business. Picking sites that make the most difference in saying, we're going to go deep on these sites. We're going to over resource them and we're going to make sure we get the savings in these locations. And we implement every one of those seven Transformational Disciplines.

We've got these seven -- 15 sites identified, and in those sites, we've already got Kaizens value stream mapping underway, 5S and everyone is to have begun creating continuous flow, Kaizens and those sites as well.

Finally, throughout the end of January, we'll be conducting Lean Playbook training around the playbook that I'll show you right here. I think a powerful combination -- we're off to a fast start and they're definitely embracing it within the new businesses. We're also supporting it with talent moves. Many of you know and have met Tom Pettit who has spoken at some of these events in the past. Tom was our former head of manufacturing processes, an expert in Lean himself and then, in supply as well.

He is being transplanted into the Valves & Control business because as Randy showed, that's our largest new segment, and where a lot of this activity is really going to bear fruit. So it's one of our biggest opportunities, so we said, why not, go right into the fire and Tom's taking on that responsibility, will be moving to Switzerland to work with that team.

We've transplanted about a dozen operating leaders from the Legacy Pentair organization into the Flow Control organization. Some of them on shorter term, I could say, six-month assignments to get a rapid jumpstart and about the other half of them go permanent assignments. I should mention it's not going only one way that a lot of the former, the Flow Control people are also coming into Pentair as well in leadership positions.

For example, wherever they had grooved and drilled process -- for example, in real estate, EHS, in ethics and compliance, in all those cases, leaders have come in from Flow Control sites. So, it's a good mix and we're cross seeding the organizations to make a fast start.

Two of the top three supply leaders are coming from Legacy Pentair, and you'll see why because of the structure that we've had around supply and the routine and the processes that we've had going there. We feel very good about that. We've got these plant Lean leaders in place, and the Lean Rangers deployed, and I'll show you some examples of some of the progress, and Randy has already alluded to some progress we've made there.

This is a repeat from what Todd showed, but I wanted to repeat it for a specific reason, because it's not just a cost issue around the structure. As you see, Flow Control has the GM structure where really optimized around the plant. You couldn't take advantage of grouping your buy globally. You couldn't take advantage of best practices or standard work or any of that across plants -- this language of Lean that I was talking about because every general manager had their own discrete organization.

Not only does it -- well, let's say cross, but we really expect this is just going to energize and really drive our Lean initiative. We have direct line of site, we've got functional expertise, everybody knows what their supposed to do, and we can work directly with that leader to generate best practices and drive these processes throughout the organization. So we think it's going to result not only in lower cost, but in a much faster and strong implementation.

This is a little bit of a summary, but I talked about the $45 million in Lean that is our objective to achieve by 2015. Split that into two pieces. First of all, we call Four Wall Lean, which is basically within the existing sites. What can we do? Opportunities are huge there. I've got more than 100

facilities combined. We've got already a strong start. Randy mentioned in Redwood City, that is one of our thermal plants. So, Randy talked about a 5S event. Quickly following on that, we did two other events.

One is around first pass yield and the second is creating continuous flow. And out of those two events, we believe we've got $2 million in savings identified that we can go after and take multiple Kaizens to get there, but we think that's a direct opportunity we can take advantage right away.

The Redwood City people using the Lean Rangers from the Moore Park facility, so excellent combination, we are really excited about that. One of the other problems has been lead time, and we cut it by 66%. So, already very strong results not only in cost but in customer satisfaction as well -- same kind of results in one of our European valve plants. This particular plant is located in Germany where we've just done some of the original basics of Lean value stream mapping, and some of the plant reorganization, creating continuous flow -- had in one particular line already a 25% on time delivery improvement which means a lot for them, and we also believe that they can generate $1 million in savings just through the Kaizens that we've initiated in and have begun.

I talked about facility rationalization, the opportunity there, $20 million plus that we see. We have some of these small plant closures underway. One example though that I want to highlight, Japan closure is in process. It's about relocating to other sites and it's already a $9 million savings identified which should be at the run rate in 2014. So, you know, just one example of what the potential is here with one site. So we think there are very good opportunities here for us to continue to drive Lean and take cost down.

This is a little pictorial view of that Thermal example. I talked about $2 million that was a combination of first pass yield in creating continuous flow. The first pass yield was due to scrap, their actual scrap number is much bigger than this. The opportunity is much bigger than $1 million, it's really $12 million here that they waste through scrap. And we think there's a big opportunity to improve this and cut cost in this operation.

The other thing I want to highlight here is I talked about the culture a little bit. What we found it's not us pushing Lean, its pull. They are pulling Lean. They have visited our sites. They are just really impressed with what this Lean, the Lean potential is. And so, they are drawing us together. We toured in excess of 30 sites, and in every case the graphics that you see there would beat us to the site. They always had these -- the Lean posters with the Pentair branding.

Localized communication for everybody helps drive the culture and help people get engaged in Lean, on as I mentioned the training, 500 top people trained already by the end of November.

Let me shift over now in the supply. I wanted to talk a little bit about what the targets are and I mentioned already $60 million in supply, which is $20 million in direct, about $40 million in indirect, which is imbedded in some of the G&A take out areas that Todd has talked about, and we have already a solid funnel. Our objective is to develop a funnel of 1.5 to 2X of what we need in projects.

So, we've got about 300 global projects already identified. Within the first three weeks, we'd already executed on 35 of these for about $5 million in savings. Currently, we've executed in over 50 for savings $11 million to $12 million split between direct and indirect that we should be able to capture and flow through.

Our indirect buy is about $800 million, but it's one of the fastest areas that you can get at, because it's less dependent on writing a new spec for products, or getting a customer to accept, so we felt we could address this right away. So we got a very strong pipeline of projects. As you can see, one of the largest spend areas is in transportation, and I mentioned some of the opportunities through Lean there, but we also have negotiation capability, 33% of our spend in Lean area and we got already $2.5 million savings in ocean freight just by combining the buy of the two companies.

Our third largest spend is in IT and Communication. And you can see, together, wireless and data center, we already saved a million one. And those are savings that are already locked in at this point.

Our next wave, just some ideas of things that we have underway, $2 million in Kaizen energy treasure hunts, something that we started in Pentair a few years ago, actually, during the depth of the recession, and $2 million, we've been able to accomplish at least that level in our core operations

when we had only 40, and now, we've got 70 more joining us. So, the incremental, we think $2 million per year should be very safe, and it's something that's under our control. So, just some insight into some of the opportunities that we see through indirect.

Our process, we have very structured process going after all this. We've got in the 100 days, first 100 days, we've got 75 projects identified that we want to close out and finish. We've got 70 people whose job is to go through these projects from start to end. Every project has a defined starting point, a defined ending point, a strategy, a plan, and milestones, and then also a leader. So, it's a very disciplined structure process that we're after this.

The first one that you see, the top four will probably pay off the most quickly and directly. The first one is Choose 1 & Go where basically, we just say, all right, who's got the best price? Who buys nails at the best price? Or who buys you know, asphalt best or resin or whatever -- and just going with that vendor. So, if that's something you can do immediately, is shifting by them over into another vendor.

Our second is what we call rapid re-negotiation. So, it's where we say, hey, you know, we haven't been big with you before. We were only $300,000 but we're now $5 million. So, let's take a look at what we can do. We believe we should be one of your gold or platinum customers, and let's improve that pricing.

The third is a little bit longer term but it's a more structured process around RFP submitting -- more detailed RFPs which lay out then solicit multiple offers and choosing the best.

The final or the fourth one is just through policy implementation. A couple of direct examples, for example, what types of phones do we use in standardizing across the business? What type of laptops do we use? What travel do we allow? What's our policy towards business class? And just that one travel of business class standardization alone in $2 million. So, we got a $2 million target here. We think that by itself is a good opportunity.

Overall, off to a very fast start in supply and management, enough that we have a very strong confidence that we can deliver these numbers that we've laid out for you.

Productivity, I've talked about more than 35 projects in the first week at $5 million. As of now, we're over 50 and approaching $12 million in processes or projects that we've completed. Our target is to finish these 75 in the first 90 days. We also have, not to be outdone, we have a Supply Management Playbook as well and this lays out in detail our strategies for achieving supply savings.

It talks about supply score carding. It talks about ethics and compliance at these potential vendors, and really lays out in detail how we're going to operate. It's a tremendous piece of work. It was visible to me as we were putting it together but I went through it before we left and I was just knocked over by it. It also is highly integrated with Lean and with their other process. I think it's a very positive development.

I talked a little bit about consolidation and again this is embedded in some of the other things that we talked about, G&A, takeout, but we have huge opportunities. There are over 200 sales offices for example. And in many of these cases, there's no reason to have these many sales offices spread out, and not only could we reduce the cost but we also think we can help people work together better and generate some of these revenue synergies that Todd was talking about.

Just one example, I'll just highlight the APAC. In China, we currently have five offices that we're going to combine -- this is in Shanghai, into one regional office, and the people are looking forward to it. I feel very good about that. And then Singapore is another example. We've got three substandard offices. We're going to consolidate into one showcase office so we have a better place for our customers to visit, and between these two, it'll be over $2 million.

As you can see, there are opportunities in Europe, in the America's, in Latin America, as well as North America. I think this is a very rich area for us to explore. In summary, we know what the targets are $45 million in Lean, $20 million in direct material which I hope you can see in your line of sight of what we see now by some of these examples. Accelerating PIMS across the enterprise and then delivering gross margins in excess of 100 basis points improvement per year.

With that, I'd like to thank you and turn it over to John and he'll talk about Setting and Meeting Expectations.

John Stauch - *Pentair Ltd. - CFO*

Thanks, Mike. Okay, the closer. The good news working for Randy is you always get motivational notes so I thought I'd read you one. John, we're on a pretty good roll today. Clicking along nicely, solid message, don't screw it up. I cleaned it up for you, by the way.

Okay, so we've thrown a lot at you and I apologize for some of the detail but we felt it was important that you got an insight and a more detailed look at the types of things we're driving. I was asked this question at the break and I just wanted to start with it.

How are we going to separate from the base and the IST savings? The right answer is we're not. The end results are the only thing that matters and that'll be a combination of delivering the base and delivering the synergies. So, if you go through and you add it up, just to cut to the chase, you're going to see a lot more opportunity than we're committed to.

And some of those opportunities, especially in indirect and real estate as Mike mentioned is going to be buried in the base performance of the businesses and some of the things that we didn't put too much commitment on. For instance materials, are the things that would've gotten me very conscious that right now that raw materials are relatively low, and we have to look at these as incremental to where we are starting from in 2012.

My section is the Setting and the Meeting of the Expectations. The setting part is the easy one. The meeting is a little bit more challenging because I know you guys are demanding and we're demanding on ourselves. As Randy mentioned, we put out there our $5 goal and I'm going to show you the path of how we believe we can achieve it and share with you some insights into the math that gets you there.

We start with our '12 to '15 expectations. Clearly, we believe that the portfolio we have today in the combined company is richer in opportunities especially around the new, new world as Randy has defined it and the 4 billion people that are emerging in the middle class who are going to put significant constraints on energy, water, infrastructure, and industrial process.

We're expecting an economic slowdown to continue. I think our outlook as we'll talk to you between '12 and '15 is for sluggish growth across most of the developed world in '13, '14, and '15, with some return to capital spending next year, but we don't know if we've lost six months in the cycle or if that's going to be a big catch up next year. But we're feeling like it's going to be a slower growth environment in which we're going to have to find our ways to create that differentiated growth.

Our revenue goal is $8.6 billion by 2015. That's clearly down from what you saw in the S-4 of right around $9.7 billion. I thought I'd clarify a little bit that we had to keep reminding ourselves that this deal was really 52.5% Tyco and 47.5% Pentair. I just want to remind you that the numbers that you saw before were more Tyco-led numbers and what you're seeing today are Pentair-led numbers. Clearly, economic conditions have slowed down and, growing 9% in the three businesses that were the Legacy Flow Control, seems really rich and we've moderated those to 6% to 7 % or 4% to 6% range in total.

Our ROS is expected to be 15% by 2015 and our EPS goal of $5.00 intact and our ROIC will be roughly 12%, which reflects the value of the Flow Control deal put on the balance sheet.

The creating shareowner values is really made up of three different components as Randy mentioned - delivering on the base, accelerating the standardization agenda of Pentair, and then making sure that we're disciplined in our capital allocation philosophy.

The base numbers of $790 million already has $40 million of corporate avoidance in the number. We just thought that will be simpler since this was an $80 million allocation as Randy mentioned that was going to come to the Flow Control units and $40 million are added which was $20 million of IST budget each year.

There is also $20 million of incremental corporate spend primarily in Switzerland where they did tax and treasury, as well as an expanded group and corporate headquarters in Minnesota. We've put in the base so that we can now track the operational synergies over this horizon.

Driving standardization, $90 million as Todd mentioned in 2013 and $230 million by 2015 gets you to the $950 million in the '13 number which is about 20% year-over-year growth, and 19% CAGR over the horizon.

This is your first look at the full year pro forma outlook. This will be combining the Flow Control results for 2012 with the Legacy Pentair results. Overall revenue was up about 4%, Valves & Controls at 6%, and Water & Fluid at 7%. Valves & Controls are all organic. The Water & Fluid number does include a partial year of the CPT acquisition. And you can see that the Technical Solutions business was down 2% primarily led by our Equipment Protection business which was down organically this year.

Operating income is up 13%, so that would be the combined entities organically creating 13% operating income growth and pro forma EPS at $2.52 which really reflects the full year impact of the shares on the combined earnings. So overall, about 11% starting ROS and a good base to grow from.

Next is the year-over-year walk of 2011 to 2012. The contribution from Flow Control of $296 million includes, and this will be consistent with all the numbers I'll share with you, $91 million of amortization, which is still an estimate at this point. We think it's a good estimate, but that is an estimate, and that's incremental related to the deal and about a percentage of sales relative to corporate allocation. If you're trying to compare the Flow Control numbers from what you saw before, they are a little lower for those two reasons and what I'm sharing with you.

Here is your first look at the Valves & Controls segment on a pro forma basis 2011 to 2015. Year-over-year growth is 6% from '11 to '12 and expected growth rate of 5% CAGR from '12 to '15. Operating income should be up around 9% this year and again looking to double that through the synergies and the standardization that Mike and Todd shared with you.

You can see on the lower part of all these slides, in the lower left, we're sharing with you the percentage of revenue in each of the Vertical markets that Randy shared with you earlier and then giving you what we think our expected sales growth rate for this segment for each of those key Verticals.

Water & Fluid, with about 16% year-over-year growth, a lot of that coming from the Pentair side and the standardization efforts that we've already embarked upon in the Lean improvements that Mike shared with you.

A 19% CAGR over the horizon and you can see they're also broken up between the base and then what we have is the IST and the synergies per segment, and then the growth rates. Two notes ... in Industrial we do have a lower growth rate than we would've had probably three to four months ago when it was around 2%, primarily impacted by Western Europe and our view of what we see is a sluggish, undeveloped Europe economy over the next three years.

In Infrastructure, where Randy said we're beginning to build our backlog, we're still seeing sluggish growth globally in the muni spaces around the world.

Technical solutions has a 2% projected contraction year-over-year 2011 to '12. Most of that is what we've been experiencing the second half, primarily related to Western Europe and a slowing North American Industrial that we've seen.

Overall expecting a 5% CAGR primarily led by Energy in the Thermal Management group related to some large projects that we're expecting up in the oil sands. And overall, you can see that Residential/Commercial, we have the high single digits range. Right now, we feel we've grown at that rate this year and we continue to see an emerging North American Residential market that we think will be continued via tailwinds.

Randy showed you what the global Pentair portfolio looked like for 2012. I'm adding that here on slide 103 at the 2015 sales rate so you can see how we transform and how the contribution of $8.6 billion of revenue cuts across these three reporting areas which are the reporting segment, the geography, and then the verticals.

We gave you some colors and some highlights into these categories, clearly we believe cross selling is a huge opportunity for Pentair. I think the way I would talk about it is if you go back and take a look at the five core verticals, you see the marketing and the investment we're making in the collateral. Those are the opportunities that we feel are the richest across the combined Pentair by making sure that our sales people and our customers understand our breadth of the product offering across those key categories.

Looking at our sales growth opportunities, I think it's critical to mention that we've incorporated the sales synergies that Todd talked about into our overall growth rates. So, saying it differently, we're expecting somewhere around 4% to 4.5% growth rate excluding those synergies and a 5% CAGR over the horizon inclusive of those synergies.

This is the combined Pentair numbers for what we looked like by verticals and you can see in the synergy area, we think that the highest opportunities are fast growth and clearly oil & gas.

What we've laid out here on slide 106 are the components of our revenue in the far left, and then sharing with you what we think the CAGR is across the '12 to '15 horizon and then the mathematical contribution of those components.

A couple of key points, and there are three balloons here on the slide. We're expecting to have a $2.5 billion vertical in Energy by 2015. That's already north of $2 billion today and we do think that represents a significant opportunity for Pentair. The Residential/Commercial business today is right around $1.8 billion. We're expecting that to be about $2.2 billion by 2015 representing what we think is a tailwind in the North America residential market.

And then finally, on the Food & Beverage side, and one of the reasons that we called it out even though it's around 10% of our sales, is we're extremely focused on food and aquaculture, CO2 recovery, and a lot of key components to creating an incremental productivity for the industrial food and beverage processors.

Mike showed you these slides and, I'm going to skip through them a little bit but I think it was important for you because I live in a world of Excel like you do and wanted to make sure you have the key components to the P&L so that you can put this into your Excel spreadsheets. And as you know, every single plan works in Excel, it's just a matter of getting it out of Excel and getting it to 30,000 people's hands than delivering it, right?

I did want to make mention on slide 111 that as we talk about some metrics that we used to use and I know we use them across the industry around conversion, I think it's important to note that when we get recovering market growth, i.e., North America Residential or North America Industrial, that's going to be higher contribution on conversion.

Clearly, when we get to the fast-growth markets, we start to get a new platform, new systems, or new channels obviously lower contributions of growth. One of the things that we've observed this year, certainly at Pentair and I think you have across the industrial space is that when you get a little slower growth in the industrial world, you also get a higher contribution of price, your conversion tends to be higher.

As you grow a little more towards the high single digits, price becomes less of a contributor in that growth and therefore your conversion also begins to be lowered. I just want to make sure that you have that in the background as we talk about our growth over the horizon and we can begin to model how we're doing against that across the next several years.

Here's a walk in operating income goals and I think it's important to think about growth and price at about $500 million of contribution. We're expecting base inflation around 3%, clearly a little lower expectation in 2013 as we don't see raw materials snapping back too rapidly, but somewhere across the horizon, we do think demand in China returns and therefore were going to see a little bit tougher raw materials towards '14 and '15, and that's the way we modeled it.

From the base productivity, we're looking at about 100 basis points a year and overall looking at about 200 basis points from '12 to '15 on the base performance. As I mentioned, this plan is about delivering on the base and then also getting the IST as incremental. The only number really on this chart that counts is delivering the $1.3 billion, and so we're being very careful not to double count these opportunities. As you can imagine when

we sit down with the businesses as Randy mentioned earlier, we developed a plan that was inclusive of both. And so we're very clear on driving each, but we're making sure that the end result is what we're measuring.

You can see the sales synergies contribute about $35 million. The PIMS and sourcing, about $65 million, and we're planning to have the $75 million of cost out ready to go on January 1. We're about 70% to 80% through the identification of that. And as Todd mentioned, we're taking a charge of $40 million to $50 million this year, most of that in the fourth quarter that will be related to making sure and ensuring that we get off to a fast start next year and we get this $75 million of guaranteed return delivered.

And finally, standardization of $55 million as Todd mentioned primarily from the functional standardization of which I own IT and finance. Fred Koury owns HR, Angela Lageson owns legal, and Mike owns sourcing and he also owns operations and Lean. There's a lot of opportunity there and I think about that as half coming from Flow Control and about half coming from Legacy Pentair.

So, still a lot more opportunity to be gained from the Pentair side as well.

On slide 114, as we go through and look at measuring our success, what are some of the key milestones that we envision obtaining so that we can keep score key measure how we're doing. Clearly, we're not going to get all the ERPs done by the 2015 timeframe. I was mentioning this on break. This is really similar to Lean in the sense that the businesses that know what they're doing and have done it before can do this really quick and can accelerate the process.

The hardest thing is getting started in some businesses. When you have multiple ERP platforms, sometimes you don't have any easy go-to or you have to really think about that not as the software process itself, but as the business process as you sign up, how your IT supports you, how you build the supply chain, how do you make decisions on delivery?

Those are things that need to be worked. Clearly Valves and Controls have a path, example from Flow Control. Some of that will be reworked because we're moving it to Switzerland. We want to make sure we're incorporating the things necessary to drive the tax rate. But the Thermal Management business, which had 20-some ERPs two years ago, is already down to nine and will be down to one by the end of next year, and that's all on their own. They have a team and a process in place to drive that.

But clearly, getting rid of an ERP platform allows for us to connect easier through our HR systems, our IT systems, and more importantly gives us the opportunity to reduce those accounting centers and take out that waste within a process which honestly, the customer does not pay for.

I want to make mention also on the tax rate. We're off to a start where we feel we've got a 25% tax rate for next year locked in. Clearly, we don't like to talk publicly about tax planning because it gets you in a difficult situation with the authorities. But having a Swiss structure creates a substantial opportunity for Pentair and as we benchmark other companies that have a Swiss structure, most of the tax rates are less than 20% and that's clearly our long-range goal.

What we have to do is do it in an efficient way where we're putting the substance in Switzerland and that through that substance making sure that we're transferring the intellectual property and giving all the profits back to Switzerland where we have a low tax rate. There are efforts to do that. In 2013, 2014, and 2015, we think gets us to a long-term tax rate of 23% in 2015, and as I mentioned, close to 20% on a sustainable rate on a go forward basis.

Taking a look at the EPS walk as Randy mentioned, a dollar from the base anticipated coming out of the pro forma in 2012, getting to a $1.48 from the $0.80 that Todd mentioned on IST and then the remainder from interest, tax, and shares in the capital allocation.

Here is the capital allocation and I just wanted to frame it for you in a couple of different categories. In the far left is our year end 2012 expected total debt. This is inclusive of $300 million of the first $400 million of buyback completed by December 31st, which would give us another $900 million of buyback to go and is mentioned share buyback column.

Most of that in the model is anticipated to be complete by the end of '14, so one year earlier than we projected when we came out in March. And you could see at the end of 2015, with a cash generation and 100% of free cash flow conversion, we believe that we get to a debt to EBITDA level of 1.0.

I must mention Jim showed me that we should give you EBITDA, but I figured you guys could do the calculation from this chart and clearly get to it. And so, the only EBITDA level to do math for you is about 1.6 billion and the starting one is obviously just taking the $2.5 billion and divide it by the 2.21 times leverage.

We have about $3.6 billion of a debt opportunity minus $1.6 billion. That's $2 billion more of incremental balance sheet capacity again at 2015 to use, to either pay down debt or to make bolt-on acquisitions. What I wanted to make sure that's clear is when you hear the confidence in our $5, right now we're hopeful we do not have to use that to make the $5, but our first goal would be to protect the $5 if that would mean incremental buyback, and then acquisitions, we would look to do that.

It's about measuring how we do against the $1.3 billion of income that we're targeting and also how productive will we use this balance sheet to either guarantee the $5 or create upside to the $5.

Here is our capital allocation philosophy. Always public with it, always trying to satisfy the three constituencies, and we've always been investment grade since our founding and it's our goal to maintain investment grade rating.

As Randy mentioned, we're very proud of 37 straight years of increase in the dividend and we would expect to continue to keep that track record going. We believe, as you do, I'm sure that organic growth is the highest value ROIC that you can create and then ultimately, either buying back the shares or acquiring companies that augment your capability.

And clearly, you can understand that we're in great markets that have great trajectory and we have great opportunity delivering income and value through our acquisitions. But as Randy said, there's a carrot and stick -- the stick is IST driving the businesses to get to standardization and the carrot is likely that the standardized businesses are the ones that have made more progress and are likely to get the acquisition dollars to continue to deliver value for the shareholders.

I'm not going to go through 118, but I figure you needed these to complete your model, so I put in the book for you where we are in interest, tax rates, JV income, minority interest, and share count.

So now on to '13. Clearly we announced today a $3.10 to $3.30 EPS range for next year. I think it's safe to say that the economic environment that we're dealing with is not easy to predict, so our assumptions rest on the fact that we continue to see the sluggish capital cycle continue through Q4 and then somewhere as the New Year starts, we're going to continue to see investment.

Our thesis is behind these numbers is that capital has never been cheaper and the ability to deploy capital to drive productivity has never been richer for industrial companies. So, I just came back from a really tough trip. I had to go to a beer festival, or brau if you would, in Germany, and I was talking to a lot of the big beer companies. Most of these expansions -- this is either good or bad depending on how you look at it, are not in the developed world, right? Africa is putting in 20 to 25 breweries a quarter, some of those small craft breweries, some of those large breweries. And Malaysia is growing very fast.

One of the beer manufacturers we talked to, he put in capacity in four months, ran out of capacity and he had to triple his capacity. Most of the growth is in the Fast Growth Regions, and it's getting done, but arguably it slipped three months to six months to the right, and a lot of the projects that we're looking at today getting close and done, especially in our Thermal Management business.

It feels like the capital projects are still getting invested, but it seems like we might have lost that capital cycle as I mentioned through Q3 and Q4 turning into next year. But I just wanted to set the framework of where our guidance for next year is based upon.

As we mentioned, our sales are expected to be up 3%. You can see on the right hand side how we think that contribution comes. Valves & Controls grew organically 6% including the headwind of foreign exchange. So, the 4% that we have forecasted for them is a little bit lower. We still believe tailwinds exist in Energy, and a little slower in Western Europe as far as the contribution in industrial growth.

Water & Fluid, up 3%, and Technical Solutions returning to more of a normalized GDP growth rate in Equipment Protection, so lower in the 2% to 3% contribution, and then a significant tailwind again in Energy related to Thermal Management.

You could see our expectations there for operating income in ROS and as mentioned, our full year EPS is up 27% with a significant contribution coming from the share buyback.

On page 121, I'm going through here on the left hand side, the sales bridge and on the right hand side, the operating income bridge, and you could see a clear walk from $790 million to $950 million with, as Todd mentioned earlier, $90 million expected IST savings. And as I mentioned earlier, just for clarification, $75 million of the $90 million expecting to come from the repositioning, or the cost out actions that we'll identify here in Q4.

So, overall for 2013, driving the $75 million of cost out, making sure that we take advantage of the tailwinds and the markets that are continuing to grow, and then making sure we continue to overdrive standardization so that we can build a tailwind and our expectations to fund some of the tougher things that we need to get after in '14 and '15 as Mike said in case we have to close some incremental facilities.

I should also mention that we expect to have GAAP to adjusted through probably Q2 or Q3 of next year, primarily related to the inventory step-up and the customer backlog that has to be amortized off related to the Flow Control deal, and then it's our goal that we return to one number which is the GAAP reported numbers in '14, and which you're looking at there would be reported adjusted would generally be the same. I would think of the IST budget continuing to fund some of those things that normally we would've done in restructuring and called out as one time. That's our goal and expectations and that's how we build this horizon plan.

And finally on summary, I think we're confident in the $5. I think you heard that from Randy, you heard that from Mike and Todd, and I think that confidence is based upon the fact that you know, we set these goals so that we could build the plans, spread out the necessary targets and have a whole company who's focused and committed to delivering these results.

I think there is some contingency related to the balance sheet that gives us some comfort on things we can do on proper deployment of capital, and then as you can see, we have a huge, robust pipeline of standardization opportunities, indirect material, and direct sourcing that we think is important to continue to drive that. I will say that we're also aware that these programs need to be evergreened, right?

I mean, one of the challenges you run into is 12 months into a deal, people forget about the tough aspects in doing the deal and we have to make sure that we're constantly changing out the talent into these programs so that we're keeping a fresh set of eyes and keeping an enthusiasm to continue to drive the standardization.

It's very easy to get bored at what you did and look at what's next. It's important for us to make sure that these businesses understand that it is about delivering on what they said, and then making things incremental. So, with that, I want to open up to -- I want to put Randy back up to bring the summary, and then we'll take questions and answers. Thank you.

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

We have two things to do. We've got to deliver on performance and there's two pieces that is the dollar base and there's $0.80 of synergies on top of that. And then, we've got $0.68 of capital in tax. And As John said, that's where we, if you will, have our contingency, because I -- and I like it there because we're betting on building the Operating Excellence in the Company. We're betting on the 30,000 people and will use capital as our contingency.

And I like that, I like that a lot. That's our approach. So, I hope you get a sense of how excited we are about the company we built, that it is a stronger company, that under Todd's leadership, the Integration & Standardization team is real, it's functioning, and we have real opportunities to deliver

synergies. On top of what Mike showed you is a set of operating disciplines that we are committed to and we are rolling out and we'll make a difference.

And finally, as usual, John has tied it altogether in financial terms to show you how it's all going to work. And I'll just finish by saying, covering the same chart here, what else are we doing to ensure success? Again, the corporate center is set, it's operating and fully functioning, and frankly, functioning at a higher level than we were even anticipating.

The businesses came over intact and we're applying the business processes and handbooks that we know how to apply. The synergies are clear but they're also being embedded into the business plans. So, that $1.80, whether it reads out in the $1 or the $0.80, it doesn't matter to us as long as $1.80 reads out. And that connection, making the presidents accountable and making the businesses accountable for the overall performance because it's the bottom line that matters.

And finally, we have very clear priorities of where we want to invest. And the businesses have the right to earn some of that investment to the extent that they get with the program on standardization. So, all of these things are clear. We have an aligned organization to deliver, and now we've talked long enough. We will turn it over to questions.

Before you go and put your hands up, we have two roving lights. Could you wait until you have the mic to ask the question because we are on webcast?

QUESTIONS AND ANSWERS

Cliff Ransom - *Ransom Research - Analyst*

As my ex-business partner, he has no choice but to start with me because I know where all the bodies are buried. This is Cliff Ransom with Ransom Research. I'll thank Mike because it was in his presentation.

I thank you for your story about applying for the Shingo Prize to get the assessment and then realizing that you're far enough along that you could ask. Actually, as the chairman of the board of Shingo Prize for operational excellence, I want to thank you for that example and wish more companies understood that.

Are there one or two big issues, positives that came from the Flow Control side of the house that you did not anticipate? We've talked today as if it were all a one-way street and I know that's not the case, but I just wonder if there are one or two or three things that Flow Control brought to you.

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

Yes. I'll say one and then I'll ask Mike, particularly on the supply side, because a lot of the supply savings were actually leveraged from their side as well as on the EH&S side where the practices are great. But the thing that has been the most positive in my mind is the incredible level of talent and attitude and ownership that they have in building their businesses, those three businesses, into something better and something special and something great.

And you know, I was hoping for neutral and to get that kind of a positive attitude, was very, very gratified. Mike, you want to chime in?

Michael Schrock - *Pentair Ltd. - President, COO*

Yes. I could just list a couple of things that come to mind. One of them is their project management capabilities. They have a lot of these bigger, longer term projects than we were used to, and of course, when we get one, it's more unusual than usual. And they have really injected us with their capability on Energy projects longer term.

So, that's one of them. Randy mentioned EH&S and it's not just around safety, but also their overall operating practices preventing accidents, their documentation capabilities, the aggressive implementation plans that they have. And then, we also mentioned their confidence in ethics and compliance, which also gives us more confidence.

Then I would say, finally, there's a lot of things I can think that we got from them, but one of them, one that would cause our surprise is the level of engagement and the tightness of their leadership team around how they operate, and it reminds us, it reminds me a lot of our organization, but it's way better than we thought it would be, their uptake on things, their ability to grasp new projects or new processes and just drive through the organization has far exceeded our expectations.

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

And then John?

John Stauch - *Pentair Ltd. - CFO*

Can I just add real quickly, I also would add vertical market intimacy. I mean, if you look at the business in Pentair that we've historically done well in our Pool business, our Hoffman industrial, and CPT's beverage side.

When you're deep and very knowledgeable about the end market applications, it allows you to continue to think about what's next to partner on that. And with these businesses, we got oil & gas depth, oil sands depth, Thermal Management depth, and it's really exciting to see that technology and that customer intimacy. And that's why we're excited about the cross selling attitude.

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

All right. Great. Next question.

Deane Dray - *Citigroup - Analyst*

It's Deane Dray from Citi Research. First of all the slides and the detail and the color was very helpful. A couple of questions. The first is on the visibility for the Flow Control businesses for next year, if you can comment about backlog, how much of the backlog you expect to shift in any sort of color on the activity and so forth?

And then, second question, as you are mauling that one over, the assumptions on pricing. The one and a half percentage points of price that's being baked in your assumptions, how much of that is coming from new product introductions, price optimization, if you can give us some more granularity around those assumptions.

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

Okay. We'll let John --.

John Stauch - *Pentair Ltd. - CFO*

I meant to put this in, and we're still scrubbing through the backlog and the book to bills, but just to give you a starting point, the backlog is $1.4 billion in Valves & Controls and that was $1.3 billion at September quarter end. Tyco used to report this publicly on a quarterly basis.

It's up 8% year-over-year, and obviously it was up double digits in the first half and the order rate is slow in the back half consistent with what you're seeing with other companies. But we have a really good comfort level and deliveries are not really high, so they tend to build backlog and the book-to-build tends to be a little higher.

As we mentioned, we just want to make sure we scrub that and give you guys more color in detail and be able to break it down by verticals. And then quickly on the pricing, the way we looked at it is we got 2% price on Pentair this year, in 2012. We think the Pentair business continued to perform around that level and we've been a little bit more conservative on their side. The opportunity would be on installed base, especially at Valves & Controls where we think we can get some price.

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

Great. Thanks John.

Brian Drab - *William Blair & Company - Analyst*

I'm Brian Drab from William Blair. I think I just missed the answer to one of my questions, but I wanted to get more detail on what happened with Flow Control in the third quarter, and you just gave the backlog number, backlog was up 8% as of September, is that correct?

John Stauch - *Pentair Ltd. - CFO*

Yes.

Brian Drab - *William Blair & Company - Analyst*

Okay. And can you tell us anything about the order rates or order growth at those three businesses? At the end of the second quarter, Water was down. They were expecting some big orders to come through, water transmission projects in Australia I believe, and the expectation was for double-digit order growth in the Valves & Controls business in the third quarter, did that happen? And I have one more question for you, if I could.

John Stauch - *Pentair Ltd. - CFO*

Okay. The organic growth on the orders is roughly 5% in Q3 for Valves & Controls and the projects in the Water business, which they were expecting, have been deferred. Those are primarily around mining.

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

The smaller ones got through, but one really large one has been deferred.

Brian Drab - *William Blair & Company - Analyst*

Okay. And then, if I could ask just one more, in the press release this morning, you stated an expectation for low single digit organic revenue growth for 2013. In the slides toward the end, it became pretty clear that your expectation is more for 5%. If I add up on slide 127, sorry I don't know which

slide it was, but if you add up your expectation for volume growth, 3% to 4% and then 1% to 2% for pricing, you got 4% to 6%; is it mid-single digit organic growth expectation for 2013?

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

Earlier chart, it's 3% for next year, it's 4% to 6% over the time period.

Brian Drab - *William Blair & Company - Analyst*

So, when I look at slide 121, sales up 3%, organic up about 5% ex-FX. This is the first question that I got from all my clients this morning, was focused on the low single digit organic growth is conservative. So, is it low single digit or mid-single digit?

John Stauch - *Pentair Ltd. - CFO*

Yes. It's 3% to 2013 and that includes about a couple of points of FX headwind, so the net result would be 3%.

Brian Drab - *William Blair & Company - Analyst*

So, excluding FX, we're talking about mid-single digit growth?

John Stauch - *Pentair Ltd. - CFO*

Yes. And I think the next slide, Brian gives you the detail on the upper left of that revenue growth.

Brian Drab - *William Blair & Company - Analyst*

Okay.

John Stauch - *Pentair Ltd. - CFO*

And then, as Randy mentioned, we're looking at 5% CAGR, 4% to 6% range for the 2012 to 2015 time frame.

Brian Drab - *William Blair & Company - Analyst*

Okay. Thanks.

Robert Barry - *UBS - Analyst*

Hey, guys, thanks. Good morning. It's Robert Barry from UBS. I wanted to first follow up on a question about the V&C business and orders dialogue. It looks like the margins also might be tracking a little bit lower than Tyco had been guiding for the back half. Any color there would be helpful.

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

The biggest changes we're showing a pro forma basis, include the additional G&A.

Robert Barry - *UBS - Analyst*

Right. And you said that was about 100 basis point, right?

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

Yes, it's about 100 basis points. So it would be maybe 11-ish or so, plus they had segment, they had segment cost, separate from corporate and separate from how they talk about their GBUs, we've embedded some corporate costs into the segment cost. That's the other change.

Robert Barry - *UBS - Analyst*

So, would you say then that based on what Tyco's original outlook was for the Valve & Control margins?

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

Yes.

Robert Barry - *UBS - Analyst*

Adjusting for your segment allocation --.

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

Right.

Robert Barry - *UBS - Analyst*

-- it's in line with that?

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

Yes, roughly in line.

Robert Barry - *UBS - Analyst*

Okay.

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

No surprise there.

Robert Barry - *UBS - Analyst*

And then, I would necessarily expect you to give us this on a go forward basis, but just as we we're in this transition period, as were thinking about your 2015 assumptions, could you give us some flavor for where you think you could take the margins in the WES business and in the Thermal business?

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

Thermal's a pretty high margin business now and it's pretty standard, but there are some opportunities for Lean, so I would expect that they would get some enhancement. WES because they're lumpy in demand, it can vary pretty widely, but we believe the Lean opportunities are quite sound there.

You look at Valves & Controls it is sort of the mother lode as we look at it. 14 years ago, when we launched Lean enterprise at what we then called Enclosures, and we now call Equipment Protection, margins were 9% and you saw where they were in the third quarter, they were basically the same business, it's 20%.

We have a lot of opportunity when it becomes fully Lean in Valves & Controls. It's got some good opportunity above the 10.1% or so that we're starting with. Valves & Controls, is a big opportunity.

John Stauch - *Pentair Ltd. - CFO*

That was in the book, obviously, because it's a separate segment,. We've got WES going from around 6% ROS to only about 8% and the Thermal business is going from the roughly 16% to 17% Randy said it's starting on to probably ending closer to 20%.

Robert Barry - *UBS - Analyst*

Okay. Great. And then, just finally, I was curious as it might be a little early for this question, but given you now have this consolidated large diverse portfolio, how are you thinking about or are you thinking about potential divestiture opportunities and are any significant? Thank you.

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

We're actually in the process of selling some small product lines now, I mean, that's ongoing. Part of portfolio management is also getting rid of stuff. The discipline we have is talking to each of the GBUs about, what's the materiality level, it just doubled, right? If we have a business at $20 million or $30 million, without a lot of growth prospects, we're not going to focus on it a lot.

Those would be the kind of businesses that we'll go through in this next planning cycle with, a lot of rigor. And you know, as we grow globally, some of the businesses we have will be less important or more important, so that's the other thing we'll think about.

Scott Graham - *Jefferies & Co. - Analyst*

Hi, Scott Graham from Jefferies. Two questions for you, if we look at the $230 million of synergies and we take out the sales synergy piece, call $30 million. That $200 million that's remaining, how much of that is from the Pentair side versus the Flow Control side.

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

I think John talked about this. We think it's about 50/50 because we're not done with our Water & Fluid Solutions business and we still have a lot of opportunity. In our Legacy business, in terms of what we call Lean, the five GBUs, three of them are there, are at a standard where we'd be proud to say that they're demonstrating Lean that's as good as anybody.

Only three of the five, so there's still two more to go. So, it's big opportunities in standardization in our Water & Fluid side. We think it's about 50/50 in terms of how the benefits will read out.

Scott Graham - *Jefferies & Co. - Analyst*

OK. The other question was, there are going to be some put backs here. You closed two facilities and you're going to have more freight. You closed a couple of sales offices, the sales people are going to have to drive a little further or fly. Could you talk about how you've accounted for some of the incremental cost that come from some of the consolidations you're talking about?

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

Yes. John touched that. We don't see that -- right now, we're not very efficient with the footprint we have. We have six offices in Shanghai, for instance, and we are going down to two. The driving is probably going to be the same, but at being all under one roof, we'll only have one G&A structure or two instead of six. The savings in a situation like that are pretty real versus any kind of noise level on the cost.

John Stauch - *Pentair Ltd. - CFO*

I just have a couple of things. First of all we wanted to make sure if we took down any factories, and there are a few in here that we knew them well, that somebody's on the Pentair side that we're now seeing getting done or they're already planned to be done on their side and we had unanimous approval of that.

And it's primarily because one of the learnings is when you start shutting facilities, there's no return to your point. Now, we do have a [landed cost] model, so all the things you've mentioned have to be in that net recovery, but as I mentioned earlier, we want to build the tailwinds because those pay as you go cost, those redundancies and scrap, the redundancies in freight as you're transferring need to be thought of as there usually is a two-year payback on a planned closure.

The first year is a lot of effort and you usually get the recovery in the second year because of the things you mentioned. We'ere really having more of the G&A and the structure site to make sure we build a nice tailwind there. And then, if we are to do any further planned closures, we want to build the incremental tailwind to get those synergies so we can pay for those and still get all the benefit.

Michael Schrock - *Pentair Ltd. - President, COO*

The numbers we talked about are more or less than that number, so that $2 million per factory is kind of a net. There are right now a lot of opportunities. There are lot of inter-plant shipments. There are lot of multiple shipments to an end user customer. And then a lot of the receiving factories, as these factories are consolidated, tend to be in the faster growth markets where a lot of the growth is.

I can give you a lot of cases where the shipment time and cost will be cut dramatically by localizing the manufacturing. Overall, we think the savings are significant enough to overcome some of things you mentioned. Those are real costs, but I think there are opportunities that will overcome that.

Brian Konigsberg - *Vertical Research Partners - Analyst*

Good morning. Brian Konigsberg with Vertical Research. Just referencing your free cash flow conversion targets, I think you actually increased that from the original plan, talking originally about the higher working capital requirements at the Flow Control side, but now it seems like you increased them from about 90% to 100%. Can you just talk about what you're doing on their working capital part of the business and what's driving that?

John Stauch - *Pentair Ltd. - CFO*

Real quick answer to your question is, although 100% net income is our target, there's a lot of D&A in here too, right? So, tax affected, if it does, we're really looking at the cash opportunity and then taking a look at where we are with depreciation versus capital.

Because of the things that Mike mentioned around PIMS and the types of process we can drive Lean, we don't think we need to invest a lot of capital in the short run. I think we'd like to see the return and Randy, I think will share some insights in what we learned when we implemented PIMS and how we constrain capital to drive ingenuity and thought process.

It's really about targeting 100% net income. I will say that the big opportunities are Valves & Controls and we think that the functional excellence model that we're deploying, and with less than three turns today, we think that's a substantial opportunity and that's why we have the incremental cash flow above net income buried in.

Brian Konigsberg - *Vertical Research Partners - Analyst*

If I could actually, just one more. So, $2 billion of incremental opportunity in regards to the capital, so it's bringing down your leverage ratio through cash generation and just the deal itself. Maybe just talk about what's your comfort level as far as leverage on the balance sheets and at what point do you start to think about deploying that. When are you comfortable with the integration when you start to look for bolt-ons, is that the 2014 story and beyond or can there be something in the near term?

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

We've done a couple little bolt-ons already just for our aquaculture initiative because that business is ready. It's a great example of when they're ready and they're capable of doing a bolt-on and just not interrupting what we're doing with our IST, then we're ready to go now with our capital.

We've always stayed investment grade and we've always done what we've told banks we would do. That's really the standard we'll continue to apply.

John Stauch - *Pentair Ltd. - CFO*

$2.2 billion...$2.5 billion would be the upper end of where we think where our comfort level beyond rating agencies measure it.

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

Right.

John Stauch - *Pentair Ltd. - CFO*

Which is what we modeled in there. And the other end is either you start with one time leverage and it's not a very efficient use of capital either.

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

Right.

John Stauch - *Pentair Ltd. - CFO*

I'd say once we start to dip below $2 billion we have to be thinking to buy back stock or bolt-on acquisitions.

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

We're still in very fragmented industries; Water & Fluid is very fragmented, Valves & Controls is very fragmented. And so, we're in a position as we settle in and tighten up our plans to continue to be a consolidator. I haven't talked a lot about that because that's not our focus right now. Our focus is bringing these companies together as one company.

Jeffrey Hammond - *KeyBank Capital Markets - Analyst*

Jeff Hammond with KeyBanc. Two questions for John. One, on the restructuring savings, I think you said $90 million for 2013, that number was closer to $45 million to $50 million, so I just want to understand --.

John Stauch - *Pentair Ltd. - CFO*

Yes. $75 million is the actual repositioning savings for the full year '13. And the $40 million to $50 million represents the cost we believe it will take to get it.

Jeffrey Hammond - *KeyBank Capital Markets - Analyst*

Right. But your delta on what your total savings were, you were saying $45 million to $50 million originally, now you're saying all in $90 million. So, how much is the market's a lot softer and we're reacting to that versus as we've dug in on cost savings and synergies, we've identified more.

John Stauch - *Pentair Ltd. - CFO*

Just to be clear, it's a great question, Jeff. Thank you for getting that clarified here. We've taken -- in original, only have $90 million, which $50 million of operating synergies and $40 million of corporate synergies. I now put that $40 million in the base, so the $90 million that we're talking about is $50 million plus an incremental $40 million of operational for $90 million. $75 million of that $90 million is repositioning cost takeout, the other $15 million is Lean and sourcing efforts within the Integration & Standardization. That is reflective of a lower growth rate, and so, therefore we're going after more cost.

Jeffrey Hammond - *KeyBank Capital Markets - Analyst*

Okay. And then, just to follow up, you said that you stepped on the growth rate for Flow Control form I think 9% to 6% to 7%. Can you just carve out what you did to your base growth rates over the '12 to '15 period?

John Stauch - *Pentair Ltd. - CFO*

Yes. I'll do this real quickly because Mike, myself, and Randy looked at it. WES when we looked at the business, had a double-digit growth rate over the horizon. A lot of that depending on return from power and mining, and those projects are out there in the backlog or out there in the pipeline, but we don't have them yet, so we lowered that to a more realistic growth rate over the horizon.

Within Valves & Controls, I mean clearly the order rates that we're seeing the first half of the year have slowed, and so, we think that the growth rate now reflects where we take the energy cycle and some recover in power will be. And then, the Thermal Management business, which has done a really nice job historically, growing high single digits, we put that in more of the mid-single digits over the horizon and some of these large projects related to the oil sands, we're hopeful become upsides to that.

Chris Glynn - *Oppenheimer & Co. - Analyst*

Chris Glynn, Oppenheimer. I'm wondering, you talked a lot about the speed you're moving with on the integration. What about some risks associated with that because you also pointed out deliveries historically with Pentair?

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

The biggest risk right now that we face is an external one, which is the markets. There's more uncertainty now that I certainly thought we'd have when we're negotiating this back in December and January. And the biggest internal risk is that we do control the Valves & Controls organization change.

Thae way we've mitigated that is that David Dunbar, the leader of that business, who's been the president of that business for two years, it's his organization, he and his team build the new organization. We've inserted Tom Pettit into a key role there at David's request I'm quite happy with that request.

I'd say that's the biggest challenge we have. And we're still learning these businesses. I wouldn't say that's a risk so much, it's a reality that we're still getting to know these businesses, we're still getting to understand the people. One of our philosophies is, you always want to put known people in unknown situations and test unknown people in known situations.

Admittedly, we've just doubled in size. We have a lot of people we're still getting to know. And they're still getting to know us. So, that's why we've been so intense, and Mike and I in particular, of getting out and seeing as many people begin.

Elie Mishaan - *Corsair Capital - Analyst*

On capital management, in terms of the guidance, it's $3.10 to $3.30 for next year and the $5 in 2015. How much deal amortization are you guys including in there? I understand it is not being adjusted out.

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

$91 million a year is the amortization associated -- that's in there each year.

Elie Mishaan - *Corsair Capital - Analyst*

In terms of generating more cash than EPS, that's pretty much insured by that number, that's not really a real expense there, right?

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

Correct.

Elie Mishaan - *Corsair Capital - Analyst*

Thanks.

Cliff Ransom - *Ransom Research - Analyst*

Cliff Ransom, Ransom Research. Randy, to me, in a water business broadly defined, the holy veil has been somebody who can really package solutions, who can take pumps and valves and controls and I would call an instrumentation not controls because, it really is different than just controls.

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

Correct.

Cliff Ransom - *Ransom Research - Analyst*

And package them up in a way and find a buying constituency, and nobody's done this yet. I'm not suggesting you can put a lot of time thinking on this now, but as we look three to five years down the road, am I misguided in thinking of that as a holy grail or is that something that you all are going to spend at least some intellectual horsepower on?

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

Well, we're going to definitely spend horsepower, because I do believe that there's an element, how big it is, the opportunity is there, in the fast growth markets. In places like where we've had some moderate success with package systems, we've talked before in our water business about up to about $1 million system, we can do on a skid, we can do on a package and we're all about that. We really like that, put that package and you're selling a solution. We've had some moderate success in the Middle East with that. Those projects, those are built in India or China, now what can we do with a factory in Middle East.

It's going to be to leverage some of those assets to see if we can build some of those applications, whether it's a package RO or whether it's that fuel skid that it was in the picture, the fuel conditioning system to the LNG factory. That's actually going in the Middle East.

We'll build in Houston. We don't have to do that. We can build larger systems and solutions than that. The full control intimacy with the customer is going to be very beneficial because it's not about just coming up with the system selling, it's having a customer that actually wants you to solve the problem. It isn't pump and it isn't valves or isn't filters. It's I have a fuel conditioning problem, because in LNG, they're all going to dry low nox in the gas turbines that are used for compressors and fuel in dry low nox, fuel has to be really pure. That system is the best system in the world for it.

But we haven't been able to reach everywhere with it. So I've rumbled on there a little bit too much. But that that's the kind of opportunity that we see further out as being a big opportunity, leveraging the footprint we have now whether it's service procurement or not. So we will spend more than intellectual response.

Cliff Ransom - *Ransom Research - Analyst*

One last question. I thank you for the many examples you gave us of applying Lean on what I call the transactional side of the house, finance, and marketing and what have you. Conspicuous by its absence was the affect of Lean on new product development, launch, ramp, optimization, et cetera. Can you talk a little bit about what you've done at Pentair and what opportunities you have seen -- you see now to apply the same kind of thinking at Flow Control?

Michael Schrock - *Pentair Ltd. - President, COO*

I can tell you that is a good point because that is an area that we have worked really hard to incorporate Lean and for example, we talked a little about 3D. Our first version of 3D was kind of strictly around project development. Our second version though went back and put in the corporate Lean disciplines into the whole process, things about like voice of the customer and how we're going to move through the overall development process.

So I think we are bringing those things, those disciplines together on the new product of development side. I think that was your question.

Todd Gleason - *Pentair Ltd. - President - Integration & Standardization*

That's right. Well, I mean I think at the end of the day we chose to skinny down a few areas in this presentation to be focused on maybe some of the heavier hitters. But 3D is a big opportunity from us as we continue to go out into the new organization.

Dr. Phil Rolchigo is here. He has usually been the presenter of this, continue to moving the technology organization forward. And again, some of my slides highlighted already complete technology mapping already done in assessment of where we do and don't have centers of excellence. Our new Valves & Controls organizations is a great example of the sort of movers what Pentair used to have which was sort of pockets of excellence that were very -- that can be seen as very redundant and so looking and bring that together, streamline that so that we have a more efficient and again more effective innovation organization.

Michael Schrock - *Pentair Ltd. - President, COO*

I could add, too. One of the other things that -- one of your earlier questions Cliff is what has Flow Control brought and I answered I gave you something, but one of the things I admitted was Six Sigma. They have very strong Six Sigma disciplines so I think in areas like the planning for manufacturing or some of the other areas of manufacturability, they have brought a lot to the party so incorporating those disciplines in the product development process.

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

John wants to say something about product development?

John Stauch - *Pentair Ltd. - CFO*

I've always wanted to speak about technology.

Cliff, the other thing just to make sure it'd be noticed, we did not target any synergies from the sales force or from technology and it was one of the principles that Randy gave us when we started modeling and testing this. It's a learning. Let's not have the sales force that's worried about being cut or sales force that's worried about their jobs. Let's keep everybody engaged with the customer and keep those customer relationships whole and let's learn about the technology and the pipeline before we set out with some samples of cutting it or slashing it.

And I think we've got enough synergies up in those two items. I'm sure there'll be some things along the way therefore because we choose not to invest in it and/or we find some efficiency.

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

Well, Valves & Controls, the Valves people in particular feel like they have been under investing, it's not where Pentair was. 11 years ago we spent 1.4% of sales and now we're approaching 2.5%. And the thing we've talked to in our businesses is that we drive productivity. We want to reinvest half of the productivity back into growth either through product innovation or sales coverage.

That sort of a simple discipline we've already talked with the Valves & Controls people about that so that yes, we're not going to go to 2.5%. We're going to earn our way to 2.5% over time. And they believe they've got exciting ideas to invest in.

David Rose - *Wedbush Securities - Analyst*

Dave Rose with Wedbush Securities. A couple of quick follow-up questions and then after the question one backlog. What have you done to show you are more comfortable with the margin profile backlog we've seen in some of the other comparable companies make some acquisitions and a year later they've talked about lower than expected margins?

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

Yes. I'll tell you one thing. The nature of this deal was that there wasn't -- they didn't have time to gussy it up for sale. I mean, literally no one in the Valves & Controls, I mean no one in the Flow Control business knew about this deal until two weeks before we announced it -- three-week series before we announced it because it was a top-to-top deal. So I'm not saying that those other business, bad companies that were dressed up, but we've seen a few of those things in our past, too.

Besides that they have pretty good disciplines. I mean they're good disciplines of that. Their financial disciplines are good and we -- I don't know how deeply we've got into the backlogs yet to check profitability John. But I know their business as usual there was nothing untoward that they've done that I know of.

John Stauch - *Pentair Ltd. - CFO*

I would echo that. And also remind you it was going to spin, so they were in the process cleaning and making sure they understood what those profit and backlogs were.

David Rose - *Wedbush Securities - Analyst*

Okay. And then on the potential divestitures, you mentioned that you're selling some small businesses. Are we to assume that's baked into your organic growth rate of 3%?

John Stauch - *Pentair Ltd. - CFO*

Yes.

David Rose - *Wedbush Securities - Analyst*

Okay. And then last, sorry if I may, the question on CPT. This meeting here is largely talking about Flow Control, but your last significant acquisition was CPT.

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

Right.

David Rose - *Wedbush Securities - Analyst*

Can you provide some color on how that's going for -- what your outlook is for the second half of the year or for 2013, what you see as opportunities?

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

We still have the opportunities we've talked about before in terms of it brings standardization to CPT. That's one of the reasons why Water & Fluid has a lot of the opportunities. What we've done is we've taken what was the integration there and we've rolled it up into Todd's team, Integration & Standardization. So we have one team focused on driving integration going forward.

The water market hasn't been as good as we would have thought at this point. The water infrastructure market we talked about that earlier, and therefore there has been some projects in the Middle East and some other areas of the world that have been closed that we feel good about closing eventually.

So the Water & Fluid business started strong in the first half of the year and softened in the second half in beverage. Beverage is the other way round, yes. And as John said, the brewing industry, which is a big part of that, the dairy industry, they're both sort of the first in capital, but the project is still in the books, so we see those coming. I think we're on track with the exception of that market push on the Water side or CPT.

Scott Graham - *Jefferies & Co. - Analyst*

This is just a question for you, Michael. You guys have become known for the 100 basis points of productivity a year, which is great. We see that again here in the chart. I was just wondering if there are obstacles to that number the next couple of years with the integration which is a completely separate bucket.

Michael Schrock - *Pentair Ltd. - President, COO*

Again, that's a net number and so certainly there would be obstacles, there would be things that need to be resolved, there would be logistical issues and customer issues and movement between countries, it's not easy to do. But the opportunities are there and so we feel very good about the possibilities.

I can't identify any stopping points. I don't think there were already really made surprises. We laid this out so people issues I think would be of concern, Randy alluded to that. The fact as we -- a lot of people are going to be on board for this ride and some of the people won't and we're going to have to move quickly and identify people who are not willing to support the change agenda that we have and work with them and see if we can get them on board and if not, we'll make changes. But other than that, I think overall our opportunities would override and offset any negatives that we have to experience in closure or in the movement or improvement of gross margins.

John Stauch - *Pentair Ltd. - CFO*

Scott, I would just add that Mike's biggest challenge every year is where the growth is going to come from and where the contribution is and what's the year with fairly profitable space so that was the headwind that Mike and his team faced and they delivered. And as we look forward, when you think about fast growth contribution, the margins of fast growth are not what they are in developed regions. But we're coming a little bit more in North American tailwind in residential, which would be a nice lift, and the power or the capability within our pricing.

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

And John mentioned earlier the material, we don't know necessarily where material is going to go so that could provide headwind.

John Quealy - *Canaccord Genuity Inc. - Analyst*

Hi. John Quealy from Canaccord. Two questions. First, with your Energy End market expectations, 6% to 9% growth over the three-year period. Can you rank order that for us, oil & gas upstream, downstream, mining, oil sands, just so we can get a sense of where you're most exposed or where the most opportunity is for energy for three years?

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

I would say oil & gas, number one? And mining looks like it might be a little lower than we would have thought. That's one of the changes we made as John talked about. Mining is certainly lower than it was a year ago when we were looking at this.

But oil & gas, I would say upstream -- although we see for refining, Water & Fluid -- if you look at the Energy growth in Water & Fluid it was 10%. And one of the reasons there is we have a really high hit rate, our application of separations technology into oil & gas, both in gas separation at the oil recovery standpoint and refining and so we have that high. We think that's a big opportunity as we leverage the Thermal and Valve & Controls reach with that kind of capability.

So oil & gas number one, probably power outside developed markets, and then mining. That's how I'd rank in order.

John Quealy - *Canaccord Genuity Inc. - Analyst*

And then my last question, you mentioned just briefly on some accretion of extensions of business, for example the rental opportunity. Can you just scale that for us as we look for the next couple of years?

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

I can't, because we haven't scaled it, so I'll be making up a number. But we have a rental business again in Water & Fluid. We rent separation technology. And this is a business that has been gated to reach, it has been gated the opportunity.

So with greater reach and with the service platform, what can we do with that? That's a plan that needs to be developed between our Process Technologies people and the new services leader in Valves & Controls. It's not one of the projects, it's one of the concepts, so that's why we don't have a number out of it. But it's a real concept for us to look at.

And then on the pump side, same thing. I mean it's a concept at this point as opposed to a project.

Brian Drab - *William Blair & Company - Analyst*

Brian Drab from William Blair again. You gave us a lot of good build ups to the EPS level for 2013 and that expectation. So if we could look at it may be a style in simpler way I started to ask Jim this question. But if you look at the original expectation for 2012 EPS in the low $2.70-range and you affirm that on the last conference call.

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

Yes.

Brian Drab - *William Blair & Company - Analyst*

And then you also affirmed the $0.40 accretion expectation. So I'm looking at the guidance that you gave today $3.10 to $3.30 --.

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

Right.

Brian Drab - *William Blair & Company - Analyst*

-- and wondering what needs to go wrong for you to hit the low end under the guidance when $2.70 plus the $0.40 gets you the low end and --.

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

I mean simply consider either the market isn't -- the 3% growth was a midpoint growth. So at lower end it would be lower growth or if we don't get appropriate traction or at least we get more breakage and then you think on the synergy side, that simple.

Brian Drab - *William Blair & Company - Analyst*

What type of growth and the type of Flow Control business was incorporated into the $0.40 accretion?

John Stauch - *Pentair Ltd. - CFO*

It's roughly 4% to 6% was factored into that number.

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

$0.40 was really based on -- the $0.40 accretion was based on the cost synergy side more than was the growth synergy side. We were using their base but we understood that we needed to get in and scrub their base -- their growth rates and really get to know the businesses better. So really, when we're talking $0.40 accretion, we're really thinking about cost and taxes and structure.

Brian Drab - *William Blair & Company - Analyst*

Okay. So just --.

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

And the capital structure. Because when we merged as a stock deal, everyone knew that was one of the most capital efficient ways to do it. So that's why the stock buy-back was part of the strategy from the get-go.

Brian Drab - *William Blair & Company - Analyst*

Just to connect the dots then, so at $3.10 EPS, that incorporates 4% to 6% growth at Flow Control and basically flat for the legacy Pentair business.

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

Yes. I think that will be fine.

Brian Drab - *William Blair & Company - Analyst*

Okay, thanks.

Randall Hogan - *Pentair Ltd. - Chairman, CEO*

Thanks so much for coming, and we appreciate your attendance.
