

Ingersoll-Rand plc  
Form 10-Q  
July 28, 2011  
Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

---

FORM 10-Q

---

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2011

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 001-34400

---

INGERSOLL-RAND PLC  
(Exact name of registrant as specified in its charter)

---

Ireland (State or other jurisdiction of incorporation or organization) 170/175 Lakeview Dr. Airside Business Park Swords, Co. Dublin Ireland (Address of principal executive offices) +(353) (0) 18707400 (Registrant's telephone number, including area code)	98-0626632 (I.R.S. Employer Identification No.)
--	--

---

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES  NO

The number of ordinary shares outstanding of Ingersoll-Rand plc as of July 15, 2011 was 330,976,917.



Table of Contents

INGERSOLL-RAND PLC  
FORM 10-Q  
INDEX

<u>PART I FINANCIAL INFORMATION</u>	<u>1</u>
Item 1 - <u>Financial Statements</u>	<u>1</u>
<u>Condensed Consolidated Income Statement for the three and six months ended June 30, 2011 and 2010</u>	<u>1</u>
<u>Condensed Consolidated Balance Sheet at June 30, 2011 and December 31, 2010</u>	<u>2</u>
<u>Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2011 and 2010</u>	<u>3</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>4</u>
Item 2 - <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>35</u>
Item 3 - <u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>51</u>
Item 4 - <u>Controls and Procedures</u>	<u>51</u>
<u>PART II OTHER INFORMATION</u>	<u>52</u>
Item 1 - <u>Legal Proceedings</u>	<u>52</u>
Item 1A - <u>Risk Factors</u>	<u>53</u>
Item 6 - <u>Exhibits</u>	<u>54</u>
<u>SIGNATURES</u>	<u>55</u>

---

Table of Contents

## PART I-FINANCIAL INFORMATION

## Item 1. Financial Statements

## INGERSOLL-RAND PLC

## CONDENSED CONSOLIDATED INCOME STATEMENT

(Unaudited)

In millions, except per share amounts	Three months ended		Six months ended	
	June 30, 2011	2010	June 30, 2011	2010
Net revenues	\$3,892.2	\$3,481.8	\$7,030.2	\$6,247.7
Cost of goods sold	(2,708.4	) (2,472.8	) (4,958.2	) (4,481.9
Selling and administrative expenses	(708.3	) (645.6	) (1,364.6	) (1,262.9
Operating income	475.5	363.4	707.4	502.9
Interest expense	(71.6	) (71.1	) (140.0	) (142.1
Other, net	4.5	8.4	9.7	14.2
Earnings before income taxes	408.4	300.7	577.1	375.0
Provision for income taxes	(93.9	) (54.9	) (135.4	) (109.0
Earnings from continuing operations	314.5	245.8	441.7	266.0
Discontinued operations, net of tax	(215.2	) (43.9	) (413.9	) (58.0
Net earnings (loss)	99.3	201.9	27.8	208.0
Less: Net earnings attributable to noncontrolling interests	(7.0	) (5.5	) (13.1	) (10.1
Net earnings (loss) attributable to Ingersoll-Rand plc	\$92.3	\$196.4	\$14.7	\$197.9
Amounts attributable to Ingersoll-Rand plc ordinary shareholders:				
Continuing operations	\$307.5	\$240.3	\$428.6	\$255.9
Discontinued operations	(215.2	) (43.9	) (413.9	) (58.0
Net earnings (loss)	\$92.3	\$196.4	\$14.7	\$197.9
Earnings (loss) per share attributable to Ingersoll-Rand plc ordinary shareholders:				
Basic:				
Continuing operations	\$0.92	\$0.74	\$1.29	\$0.79
Discontinued operations	(0.64	) (0.13	) (1.25	) (0.18
Net earnings (loss)	\$0.28	\$0.61	\$0.04	\$0.61
Diluted:				
Continuing operations	\$0.88	\$0.71	\$1.22	\$0.76
Discontinued operations	(0.62	) (0.13	) (1.18	) (0.17
Net earnings (loss)	\$0.26	\$0.58	\$0.04	\$0.59
Weighted-average shares outstanding				
Basic	333.8	323.8	332.6	323.2
Diluted	350.9	339.1	349.9	337.8
Dividends declared per ordinary share	\$0.12	\$0.07	\$0.19	\$0.14

See accompanying notes to condensed consolidated financial statements.



Table of Contents

INGERSOLL-RAND PLC  
 CONDENSED CONSOLIDATED BALANCE SHEET  
 (Unaudited)

In millions	June 30, 2011	December 31, 2010
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$1,259.8	\$1,014.3
Accounts and notes receivable, net	2,605.0	2,258.4
Inventories	1,590.9	1,318.4
Other current assets	608.0	608.0
Assets held for sale	748.5	1,082.5
Total current assets	6,812.2	6,281.6
Property, plant and equipment, net	1,640.3	1,669.6
Goodwill	6,259.1	6,152.8
Intangible assets, net	4,440.4	4,483.4
Other noncurrent assets	1,388.5	1,403.5
Total assets	\$20,540.5	\$19,990.9
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$1,490.1	\$1,274.5
Accrued compensation and benefits	499.9	534.3
Accrued expenses and other current liabilities	1,666.4	1,555.5
Short-term borrowings and current maturities of long-term debt	753.3	761.6
Liabilities held for sale	197.6	152.1
Total current liabilities	4,607.3	4,278.0
Long-term debt	2,881.3	2,922.3
Postemployment and other benefit liabilities	1,429.5	1,437.9
Deferred and noncurrent income taxes	1,701.6	1,675.4
Other noncurrent liabilities	1,545.8	1,601.5
Total liabilities	12,165.5	11,915.1
Temporary equity	10.0	16.7
Equity:		
Ingersoll-Rand plc shareholders' equity:		
Ordinary shares	331.8	328.2
Capital in excess of par value	2,644.9	2,571.7
Retained earnings	5,341.0	5,389.4
Accumulated other comprehensive income (loss)	(39.5)	(325.0)
Total Ingersoll-Rand plc shareholders' equity	8,278.2	7,964.3
Noncontrolling interests	86.8	94.8
Total equity	8,365.0	8,059.1
Total liabilities and equity	\$20,540.5	\$19,990.9
See accompanying notes to condensed consolidated financial statements.		

Table of Contents

INGERSOLL-RAND PLC  
 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
 (Unaudited)

In millions	Six months ended	
	June 30, 2011	2010
Cash flows from operating activities:		
Net earnings (loss)	\$27.8	\$208.0
(Income) loss from discontinued operations, net of tax	413.9	58.0
Adjustments to arrive at net cash provided by (used in) operating activities:		
Depreciation and amortization	198.9	209.8
Stock settled share-based compensation	26.0	34.5
(Gain) loss on sale of property, plant and equipment	(22.7	) 1.1
Changes in other assets and liabilities, net	(415.6	) (253.5
Other, net	114.5	15.9
Net cash provided by (used in) continuing operating activities	342.8	273.8
Net cash provided by (used in) discontinued operating activities	(10.3	) (15.0
Cash flows from investing activities:		
Capital expenditures	(78.8	) (68.2
Acquisition of businesses, net of cash acquired	(2.0	) (5.5
Proceeds from sale of property, plant and equipment	34.8	1.1
Net cash provided by (used in) continuing investing activities	(46.0	) (72.6
Net cash provided by (used in) discontinued investing activities	42.9	(0.2
Cash flows from financing activities:		
Short-term borrowings, net	18.9	14.1
Proceeds from long-term debt	1.6	38.8
Payments of long-term debt	(76.9	) (271.5
Net proceeds (repayments) in debt	(56.4	) (218.6
Debt issuance costs	(2.4	) (5.5
Dividends paid to ordinary shareholders	(63.1	) (45.0
Dividends paid to noncontrolling interests	(18.3	) (8.4
Proceeds from shares issued under incentive plans	101.9	37.1
Repurchase of ordinary shares	(56.0	) —
Other, net	(1.5	) —
Net cash provided by (used in) continuing financing activities	(95.8	) (240.4
Effect of exchange rate changes on cash and cash equivalents	11.9	(0.7
Net increase (decrease) in cash and cash equivalents	245.5	(55.1
Cash and cash equivalents - beginning of period	1,014.3	876.7
Cash and cash equivalents - end of period	\$1,259.8	\$821.6
See accompanying notes to condensed consolidated financial statements.		

Table of Contents

INGERSOLL-RAND PLC  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

Note 1 – Description of Company

Ingersoll-Rand plc (IR-Ireland), an Irish public limited company, and its consolidated subsidiaries (the Company) is a diversified, global company that provides products, services and solutions to enhance the quality and comfort of air in homes and buildings, transport and protect food and perishables, secure homes and commercial properties, and increase industrial productivity and efficiency. The Company's business segments consist of Climate Solutions, Residential Solutions, Industrial Technologies and Security Technologies, each with strong brands and leading positions within their respective markets. The Company generates revenue and cash primarily through the design, manufacture, sale and service of a diverse portfolio of industrial and commercial products that include well-recognized, premium brand names such as Club Car<sup>®</sup>, Ingersoll-Rand<sup>®</sup>, Schlage<sup>®</sup>, Thermo King<sup>®</sup> and Trane<sup>®</sup>. On July 1, 2009, Ingersoll-Rand Company Limited (IR-Limited), a Bermuda company, completed a reorganization to change the jurisdiction of incorporation of the parent company of Ingersoll Rand from Bermuda to Ireland (the Ireland Reorganization). As a result, IR-Ireland replaced IR-Limited as the ultimate parent company effective July 1, 2009. The Ireland Reorganization was accounted for as a reorganization of entities under common control and accordingly, did not result in any changes to the consolidated amounts of assets, liabilities and equity. In conjunction with the Ireland Reorganization, IR-Limited became a wholly-owned subsidiary of IR-Ireland and the Class A common shareholders of IR-Limited became ordinary shareholders of IR-Ireland. Unless otherwise indicated, all references to the Company prior to July 1, 2009 relate to IR-Limited.

The Ireland Reorganization did not have a material impact on the Company's financial results. Ingersoll-Rand plc continues to be subject to United States Securities and Exchange Commission (SEC) reporting requirements and prepare financial statements in accordance with U.S. Generally Accepted Accounting Principles (GAAP). Shares of Ingersoll-Rand plc continue to trade on the New York Stock Exchange under the symbol "IR", the same symbol under which the Ingersoll-Rand Company Limited Class A common shares previously traded.

Note 2 – Basis of Presentation

The accompanying condensed consolidated financial statements reflect the consolidated operations of the Company and have been prepared in accordance with GAAP as defined by the Financial Accounting Standards Board (FASB) within the FASB Accounting Standards Codification (FASB ASC). In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments, which include normal recurring adjustments, necessary to present fairly the consolidated unaudited results for the interim periods presented. The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements included in the Ingersoll-Rand plc Annual Report on Form 10-K for the year ended December 31, 2010. Certain reclassifications of amounts reported in prior years have been made to conform to the 2011 classification. The Company reclassified its earnings from equity investments from Other, net to Cost of goods sold, as the related investments have been deemed to be integral to the Company's operations. This reclassification had a \$3.7 million and \$6.3 million impact, respectively, on the Condensed Consolidated Income Statement for the three and six months ended June 30, 2010. The Company also made certain reclassifications of research and development costs and information technology costs within Operating income. These reclassifications resulted in a net \$5.9 million and \$7.7 million decrease, respectively, to Cost of goods sold with a corresponding increase to Selling and administrative expenses for the three and six months ended June 30, 2010.

On April 21, 2011, the Company announced a plan to divest its Hussmann refrigerated display case equipment business in the U.S. and Canada, and the equipment, service and installation businesses in Mexico, Chile, Australia, New Zealand, and Japan (the Hussmann Business). This business, which was previously reported as part of the Climate Solutions segment, manufactures, markets, distributes, installs, and services refrigerated display merchandising equipment, refrigeration systems, over the counter parts, and other commercial and industrial refrigeration applications. As a result of the planned sale, the Company has reported this business as a discontinued



operation and classified the assets and liabilities as held for sale for all periods presented. No assurance related to the planned divestiture can be given by the Company as to the timing, consummation or terms, including consideration or the possibility of continuing ownership by the Company for all or some portion of the Hussmann Business for a period of time.

4

---

Table of Contents

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

On December 30, 2010, the Company completed the divestiture of its gas microturbine generator business, which was sold under the Energy Systems brand, to Flex Energy, Inc. On October 4, 2010, the Company completed the divestiture of its European refrigerated display case business, which was sold under the KOXKA brand, to an affiliate of American Industrial Acquisition Corporation (AIAC Group). As a result of these sales, the Company has reported these businesses as discontinued operations for all periods presented.

## Note 3 – Inventories

Depending on the business, U.S. inventories are stated at the lower of cost or market using the last-in, first-out (LIFO) method or the lower of cost or market using the first-in, first-out (FIFO) method. Non-U.S. inventories are primarily stated at the lower of cost or market using the FIFO method.

The major classes of inventory are as follows:

In millions	June 30, 2011	December 31, 2010
Raw materials	\$430.6	\$368.5
Work-in-process	283.1	231.7
Finished goods	967.6	804.1
	1,681.3	1,404.3
LIFO reserve	(90.4	) (85.9
Total	\$1,590.9	\$1,318.4

## Note 4 – Goodwill

The changes in the carrying amount of Goodwill for the six months ended June 30, 2011 are as follows:

In millions	Climate Solutions	Residential Solutions	Industrial Technologies	Security Technologies	Total
Beginning balance (gross)	\$5,381.8	\$2,326.4	\$368.1	\$916.5	\$8,992.8
Acquisitions and adjustments	(4.8	) (5.7	) (0.3	) 0.3	(10.5
Currency translation	91.6	—	6.0	19.2	116.8
Ending balance (gross)	5,468.6	2,320.7	373.8	936.0	9,099.1
Accumulated impairment *	(839.8	) (1,656.2	) —	(344.0	) (2,840.0
Goodwill (net)	\$4,628.8	\$664.5	\$373.8	\$592.0	\$6,259.1

\* Accumulated impairment relates to a charge of \$2,840.0 million recorded in the fourth quarter of 2008 as a result of the Company's annual impairment testing.

During 2011 the Company corrected certain immaterial purchase accounting errors associated with the acquisition of Trane.

As a result of the planned divestiture of Hussmann, the Company was required to test Goodwill within the Climate Solutions segment for impairment in the first quarter of 2011, and no impairment charge was required.

Table of Contents

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

## Note 5 – Intangible Assets

The following table sets forth the gross amount of the Company's intangible assets and related accumulated amortization:

In millions	June 30, 2011	December 31, 2010
Completed technologies/patents	\$210.4	\$199.4
Customer relationships	1,989.7	1,967.2
Trademarks (finite-lived)	106.7	98.6
Other	73.4	178.2
Total gross finite-lived intangible assets	2,380.2	2,443.4
Accumulated amortization	(550.8	) (571.0
Total net finite-lived intangible assets	1,829.4	1,872.4
Trademarks (indefinite-lived)	2,611.0	2,611.0
Total	\$4,440.4	\$4,483.4

Intangible asset amortization expense was \$35.7 million and \$35.8 million for the three months ended June 30, 2011 and 2010, respectively. For the six months ended June 30, 2011 and 2010, intangible asset amortization expense was \$71.2 million and \$72.0 million, respectively. Estimated amortization expense on existing intangible assets is approximately \$140 million for each of the next five fiscal years.

## Note 6 – Debt and Credit Facilities

Short-term borrowings and current maturities of long-term debt consisted of the following:

In millions	June 30, 2011	December 31, 2010
Debentures with put feature	\$343.6	\$343.6
Exchangeable Senior Notes	334.7	328.3
Current maturities of long-term debt	11.4	13.3
Other short-term borrowings	63.6	76.4
Total	\$753.3	\$761.6

## Commercial Paper Program

The Company uses borrowings under its commercial paper program for general corporate purposes. The Company had no amounts outstanding as of June 30, 2011 and December 31, 2010.

## Debentures with Put Feature

At June 30, 2011 and December 31, 2010, the Company had outstanding \$343.6 million of fixed rate debentures which only requires early repayment at the option of the holder. These debentures contain a put feature that the holders may exercise on each anniversary of the issuance date. If exercised, the Company is obligated to repay in whole or in part, at the holder's option, the outstanding principal amount (plus accrued and unpaid interest) of the debentures held by the holder. If these options are not exercised, the final maturity dates would range between 2027 and 2028.

In 2010, holders of these debentures chose to exercise the put feature on less than \$0.1 million. On February 15, 2011, holders of these debentures had the option to exercise the put feature on \$37.2 million of the outstanding debentures. The holders chose not to exercise the put feature at that date.



Table of Contents

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

## Exchangeable Senior Notes Due 2012

In April 2009, the Company issued \$345.0 million of 4.5% Exchangeable Senior Notes (the Notes) through its wholly-owned subsidiary, Ingersoll-Rand Global Holding Company Limited (IR-Global). The Notes are fully and unconditionally guaranteed by each of IR-Ireland, IR-Limited and Ingersoll-Rand International Holding Limited (IR-International). Interest on the Notes is paid twice a year in arrears. In addition, holders may exchange their notes at their option prior to November 15, 2011 in accordance with specified circumstances set forth in the indenture agreement or anytime on or after November 15, 2011 through their scheduled maturity in April 2012.

Upon any exchange, the Notes will be paid in cash up to the aggregate principal amount of the notes to be exchanged. The remainder due on the option feature, if any, will be paid in cash, the Company's ordinary shares or a combination thereof at the option of the Company. The Notes are subject to certain customary covenants, however, none of these covenants are considered restrictive to the Company's operations.

The Company accounts for the Notes in accordance with GAAP, which required the Company to allocate the proceeds between debt and equity at the issuance date, in a manner that reflects the Company's nonconvertible debt borrowing rate. The Company allocated approximately \$305 million of the gross proceeds to debt, with the remaining discount of approximately \$40 million (approximately \$39 million after allocated fees) recorded within Equity. Additionally, the Company is amortizing the discount into earnings over a three-year period.

During the second quarter of 2011, the sales price condition set forth in the indenture agreement for the Notes continued to be satisfied. As a result, the Notes may be exchangeable at the holders' option during the third quarter 2011. Therefore, the Company classified the equity portion of the Notes as Temporary equity to reflect the amount that could result in cash settlement at the balance sheet date.

Long-term debt excluding current maturities consisted of the following:

In millions	June 30, 2011	December 31, 2010
6.000% Senior notes due 2013	\$599.9	\$599.9
9.50% Senior notes due 2014	655.0	655.0
5.50% Senior notes due 2015	200.0	199.7
4.75% Senior notes due 2015	299.5	299.4
6.875% Senior notes due 2018	749.2	749.2
9.00% Debentures due 2021	125.0	125.0
7.20% Debentures due 2012-2025	97.5	105.0
6.48% Debentures due 2025	149.7	149.7
Other loans and notes	5.5	39.4
Total	\$2,881.3	\$2,922.3

The fair value of the Company's debt was \$4,097.1 million and \$4,131.8 million at June 30, 2011 and December 31, 2010, respectively. The fair value of debt was primarily based upon quoted market values.

## Credit Facilities

On May 20, 2011, the Company entered into a 4-year, \$1.0 billion revolving credit facility through its wholly-owned subsidiary, IR-Global. This new facility replaces the Company's pre-existing \$1.0 billion, 3-year revolving credit facility that was scheduled to mature in June 2011.

At June 30, 2011, the Company's committed revolving credit facilities totaled \$2.0 billion, of which \$1.0 billion expires in May 2013 and \$1.0 billion expires in May 2015. These lines are unused and provide support for the Company's commercial paper program as well as for other general corporate purposes.

Table of Contents

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

Note 7 – Financial Instruments

In the normal course of business, the Company uses various financial instruments, including derivative instruments, to manage the risks associated with interest rate, currency rate, commodity price and share-based compensation exposures. These financial instruments are not used for trading or speculative purposes.

On the date a derivative contract is entered into, the Company designates the derivative instrument either as a cash flow hedge of a forecasted transaction, a cash flow hedge of a recognized asset or liability, or as an undesignated derivative. The Company formally documents its hedge relationships, including identification of the derivative instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the hedge transaction. This process includes linking derivative instruments that are designated as hedges to specific assets, liabilities or forecasted transactions.

The fair market value of derivative instruments is determined through market-based valuations and may not be representative of the actual gains or losses that will be recorded when these instruments mature due to future fluctuations in the markets in which they are traded.

The Company also assesses both at the inception and at least quarterly thereafter, whether the derivatives used in cash flow hedging transactions are highly effective in offsetting the changes in the cash flows of the hedged item. To the extent the derivative is deemed to be a highly effective hedge, the fair market value changes of the instrument are recorded to Accumulated other comprehensive income (AOCI).

Any ineffective portion of a derivative instrument's change in fair value is recorded in the income statement in the period of change. If the hedging relationship ceases to be highly effective, or it becomes probable that a forecasted transaction is no longer expected to occur, the hedging relationship will be undesignated and any future gains and losses on the derivative instrument would be recorded in the income statement.

Currency and Commodity Hedging Instruments

The notional amounts of the Company's currency derivatives were \$1,321.8 million and \$1,280.4 million at June 30, 2011 and December 31, 2010, respectively. At June 30, 2011 and December 31, 2010, a loss of \$0.8 million and a gain of \$0.3 million, net of tax, respectively, was included in AOCI related to the fair value of the Company's currency derivatives designated as accounting hedges. The amount expected to be reclassified into earnings over the next twelve months is a loss of \$0.8 million. The actual amounts that will be reclassified to earnings may vary from this amount as a result of changes in market conditions. Gains and losses associated with the Company's currency derivatives not designated as hedges are recorded in earnings as changes in fair value occur. At June 30, 2011, the maximum term of the Company's currency derivatives was approximately 12 months.

The Company had no commodity derivatives outstanding as of June 30, 2011 and December 31, 2010. During 2008, the Company discontinued the use of hedge accounting for its commodity hedges at which time the Company recognized into the income statement all deferred gains and losses related to its existing commodity hedges at the time of discontinuance. All further gains and losses associated with the Company's commodity derivatives were recorded in earnings as changes in fair value occurred.

Other Derivative Instruments

During the third quarter of 2008, the Company entered into interest rate locks for the forecasted issuance of approximately \$1.4 billion of Senior Notes due in 2013 and 2018. These interest rate locks met the criteria to be accounted for as cash flow hedges of a forecasted transaction. Consequently, the changes in fair value of the interest rate locks were deferred in AOCI. No further gain or loss will be deferred in AOCI related to these interest rate locks as the contracts were effectively terminated upon issuance of the underlying debt. However, the amount of AOCI associated with these interest rate locks at the time of termination will be recognized into Interest expense over the term of the notes. At June 30, 2011 and December 31, 2010, \$9.9 million and \$10.8 million, respectively, of deferred losses remained in AOCI related to these interest rate locks. The amount expected to be reclassified into Interest

expense over the next twelve months is \$1.8 million.

In March 2005, the Company entered into interest rate locks for the forecasted issuance of \$300 million of Senior Notes due 2015. These interest rate locks met the criteria to be accounted for as cash flow hedges of a forecasted transaction. Consequently, the changes in fair value of the interest rate locks were deferred in AOCI. No further gain or loss will be deferred

8

---

Table of Contents

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

in AOCI related to these interest rate locks as the contracts were effectively terminated upon issuance of the underlying debt. However, the amount of AOCI associated with these interest rate locks at the time of termination will be recognized into Interest expense over the term of the notes. At June 30, 2011 and December 31, 2010, \$4.9 million and \$5.4 million, respectively, of deferred losses remained in AOCI related to these interest rate locks. The amount expected to be reclassified into Interest expense over the next twelve months is \$1.2 million.

The following table presents the fair values of derivative instruments included within the Condensed Consolidated Balance Sheet as of June 30, 2011 and December 31, 2010:

In millions	Asset derivatives		Liability derivatives	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Derivatives designated as hedges:				
Currency derivatives	\$0.6	\$1.9	\$1.7	\$1.7
Derivatives not designated as hedges:				
Currency derivatives	10.9	19.6	5.8	0.9
Total derivatives	\$11.5	\$21.5	\$7.5	\$2.6

Asset and liability derivatives included in the table above are recorded within Other current assets and Accrued expenses and other current liabilities, respectively, on the Condensed Consolidated Balance Sheet.

The following table represents the amounts associated with derivatives designated as hedges affecting the Condensed Consolidated Income Statement and AOCI for the three months ended June 30:

In millions	Amount of gain (loss) deferred in AOCI		Location of gain (loss) reclassified from AOCI and recognized into earnings	Amount of gain (loss) reclassified from AOCI and recognized into earnings	
	2011	2010		2011	2010
Currency derivatives	\$0.4	\$3.8	Other, net	\$(1.2)	\$(0.4)
Interest rate locks	—	—	Interest expense	(0.7)	(0.7)
Total	\$0.4	\$3.8		\$(1.9)	\$(1.1)

The following table represents the amounts associated with derivatives not designated as hedges affecting the Condensed Consolidated Income Statement for the three months ended June 30:

In millions		Location of gain (loss) recognized in earnings		Amount of gain (loss) recognized in earnings	
		2011	2010	2011	2010
Currency derivatives	Other, net	\$4.8	\$(8.9)		
Total		\$4.8	\$(8.9)		

The gains and losses associated with the Company's undesignated currency derivatives are materially offset in the Condensed Consolidated Income Statement by changes in the fair value of the underlying transactions.

The following table represents the amounts associated with derivatives designated as hedges affecting the Condensed Consolidated Income Statement and AOCI for the six months ended June 30:

In millions	Amount of gain (loss) deferred in AOCI		Location of gain (loss) reclassified from AOCI and recognized into earnings	Amount of gain (loss) reclassified from AOCI and recognized into earnings	
	2011	2010		2011	2010
Currency derivatives	\$(2.8)	\$2.8	Other, net	\$(1.3)	\$(1.5)
Interest rate locks	—	—	Interest expense	(1.4)	(1.4)
Total	\$(2.8)	\$2.8		\$(2.7)	\$(2.9)





Table of Contents

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

The following table represents the amounts associated with derivatives not designated as hedges affecting the Condensed Consolidated Income Statement for the six months ended June 30:

In millions	Location of gain (loss) recognized in earnings	Amount of gain (loss) recognized in earnings	
		2011	2010
Currency derivatives	Other, net	\$20.4	\$11.3
Total		\$20.4	\$11.3

The gains and losses associated with the Company's undesignated currency derivatives are materially offset in the Condensed Consolidated Income Statement by changes in the fair value of the underlying transactions.

**Concentration of Credit Risk**

The counterparties to the Company's forward contracts consist of a number of investment grade major international financial institutions. The Company could be exposed to losses in the event of nonperformance by the counterparties. However, the credit ratings and the concentration of risk in these financial institutions are monitored on a continuous basis and present no significant credit risk to the Company.

**Fair Value of Financial Instruments**

The carrying value of cash and cash equivalents, accounts receivable, short-term borrowings and accounts payable are a reasonable estimate of their fair value due to the short-term nature of these instruments.

**Note 8 – Pensions and Postretirement Benefits Other than Pensions**

The Company sponsors several U.S. defined benefit and defined contribution pension plans covering substantially all of our U.S. employees. Additionally, the Company has many non-U.S. defined benefit and defined contribution pension plans covering non-U.S. locations. Postretirement benefits other than pensions provide healthcare benefits, and in some instances, life insurance benefits for certain eligible employees.

**Pension Plans**

The Company has noncontributory defined benefit pension plans covering substantially all U.S. employees. Most of the plans for non-collectively bargained U.S. employees provide benefits on an average pay formula while most plans for collectively bargained U.S. employees provide benefits on a flat benefit formula. Effective January 1, 2010, non-collectively bargained U.S. employees of Trane began to participate in the Company's pension plan for U.S. non-collectively bargained employees. In addition, the Company maintains pension plans for certain non-U.S. employees in other countries. These plans generally provide benefits based on earnings and years of service. The Company also maintains additional other supplemental benefit plans for officers and other key employees.

Table of Contents

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

The components of the Company's pension-related costs for the three and six months ended June 30 are as follows:

In millions	Three months ended		Six months ended	
	2011	2010	2011	2010
Service cost	\$24.2	\$25.6	\$48.3	\$51.3
Interest cost	47.9	48.3	95.5	97.3
Expected return on plan assets	(56.1 )	(48.8 )	(112.0 )	(98.1 )
Net amortization of:				
Prior service costs	1.4	2.0	2.8	4.0
Plan net actuarial losses	13.7	13.9	27.4	28.0
Net periodic pension benefit cost	31.1	41.0	62.0	82.5
Net curtailment and settlement (gains) losses	—	—	5.8	6.2
Net periodic pension benefit cost after net curtailment and settlement (gains) losses	\$31.1	\$41.0	\$67.8	\$88.7
Amounts recorded in continuing operations	\$28.2	\$36.4	\$62.0	\$79.5
Amounts recorded in discontinued operations	2.9	4.6	5.8	9.2
Total	\$31.1	\$41.0	\$67.8	\$88.7

The Company made employer contributions of \$36.8 million and \$32.8 million to its defined benefit pension plans during the six months ended June 30, 2011 and 2010, respectively.

The curtailment and settlement losses in 2011 and 2010 are associated with lump sum distributions under supplemental benefit plans for officers and other key employees.

**Postretirement Benefits Other Than Pensions**

The Company sponsors several postretirement plans that provide for healthcare benefits, and in some instances, life insurance benefits that cover certain eligible employees. These plans are unfunded and have no plan assets, but are instead funded by the Company on a pay-as-you-go basis in the form of direct benefit payments. Generally, postretirement health benefits are contributory with contributions adjusted annually. Life insurance plans for retirees are primarily noncontributory.

In March 2010, the Patient Protection and Affordable Care Act (the Act) and the Healthcare and Education Reform Reconciliation Bill of 2010 (together with the Act, the Healthcare Reform Legislation) was signed into law. The Healthcare Reform Legislation contains provisions which could impact our accounting for retiree medical benefits in future periods. The retiree medical plans currently receive the retiree drug subsidy under Medicare Part D. No later than 2014, a significant portion of the drug coverage will be moved to an Employer Group Waiver Plan while retaining the same benefit provisions. This change allowable under the Healthcare Reform Legislation resulted in an actuarial gain which decreased the December 31, 2010 retiree medical plan liability, as well as the net actuarial losses in other comprehensive income by \$41.1 million. There were no other changes to our liabilities as a result of the Healthcare Reform Legislation; however, the Healthcare Reform Legislation will continue to be monitored for provisions which potentially could impact our accounting for retiree medical benefits in future periods.

Table of Contents

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

The components of net periodic postretirement benefit cost for the three and six months ended June 30 are as follows:

In millions	Three months ended		Six months ended	
	2011	2010	2011	2010
Service cost	\$2.1	\$2.5	\$4.2	\$4.9
Interest cost	10.8	12.9	21.2	25.8
Net amortization of:				
Prior service gains	(0.8	) (1.0	) (1.7	) (1.8
Net actuarial losses	0.8	4.1	1.5	8.3
Net periodic postretirement benefit cost	\$12.9	\$18.5	\$25.2	\$37.2
Amounts recorded in continuing operations	\$8.5	\$10.6	\$16.4	\$21.6
Amounts recorded in discontinued operations	4.4	7.9	8.8	15.6
Total	\$12.9	\$18.5	\$25.2	\$37.2

## Note 9 – Fair Value Measurement

FASB ASC 820, “Fair Value Measurements and Disclosures” (ASC 820) establishes a framework for measuring fair value that is based on the inputs market participants use to determine the fair value of an asset or liability and establishes a fair value hierarchy to prioritize those inputs. The fair value hierarchy outlined in ASC 820 is comprised of three levels that are described below:

Level 1 – Inputs based on quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 quoted prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Unobservable inputs based on little or no market activity and that are significant to the fair value of the assets and liabilities.

The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are obtained from independent sources and can be validated by a third party, whereas unobservable inputs reflect assumptions regarding what a third party would use in pricing an asset or liability based on the best information available under the circumstances. A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets and liabilities measured at fair value on a recurring basis at June 30, 2011 are as follows:

In millions	Fair value measurements			Total fair value
	Level 1	Level 2	Level 3	
Assets:				
Cash and cash equivalents	\$1,259.8	\$—	\$—	\$1,259.8
Marketable securities	13.5	—	—	13.5
Derivative instruments	—	11.5	—	11.5
Benefit trust assets	19.9	158.7	—	178.6
Total	\$1,293.2	\$170.2	\$—	\$1,463.4
Liabilities:				
Derivative instruments	\$—	\$7.5	\$—	\$7.5
Benefit trust liabilities	16.0	149.9	—	165.9
Total	\$16.0	\$157.4	\$—	\$173.4



Table of Contents

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

Assets and liabilities measured at fair value on a recurring basis at December 31, 2010 are as follows:

In millions	Fair value measurements			Total fair value
	Level 1	Level 2	Level 3	
Assets:				
Cash and cash equivalents	\$1,014.3	\$—	\$—	\$1,014.3
Marketable securities	15.5	—	—	15.5
Derivative instruments	—	21.5	—	21.5
Benefit trust assets	17.3	155.2	—	172.5
Total	\$1,047.1	\$176.7	\$—	\$1,223.8
Liabilities:				
Derivative instruments	\$—	\$2.6	\$—	\$2.6
Benefit trust liabilities	17.4	178.4	—	195.8
Total	\$17.4	\$181.0	\$—	\$198.4

ASC 820 defines fair value as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company determines the fair value of its financial assets and liabilities using the following methodologies:

Cash and cash equivalents – These amounts include cash on hand, demand deposits and all highly liquid investments with original maturities at the time of purchase of three months or less and are held in U.S and non-U.S. currencies.

Marketable securities – These securities include investments in publicly traded stock of non-U.S. companies held by non-U.S. subsidiaries of the Company. The fair value is obtained for the securities based on observable market prices quoted on public stock exchanges.

Derivative instruments – These instruments include forward contracts related to non-U.S. currencies. The fair value of the derivative instruments are determined based on a pricing model that uses inputs from actively quoted currency markets that are readily accessible and observable.

Benefit trust assets – These assets include money market funds and insurance contracts that are the underlying for the benefit assets. The fair value of the assets is based on observable market prices quoted in a readily accessible and observable market.

Benefit trust liabilities – These liabilities include deferred compensation and executive death benefits. The fair value is based on the underlying investment portfolio of the deferred compensation and the specific benefits guaranteed in a death benefit contract with each executive.

These methodologies used by the Company to determine the fair value of its financial assets and liabilities at June 30, 2011 are the same as those used at December 31, 2010. As a result, there have been no significant transfers between Level 1 and Level 2 categories.

## Note 10 – Equity

IR-Ireland is the successor to IR-Limited, following the Ireland Reorganization which became effective on July 1, 2009. Upon consummation, the IR-Limited Class A common shares were cancelled and all previous holders were issued ordinary shares of IR-Ireland. The Ireland Reorganization was accounted for as a reorganization of entities under common control and accordingly, did not result in any changes to the consolidated amounts of assets, liabilities and equity.

In the second quarter of 2011, the Board of Directors authorized the repurchase of up to \$2.0 billion of the Company's ordinary shares under a new share repurchase program. On June 8, 2011, the Company commenced share repurchases under this program. In the second quarter of 2011, the Company repurchased 1.3 million shares for \$56.0 million. These repurchases were accounted for as a reduction of Ordinary shares and Capital in excess of par value as they

were canceled upon repurchase.

13

---

Table of Contents

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

The reconciliation of ordinary shares is as follows:

In millions	Total
December 31, 2010	328.2
Shares issued under incentive plans	4.9
Repurchase of ordinary shares	(1.3 )
June 30, 2011	331.8

The components of Equity for the six months ended June 30, 2011 are as follows:

In millions	IR-Ireland shareholders' equity	Noncontrolling interests	Total equity
Balance at December 31, 2010	\$7,964.3	\$94.8	\$8,059.1
Net earnings (loss)	14.7	13.1	27.8
Currency translation	271.9	—	271.9
Change in value of marketable securities and derivatives qualifying as cash flow hedges, net of tax	(1.9 )	—	(1.9 )
Pension and OPEB adjustments, net of tax	15.5	—	15.5
Total comprehensive income	300.2	13.1	313.3
Share-based compensation	26.0	—	26.0
Acquisition/divestiture of noncontrolling interests	(1.3 )	(1.2 )	(2.5 )
Dividends to noncontrolling interests	—	(18.3 )	(18.3 )
Dividends to ordinary shareholders	(63.1 )	—	(63.1 )
Accretion of Exchangeable Senior Notes from Temporary Equity	6.7	—	6.7
Shares issued under incentive plans	101.9	—	101.9
Repurchase of ordinary shares	(56.0 )	—	(56.0 )
Other	(0.5 )	(1.6 )	(2.1 )
Balance at June 30, 2011	\$8,278.2	\$86.8	\$8,365.0

The components of Equity for the six months ended June 30, 2010 are as follows:

In millions	IR-Ireland shareholders' equity	Noncontrolling interests	Total equity
Balance at December 31, 2009	\$7,071.8	\$103.9	\$7,175.7
Net earnings (loss)	197.9	10.1	208.0
Currency translation	(305.0 )	—	(305.0 )
Change in value of marketable securities and derivatives qualifying as cash flow hedges, net of tax	3.7	—	3.7
Pension and OPEB adjustments, net of tax	49.9	—	49.9
Total comprehensive income (loss)	(53.5 )	10.1	(43.4 )
Share-based compensation	34.5	—	34.5
Dividends to noncontrolling interests	—	(8.4 )	(8.4 )
Dividends to ordinary shareholders	(45.0 )	—	(45.0 )
Accretion of Exchangeable Senior Notes from Temporary Equity	6.6	—	6.6
Shares issued under incentive plans	37.1	—	37.1
Other	(0.1 )	(0.8 )	(0.9 )
Balance at June 30, 2010	\$7,051.4	\$104.8	\$7,156.2





Table of Contents

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

## Note 11 – Share-Based Compensation

The Company records share-based compensation awards using a fair value method and recognizes compensation expense for an amount equal to the fair value of the share-based payment issued in its financial statements. The Company's share-based compensation plans include programs for stock options and restricted stock units (RSUs), stock appreciation rights (SARs), performance shares and deferred compensation.

## Compensation Expense

Share-based compensation expense related to continuing operations is included in Selling and administrative expenses within the Condensed Consolidated Income Statement. The following table summarizes the expenses recognized for the three and six months ended June 30:

In millions	Three months ended		Six months ended	
	2011	2010	2011	2010
Stock options	\$4.9	\$5.4	\$13.2	\$20.0
RSUs	9.6	2.8	12.5	8.3
Performance shares	(3.1	) 6.8	1.1	5.6
Deferred compensation	0.4	0.4	0.4	0.7
SARs and other	(0.1	) 0.5	0.5	0.7
Pre-tax expense	11.7	15.9	27.7	35.3
Tax benefit	(4.5	) (6.1	) (10.6	) (13.5
After-tax expense	\$7.2	\$9.8	\$17.1	\$21.8
Amounts recorded in continuing operations	\$6.9	\$9.7	\$16.6	\$21.5
Amounts recorded in discontinued operations	0.3	0.1	0.5	0.3
Total	\$7.2	\$9.8	\$17.1	\$21.8

## Stock Options/RSUs

The Company's equity grant approach allows for eligible participants to receive (i) stock options, (ii) RSUs or (iii) a combination of both stock options and RSUs. Since annual equity grants are made in February, the Company grants a significant number of options and RSUs during the first quarter of the year. The following table illustrates those granted during the six months ended June 30:

	2011		2010	
	Number granted	Weighted-average fair value per award	Number granted	Weighted-average fair value per award
Stock options	1,573,986	\$14.64	2,591,967	\$10.12
RSUs	530,486	\$47.37	764,965	\$31.68

The fair value of each of the Company's stock option and RSU awards is expensed on a straight-line basis over the required service period, which is generally the three-year vesting period. However, for stock options and RSUs granted to retirement eligible employees, the Company recognizes expense for the fair value at the grant date.

## SARs

All SARs outstanding as of June 30, 2011 are vested and expire ten years from the date of grant. All SARs exercised are settled with the Company's ordinary shares. The Company did not grant SARs during the six months ended June 30, 2011 and does not anticipate additional grants in the future.

Table of Contents

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

## Performance Shares

The Company has a Performance Share Program (PSP) for key employees. The program provides awards based on performance against pre-established objectives. The annual target award level is expressed as a number of the Company's ordinary shares. All PSP awards are settled in the form of ordinary shares. As of June 30, 2011, the Company's target award level for eligible employees is approximately 1.4 million shares.

## Deferred Compensation

The Company allows key employees to defer a portion of their eligible compensation into a number of investment choices, including its ordinary share equivalents. Any amounts invested in ordinary share equivalents will be settled in ordinary shares of the Company at the time of distribution.

## Other Plans

The Company maintains a shareholder-approved Management Incentive Unit Award Plan. Under the plan, participating key employees were awarded incentive units. When dividends are paid on ordinary shares, phantom dividends are awarded to unit holders, one-half of which is paid in cash, the remaining half of which is credited to the participants' accounts in the form of ordinary share equivalents. The value of the actual incentive units is never paid to participants, and only the fair value of accumulated ordinary share equivalents is paid in cash upon the participants' retirement.

The Company has issued stock grants as an incentive plan to certain key employees, with varying vesting periods. All stock grants are settled with the Company's ordinary shares.

## Note 12 – Restructuring Activities

Restructuring charges recorded during the three and six months ended June 30, were as follows:

In millions	Three months ended		Six months ended	
	2011	2010	2011	2010
Climate Solutions	\$5.4	\$5.6	\$5.6	\$9.9
Residential Solutions	—	0.8	0.2	2.0
Industrial Technologies	2.3	2.8	1.2	* 4.1
Security Technologies	(1.9 )**	(0.5 )	(1.1 )**	2.5
Corporate and Other	(0.1 )	—	—	(0.1 )
Total	\$5.7	\$8.7	\$5.9	\$18.4
Cost of goods sold	\$(0.2 )	\$6.9	\$(1.3 )	\$14.0
Selling and administrative expenses	5.9	1.8	7.2	4.4
Total	\$5.7	\$8.7	\$5.9	\$18.4

The changes in the restructuring reserve during the six months ended June 30, 2011 were as follows:

In millions	Climate Solutions	Residential Solutions	Industrial Technologies	Security Technologies	Corporate and Other	Total
December 31, 2010	\$3.2	\$3.2	\$ 10.1	\$ 8.1	\$3.4	\$28.0
Additions, net of reversals	5.6	0.2	1.2	* (1.1 )**	—	5.9
Cash and non-cash uses	(6.2 )	(1.4 )	(6.5 )	(5.8 )	(0.1 )	(20.0 )
Currency translation	—	—	—	0.3	—	0.3
June 30, 2011	\$2.6	\$2.0	\$ 4.8	\$ 1.5	\$3.3	\$14.2

\* Amount includes the reversal of \$6.7 million of previously accrued restructuring charges.

\*\* Amount includes the reversal of \$2.2 million of previously accrued restructuring charges.

Table of Contents

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

During the six months ended June 30, 2011 and 2010, the Company incurred costs of \$5.9 million and \$18.4 million, respectively, associated with ongoing restructuring actions. These actions included workforce reductions as well as the consolidation of manufacturing facilities in an effort to increase efficiencies across multiple lines of business. Due to changes in various economic factors, the Company made a decision in the first quarter of 2011 to continue operating a facility for which the Company had previously accrued approximately \$6.7 million of restructuring charges. In the second quarter of 2011 the Company released approximately \$2.2 million of previously accrued restructuring charges as a result of the decision to discontinue a portion of the Company's restructuring plans. As of June 30, 2011, the Company had \$14.2 million accrued for costs associated with these ongoing restructuring actions, of which a majority will be paid throughout the remainder of 2011.

## Note 13 – Other, Net

The components of Other, net for the three and six months ended June 30 are as follows:

In millions	Three months ended		Six months ended	
	2011	2010	2011	2010
Interest income	\$6.6	\$4.9	\$11.7	\$7.5
Exchange gain (loss)	(5.4	) 0.1	(5.1	) —
Other	3.3	3.4	3.1	6.7
Other, net	\$4.5	\$8.4	\$9.7	\$14.2

The Company reclassified its earnings from equity investments from Other, net to Cost of goods sold, as the related investments have been deemed to be integral to the Company's operations. This reclassification had a \$3.7 million and \$6.3 million impact, respectively, on the Condensed Consolidated Income Statement for the three and six months ended June 30, 2010.

## Note 14 – Income Taxes

The provision for income taxes involves a significant amount of management judgment regarding interpretation of relevant facts and laws in the jurisdictions in which the Company operates. Future changes in applicable laws, projected levels of taxable income and tax planning could change the effective tax rate and tax balances recorded by the Company. In addition, tax authorities periodically review income tax returns filed by the Company and can raise issues regarding its filing positions, timing and amount of income or deductions, and the allocation of income among the jurisdictions in which the Company operates. A significant period of time may elapse between the filing of an income tax return and the ultimate resolution of an issue raised by a revenue authority with respect to that return. In the normal course of business the Company is subject to examination by taxing authorities throughout the world, including such major jurisdictions as Brazil, Canada, Germany, Ireland, Italy, the Netherlands and the United States. In general, the examination of the Company's material tax returns is completed for the years prior to 2000, with certain matters being resolved through appeals and litigation.

On July 20, 2007, the Company received a notice from the IRS containing proposed adjustments to the Company's tax filings in connection with an audit of the 2001 and 2002 tax years. The IRS did not contest the validity of the Company's reincorporation in Bermuda. The most significant adjustments proposed by the IRS involve treating the entire intercompany debt incurred in connection with the Company's reincorporation in Bermuda as equity. As a result of this recharacterization, the IRS disallowed the deduction of interest paid on the debt and imposed dividend withholding taxes on the payments denominated as interest. The IRS also asserted an alternative argument to be applied if the intercompany debt is respected as debt. In that circumstance, the IRS proposed to ignore the entities that hold the debt and to which the interest was paid and impose 30% withholding tax on a portion of the interest payments as if they were made directly to a company that was not eligible for reduced U.S. withholding tax under a U.S. income tax treaty. The IRS asserted under this alternative theory that the Company owes additional taxes with respect to 2002

of approximately \$84 million plus interest. If either of these positions were upheld in their entirety the Company would be required to record additional charges. The Company strongly disagreed with the view of the IRS and filed a protest with the IRS in the third quarter of 2007.

On January 12, 2010, the Company received an amended notice from the IRS eliminating its assertion that the intercompany debt incurred in connection with the Company's reincorporation in Bermuda should be treated as equity. However, the IRS continues to assert the alternative position described above and proposes adjustments to the Company's 2001 and 2002 tax

Table of Contents

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

filings. In addition, the IRS provided notice on January 19, 2010, that it is assessing penalties of 30% on the asserted underpayment of tax described above.

The Company has and intends to continue to vigorously contest these proposed adjustments. The Company, in consultation with its outside advisors, carefully considered the form and substance of the Company's intercompany financing arrangements including the actions necessary to qualify for the benefits of the applicable U.S. income tax treaties. The Company believes that these financing arrangements are in accordance with the laws of the relevant jurisdictions including the U.S., that the entities involved should be respected and that the interest payments qualify for the U.S. income tax treaty benefits claimed.

Although the outcome of this matter cannot be predicted with certainty, based upon an analysis of the strength of its position, the Company believes that it is adequately reserved for this matter. As the Company moves forward to resolve this matter with the IRS, it is reasonably possible that the reserves established may be adjusted within the next 12 months. However, the Company does not expect that the ultimate resolution will have a material adverse impact on its future results of operations or financial position. At this time, the IRS has not proposed any similar adjustments for years subsequent to 2002. However, if all or a portion of these adjustments proposed by the IRS are ultimately sustained, it is likely to also affect subsequent tax years.

The Company believes that it has adequately provided for any reasonably foreseeable resolution of any tax disputes, but will adjust its reserves if events so dictate in accordance with GAAP. To the extent that the ultimate results differ from the original or adjusted estimates of the Company, the effect will be recorded in the provision for income taxes. Total unrecognized tax benefits as of June 30, 2011 and December 31, 2010 were \$553.2 million and \$534.1 million, respectively.

As a result of the Patient Protection and Affordable Care Act (the Act) signed into law on March 23, 2010 and the Healthcare and Education Reconciliation Bill of 2010 signed into law on March 30, 2010 (together with the Act, the Healthcare Reform Legislation), effective 2013, the tax benefits available to the Company will be reduced to the extent its prescription drug expenses are reimbursed under the Medicare Part D retiree drug subsidy program.

Although the provisions of the Healthcare Reform Legislation relating to the retiree drug subsidy program do not take effect until 2013, the Company is required to recognize the full accounting impact in its financial statements in the reporting period in which the Healthcare Reform Legislation is enacted. As retiree healthcare liabilities and related tax impacts are already reflected in the Company's financial statements, the Healthcare Reform Legislation resulted in a non-cash charge to income tax expense in the first quarter of 2010 of \$40.5 million.

The Healthcare Reform Legislation contains provisions which could impact our accounting for income taxes in future periods. We will continue to assess the accounting implications of the Healthcare Reform Legislation. In addition, we may consider plan amendments in future periods that may have accounting implications.

## Note 15 – Divestitures and Discontinued Operations

The components of discontinued operations for the three and six months ended June 30 are as follows:

In millions	Three months ended		Six months ended	
	2011	2010	2011	2010
Net revenues	\$217.8	\$240.1	\$369.5	\$427.6
Pre-tax earnings (loss) from operations	\$(189.7)	\$(32.9)	\$(394.9)	\$(48.5)
Pre-tax gain (loss) on sale	(33.7)	—	(33.6)	(0.4)
Tax benefit (expense)	8.2	(11.0)	14.6	(9.1)
Discontinued operations, net	\$(215.2)	\$(43.9)	\$(413.9)	\$(58.0)



Table of Contents

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

Discontinued operations by business for the three and six months ended June 30 are as follows:

In millions	Three months ended		Six months ended		
	2011	2010	2011	2010	
Hussmann, net of tax	\$(183.8	) \$18.0	\$(374.2	) \$20.1	
Energy Systems, net of tax	0.2	(1.5	) 0.5	(3.0	)
KOXKA, net of tax	(0.4	) (44.9	) (0.7	) (49.4	)
Other discontinued operations, net of tax	(31.2	) (15.5	) (39.5	) (25.7	)
Total discontinued operations, net of tax	\$(215.2	) \$(43.9	) \$(413.9	) \$(58.0	)

**Hussmann Divestiture**

On April 21, 2011, the Company announced a plan to divest its Hussmann refrigerated display case equipment business in the U.S. and Canada, and the equipment, service and installation businesses in Mexico, Chile, Australia, New Zealand, and Japan. This business, which was previously reported as part of the Climate Solutions segment, manufactures, markets, distributes, installs, and services refrigerated display merchandising equipment, refrigeration systems, over the counter parts, and other commercial and industrial refrigeration applications.

The planned divestiture met both the component and held for sale criteria in accordance with GAAP during the first quarter of 2011. Therefore, the Company reported this business as a discontinued operation and classified the assets and liabilities as held for sale for all periods presented. During the first quarter of 2011, the Company recognized a \$186 million after-tax impairment loss within discontinued operations primarily related to the write-down of the net assets to their estimated fair value. The Company assumed a fair value less cost to sell at March 31, 2011 of \$800 million, which included assets held for sale of approximately \$913 million, liabilities held for sale of approximately \$160 million and accumulated other comprehensive loss of approximately \$47 million in the Condensed Consolidated Balance Sheet at March 31, 2011. During the second quarter of 2011, the Company reduced the forecast for the Hussmann Business and revised its estimate of fair value less cost to sell. As a result, the Company recorded an additional \$198 million after-tax impairment charge to reflect a fair value less cost to sell estimate at June 30, 2011 of \$600 million, which includes assets held for sale of approximately \$747 million, liabilities held for sale of approximately \$198 million and accumulated other comprehensive loss of approximately \$51 million in the Condensed Consolidated Balance Sheet at June 30, 2011. No assurance related to the planned divestiture can be given by the Company as to the timing, consummation or terms, including consideration or the possibility of continuing ownership by the Company for all or some portion of the Hussmann Business for a period of time.

Net revenues and after-tax earnings of the Hussmann Business for the three and six months ended June 30 were as follows:

In millions	Three months ended		Six months ended	
	2011	2010	2011	2010
Net revenues	\$217.8	\$220.3	\$369.5	\$389.5
After-tax earnings (loss) from operations	\$(183.8	)** \$18.0	\$(374.2	)* \$20.1
Gain (loss) on sale, net of tax	—	—	—	—
Total discontinued operations, net of tax	\$(183.8	) \$18.0	\$(374.2	) \$20.1

\* Included in discontinued operations for Hussmann for the six months ended June 30, 2011 is an after-tax impairment loss of approximately \$384 million.

\*\* Included in discontinued operations for Hussmann in the second quarter of 2011 is an after-tax impairment loss of approximately \$198 million.



Table of Contents

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

The components of assets and liabilities recorded as held for sale on the Condensed Consolidated Balance Sheet as of June 30, 2011 and December 31, 2010 are as follows:

In millions	June 30, 2011	December 31, 2010
Assets		
Current assets	\$219.0	\$170.4
Property, plant and equipment, net	105.8	106.8
Goodwill	23.8	407.4
Intangible assets, net	386.9	389.5
Other assets and deferred income taxes	11.8	7.2
Assets held for sale	\$747.3	\$1,081.3
Liabilities		
Current liabilities	\$135.3	\$99.0
Noncurrent liabilities	62.3	53.1
Liabilities held for sale	\$197.6	\$152.1

## Energy Systems Divestiture

On December 30, 2010, the Company completed the divestiture of its gas microturbine generator business, which was sold under the Energy Systems brand, to Flex Energy, Inc. The business, which was previously reported as part of the Industrial Technologies segment, designs, manufactures, markets, distributes, and services gas powered microturbine generators which feature energy efficient design and low emissions technology. During the third quarter of 2010, the Company recognized an \$8.3 million after-tax impairment loss within discontinued operations related to the write-down of the net assets to their estimated fair value.

Net revenues and after-tax earnings of the Energy Systems business for the three and six months ended June 30 were as follows:

In millions	Three months ended		Six months ended	
	2011	2010	2011	2010
Net revenues	\$—	\$1.3	\$—	\$1.8
After-tax earnings (loss) from operations	\$0.2	\$(1.5)	) \$0.3	\$(3.0)
Gain (loss) on sale, net of tax	—	—	0.2	—
Total discontinued operations, net of tax	\$0.2	\$(1.5)	) \$0.5	\$(3.0)

## KOXKA Divestiture

On October 4, 2010, the Company completed the divestiture of its European refrigerated display case business, which was sold under the KOXKA brand, to an affiliate of American Industrial Acquisition Corporation (AIAC Group). The business, which was previously reported as part of the Climate Solutions segment, designs, manufactures and markets commercial refrigeration equipment through sales branches and a network of distributors throughout Europe, Africa and the Middle East. During the second and third quarters of 2010, the Company recognized a combined \$53.9 million after-tax impairment loss within discontinued operations related to the write-down of the net assets to their estimated fair value.

Table of Contents

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

Net revenues and after-tax earnings of the KOXKA business for the three and six months ended June 30 were as follows:

In millions	Three months ended		Six months ended	
	2011	2010	2011	2010
Net revenues	\$—	\$18.5	\$—	\$36.3
After-tax earnings (loss) from operations	\$(0.4)	\$(44.9)	\$(0.7)	\$(49.4)
Gain (loss) on sale, net of tax	—	—	—	—
Total discontinued operations, net of tax	\$(0.4)	\$(44.9)	\$(0.7)	\$(49.4)

\* Included in discontinued operations for KOXKA for the three and six months ended June 30, 2010 is an after-tax impairment loss of \$38.8 million related to the initial write-down of the net assets to their estimated fair value.

**Other Discontinued Operations**

On November 30, 2007, the Company completed the sale of its Bobcat, Utility Equipment and Attachments businesses (collectively, Compact Equipment) to Doosan Infracore for gross proceeds of approximately \$4.9 billion, subject to post-closing purchase price adjustments. Compact Equipment manufactured and sold compact equipment, including skid-steer loaders, compact track loaders, mini-excavators and telescopic tool handlers; portable air compressors, generators and light towers; general-purpose light construction equipment; and attachments. The Company is in dispute regarding post-closing matters with Doosan Infracore. During the second quarter of 2011, the Company collected approximately \$48.3 million of its outstanding receivable from Doosan Infracore related to certain purchase price adjustments. The Company is continuing to pursue other claims against Doosan Infracore. During the second quarter of 2011, after an adverse summary judgment ruling on liability issues was rendered in May, the Company recorded an after-tax charge of approximately \$21 million (\$33.5 million pre-tax) related to an incentive plan established for the sale of one of the Company's businesses for which the maximum damages alleged by the plaintiffs is \$115 million. The Company has also recorded retained costs from previously sold businesses, which are mainly those related to postretirement benefits, product liability and legal costs (mostly asbestos-related).

**Note 16 – Earnings Per Share (EPS)**

Basic EPS is calculated by dividing Net earnings (loss) attributable to Ingersoll-Rand plc by the weighted-average number of ordinary shares outstanding for the applicable period. Diluted EPS is calculated after adjusting the denominator of the basic EPS calculation for the effect of all potentially dilutive ordinary shares, which in the Company's case, includes shares issuable under share-based compensation plans and the effects of the Exchangeable Senior Notes issued in April 2009. The following table summarizes the weighted-average number of ordinary shares outstanding for basic and diluted earnings per share calculations for the three and six months ended June 30:

In millions	Three months ended		Six months ended	
	2011	2010	2011	2010
Weighted-average number of basic shares	333.8	323.8	332.6	323.2
Shares issuable under incentive stock plans	5.2	5.3	5.4	4.9
Exchangeable Senior Notes	11.9	10.0	11.9	9.7
Weighted-average number of diluted shares	350.9	339.1	349.9	337.8
Anti-dilutive shares	1.5	14.0	1.7	14.0

**Note 17 – Business Segment Information**

The Company classifies its businesses into the following four reportable segments based on industry and market focus: Climate Solutions, Residential Solutions, Industrial Technologies and Security Technologies.



Table of Contents

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

On April 21, 2011, the Company announced a plan to divest its Hussmann refrigerated display case equipment business in the U.S. and Canada, and the equipment, service and installation businesses in Mexico, Chile, Australia, New Zealand, and Japan. This business, which was previously reported as part of the Climate Solutions segment, manufactures, markets, distributes, installs, and services refrigerated display merchandising equipment, refrigeration systems, over the counter parts, and other commercial and industrial refrigeration applications. No assurance related to the planned divestiture can be given by the Company as to the timing, consummation or terms, including consideration or the possibility of continuing ownership by the Company for all or some portion of the Hussmann Business for a period of time. Segment information has been revised to exclude the results of this business for all periods presented.

On December 30, 2010, the Company completed the divestiture of its gas microturbine generator business, which was sold under the Energy Systems brand, to Flex Energy, Inc. The business, which was previously reported as part of the Industrial Technologies segment, designs, manufactures, markets, distributes, and services gas powered microturbine generators which feature energy efficient design and low emissions technology. Segment information has been revised to exclude the results of this business for all periods presented.

On October 4, 2010, the Company completed the divestiture of its European refrigerated display case business, which was sold under the KOXKA brand, to an affiliate of American Industrial Acquisition Corporation (AIAC Group). The business, which was previously reported as part of the Climate Solutions segment, designs, manufactures and markets commercial refrigeration equipment through sales branches and a network of distributors throughout Europe, Africa and the Middle East. Segment information has been revised to exclude the results of this business for all periods presented.

A summary of operations by reportable segment for the three and six months ended June 30 is as follows:

In millions	Three months ended		Six months ended	
	2011	2010	2011	2010
Net revenues				
Climate Solutions	\$2,047.6	\$1,795.9	\$3,720.8	\$3,229.4
Residential Solutions	632.1	640.6	1,065.4	1,036.1
Industrial Technologies	771.9	624.7	1,412.4	1,168.8
Security Technologies	440.6	420.6	831.6	813.4
Total	\$3,892.2	\$3,481.8	\$7,030.2	\$6,247.7
Operating income (loss)				
Climate Solutions	\$249.9	\$171.5	\$348.9	\$202.7
Residential Solutions	40.3	68.1	48.3	85.4
Industrial Technologies	120.5	78.7	205.7	140.3
Security Technologies	91.6	88.5	161.6	153.3
Unallocated corporate expense	(26.8	) (43.4	) (57.1	) (78.8
Total	\$475.5	\$363.4	\$707.4	\$502.9

Included in Operating income for Climate Solutions for the three and six months ended June 30, 2011 is a \$23 million gain associated with the sale of assets from a restructured business in China.

## Note 18 – Commitments and Contingencies

The Company is involved in various litigations, claims and administrative proceedings, including those related to environmental and product liability matters. Amounts recorded for identified contingent liabilities are estimates, which are reviewed periodically and adjusted to reflect additional information when it becomes available. Subject to the uncertainties inherent in estimating future costs for contingent liabilities, except as expressly set forth in this note, management believes that any liability which may result from these legal matters would not have a material adverse

effect on the financial condition, results of operations, liquidity or cash flows of the Company.

Table of Contents

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

Environmental Matters

The Company continues to be dedicated to an environmental program to reduce the utilization and generation of hazardous materials during the manufacturing process and to remediate identified environmental concerns. As to the latter, the Company is currently engaged in site investigations and remediation activities to address environmental cleanup from past operations at current and former manufacturing facilities.

The Company is sometimes a party to environmental lawsuits and claims and has received notices of potential violations of environmental laws and regulations from the Environmental Protection Agency and similar state authorities. It has also been identified as a potentially responsible party (PRP) for cleanup costs associated with off-site waste disposal at federal Superfund and state remediation sites. For all such sites, there are other PRPs and, in most instances, the Company's involvement is minimal.

In estimating its liability, the Company has assumed it will not bear the entire cost of remediation of any site to the exclusion of other PRPs who may be jointly and severally liable. The ability of other PRPs to participate has been taken into account, based generally on the parties' financial condition and probable contributions on a per site basis. Additional lawsuits and claims involving environmental matters are likely to arise from time to time in the future. During the three and six months ended June 30, 2011, the Company spent \$2.8 million and \$4.6 million, respectively, for environmental remediation at sites presently or formerly owned or leased by us. As of June 30, 2011 and December 31, 2010, the Company has recorded reserves for environmental matters of \$74.1 million and \$78.6 million, respectively. Given the evolving nature of environmental laws, regulations and technology, the ultimate cost of future compliance is uncertain.

Asbestos-Related Matters

Certain wholly-owned subsidiaries of the Company are named as defendants in asbestos-related lawsuits in state and federal courts. In virtually all of the suits, a large number of other companies have also been named as defendants. The vast majority of those claims has been filed against either Ingersoll-Rand Company (IR-New Jersey) or Trane and generally allege injury caused by exposure to asbestos contained in certain historical products sold by IR-New Jersey or Trane, primarily pumps, boilers and railroad brake shoes. Neither IR-New Jersey nor Trane was a producer or manufacturer of asbestos, however, some formerly manufactured products utilized asbestos-containing components such as gaskets and packings purchased from third-party suppliers.

The Company engages an outside expert to assist in calculating an estimate of the Company's total liability for pending and unasserted future asbestos-related claims and annually performs a detailed analysis with the assistance of its outside expert to update its estimated asbestos-related assets and liabilities. The methodology used to project the Company's total liability for pending and unasserted potential future asbestos-related claims relied upon and included the following factors, among others:

- the outside expert's interpretation of a widely accepted forecast of the population likely to have been occupationally exposed to asbestos;
- epidemiological studies estimating the number of people likely to develop asbestos-related diseases such as mesothelioma and lung cancer;
- the Company's historical experience with the filing of non-malignancy claims against it and the historical ratio between the numbers of non-malignancy and lung cancer claims filed against the Company;
- the outside expert's analysis of the number of people likely to file an asbestos-related personal injury claim against the Company based on such epidemiological and historical data and the Company's most recent three-year claims history;
- an analysis of the Company's pending cases, by type of disease claimed;
- an analysis of the Company's most recent three-year history to determine the average settlement and resolution value of claims, by type of disease claimed;
- an adjustment for inflation in the future average settlement value of claims, at a 2.5% annual inflation rate, adjusted downward to 1.5% to take account of the declining value of claims resulting from the aging of the claimant

population;

23

---

Table of Contents

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

an analysis of the period over which the Company has and is likely to resolve asbestos-related claims against it in the future.

At December 31, 2010, over 90 percent of the open claims against the Company are non-malignancy claims, many of which have been placed on inactive or deferral dockets and the vast majority of which have little or no settlement value against the Company, particularly in light of recent changes in the legal and judicial treatment of such claims. The Company's liability for asbestos-related matters and the asset for probable asbestos-related insurance recoveries are as follows:

In millions	June 30, 2011	December 31, 2010
Asbestos-related liabilities	\$985.1	\$1,020.5
Asset for probable asbestos-related insurance recoveries	335.2	346.2
Net asbestos-related liabilities	\$649.9	\$674.3

Asbestos-related balances are included in the following balance sheet accounts:

In millions	June 30, 2011	December 31, 2010
Accrued expenses and other current liabilities	\$75.5	\$75.5
Other noncurrent liabilities	909.6	945.0
Total asbestos-related liabilities	\$985.1	\$1,020.5
Other current assets	\$36.2	\$26.3
Other noncurrent assets	299.0	319.9
Total asset for probable asbestos-related insurance recoveries	\$335.2	\$346.2

The (costs) income associated with the settlement and defense of asbestos-related claims after insurance recoveries for the three and six months ended June 30 were as follows:

In millions	Three months ended		Six months ended	
	2011	2010	2011	2010
Continuing operations	\$(1.2)	\$(0.8)	\$(2.6)	\$(2.6)
Discontinued operations	(1.9)	(3.0)	(5.6)	(8.8)
Total	\$(3.1)	\$(3.8)	\$(8.2)	\$(11.4)

The Company records certain income and expenses associated with its asbestos liabilities and corresponding insurance recoveries within discontinued operations, as they relate to previously divested businesses, primarily Ingersoll-Dresser Pump, which was sold in 2000. Income and expenses associated with Trane's asbestos liabilities and corresponding insurance recoveries are recorded within continuing operations.

Trane continues to be in litigation against certain carriers whose policies it believes provide coverage for asbestos claims. Trane has now settled with the majority of its insurers, collectively accounting for approximately 95% of its recorded asbestos-related liability insurance receivable as of December 31, 2010. Most, although not all, of Trane's settlement agreements constitute "coverage-in-place" arrangements, in which the insurer signatories agree to reimburse Trane for specified portions of its costs for asbestos bodily injury claims and Trane agrees to certain claims-handling protocols and grants to the insurer signatories certain releases and indemnifications.

The amounts recorded by the Company for asbestos-related liabilities and insurance-related assets are based on currently available information. The Company's actual liabilities or insurance recoveries could be significantly higher or lower than those recorded if assumptions used in the calculations vary significantly from actual results. Key variables in these assumptions include the number and type of new claims to be filed each year, the average cost of resolution of each such new claim, the resolution of coverage issues with insurance carriers, and the solvency risk with respect to the Company's insurance carriers. Furthermore, predictions with respect to these variables are subject to greater uncertainty as the projection period lengthens.





Table of Contents

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

Other factors that may affect the Company's liability include uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, reforms that may be made by state and federal courts, and the passage of state or federal tort reform legislation.

The aggregate amount of the stated limits in insurance policies available to the Company for asbestos-related claims acquired over many years and from many different carriers, is substantial. However, limitations in that coverage, primarily due to the considerations described above, are expected to result in the projected total liability to claimants substantially exceeding the probable insurance recovery.

**Other**

The Company is involved in a dispute relating to an incentive plan associated with the sale of one of the Company's businesses in 2004, where the maximum amount of damages sought by the plaintiffs is \$115 million. In May 2011, a court rendered an adverse summary judgment ruling on liability issues which resulted in the proceeding moving to the damages phase. As a result, the Company recorded a liability of \$33.5 million, which resulted in a \$21 million after tax charge during the second quarter of 2011 within discontinued operations. The ultimate amount could be more or less than the liability recorded.

Product warranty accruals are recorded at the time of sale and are estimated based upon product warranty terms and historical experience. The Company assesses the adequacy of its liabilities and will make adjustments as necessary based on known or anticipated warranty claims, or as new information becomes available. Product warranty liabilities are classified as Accrued expenses and other current liabilities, or Other noncurrent liabilities based on their expected term.

The following table represents the changes in the product warranty liability for the six months ended June 30:

In millions	2011	2010
Balance at beginning of period	\$632.0	\$620.2
Reductions for payments	(99.4	) (122.0
Accruals for warranties issued during the current period	101.3	132.4
Changes to accruals related to preexisting warranties	(0.2	) 0.3
Translation	4.2	(5.8
Balance at end of period	\$637.9	\$625.1

Trane has commitments and performance guarantees, including energy savings guarantees, totaling \$312.6 million extending from 2011-2030. These guarantees are provided under long-term service and maintenance contracts related to its air conditioning equipment and system controls. Through June 30, 2011, the Company has experienced no significant losses under such arrangements and considers the probability of any significant future losses to be remote. As part of the reorganization of IR-New Jersey in 2001, IR-Limited fully and unconditionally guaranteed all of the issued public debt securities of IR-New Jersey. IR-New Jersey unconditionally guaranteed payment of the principal, premium, if any, and interest on IR-Limited's 4.75% Senior Notes due in 2015 in the aggregate principal amount of \$300 million. The guarantee is unsecured and provided on an unsubordinated basis. The guarantee ranks equally in right of payment with all of the existing and future unsecured and unsubordinated debt of IR-New Jersey. In addition, public debt securities issued by IR-Global are fully and unconditionally guaranteed by IR-Limited.

As a part of the reorganization of IR-Limited in 2009, the guarantee structure was updated to reflect the newly created legal structure under which (i) IR-International assumed the obligations of IR-Limited as issuer or guarantor, as the case may be, and (ii) IR-Ireland and IR-Limited fully and unconditionally guaranteed the obligations under the various indentures covering the currently outstanding public debt of IR-International, IR-Global and IR-New Jersey. Neither IR-Ireland nor IR-Limited has issued or intends to issue guarantees in respect of any public indebtedness incurred by Trane.

Note 19 – Guarantor Financial Information

Edgar Filing: Ingersoll-Rand plc - Form 10-Q

Ingersoll-Rand plc, an Irish public limited company (IR-Ireland), is the successor to Ingersoll-Rand Company Limited, a Bermuda company (IR-Limited), following a corporate reorganization that became effective on July 1, 2009 (the Ireland Reorganization). IR-Limited is the successor to Ingersoll-Rand Company, a New Jersey corporation (IR-New Jersey),

25

---

Table of Contents

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

following a corporate reorganization that occurred on December 31, 2001 (the Bermuda Reorganization). Both the Ireland Reorganization and the Bermuda Reorganization were accounted for as a reorganization of entities under common control and accordingly, did not result in any changes to the consolidated amounts of assets, liabilities and equity.

As a part of the Bermuda Reorganization, IR-Limited issued non-voting, Class B common shares to IR-New Jersey and certain IR-New Jersey subsidiaries in exchange for a \$3.6 billion note and shares of certain IR-New Jersey subsidiaries. The note, which is due in 2011, has a fixed rate of interest of 11% per annum payable semi-annually and imposes certain restrictive covenants upon IR-New Jersey. At June 30, 2011, \$1.0 billion of the original \$3.6 billion note remains outstanding. In 2002, IR-Limited contributed the note to a wholly-owned subsidiary, which subsequently transferred portions of the note to several other subsidiaries, all of which are included in the Other Subsidiaries column below. Accordingly, the subsidiaries of IR-Limited remain creditors of IR-New Jersey.

In addition, as part of the Bermuda Reorganization, IR-Limited fully and unconditionally guaranteed all of the issued public debt securities of IR-New Jersey. IR-New Jersey unconditionally guaranteed payment of the principal, premium, if any, and interest on IR-Limited's 4.75% Senior Notes due in 2015 in the aggregate principal amount of \$300.0 million. The guarantee is unsecured and provided on an unsubordinated basis. The guarantee ranks equally in right of payment with all of the existing and future unsecured and unsubordinated debt of IR-New Jersey.

As part of the Ireland Reorganization, the guarantor financial statements were revised to present IR-Ireland as the ultimate parent company and Ingersoll-Rand International Holding Limited (IR-International) as a stand-alone subsidiary. In addition, the guarantee structure was updated to reflect the newly created legal structure under which (i) IR-International assumed the obligations of IR-Limited as issuer or guarantor, as the case may be, and (ii) IR-Ireland and IR-Limited fully and unconditionally guaranteed the obligations under the various indentures covering the currently outstanding public debt of Ingersoll-Rand plc and its subsidiaries. Neither IR-Ireland nor IR-Limited has issued or intends to issue guarantees in respect of any public indebtedness incurred by Trane. Also as part of the Ireland Reorganization, IR-Limited transferred all the shares of IR-Global to IR-International in exchange for a note payable that initially approximated \$15.0 billion, which was then immediately reduced by the settlement of net intercompany payables of \$4.1 billion. At June 30, 2011, \$10.8 billion remains outstanding.

The Company has also revised the guarantor financial statements for all periods presented following the discovery of errors related to certain intercompany balances in the third quarter of 2010. Total consolidated results were not impacted by these errors; however, certain amounts reported within the IR-New Jersey and Other Subsidiaries columns have been corrected. The Company determined that these errors were immaterial to the Company's current and previously-issued financial statements. All periods have been revised in the current presentation.

In addition, the Other Subsidiaries column has been revised to include the effect of certain intercompany eliminations that had previously been reflected within the Consolidating Adjustments column. The Company determined that these revisions were immaterial to its current and previously-issued financial statements. All periods have been revised in the current presentation.

The condensed consolidating financial statements present the investments of IR-Ireland, IR-Limited, IR-Global, IR-International and IR-New Jersey and their subsidiaries using the equity method of accounting. Intercompany investments in the non-voting Class B common shares are accounted for on the cost method and are reduced by intercompany dividends. In accordance with generally accepted accounting principles, the amounts related to the issuance of the Class B shares have been recorded as a reduction of Total equity. The notes payable continue to be reflected as liabilities on the balance sheets of IR-New Jersey and IR-International and are enforceable in accordance with their terms.

The following condensed consolidated financial information for IR-Ireland, IR-Limited, IR-Global, IR-International, and IR-New Jersey, and all their other subsidiaries is included so that separate financial statements of IR-Ireland, IR-Limited, IR-Global, IR-International and IR-New Jersey are not required to be filed with the U.S. Securities and

Exchange Commission.

26

---

Table of Contents

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

## Condensed Consolidating Income Statement

For the three months ended June 30, 2011

In millions	IR Ireland	IR Limited	IR International	IR Global Holding	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Net revenues	\$—	\$—	\$—	\$—	\$219.6	\$3,672.6	\$—	\$3,892.2
Cost of goods sold	—	—	—	—	(137.6)	(2,570.8)	—	(2,708.4)
Selling and administrative expenses	(2.9)	0.2	—	(0.2)	(67.7)	(637.7)	—	(708.3)
Operating income (loss)	(2.9)	0.2	—	(0.2)	14.3	464.1	—	475.5
Equity earnings in affiliates, net of tax	94.6	154.6	312.3	287.9	53.7	303.3	(1,206.4)	—
Interest expense	—	—	(3.9)	(48.3)	(12.7)	(6.7)	—	(71.6)
Intercompany interest and fees	(0.1)	—	(30.9)	13.3	(32.1)	49.8	—	—
Other, net	0.4	—	0.4	60.1	1.1	10.4	(67.9)	4.5
Earnings (loss) before income taxes	92.0	154.8	277.9	312.8	24.3	820.9	(1,274.3)	408.4
Benefit (provision) for income taxes	0.3	—	—	—	8.7	(102.9)	—	(93.9)
Continuing operations	92.3	154.8	277.9	312.8	33.0	718.0	(1,274.3)	314.5
Discontinued operations, net of tax	—	—	—	—	(10.1)	(205.1)	—	(215.2)
Net earnings (loss)	92.3	154.8	277.9	312.8	22.9	512.9	(1,274.3)	99.3
Less: Net earnings attributable to noncontrolling interests	—	—	—	—	—	(15.0)	8.0	(7.0)
Net earnings (loss) attributable to Ingersoll-Rand plc	\$92.3	\$154.8	\$277.9	\$312.8	\$22.9	\$497.9	\$(1,266.3)	\$92.3

Table of Contents

## INGERSOLL-RAND PLC

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

## Condensed Consolidating Income Statement

For the six months ended June 30, 2011

In millions	IR Ireland	IR Limited	IR International	IR Global Holding	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Net revenues	\$—	\$—	\$—	\$—	\$411.8	\$6,618.4	\$—	\$7,030.2
Cost of goods sold	—	—	—	—	(270.3)	(4,687.9)	—	(4,958.2)
Selling and administrative expenses	(4.6)	—	—	(0.3)	(129.5)	(1,230.2)	—	(1,364.6)
Operating income (loss)	(4.6)	—	—	(0.3)	12.0	700.3	—	707.4
Equity earnings in affiliates, net of tax	18.5	(11.1)	158.6	260.1	96.9	133.6	(656.6)	—
Interest expense	—	—	(7.8)	(96.5)	(25.4)	(10.3)	—	(140.0)
Intercompany interest and fees	(0.1)	—	(63.3)	25.8	(61.5)	99.1	—	—
Other, net	0.4	(0.1)	1.0	(29.5)	31.0	(8.6)	15.5	9.7
Earnings (loss) before income taxes	14.2	(11.2)	88.5	159.6	53.0	914.1	(641.1)	577.1
Benefit (provision) for income taxes	0.5	—	—	—	10.1	(146.0)	—	(135.4)
Continuing operations	14.7	(11.2)	88.5	159.6	63.1	768.1	(641.1)	441.7
Discontinued operations, net of tax	—	—	—	—	(17.9)	(396.0)	—	(413.9)
Net earnings (loss)	14.7	(11.2)	88.5	159.6	45.2	372.1	(641.1)	27.8
Less: Net earnings attributable to noncontrolling interests	—	—	—	—	—	(27.5)	14.4	(13.1)
Net earnings (loss) attributable to Ingersoll-Rand plc	\$14.7	\$(11.2)	\$88.5	\$159.6	\$45.2	\$344.6	\$(626.7)	\$14.7

Table of Contents

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

## Condensed Consolidating Income Statement

For the three months ended June 30, 2010

In millions	IR Ireland	IR Limited	IR International	IR Global Holding	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Net revenues	\$—	\$—	\$—	\$—	\$179.5	\$3,302.3	\$—	\$3,481.8
Cost of goods sold	—	—	—	—	(139.8)	(2,333.0)	—	(2,472.8)
Selling and administrative expenses	(2.4)	—	—	(0.1)	(54.1)	(589.0)	—	(645.6)
Operating income (loss)	(2.4)	—	—	(0.1)	(14.4)	380.3	—	363.4
Equity earnings in affiliates, net of tax	198.9	194.3	231.9	295.8	45.8	195.9	(1,162.6)	—
Interest expense	—	—	(3.9)	(48.9)	(13.1)	(5.2)	—	(71.1)
Intercompany interest and fees	—	—	(32.7)	(8.5)	(32.4)	73.6	—	—
Other, net	(0.5)	0.2	0.3	(4.6)	5.3	29.8	(22.1)	8.4
Earnings (loss) before income taxes	196.0	194.5	195.6	233.7	(8.8)	674.4	(1,184.7)	300.7
Benefit (provision) for income taxes	0.4	—	—	—	16.1	(71.4)	—	(54.9)
Continuing operations	196.4	194.5	195.6	233.7	7.3	603.0	(1,184.7)	245.8
Discontinued operations, net of tax	—	—	—	—	(6.9)	(37.0)	—	(43.9)
Net earnings (loss)	196.4	194.5	195.6	233.7	0.4	566.0	(1,184.7)	201.9
Less: Net earnings attributable to noncontrolling interests	—	—	—	—	—	(32.2)	26.7	(5.5)
Net earnings (loss) attributable to Ingersoll-Rand plc	\$196.4	\$194.5	\$195.6	\$233.7	\$0.4	\$533.8	\$(1,158.0)	\$196.4



Table of Contents

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

## Condensed Consolidating Income Statement

For the six months ended June 30, 2010

In millions	IR Ireland	IR Limited	IR International	IR Global Holding	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Net revenues	\$—	\$—	\$—	\$—	\$339.6	\$5,908.1	\$—	\$6,247.7
Cost of goods sold	—	—	—	—	(261.7)	(4,220.2)	—	(4,481.9)
Selling and administrative expenses	(4.7)	—	—	(0.4)	(100.1)	(1,157.7)	—	(1,262.9)
Operating income (loss)	(4.7)	—	—	(0.4)	(22.2)	530.2	—	502.9
Equity earnings in affiliates, net of tax	202.7	222.4	308.5	404.0	77.9	199.7	(1,415.2)	—
Interest expense	—	—	(7.8)	(97.1)	(26.4)	(10.8)	—	(142.1)
Intercompany interest and fees	—	—	(66.6)	(15.0)	(62.7)	144.3	—	—
Other, net	(0.8)	0.3	0.6	20.1	9.8	16.8	(32.6)	14.2
Earnings (loss) before income taxes	197.2	222.7	234.7	311.6	(23.6)	880.2	(1,447.8)	375.0
Benefit (provision) for income taxes	0.7	—	—	—	(6.1)	(103.6)	—	(109.0)
Continuing operations	197.9	222.7	234.7	311.6	(29.7)	776.6	(1,447.8)	266.0
Discontinued operations, net of tax	—	—	—	—	(5.1)	(52.9)	—	(58.0)
Net earnings (loss)	197.9	222.7	234.7	311.6	(34.8)	723.7	(1,447.8)	208.0
Less: Net earnings attributable to noncontrolling interests	—	—	—	—	—	(22.8)	12.7	(10.1)
Net earnings (loss) attributable to Ingersoll-Rand plc	\$197.9	\$222.7	\$234.7	\$311.6	\$(34.8)	\$700.9	\$(1,435.1)	\$197.9

Table of Contents

## INGERSOLL-RAND PLC

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

## Condensed Consolidating Balance Sheet

June 30, 2011

In millions	IR Ireland	IR Limited	IR Internationa	IR Global Holding	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Current assets:								
Cash and cash equivalents	\$—	\$—	\$—	\$192.8	\$245.5	\$821.5	\$—	\$1,259.8
Accounts and notes receivable, net	—	—	—	—	178.1	2,426.9	—	2,605.0
Inventories	—	—	—	—	78.4	1,512.5	—	1,590.9
Other current assets	0.2	—	1.0	0.7	195.9	410.2	—	608.0
Assets held for sale	—	—	—	—	—	748.5	—	748.5
Accounts and notes receivable affiliates	321.7	3,035.6	17.0	3,685.1	570.7	13,884.5	(21,514.6 )	—
Total current assets	321.9	3,035.6	18.0	3,878.6	1,268.6	19,804.1	(21,514.6 )	6,812.2
Investment in affiliates	8,311.0	6,144.0	19,355.8	15,602.8	8,874.8	82,725.8	(141,014.2 )	—
Property, plant and equipment, net	0.1	—	—	0.2	208.2	1,431.8	—	1,640.3
Intangible assets, net	—	—	—	—	85.6	10,613.9	—	10,699.5
Other noncurrent assets	—	—	0.8	16.7	839.7	531.3	—	1,388.5
Total assets	\$8,633.0	\$9,179.6	\$19,374.6	\$19,498.3	\$11,276.9	\$115,106.9	\$(162,528.8)	\$20,540.5
Current liabilities:								
Accounts payable and accruals	\$3.6	\$0.3	\$2.5	\$49.5	\$443.4	\$3,157.1	\$—	\$3,656.4
Short-term borrowings and current maturities of long-term debt	—	—	—	855.1	351.0	67.6	(520.4 )	753.3
Liabilities held for sale	—	—	—	—	—	197.6	—	197.6
Accounts and note payable affiliates	254.4	58.9	4,742.2	7,327.9	5,243.8	4,516.4	(22,143.6 )	—
Total current liabilities	258.0	59.2	4,744.7	8,232.5	6,038.2	7,938.7	(22,664.0 )	4,607.3
Long-term debt	—	—	299.5	2,004.1	373.5	204.2	—	2,881.3
Note payable affiliate	—	—	10,789.4	—	—	—	(10,789.4 )	—
Other noncurrent liabilities	—	4.0	3.8	—	1,731.4	2,937.7	—	4,676.9
Total liabilities	258.0	63.2	15,837.4	10,236.6	8,143.1	11,080.6	(33,453.4 )	12,165.5
Temporary equity	10.0	—	—	—	—	—	—	10.0
Equity:								
Total equity	8,365.0	9,116.4	3,537.2	9,261.7	3,133.8	104,026.3	(129,075.4 )	8,365.0
Total liabilities and equity	\$8,633.0	\$9,179.6	\$19,374.6	\$19,498.3	\$11,276.9	\$115,106.9	\$(162,528.8)	\$20,540.5



Table of Contents

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

## Condensed Consolidating Balance Sheet

December 31, 2010

In millions	IR Ireland	IR Limited	IR International	IR Global Holding	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Current assets:								
Cash and cash equivalents	\$0.4	\$—	\$ 12.0	\$99.9	\$135.5	\$766.5	\$—	\$ 1,014.3
Accounts and notes receivable, net	0.2	1.1	—	—	202.8	2,054.3	—	2,258.4
Inventories	—	—	—	—	79.8	1,238.6	—	1,318.4
Other current assets	0.1	—	4.0	0.4	203.9	399.6	—	608.0
Assets held for sale	—	—	—	—	—	1,082.5	—	1,082.5
Accounts and notes receivable affiliates	93.4	2,987.3	17.0	3,611.4	589.7	14,247.7	(21,546.5 )	—
Total current assets	94.1	2,988.4	33.0	3,711.7	1,211.7	19,789.2	(21,546.5 )	6,281.6
Investment in affiliates	7,992.3	5,877.9	19,131.2	15,278.0	8,769.2	77,272.6	(134,321.2 )	—
Property, plant and equipment, net	0.1	—	—	0.2	213.6	1,455.7	—	1,669.6
Intangible assets, net	—	—	—	—	84.2	10,552.0	—	10,636.2
Other noncurrent assets	—	—	0.9	18.4	821.7	562.5	—	1,403.5
Total assets	\$8,086.5	\$8,866.3	\$ 19,165.1	\$ 19,008.3	\$ 11,100.4	\$ 109,632.0	\$(155,867.7)	\$ 19,990.9
Current liabilities:								
Accounts payable and accruals	\$3.6	\$—	\$ 1.8	\$49.3	\$443.2	\$2,866.4	\$—	\$ 3,364.3
Short-term borrowings and current maturities of long-term debt	—	—	—	857.6	351.0	82.3	(529.3 )	761.6
Liabilities held for sale	—	—	—	—	—	152.1	—	152.1
Accounts and note payable affiliates	7.1	10.4	4,688.4	7,107.8	5,065.9	5,310.2	(22,189.8 )	—
Total current liabilities	10.7	10.4	4,690.2	8,014.7	5,860.1	8,411.0	(22,719.1 )	4,278.0
Long-term debt	—	—	299.4	2,004.1	381.1	237.7	—	2,922.3
Note payable affiliate	—	—	10,789.4	—	—	—	(10,789.4 )	—
Other noncurrent liabilities	—	8.3	3.9	—	1,770.8	2,931.8	—	4,714.8
Total liabilities	10.7	18.7	15,782.9	10,018.8	8,012.0	11,580.5	(33,508.5 )	11,915.1
Temporary equity	16.7	—	—	—	—	—	—	16.7
Equity:								
Total equity	8,059.1	8,847.6	3,382.2	8,989.5	3,088.4	98,051.5	(122,359.2 )	8,059.1

Edgar Filing: Ingersoll-Rand plc - Form 10-Q

Total liabilities and equity	\$8,086.5	\$8,866.3	\$19,165.1	\$19,008.3	\$11,100.4	\$109,632.0	\$(155,867.7)	\$19,990.9
------------------------------	-----------	-----------	------------	------------	------------	-------------	---------------	------------

32

---

Table of Contents

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

## Condensed Consolidating Statement of Cash Flows

For the six months ended June 30, 2011

In millions	IR Ireland	IR Limited	IR International	IR Global Holding	IR New Jersey	Other Subsidiaries	IR Ireland Consolidated
Net cash provided by (used in) continuing operating activities	\$(4.2 )	\$(0.1 )	\$(6.8 )	\$(96.4 )	\$51.3	\$399.0	\$ 342.8
Net cash provided by (used in) discontinued operating activities	—	—	—	—	(17.9 )	7.6	(10.3 )
Cash flows from investing activities:							
Capital expenditures	—	—	—	—	(14.9 )	(63.9 )	(78.8 )
Proceeds from sale of property, plant and equipment	—	—	—	—	1.6	33.2	34.8
Acquisitions, net of cash	—	—	—	—	—	(2.0 )	(2.0 )
Proceeds from business disposition, net of cash	—	—	—	—	—	—	—
Other, net	—	—	—	—	—	—	—
Net cash provided by (used in) continuing investing activities	—	—	—	—	(13.3 )	(32.7 )	(46.0 )
Net cash provided by (used in) discontinued investing activities	—	—	—	—	—	42.9	42.9
Cash flows from financing activities:							
Net change in debt	—	—	—	(0.2 )	(7.6 )	(48.6 )	(56.4 )
Debt issuance costs	—	—	—	(2.4 )	—	—	(2.4 )
Net inter-company proceeds (payments)	21.5	0.1	(5.2 )	191.9	97.5	(305.8 )	—
Dividends paid to noncontrolling interests	—	—	—	—	—	(18.3 )	(18.3 )
Dividends (paid) received	(63.1 )	—	—	—	—	—	(63.1 )
Proceeds from shares issued under incentive plans	101.9	—	—	—	—	—	101.9
Repurchase of ordinary shares	(56.0 )	—	—	—	—	—	(56.0 )
Other, net	(0.5 )	—	—	—	—	(1.0 )	(1.5 )
Net cash provided by (used in) continuing financing activities	3.8	0.1	(5.2 )	189.3	89.9	(373.7 )	(95.8 )
	—	—	—	—	—	—	—

Net cash provided by (used in) discontinued financing activities							
Effect of exchange rate changes on cash and cash equivalents	—	—	—	—	—	11.9	11.9
Net increase (decrease) in cash and cash equivalents	(0.4	) —	(12.0	) 92.9	110.0	55.0	245.5
Cash and cash equivalents - beginning of period	0.4	—	12.0	99.9	135.5	766.5	1,014.3
Cash and cash equivalents - end of period	\$—	\$—	\$—	\$192.8	\$245.5	\$821.5	\$1,259.8

Table of Contents

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

## Condensed Consolidating Statement of Cash Flows

For the six months ended June 30, 2010

In millions	IR Ireland	IR Limited	IR International	IR Global Holding	IR New Jersey	Other Subsidiaries	IR Ireland Consolidated
Net cash provided by (used in) continuing operating activities	\$(5.6 )	\$0.2	\$(7.2 )	\$(77.4 )	\$(153.8 )	\$517.6	\$ 273.8
Net cash provided by (used in) discontinued operating activities	—	—	—	—	(5.1 )	(9.9 )	(15.0 )
Cash flows from investing activities:							
Capital expenditures	—	—	—	—	(13.5 )	(54.7 )	(68.2 )
Proceeds from sale of property, plant and equipment	—	—	—	—	—	1.1	1.1
Acquisitions, net of cash	—	—	—	—	—	(5.5 )	(5.5 )
Proceeds from business disposition, net of cash	—	—	—	—	—	—	—
Other, net	—	—	—	—	—	—	—
Net cash provided by (used in) continuing investing activities	—	—	—	—	(13.5 )	(59.1 )	(72.6 )
Net cash provided by (used in) discontinued investing activities	—	—	—	—	—	(0.2 )	(0.2 )
Cash flows from financing activities:							
Net change in debt	—	—	—	0.1	(7.8 )	(210.9 )	(218.6 )
Debt issuance costs	—	—	—	(5.5 )	—	—	(5.5 )
Net inter-company proceeds (payments)	13.8	(0.2 )	10.5	38.0	171.7	(233.8 )	—
Dividends paid to noncontrolling interests	—	—	—	—	—	(8.4 )	(8.4 )
Dividends (paid) received	(45.0 )	—	—	—	—	—	(45.0 )
Proceeds from shares issued under incentive plans	37.1	—	—	—	—	—	37.1
Other, net	—	—	—	—	—	—	—
Net cash provided by (used in) continuing financing activities	5.9	(0.2 )	10.5	32.6	163.9	(453.1 )	(240.4 )
Net cash provided by (used in) discontinued financing activities	—	—	—	—	—	—	—



Edgar Filing: Ingersoll-Rand plc - Form 10-Q

Effect of exchange rate changes on cash and cash equivalents	—	—	—	—	—	(0.7	)	(0.7	)		
Net increase (decrease) in cash and cash equivalents	0.3	—	3.3	(44.8	)	(8.5	)	(5.4	)	(55.1	)
Cash and cash equivalents - beginning of period	0.6	—	—	81.8		175.5		618.8		876.7	
Cash and cash equivalents - end of period	\$0.9	\$—	\$3.3	\$37.0		\$167.0		\$613.4		\$821.6	

Table of Contents

Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations

INGERSOLL-RAND PLC

MANAGEMENT’S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause a difference include, but are not limited to, those discussed under Part II, Item 1A – Risk Factors in this Quarterly Report on Form 10-Q and under Part I, Item 1A – Risk Factors in the Annual Report on Form 10-K for the fiscal year ended December 31, 2010. The following section is qualified in its entirety by the more detailed information, including our financial statements and the notes thereto, which appears elsewhere in this Quarterly Report.

Overview

Organizational

Ingersoll-Rand plc (IR-Ireland), an Irish public limited company, and its consolidated subsidiaries (we, our, the Company) is a diversified, global company that provides products, services and solutions to enhance the quality and comfort of air in homes and buildings, transport and protect food and perishables, secure homes and commercial properties, and increase industrial productivity and efficiency. Our business segments consist of Climate Solutions, Residential Solutions, Industrial Technologies and Security Technologies, each with strong brands and leading positions within their respective markets. We generate revenue and cash primarily through the design, manufacture, sale and service of a diverse portfolio of industrial and commercial products that include well-recognized, premium brand names such as Club Car®, Ingersoll-Rand®, Schlage®, Thermo King® and Trane®.

To achieve our mission of becoming a world leader in creating safe, comfortable and efficient environments, as well as to become a more diversified company with strong growth and profitability prospects, we transformed our enterprise portfolio by divesting cyclical, low-growth and asset-intensive businesses. In addition, our acquisition strategy has helped deliver more consistent revenue and earnings performance across all phases of the economic cycle. Aside from our portfolio transformation, we continue to focus on increasing our recurring revenue stream, which includes revenues from parts, service, used equipment and rentals. We also intend to continuously improve the efficiencies, capabilities, products and services of our high-potential businesses.

On July 1, 2009, Ingersoll-Rand Company Limited (IR-Limited), a Bermuda company, completed a reorganization to change the jurisdiction of incorporation of the parent company of Ingersoll Rand from Bermuda to Ireland (the Ireland Reorganization). As a result, IR-Ireland replaced IR-Limited as the ultimate parent company effective July 1, 2009. The Ireland Reorganization was accounted for as a reorganization of entities under common control and accordingly, did not result in any changes to the consolidated amounts of assets, liabilities and equity. In conjunction with the Ireland Reorganization, IR-Limited became a wholly-owned subsidiary of IR-Ireland and the Class A common shareholders of IR-Limited became ordinary shareholders of IR-Ireland. All references related to the Company prior to July 1, 2009 relate to IR-Limited.

The Ireland Reorganization did not have a material impact on our financial results. Ingersoll-Rand plc continues to be subject to United States Securities and Exchange Commission (SEC) reporting requirements and prepare financial statements in accordance with U.S. Generally Accepted Accounting Principles (GAAP). Shares of Ingersoll-Rand plc continue to trade on the New York Stock Exchange under the symbol “IR”, the same symbol under which the Ingersoll-Rand Company Limited Class A common shares previously traded.

Trends and Economic Events

We are a global corporation with worldwide operations. As a global business, our operations are affected by worldwide, regional and industry-specific economic factors, as well as political factors, wherever we operate or do business. Our geographic and industry diversity, as well as the diversity of our product sales and services, has helped limit the impact of any one industry or the economy of any single country on our consolidated operating results.



Table of Contents

Given the broad range of products manufactured and geographic markets served, management uses a variety of factors to predict the outlook for the Company. We monitor key competitors and customers in order to gauge relative performance and the outlook for the future. In addition, our order rates are indicative of future revenue and thus a key measure of anticipated performance. In those industry segments where we are a capital equipment provider, revenues depend on the capital expenditure budgets and spending patterns of our customers, who may delay or accelerate purchases in reaction to changes in their businesses and in the economy.

Since the onset of the economic downturn in 2008, we have seen weaker demand for many of our products and services across each of our businesses. For 2011, we expect current market conditions to continue to impact our financial results. For example, operating results in our residential HVAC business are being impacted by continued weakness in the U.S. new residential construction and replacement markets, as well as mix shift to lower SEER units. However, we have seen sustained recoveries in the worldwide industrial and refrigerated transport markets, global parts and service activity and across most of our businesses in Asia. The North American commercial HVAC market is also slowly recovering. As economic conditions continue to stabilize, we expect modest revenue growth along with the continued benefits of restructuring savings and productivity programs.

Despite the current market environment, we have a solid foundation of global brands and leading market shares in all of our major product lines. Our growing geographic and industry diversity coupled with our large installed product base provides growth opportunities within our service, parts and replacement revenue streams. In addition, we are investing substantial resources to innovate and develop new products and services which will fuel our future growth.

Recent Developments

Dividend Increase and Share Repurchase Program

In April 2011, we announced an increase in our quarterly stock dividend from \$0.07 to \$0.12 per share beginning with our June 2011 payment. In addition, our Board of Directors authorized the repurchase of up to \$2.0 billion of our ordinary shares under a new share repurchase program. On June 8, 2011, we commenced share repurchases under this program. In the second quarter of 2011, we repurchased 1.3 million shares for \$56.0 million. These repurchases were accounted for as a reduction of Ordinary shares and Capital in excess of par value as they were canceled upon repurchase.

Business Divestitures

On April 21, 2011, we announced a plan to divest our Hussmann refrigerated display case equipment business in the U.S. and Canada, and the equipment, service and installation businesses in Mexico, Chile, Australia, New Zealand, and Japan (the Hussmann Business). This business, which was previously reported as part of the Climate Solutions segment, manufactures, markets, distributes, installs, and services refrigerated display merchandising equipment, refrigeration systems, over the counter parts, and other commercial and industrial refrigeration applications. As a result of the planned sale, we have reported this business as a discontinued operation in this Form 10-Q and have classified the assets and liabilities as held for sale for all periods presented. No assurance related to the planned divestiture can be given by the Company as to the timing, consummation or terms, including consideration or the possibility of continuing ownership by the Company for all or some portion of the Hussmann Business for a period of time.

On December 30, 2010, we completed the divestiture of our gas microturbine generator business, which was sold under the Energy Systems brand, to Flex Energy, Inc. The business, which was previously reported as part of the Industrial Technologies segment, designs, manufactures, markets, distributes, and services gas powered microturbine generators which feature energy efficient design and low emissions technology. As a result of the sale, we have reported this business as a discontinued operation for all periods presented.

On October 4, 2010, we completed the divestiture of our European refrigerated display case business, which was sold under the KOXKA brand, to an affiliate of American Industrial Acquisition Corporation (AIAC Group). The business, which was previously reported as part of the Climate Solutions segment, designs, manufactures and markets commercial refrigeration equipment through sales branches and a network of distributors throughout Europe, Africa and the Middle East. As a result of the sale, we have reported this business as a discontinued operation for all periods presented.

Healthcare Reform

In March 2010, the Patient Protection and Affordable Care Act (the Act) and the Healthcare and Education Reconciliation Bill of 2010 (together with the Act, the Healthcare Reform Legislation) was signed into law. As a result, effective 2013, the tax benefits available to us will be reduced to the extent our prescription drug expenses are reimbursed under the Medicare Part D retiree drug subsidy program. Although the provisions of the Healthcare Reform Legislation relating to the retiree drug subsidy

Table of Contents

program do not take effect until 2013, we are required to recognize the full accounting impact in our financial statements in the reporting period in which the Healthcare Reform Legislation is enacted. As retiree healthcare liabilities and related tax impacts are already reflected in our financial statements, the Healthcare Reform Legislation resulted in a non-cash charge to income tax expense in the first quarter of 2010 of \$40.5 million.

Currently, our retiree medical plans receive the retiree drug subsidy under Medicare Part D. No later than 2014, a significant portion of the drug coverage will be moved to an Employer Group Waiver Plan while retaining the same benefit provisions. This change resulted in an actuarial gain which decreased our December 31, 2010 retiree medical plan liability, as well as the net actuarial losses in other comprehensive income by \$41.1 million. There were no other changes to our liabilities as a result of the Healthcare Reform Legislation; however, we will continue to monitor the Healthcare Reform Legislation to review provisions which could impact our accounting for retiree medical benefits in future periods. We may consider future plan amendments, which may have accounting implications as further regulations are promulgated and interpretations of the legislation become available.

The Healthcare Reform Legislation could also impact our accounting for income taxes in future periods. We will continue to assess the accounting implications of the Healthcare Reform Legislation.

**Venezuela Devaluation**

During the fourth quarter of 2009, the blended Consumer Price Index/National Consumer Price Index of Venezuela reached a cumulative three-year inflation rate in excess of 100%. As a result, Venezuela was designated as highly inflationary effective January 1, 2010. Accordingly, the U.S. dollar was determined to be the functional currency of our Venezuelan subsidiaries and all foreign currency fluctuations since January 1, 2010 have been recorded in income. At December 31, 2009, we remeasured our foreign currency receivables and payables associated with the Venezuelan Bolivar at the parallel rate of 6.0 Bolivars for each U.S. dollar. This was based on our inability to settle certain transactions through the official government channels in an expeditious manner. Previously, we remeasured all foreign currency transactions at the official rate of 2.15 Bolivars to the U.S. dollar. As a result, we recorded a \$24 million charge in the fourth quarter of 2009 associated with the devaluation.

On May 17, 2010, the government of Venezuela effectively closed down the parallel market claiming it was a significant cause of inflation in Venezuela. On June 9, 2010, a new parallel market (SITME) opened under control of the Central Bank and the Company has utilized it for currency exchange, subject to any limitations under local regulations. At June 30, 2011, we continue to utilize the SITME rate for re-measurement purposes.

Table of Contents

## Results of Operations – Three Months Ended June 30, 2011 and 2010

In millions, except per share amounts	For the three months ended June 30,			
	2011	% of revenues	2010	% of revenues
Net revenues	\$3,892.2		\$3,481.8	
Cost of goods sold	(2,708.4)	) 69.6	(2,472.8)	) 71.0
Selling and administrative expenses	(708.3)	) 18.2	(645.6)	) 18.6
Operating income	475.5	12.2	363.4	10.4
Interest expense	(71.6)	)	(71.1)	)
Other, net	4.5		8.4	
Earnings before income taxes	408.4		300.7	
Provision for income taxes	(93.9)	)	(54.9)	)
Earnings from continuing operations	314.5		245.8	
Discontinued operations, net of tax	(215.2)	)	(43.9)	)
Net earnings (loss)	99.3		201.9	
Less: Net earnings attributable to noncontrolling interests	(7.0)	)	(5.5)	)
Net earnings (loss) attributable to Ingersoll-Rand plc	\$92.3		\$196.4	
Diluted net earnings (loss) per ordinary share attributable to Ingersoll-Rand plc ordinary shareholders:				
Continuing operations	\$0.88		\$0.71	
Discontinued operations	(0.62)	)	(0.13)	)
Net earnings (loss)	\$0.26		\$0.58	

The discussions that follow describe the significant factors contributing to the changes in our results of operations for the periods presented.

**Net Revenues**

Net revenues for the three months ended June 30, 2011 increased by 11.8%, or \$410.4 million, compared with the same period in 2010, which resulted from the following:

Volume/product mix	5.6	%
Pricing	2.9	%
Currency exchange rates	3.1	%
Acquisitions/Divestitures	0.2	%
Total	11.8	%

The increase in revenues was primarily driven by favorable volume and product mix experienced within the Climate Solutions and Industrial Technologies business segments, as well as favorable pricing and foreign currency impacts across all segments.

**Operating Income/Margin**

Operating margin for the three months ended June 30, 2011 increased to 12.2% from 10.4% for the same period of 2010. The increase was primarily due to higher volumes, improved pricing and the realization of benefits resulting from restructuring programs and productivity actions, partially offset by increased material and other costs. Included in Operating income for the three months ended June 30, 2011 was a \$23 million gain associated with the sale of assets from a restructured business in China. This gain had a 0.6 point impact on operating margin for the three months ended June 30, 2011.

Table of Contents

## Interest Expense

Interest expense for the three months ended June 30, 2011 was \$71.6 million, which was consistent with the comparable period in 2010.

## Other, Net

The components of Other, net for the three months ended June 30 are as follows:

In millions	2011	2010
Interest income	\$6.6	\$4.9
Exchange gain (loss)	(5.4	) 0.1
Other	3.3	3.4
Other, net	\$4.5	\$8.4

The decrease in Other, net resulted from negative currency impacts partially offset by increased interest income during the three months ended June 30, 2011.

We reclassified earnings from equity investments from Other, net to Cost of goods sold, as the related investments have been deemed to be integral to our operations. This reclassification had a \$3.7 million impact on the second quarter of 2010 Condensed Consolidated Income Statement.

## Provision for Income Taxes

Our tax provision for the three months ended June 30, 2011 was \$93.9 million. We project an annual effective rate for 2011 to be approximately 23%. Our tax provision for the three months ended June 30, 2010 was \$54.9 million.



Table of Contents

## Results of Operations – Six months ended June 30, 2011 and 2010

In millions, except per share amounts	For the six months ended June 30,			
	2011	% of revenues	2010	% of revenues
Net revenues	\$7,030.2		\$6,247.7	
Cost of goods sold	(4,958.2)	) 70.5	% (4,481.9)	) 71.7 %
Selling and administrative expenses	(1,364.6)	) 19.4	% (1,262.9)	) 20.3 %
Operating income	707.4	10.1	% 502.9	8.0 %
Interest expense	(140.0)	)	(142.1)	)
Other, net	9.7		14.2	
Earnings before income taxes	577.1		375.0	
Provision for income taxes	(135.4)	)	(109.0)	)
Earnings from continuing operations	441.7		266.0	
Discontinued operations, net of tax	(413.9)	)	(58.0)	)
Net earnings (loss)	27.8		208.0	
Less: Net earnings attributable to noncontrolling interests	(13.1)	)	(10.1)	)
Net earnings (loss) attributable to Ingersoll-Rand plc	\$ 14.7		\$ 197.9	
Diluted net earnings (loss) per ordinary share attributable to Ingersoll-Rand plc ordinary shareholders:				
Continuing operations	\$ 1.22		\$ 0.76	
Discontinued operations	(1.18)	)	(0.17)	)
Net earnings (loss)	\$ 0.04		\$ 0.59	

The discussions that follow describe the significant factors contributing to the changes in our results of operations for the periods presented.

**Net Revenues**

Net revenues for the six months ended June 30, 2011 increased by 12.5%, or \$782.5 million, compared with the same period in 2010, which resulted from the following:

Volume/product mix	7.7	%
Pricing	2.4	%
Currency exchange rates	2.2	%
Acquisitions/Divestitures	0.2	%
Total	12.5	%

The increase in revenues was primarily driven by favorable volume and product mix experienced within the Climate Solutions and Industrial Technologies business segments, as well as favorable pricing and foreign currency impacts across all segments.

**Operating Income/Margin**

Operating margin for the six months ended June 30, 2011 increased to 10.1% from 8.0% for the same period of 2010. The increase was primarily due to higher volumes, improved pricing and the realization of benefits resulting from restructuring programs and productivity actions, partially offset by increased material and other costs. Included in Operating income for the six months ended June 30, 2011 was a \$23 million gain associated with the sale of assets from a restructured business in China. This gain had a 0.3 point impact on operating margin for the six months ended June 30, 2011. In addition, total restructuring charges decreased by approximately \$12 million, which had a 0.2 point impact on year over year operating margin.

Table of Contents

## Interest Expense

Interest expense for the six months ended June 30, 2011 was \$140.0 million, which was consistent with the comparable period in 2010.

## Other, Net

The components of Other, net for the six months ended June 30 are as follows:

In millions	2011	2010
Interest income	\$ 11.7	\$ 7.5
Exchange gain (loss)	(5.1	) —
Other	3.1	6.7
Other, net	\$ 9.7	\$ 14.2

The decrease in Other, net resulted from negative currency impacts partially offset by increased interest income during the six months ended June 30, 2011.

We reclassified earnings from equity investments from Other, net to Cost of goods sold, as the related investments have been deemed to be integral to our operations. This reclassification had a \$6.3 million impact on the Condensed Consolidated Income Statement for the six months ended June 30, 2010.

## Provision for Income Taxes

Our tax provision for the six months ended June 30, 2011 was \$135.4 million. We project an annual effective rate for 2011 to be approximately 23%. Our tax provision for the six months ended June 30, 2010 was \$109.0 million.

Table of Contents

## Review of Business Segments

The segment discussions that follow describe the significant factors contributing to the changes in results for each segment included in continuing operations.

## Climate Solutions

Our Climate Solutions segment delivers energy-efficient refrigeration and Heating, Ventilation and Air Conditioning (HVAC) throughout the world. Encompassing the transport markets as well as the commercial HVAC markets, this segment offers customers a broad range of products, services and solutions to manage controlled temperature environments. This segment includes the market leading brands of Thermo King and Trane.

On April 21, 2011, we announced a plan to divest our Hussmann refrigerated display case equipment business in the U.S. and Canada, and the equipment, service and installation businesses in Mexico, Chile, Australia, New Zealand, and Japan. This business, which was previously reported as part of the Climate Solutions segment, manufactures, markets, distributes, installs, and services refrigerated display merchandising equipment, refrigeration systems, over the counter parts, and other commercial and industrial refrigeration applications. No assurance related to the planned divestiture can be given by the Company as to the timing, consummation or terms, including consideration or the possibility of continuing ownership by the Company for all or some portion of the Hussmann Business for a period of time. Segment information has been revised to exclude the results of this business for all periods presented.

On October 4, 2010, we completed the divestiture of our European refrigerated display case business, which was sold under the KOXKA brand, to an affiliate of American Industrial Acquisition Corporation (AIAC Group). The business, which was previously reported as part of the Climate Solutions segment, designs, manufactures and markets commercial refrigeration equipment through sales branches and a network of distributors throughout Europe, Africa and the Middle East. Segment information has been revised to exclude the results of this business for all periods presented.

Dollar amounts in millions	Three months ended June 30,			Six months ended June 30,				
	2011	2010	% change	2011	2010	% change		
Net revenues	\$2,047.6	\$1,795.9	14.0	% \$3,720.8	\$3,229.4	15.2	%	
Operating income	249.9	171.5	45.7	% 348.9	202.7	72.1	%	
Operating margin	12.2	% 9.6	%	9.4	% 6.3	%		

Net revenues for the three months ended June 30, 2011 increased by 14.0%, or \$251.7 million, compared with the same period of 2010. The increase was primarily related to higher volumes (7%), favorable foreign currency impact (4%), as well as improved pricing (3%).

Operating income for the three months ended June 30, 2011 increased by 45.7%, or \$78.4 million, compared with the same period of 2010. The increase, which improved operating margins from 9.6% to 12.2%, was primarily related to improved pricing (\$55 million), higher volumes and product mix (\$33 million), and net productivity benefits (\$21 million). However, these benefits were partially offset by increased material costs (\$51 million). Included in Operating income for the three months ended June 30, 2011 was a \$23 million gain associated with the sale of assets from a restructured business in China. This gain had a 1.1 point impact on operating margins.

Net revenues for the six months ended June 30, 2011 increased by 15.2%, or \$491.4 million, compared with the same period of 2010. The increase was primarily related to higher volumes (10%), a favorable currency impact (3%), and improved pricing (2%).

Operating income for the six months ended June 30, 2011 increased by 72.1%, or \$146.2 million, compared with the same period of 2010. The increase, which improved operating margins to 9.4% from 6.3%, was primarily related to higher volumes and product mix (\$87 million), improved pricing (\$73 million), and net productivity benefits (\$50 million). However, the benefits resulting from these improvements were partially offset by increased material costs (\$84 million). Included in Operating income for the six months ended June 30, 2011 was a \$23 million gain associated with the sale of assets from a restructured business in China. This gain had a 0.6 point impact on operating margins.

Trane commercial HVAC revenues in 2011 reflect market recovery within our equipment, systems, parts, services and solutions markets. Trane commercial HVAC revenues increased in all major geographic regions, with strong year-over-year

Table of Contents

improvements in the Americas and Asia. Net revenues in our transport businesses experienced growth in most geographic areas due to improved activity within the refrigerated trailer and truck markets. In addition, sea-going container revenues and worldwide bus revenues improved due to an increase in end-market activity.

**Residential Solutions**

Our Residential Solutions segment provides safety, comfort and efficiency to homeowners throughout North America and parts of South America. It offers customers a broad range of products, services and solutions including mechanical and electronic locks, energy-efficient HVAC systems, indoor air quality solutions, advanced controls, portable security systems and remote home management. This segment is comprised of well-known brands like American Standard, Schlage and Trane.

Dollar amounts in millions	Three months ended June 30,			Six months ended June 30,		
	2011	2010	% change	2011	2010	% change
Net revenues	\$632.1	\$640.6	(1.3)%	\$1,065.4	\$1,036.1	2.8%
Operating income	40.3	68.1	(40.8)%	48.3	85.4	(43.4)%
Operating margin	6.4	% 10.6	%	4.5	% 8.2	%

Net revenues for the three months ended June 30, 2011 decreased by 1.3%, or \$8.5 million, compared with the same period of 2010. The decrease was primarily related to negative volume/product mix (6%) partially offset by improved pricing (4%).

Operating income for the three months ended June 30, 2011 decreased by \$27.8 million, or 40.8%, compared with the same period of 2010. The decrease, which lowered operating margins to 6.4% from 10.6%, was primarily related to increased material costs (\$24 million) and negative volumes and product mix (\$20 million). However, this decrease was partially offset by improved pricing (\$25 million).

Net revenues for the six months ended June 30, 2011 increased by 2.8%, or \$29.3 million, compared with the same period of 2010. The increase was primarily related to favorable pricing (4%), partially offset by lower volumes (1%).

Operating income for the six months ended June 30, 2011 decreased by 43.4%, or \$37.1 million, compared with the same period of 2010. The decrease, which lowered operating margins to 4.5% from 8.2%, was primarily related to increased material costs (\$42 million) and negative volumes and product mix (\$47 million). However, these decreases were partially offset by favorable pricing (\$38 million) and improved productivity actions (\$9 million).

Trane residential HVAC revenues were impacted by continued weakness in the U.S. new residential construction and replacement markets as well as a mix shift to lower SEER units. Residential security revenues declined primarily due to stagnant remodeling and new builder markets as well as the effect of continued inventory management actions by “big box” customers.

**Industrial Technologies**

Our Industrial Technologies segment provides products, services and solutions that enhance energy efficiency, productivity and operations. It offers our global customers a diverse and innovative range of products including compressed air systems, tools, pumps, fluid handling systems, and golf and utility vehicles. This segment includes the Club Car and Ingersoll Rand market leading brands.

On December 30, 2010, we completed the divestiture of our gas microturbine generator business, which was sold under the Energy Systems brand, to Flex Energy, Inc. The business, which was previously reported as part of the Industrial Technologies segment, designs, manufactures, markets, distributes, and services gas powered microturbine generators which feature energy efficient design and low emissions technology. Segment information has been revised to exclude the results of this business for all periods presented.

Dollar amounts in millions	Three months ended June 30,			Six months ended June 30,		
	2011	2010	% change	2011	2010	% change
Net revenues	\$771.9	\$624.7	23.6%	\$1,412.4	\$1,168.8	20.8%
Operating income	120.5	78.7	53.1%	205.7	140.3	46.6%

Edgar Filing: Ingersoll-Rand plc - Form 10-Q

Operating margin	15.6	%	12.6	%	14.6	%	12.0	%
------------------	------	---	------	---	------	---	------	---

43

---

Table of Contents

Net revenues for the three months ended June 30, 2011 increased by 23.6%, or \$147.2 million, compared with the same period of 2010. The increase was primarily related to higher volumes (17%), favorable currency impacts (4%), and improved pricing (3%).

Operating income for the three months ended June 30, 2011 increased by 53.1%, or \$41.8 million, compared with the same period of 2010. The increase, which improved operating margins to 15.6% from 12.6%, was primarily related to higher volumes and product mix (\$27 million), net productivity benefits (\$21 million), and improved pricing (\$17 million). However, these improvements were partially offset by increased material costs (\$11 million), and increased investment spending (\$6 million).

Net revenues for the six months ended June 30, 2011 increased by 20.8%, or \$243.6 million, compared with the same period of 2010. The increase was primarily related to higher volumes (16%) in addition to favorable currency impact (2%) and improved pricing (2%).

Operating income for the six months ended June 30, 2011 increased by 46.6%, or \$65.4 million, compared with the same period of 2010. The increase, which improved operating margins to 14.6% from 12.0%, was primarily related to higher volumes and product mix (\$52 million), net productivity benefits (\$33 million), and improved pricing (\$28 million). However, these improvements were partially offset by increased material costs (\$24 million) and increased investment spending (\$11 million).

Air and Productivity revenues improved due to increased volume in all major geographic regions. The revenue increase in the Americas was driven by improvements in our industrial and commercial markets for air compressors, tools, and fluid handling products. Club Car revenues also improved slightly as a result of increased golf car, utility vehicle, and aftermarket sales.

**Security Technologies**

Our Security Technologies segment is a leading global provider of products and services that make environments safe, secure and productive. The segment's market-leading solutions include electronic and biometric access control systems and software, locks and locksets, door closers, exit devices, steel doors and frames as well as time, attendance and personnel scheduling systems. These products serve a wide range of markets including the commercial construction market, healthcare, retail, maritime and transport industries as well as educational and governmental facilities. This segment includes the CISA, LCN, Schlage and Von Duprin brands.

Dollar amounts in millions	Three months ended			Six months ended		
	June 30,		% change	June 30,		% change
	2011	2010		2011	2010	
Net revenues	\$440.6	\$420.6	4.8 %	\$831.6	\$813.4	2.2 %
Operating income	91.6	88.5	3.5 %	161.6	153.3	5.4 %
Operating margin	20.8	% 21.0	%	19.4	% 18.8	%

Net revenues for the three months ended June 30, 2011 increased by 4.8%, or \$20.0 million, compared with the same period of 2010. The increase was primarily related to favorable currency impact (4%), and improved pricing (1%) partially offset by lower volumes (1%).

Operating income for the three months ended June 30, 2011 increased by 3.5% or \$3.1 million, compared with the same period of 2010. The increase in Operating income was primarily related to improved pricing (\$6 million), net productivity benefits (\$3 million), and a favorable currency impact (\$2 million). However, increases in material costs (\$5 million) and negative product mix (\$4 million) led to a slight decrease in Operating margins from 21.0% to 20.8%.

Net revenues for the six months ended June 30, 2011 increased by 2.2%, or \$18.2 million, compared with the same period of 2010. The increase was primarily related to favorable currency impact (3%) and favorable pricing (1%). These increases were offset by lower volumes (2%).

Operating income for the six months ended June 30, 2011 increased by 5.4%, or \$8.3 million, compared with the same period of 2010. The increase, which improved operating margins to 19.4% from 18.8%, was primarily related to

improved pricing (\$12 million), net productivity benefits (\$10 million), and favorable currency impact (\$3 million). However, the improvements were partially offset by increased material costs (\$11 million), and a reduction in volumes and product mix (\$7 million).

The weakness in worldwide commercial building markets continues to impact segment revenues. However, our results reflect strong improvements in Asia, with slight improvements in North America and Europe.



Table of Contents

## Discontinued Operations

The components of discontinued operations for the three and six months ended June 30 are as follows:

In millions	Three months ended		Six months ended	
	2011	2010	2011	2010
Net revenues	\$217.8	\$240.1	\$369.5	\$427.6
Pre-tax earnings (loss) from operations	\$(189.7)	\$(32.9)	\$(394.9)	\$(48.5)
Pre-tax gain (loss) on sale	(33.7)	—	(33.6)	(0.4)
Tax benefit (expense)	8.2	(11.0)	14.6	(9.1)
Discontinued operations, net	\$(215.2)	\$(43.9)	\$(413.9)	\$(58.0)

Discontinued operations by business for the three and six months ended June 30 are as follows:

In millions	Three months ended		Six months ended	
	2011	2010	2011	2010
Hussmann, net of tax	\$(183.8)	\$18.0	\$(374.2)	\$20.1
Energy Systems, net of tax	0.2	(1.5)	0.5	(3.0)
KOXKA, net of tax	(0.4)	(44.9)	(0.7)	(49.4)
Other discontinued operations, net of tax	(31.2)	(15.5)	(39.5)	(25.7)
Total discontinued operations, net of tax	\$(215.2)	\$(43.9)	\$(413.9)	\$(58.0)

## Hussmann Divestiture

On April 21, 2011, we announced a plan to divest our Hussmann refrigerated display case equipment business in the U.S. and Canada, and the equipment, service and installation businesses in Mexico, Chile, Australia, New Zealand, and Japan. This business, which was previously reported as part of the Climate Solutions segment, manufactures, markets, distributes, installs, and services refrigerated display merchandising equipment, refrigeration systems, over the counter parts, and other commercial and industrial refrigeration applications.

The planned divestiture met both the component and held for sale criteria in accordance with GAAP during the first quarter of 2011. Therefore, we reported this business as a discontinued operation and classified the assets and liabilities as held for sale for all periods presented. During the first quarter of 2011, we recognized a \$186 million after-tax impairment loss within discontinued operations primarily related to the write-down of the net assets to their estimated fair value. We assumed a fair value less cost to sell at March 31, 2011 of \$800 million, which included assets held for sale of \$913 million, liabilities held for sale of approximately \$160 million and accumulated other comprehensive loss of \$47 million in the Condensed Consolidated Balance Sheet at March 31, 2011. During the second quarter of 2011, we reduced the forecast for the Hussmann Business and revised our estimate of fair value less cost to sell. As a result, the Company recorded an additional \$198 million after-tax impairment charge to reflect a fair value less cost to sell estimate at June 30, 2011 of \$600 million, which includes assets held for sale of approximately \$747 million, liabilities held for sale of approximately \$198 million and accumulated other comprehensive loss of approximately \$51 million in the Condensed Consolidated Balance Sheet at June 30, 2011. No assurance related to the planned divestiture can be given by the Company as to the timing, consummation or terms, including consideration or the possibility of continuing ownership by the Company for all or some portion of the Hussmann Business for a period of time.

Table of Contents

Net revenues and after-tax earnings of the Hussmann Business for the three and six months ended June 30 were as follows:

In millions	Three months ended		Six months ended	
	2011	2010	2011	2010
Net revenues	\$217.8	\$220.3	\$369.5	\$389.5
After-tax earnings (loss) from operations	\$(183.8	)** \$18.0	\$(374.2	)* \$20.1
Gain (loss) on sale, net of tax	—	—	—	—
Total discontinued operations, net of tax	\$(183.8	) \$18.0	\$(374.2	) \$20.1

\* Included in discontinued operations for Hussmann for the six months ended June 30, 2011 is an after-tax impairment loss of \$384 million.

\*\* Included in discontinued operations for Hussmann in the second quarter of 2011 is an after-tax impairment loss of approximately \$198 million.

The components of assets and liabilities recorded as held for sale on the Condensed Consolidated Balance Sheet as of June 30, 2011 and December 31, 2010 are as follows:

In millions	June 30, 2011	December 31, 2010
Assets		
Current assets	\$219.0	\$170.4
Property, plant and equipment, net	105.8	106.8
Goodwill	23.8	407.4
Intangible assets, net	386.9	389.5
Other assets and deferred income taxes	11.8	7.2
Assets held for sale	\$747.3	\$1,081.3
Liabilities		
Current liabilities	\$135.3	\$99.0
Noncurrent liabilities	62.3	53.1
Liabilities held for sale	\$197.6	\$152.1
Energy Systems Divestiture		

On December 30, 2010, we completed the divestiture of our gas microturbine generator business, which was sold under the Energy Systems brand, to Flex Energy, Inc. The business, which was previously reported as part of the Industrial Technologies segment, designs, manufactures, markets, distributes, and services gas powered microturbine generators which feature energy efficient design and low emissions technology. During the third quarter of 2010, we recognized an \$8.3 million after-tax impairment loss within discontinued operations related to the write-down of the net assets to their estimated fair value.

Net revenues and after-tax earnings of the Energy Systems business for the three and six months ended June 30 were as follows:

In millions	Three months ended		Six months ended		
	2011	2010	2011	2010	
Net revenues	\$—	\$1.3	\$—	\$1.8	
After-tax earnings (loss) from operations	\$0.2	\$(1.5	) \$0.3	\$(3.0	)
Gain (loss) on sale, net of tax	—	—	0.2	—	
Total discontinued operations, net of tax	\$0.2	\$(1.5	) \$0.5	\$(3.0	)

Table of Contents**KOXKA Divestiture**

On October 4, 2010, we completed the divestiture of our European refrigerated display case business, which was sold under the KOXKA brand, to an affiliate of American Industrial Acquisition Corporation (AIAC Group). The business, which was previously reported as part of the Climate Solutions segment, designs, manufactures and markets commercial refrigeration equipment through sales branches and a network of distributors throughout Europe, Africa and the Middle East. During the second and third quarters of 2010, we recognized a combined \$53.9 million after-tax impairment loss within discontinued operations related to the write-down of the net assets to their estimated fair value. Net revenues and after-tax earnings of the KOXKA business for the three and six months ended June 30 were as follows:

In millions	Three months ended		Six months ended	
	2011	2010	2011	2010
Net revenues	\$—	\$18.5	\$—	\$36.3
After-tax earnings (loss) from operations	\$(0.4)	\$(44.9)	\$(0.7)	\$(49.4)
Gain (loss) on sale, net of tax	—	—	—	—
Total discontinued operations, net of tax	\$(0.4)	\$(44.9)	\$(0.7)	\$(49.4)

\* Included in discontinued operations for KOXKA for the three and six months ended June 30, 2010 is an after-tax impairment loss of \$38.8 million related to the initial write-down of the net assets to their estimated fair value.

**Other Discontinued Operations**

On November 30, 2007, we completed the sale of our Bobcat, Utility Equipment and Attachments businesses (collectively, Compact Equipment) to Doosan Infracore for gross proceeds of approximately \$4.9 billion, subject to post-closing purchase price adjustments. Compact Equipment manufactured and sold compact equipment, including skid-steer loaders, compact track loaders, mini-excavators and telescopic tool handlers; portable air compressors, generators and light towers; general-purpose light construction equipment; and attachments. We are in dispute regarding post-closing matters with Doosan Infracore. During the second quarter of 2011, we collected approximately \$48.3 million of our outstanding receivable from Doosan Infracore related to certain purchase price adjustments. We are continuing to pursue other claims against Doosan Infracore.

We are involved in a dispute relating to an incentive plan associated with the sale of one of our businesses in 2004, where the maximum amount of damages sought by the plaintiffs is \$115 million. In May 2011, a court rendered an adverse summary judgment ruling on liability issues which resulted in the proceeding moving to the damages phase. As a result, we recorded a liability of \$33.5 million (approximately \$21 million after tax) during the second quarter of 2011, although the ultimate amount could be more or less than the liability recorded. We also recorded retained costs from previously sold businesses, which are mainly those related to postretirement benefits, product liability and legal costs (mostly asbestos-related).

**Liquidity and Capital Resources**

We currently believe that our cash and cash equivalents balance, the cash generated by our operations, our committed credit lines as well as our expected ability to access the capital markets will be sufficient to meet our operating and capital needs for the foreseeable future. The following table contains several key measures to gauge our financial condition and liquidity at the period ended:

In millions	June 30, 2011	December 31, 2010		
Cash and cash equivalents	\$1,259.8	\$1,014.3		
Short-term borrowings and current maturities of long-term debt	753.3	761.6		
Long-term debt	2,881.3	2,922.3		
Total debt	3,634.6	3,683.9		
Total Ingersoll-Rand plc shareholders' equity	8,278.2	7,964.3		
Total equity	8,365.0	8,059.1		
Debt-to-total capital ratio	30.3	% 31.3		%



Table of Contents

Short-term borrowings and current maturities of long-term debt consisted of the following:

In millions	June 30, 2011	December 31, 2010
Debentures with put feature	\$343.6	\$343.6
Exchangeable Senior Notes	334.7	328.3
Current maturities of long-term debt	11.4	13.3
Other short-term borrowings	63.6	76.4
Total	\$753.3	\$761.6

**Commercial Paper Program**

We use borrowings under our commercial paper program for general corporate purposes. We had no amounts outstanding as of June 30, 2011 and December 31, 2010.

**Debentures with Put Feature**

At June 30, 2011 and December 31, 2010, we had outstanding \$343.6 million of fixed rate debentures which only requires early repayment at the option of the holder. These debentures contain a put feature that the holders may exercise on each anniversary of the issuance date. If exercised, we are obligated to repay in whole or in part, at the holder's option, the outstanding principal amount (plus accrued and unpaid interest) of the debentures held by the holder. If these options are not exercised, the final maturity dates would range between 2027 and 2028.

In 2010, holders of these debentures chose to exercise the put feature on less than \$0.1 million. On February 15, 2011, holders of these debentures had the option to exercise the put feature on \$37.2 million of the outstanding debentures. The holders chose not to exercise the put feature at that date. In November 2011, holders of these debentures will have the option to exercise the put feature on \$306.4 million of the outstanding debentures. Based on our cash flow forecast, we believe we will have sufficient liquidity to repay any amounts redeemable as a result of these put options.

**Exchangeable Senior Notes Due 2012**

In April 2009, we issued \$345 million of 4.5% Exchangeable Senior Notes (the Notes) through our wholly-owned subsidiary, Ingersoll-Rand Global Holding Company Limited (IR-Global). The Notes are fully and unconditionally guaranteed by each of IR-Ireland, IR-Limited and Ingersoll-Rand International Holding Limited (IR-International). Interest on the Notes will be paid twice a year in arrears. In addition, holders may exchange their notes at their option prior to November 15, 2011 in accordance with specified circumstances set forth in the indenture agreement or anytime on or after November 15, 2011 through their scheduled maturity in April 2012.

Upon any exchange, the Notes will be paid in cash up to the aggregate principal amount of the notes to be exchanged. The remainder due on the option feature, if any, will be paid in cash, IR ordinary shares or a combination thereof at the option of the Company. The Notes are subject to certain customary covenants, however, none of these covenants are considered restrictive to our operations.

We account for the Notes in accordance with GAAP, which required us to allocate the proceeds between debt and equity at the issuance date, in a manner that reflects our nonconvertible debt borrowing rate. We allocated approximately \$305 million of the gross proceeds to debt, with the remaining discount of approximately \$40 million (approximately \$39 million after allocated fees) recorded within Equity. Additionally, we are amortizing the discount into earnings over a three-year period.

During the second quarter of 2011, the sales price condition set forth in the indenture agreement for the Notes continued to be satisfied. As a result, the Notes may be exchangeable at the holders' option during the third quarter of 2011. Therefore, we classified the equity portion of the Notes as Temporary equity to reflect the amount that could result in cash settlement at the balance sheet date.

**Accounts Receivable Purchase Program**

On March 31, 2009, we expanded our existing Trane accounts receivable purchase program to encompass originators from all four of our business segments. The increase in originators allowed us to increase the program size from \$150 million to \$325 million. At December 31, 2009, the outstanding balance of eligible trade receivables sold to the master special purpose vehicle was \$544.2 million. However, no net interests were sold to any of the three conduits administered by unaffiliated financial institutions. On February 17, 2010, we terminated the expanded facility prior to its expiration in March 2010.



Table of Contents

## Other

On May 20, 2011, we entered into a 4-year, \$1.0 billion revolving credit facility through our wholly-owned subsidiary, IR-Global. This new facility replaces our pre-existing \$1.0 billion, 3-year revolving credit facility that was scheduled to mature in June 2011.

At June 30, 2011, our committed revolving credit facilities totaled \$2.0 billion, of which \$1.0 billion expires in May 2013 and \$1.0 billion expires in May 2015. These lines are unused and provide support for our commercial paper program as well as for other general corporate purposes.

## Cash Flows

The following table reflects the major categories of cash flows for the six months ended June 30. For additional details, see the Condensed Consolidated Statement of Cash Flows in the condensed consolidated financial statements.

In millions	2011	2010
Operating cash flow provided by (used in) continuing operations	\$342.8	\$273.8
Investing cash flow provided by (used in) continuing operations	(46.0)	(72.6)
Financing cash flow provided by (used in) continuing operations	(95.8)	(240.4)

## Operating Activities

Net cash provided by continuing operating activities during the six months ended June 30, 2011 was \$342.8 million, compared with \$273.8 million during the comparable period in 2010. Operating cash flows for the six months ended June 30, 2011 reflect improved earnings from continuing operations offset by increased inventory levels from year end in preparation for improvements in end market activity.

## Investing Activities

Net cash used in continuing investing activities during the six months ended June 30, 2011 was \$46.0 million, compared with \$72.6 million during the comparable period of 2010. The change in investing activities is primarily attributable to proceeds from the sale of assets from a restructured business in China, partially offset by an increase in capital expenditures during the six months ended June 30, 2011.

## Financing Activities

Net cash used in continuing financing activities during the six months ended June 30, 2011 was \$95.8 million, compared with \$240.4 million during the comparable period in 2010. The change in financing activities is primarily related to less debt repayments and increased proceeds from shares issued under incentive plans, partially offset by \$56 million of share repurchases in 2011.

## Pensions

Our investment objectives in managing defined benefit plan assets are to ensure that present and future benefit obligations to all participants and beneficiaries are met as they become due; to provide a total return that, over the long-term, minimizes our required contributions at the appropriate levels of risk; and to meet any statutory or regulatory requirements.

We monitor the impact of market conditions on our funding requirements on a quarterly basis. None of our defined benefit pension plans have experienced any significant impact on their liquidity due to the volatility in the markets. For a further discussion of Liquidity and Capital Resources, refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," contained in the Company's Annual Report on Form 10-K for the period ended December 31, 2010.

## Commitments and Contingencies

We are involved in various litigations, claims and administrative proceedings, including those related to environmental and product liability matters. Amounts recorded for identified contingent liabilities are estimates, which are reviewed periodically and adjusted to reflect additional information when it becomes available. Subject to the uncertainties inherent in estimating future costs for contingent liabilities, except as expressly set forth in Note 18 to the condensed consolidated financial

## Table of Contents

statements, management believes that the liability which may result from these legal matters would not have a material adverse effect on our financial condition, results of operations, liquidity or cash flows.

### Critical Accounting Policies

Management's Discussion and Analysis of Financial Condition and Results of Operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with those accounting principles requires management to use judgments in making estimates and assumptions based on the relevant information available at the end of each period. These estimates and assumptions have a significant effect on reported amounts of assets and liabilities, revenue and expenses as well as the disclosure of contingent assets and liabilities because they result primarily from the need to make estimates and assumptions on matters that are inherently uncertain. Actual results may differ from estimates.

Management believes there have been no significant changes during the six months ended June 30, 2011, to the items that we disclosed as our critical accounting policies and estimates in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2010.

### Recently Adopted Accounting Pronouncements

Management believes there have been no significant changes during the six months ended June 30, 2011, to the items we disclosed as our recently adopted accounting pronouncements in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the period ended December 31, 2010. For a further discussion, refer to the "Recently Adopted Accounting Pronouncements" discussion contained therein.

### Recently Issued Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS)." ASU 2011-04 represents converged guidance between U.S. GAAP and IFRS resulting in common requirements for measuring fair value and for disclosing information about fair value measurements. This new guidance will be effective for fiscal years beginning after December 15, 2011 and subsequent interim periods. We are currently assessing the impact, if any, on our consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, "Presentation of Comprehensive Income." ASU 2011-05 requires us to present components of other comprehensive income and of net income in one continuous statement of comprehensive income, or in two separate, but consecutive statements. The option to report other comprehensive income within the statement of equity has been removed. This new presentation of comprehensive income will be effective for fiscal years beginning after December 15, 2011 and subsequent interim periods.

### Safe Harbor Statement

Certain statements in this report, other than purely historical information, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "forecast," "outlook," "intend," "strategy," "plan," "may," "should," "will be," "will continue," "will likely result," or the negative thereof or variations thereon or similar terminology generally intended to identify forward-looking statements.

Forward-looking statements may relate to such matters as projections of revenue, margins, expenses, tax provisions, earnings, cash flows, benefit obligations, share or debt repurchases or other financial items; any statements of the plans, strategies and objectives of management for future operations, including those relating to any statements concerning expected development, performance or market share relating to our products and services; any statements



regarding future economic conditions or our performance; any statements regarding pending investigations, claims or disputes, including those relating to the Internal Revenue Service audit of our consolidated subsidiaries' tax filings in 2001 and 2002; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. These statements are based on currently available information and our current assumptions, expectations and projections about future events. While we believe that our

Table of Contents

assumptions, expectations and projections are reasonable in view of the currently available information, you are cautioned not to place undue reliance on our forward-looking statements. These statements are not guarantees of future performance. They are subject to future events, risks and uncertainties – many of which are beyond our control – as well as potentially inaccurate assumptions, that could cause actual results to differ materially from our expectations and projections.

Factors that might affect our forward-looking statements include, among other things:

- overall economic and business conditions;
  - the demand for our products and services;
  - competitive factors in the industries in which we compete;
  - changes in tax requirements (including tax rate changes, new tax laws and revised tax law interpretations);
  - the outcome of any litigation, governmental investigations or proceedings;
  - the outcome of any income tax audits or settlements;
  - interest rate fluctuations and other changes in borrowing costs;
  - other capital market conditions, including availability of funding sources and currency exchange rate fluctuations;
  - availability of and fluctuations in the prices of key raw materials;
  - economic and political conditions in international markets, including governmental changes and restrictions on the ability to transfer capital across borders;
  - the ability to achieve cost savings in connection with our productivity programs;
  - potential further impairment of our goodwill, indefinite-lived intangible assets and/or our long-lived assets;
  - the impact of fluctuations in the price of our ordinary shares;
  - changes in U.S. and non-U.S. governmental laws and regulations; and
- the possible effects on us of future legislation in the U.S. that may limit or eliminate potential U.S. tax benefits resulting from our incorporation in a non-U.S. jurisdiction, such as Ireland, or deny U.S. government contracts to us based upon our incorporation in such non-U.S. jurisdiction.

Some of the material risks and uncertainties that could cause actual results to differ materially from our expectations and projections are described more fully in the “Risk Factors” section of this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended December 31, 2010. There may also be other factors that have not been anticipated or that are not described in our periodic filings with the SEC, generally because we did not believe them to be material at the time, which could cause results to differ materially from our expectations. Forward-looking statements speak only as of the date they are made, and we do not undertake to update these forward-looking statements. You are advised, however, to review any further disclosures we make on related subjects in our periodic filings with the SEC.

Item 3 – Quantitative and Qualitative Disclosures about Market Risk

There has been no significant change in our exposure to market risk during the second quarter of 2011. For a discussion of the Company’s exposure to market risk, refer to Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” contained in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

Item 4 – Controls and Procedures

The Company’s management, including its Chief Executive Officer and Chief Financial Officer, have conducted an evaluation of the effectiveness of disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), as of the end of the period covered by this Quarterly Report

Table of Contents

on Form 10-Q. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded as of June 30, 2011, that the disclosure controls and procedures are effective in ensuring that all material information required to be filed in this Quarterly Report on Form 10-Q has been recorded, processed, summarized and reported when required and the information is accumulated and communicated, as appropriate, to allow timely decisions regarding required disclosure.

There has been no change in the Company's internal control over financial reporting that occurred during the second quarter of 2011 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1 – Legal Proceedings

In the normal course of business, we are involved in a variety of lawsuits, claims and legal proceedings, including commercial and contract disputes, employment matters, product liability claims, environmental liabilities and intellectual property disputes. In our opinion, pending legal matters are not expected to have a material adverse effect on the results of operations, financial condition, liquidity or cash flows.

Tax Related Matters

On July 20, 2007, we received a notice from the Internal Revenue Service (IRS) containing proposed adjustments to our tax filings in connection with an audit of the 2001 and 2002 tax years. The IRS did not contest the validity of our reincorporation in Bermuda. The most significant adjustments proposed by the IRS involve treating the entire intercompany debt incurred in connection with our reincorporation in Bermuda as equity. As a result of this recharacterization, the IRS disallowed the deduction of interest paid on the debt and imposed dividend withholding taxes on the payments denominated as interest. The IRS also asserted an alternative argument to be applied if the intercompany debt is respected as debt. In that circumstance, the IRS proposed to ignore the entities that hold the debt and to which the interest was paid, and impose 30% withholding tax on a portion of the interest payments as if they were made directly to a company that was not eligible for reduced U.S. withholding tax under a U.S. income tax treaty. The IRS asserted under this alternative theory that we owe additional taxes with respect to 2002 of approximately \$84 million plus interest. If either of these positions were upheld in their entirety, we would be required to record additional charges. We strongly disagreed with the view of the IRS, and filed a protest with the IRS in the third quarter of 2007.

On January 12, 2010, we received an amended notice from the IRS eliminating its assertion that the intercompany debt incurred in connection with our reincorporation in Bermuda should be treated as equity. However, the IRS continues to assert the alternative position described above and proposes adjustments to our 2001 and 2002 tax filings. In addition, the IRS provided notice on January 19, 2010, that it is assessing penalties of 30% on the asserted underpayment of tax described above.

We have and intend to continue to vigorously contest these proposed adjustments. We, in consultation with our outside advisors, carefully considered the form and substance of our intercompany financing arrangements, including the actions necessary to qualify for the benefits of the applicable U.S. income tax treaties. We believe that these financing arrangements are in accordance with the laws of the relevant jurisdictions including the U.S., that the entities involved should be respected and that the interest payments qualify for the U.S. income tax treaty benefits claimed.

Although the outcome of this matter cannot be predicted with certainty, based upon an analysis of the strength of our position, we believe that we are adequately reserved for this matter. As we move forward to resolve this matter with the IRS, it is reasonably possible that the reserves established may be adjusted. However, we do not expect that the ultimate resolution will have a material adverse impact on our future results of operations or financial position. At this time, the IRS has not proposed any similar adjustments for years subsequent to 2002. However, if all or a portion of these adjustments proposed by the IRS are ultimately sustained, it is likely to also affect subsequent tax years. For a further discussion of tax matters, see Note 14 to the condensed consolidated financial statements.

Asbestos-Related Matters

Certain wholly-owned subsidiaries of the Company are named as defendants in asbestos-related lawsuits in state and federal courts. In virtually all of the suits, a large number of other companies have also been named as defendants. The vast majority of those claims has been filed against either Ingersoll Rand Company (IR-New Jersey) or Trane and generally allege injury caused by exposure to asbestos contained in certain historical products sold by IR-New Jersey or Trane, primarily pumps, boilers and

52

---

Table of Contents

railroad brake shoes. Neither IR-New Jersey nor Trane was a producer or manufacturer of asbestos, however, some formerly manufactured products utilized asbestos-containing components such as gaskets and packings purchased from third-party suppliers.

See also the discussion contained in our Annual Report on Form 10-K for the period ended December 31, 2010 under Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, Environmental and Asbestos Matters and also Note 18 to the condensed consolidated financial statements in this Form 10-Q.

Item 1A – Risk Factors

There have been no material changes to our risk factors contained in our Annual Report on Form 10-K for the period ended December 31, 2010. For a further discussion of our Risk Factors, refer to the "Risk Factors" discussion contained in our Annual Report on Form 10-K for the period ended December 31, 2010.

Table of Contents

## Item 6 – Exhibits

Pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”), Ingersoll-Rand plc (the “Company”) has filed certain agreements as exhibits to this Quarterly Report on Form 10-Q. These agreements may contain representations and warranties by the parties. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (i) may have been qualified by disclosures made to such other party or parties, (ii) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments, which may not be fully reflected in our public disclosure, (iii) may reflect the allocation of risk among the parties to such agreements and (iv) may apply materiality standards different from what may be viewed as material to investors. Accordingly, these representations and warranties may not describe our actual state of affairs at the date hereof and should not be relied upon.

## (a) Exhibits

Exhibit No.	Description	Method of Filing
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32	Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
101	The following materials from the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Income Statement, (ii) the Condensed Consolidated Balance Sheet, (iii) the Condensed Consolidated Statement of Cash Flows, and (iv) Notes to Condensed Consolidated Financial Statements.	Furnished herewith.

Table of Contents

INGERSOLL-RAND PLC

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INGERSOLL-RAND PLC  
(Registrant)

Date: July 28, 2011

/S/ STEVEN R. SHAWLEY  
Steven R. Shawley, Senior Vice President  
and Chief Financial Officer  
Principal Financial Officer

Date: July 28, 2011

/S/ RICHARD J. WELLER  
Richard J. Weller, Vice President and  
Corporate Controller  
Principal Accounting Officer