

Ingersoll-Rand plc
Form 10-Q
July 26, 2012
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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, 2012

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 PUBLIC LIMITED COMPANY
(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

98-0626632
(I.R.S. Employer
Identification No.)

(Address of principal executive offices, including zip code)
+(353) (0) 18707400
(Registrant's telephone number, including area code)

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, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company," in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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

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The number of ordinary shares outstanding of Ingersoll-Rand plc as of July 13, 2012 was 308,252,270.

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PART I-FINANCIAL INFORMATION

Item 1. Financial Statements

INGERSOLL-RAND PLC

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

In millions, except per share amounts	Three months ended		Six months ended	
	June 30,	2011	June 30,	2011
Net revenues	\$3,821.3	\$4,091.4	\$6,972.0	\$7,365.2
Cost of goods sold	(2,644.0)	(2,863.0)	(4,893.4)	(5,231.6)
Selling and administrative expenses	(703.6)	(729.2)	(1,393.2)	(1,406.3)
Gain (loss) on sale/asset impairment	4.2	(200.5)	4.5	(386.8)
Operating income	477.9	298.7	689.9	340.5
Interest expense	(62.1)	(71.7)	(131.5)	(140.0)
Other, net	4.1	2.4	3.9	7.3
Earnings before income taxes	419.9	229.4	562.3	207.8
Provision for income taxes	(54.8)	(99.8)	(92.8)	(140.6)
Earnings from continuing operations	365.1	129.6	469.5	67.2
Discontinued operations, net of tax	7.8	(30.3)	5.6	(39.4)
Net earnings	372.9	99.3	475.1	27.8
Less: Net earnings attributable to noncontrolling interests	(7.1)	(7.0)	(13.7)	(13.1)
Net earnings attributable to Ingersoll-Rand plc	\$365.8	\$92.3	\$461.4	\$14.7
Amounts attributable to Ingersoll-Rand plc ordinary shareholders:				
Continuing operations	\$358.0	\$122.6	\$455.8	\$54.1
Discontinued operations	7.8	(30.3)	5.6	(39.4)
Net earnings	\$365.8	\$92.3	\$461.4	\$14.7
Earnings (loss) per share attributable to Ingersoll-Rand plc ordinary shareholders:				
Basic:				
Continuing operations	\$1.16	\$0.37	\$1.50	\$0.16
Discontinued operations	0.02	(0.09)	0.02	(0.12)
Net earnings	\$1.18	\$0.28	\$1.52	\$0.04
Diluted:				
Continuing operations	\$1.14	\$0.35	\$1.45	\$0.15
Discontinued operations	0.02	(0.09)	0.02	(0.11)
Net earnings	\$1.16	\$0.26	\$1.47	\$0.04
Weighted-average shares outstanding				
Basic	309.2	333.8	304.2	332.6
Diluted	314.4	350.9	313.5	349.9
Dividends declared per ordinary share	\$0.16	\$0.12	\$0.16	\$0.19
Total comprehensive income	159.6	193.1	426.8	312.7
Less: Total comprehensive income attributable to noncontrolling interests	(7.1)	(6.4)	(13.7)	(12.5)
Total comprehensive income attributable to Ingersoll-Rand plc	\$152.5	\$186.7	\$413.1	\$300.2

See accompanying notes to condensed consolidated financial statements.

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INGERSOLL-RAND PLC
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Unaudited)

In millions	June 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$903.4	\$1,160.7
Accounts and notes receivable, net	2,427.9	2,145.8
Inventories	1,475.0	1,282.0
Other current assets	564.8	594.1
Total current assets	5,371.1	5,182.6
Property, plant and equipment, net	1,609.1	1,640.6
Goodwill	6,051.1	6,105.1
Intangible assets, net	4,258.7	4,337.1
Other noncurrent assets	1,448.7	1,488.8
Total assets	\$18,738.7	\$18,754.2
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$1,489.8	\$1,225.2
Accrued compensation and benefits	488.6	528.2
Accrued expenses and other current liabilities	1,508.8	1,607.8
Short-term borrowings and current maturities of long-term debt	422.0	763.3
Total current liabilities	3,909.2	4,124.5
Long-term debt	2,871.5	2,879.3
Postemployment and other benefit liabilities	1,641.2	1,709.9
Deferred and noncurrent income taxes	1,483.1	1,530.3
Other noncurrent liabilities	1,447.0	1,494.5
Total liabilities	11,352.0	11,738.5
Temporary equity	—	3.3
Equity:		
Ingersoll-Rand plc shareholders' equity:		
Ordinary shares	309.1	297.1
Capital in excess of par value	1,629.0	1,633.0
Retained earnings	5,959.4	5,547.8
Accumulated other comprehensive income (loss)	(601.9)	(553.6)
Total Ingersoll-Rand plc shareholders' equity	7,295.6	6,924.3
Noncontrolling interest	91.1	88.1
Total equity	7,386.7	7,012.4
Total liabilities and equity	\$18,738.7	\$18,754.2
See accompanying notes to condensed consolidated financial statements.		

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

In millions	Six months ended		
	June 30,		
	2012	2011	
Cash flows from operating activities:			
Net earnings	\$475.1	\$27.8	
(Income) loss from discontinued operations, net of tax	(5.6	) 39.4
Adjustments to arrive at net cash provided by (used in) operating activities:			
(Gain) loss on sale/asset impairment	(4.5	) 386.8
Depreciation and amortization	193.1	205.0	
Stock settled share-based compensation	19.3	26.0	
(Gain) loss on sale of property, plant and equipment	0.3	(22.5)
Changes in other assets and liabilities, net	(305.6) (424.8)
Other, net	7.4	115.0	
Net cash provided by (used in) continuing operating activities	379.5	352.7	
Net cash provided by (used in) discontinued operating activities	(73.9) (20.2)
Net cash provided by (used in) operating activities	305.6	332.5	
Cash flows from investing activities:			
Capital expenditures	(113.8) (80.2)
Acquisition of businesses, net of cash acquired	—	(2.0)
Proceeds from sale of property, plant and equipment	12.0	34.7	
Net cash provided by (used in) continuing investing activities	(101.8) (47.5)
Net cash provided by (used in) discontinued investing activities	36.0	44.4	
Net cash provided by (used in) investing activities	(65.8) (3.1)
Cash flows from financing activities:			
Short-term borrowings, net	1.5	18.9	
Proceeds from long-term debt	—	1.6	
Payments of long-term debt	(354.4) (76.9)
Net proceeds (repayments) in debt	(352.9) (56.4)
Debt issuance costs	(2.5) (2.4)
Dividends paid to ordinary shareholders	(96.4) (63.1)
Dividends paid to noncontrolling interests	(13.5) (18.3)
Acquisition/divestiture of noncontrolling interests	(0.4) —	
Proceeds from shares issued under incentive plans	24.9	101.9	
Repurchase of ordinary shares	(35.0) (56.0)
Other, net	(4.5) (1.5)
Net cash provided by (used in) continuing financing activities	(480.3) (95.8)
Effect of exchange rate changes on cash and cash equivalents	(16.8	) 11.9
Net increase (decrease) in cash and cash equivalents	(257.3	) 245.5
Cash and cash equivalents - beginning of period	1,160.7	1,014.3	
Cash and cash equivalents - end of period	\$903.4	\$1,259.8	
See accompanying notes to condensed consolidated financial statements.			

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INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1 – Basis of Presentation

The accompanying condensed consolidated financial statements of Ingersoll-Rand plc (IR-Ireland), an Irish public limited company, and its consolidated subsidiaries (collectively, the Company), reflect the consolidated operations of the Company and have been prepared in accordance with United States Securities and Exchange Commission (SEC) interim reporting requirements. Accordingly, the accompanying condensed consolidated financial statements do not include all disclosures required by accounting principles generally accepted in the United States of America (GAAP) for full financial statements and should be read in conjunction with the consolidated financial statements included in the IR-Ireland Annual Report on Form 10-K for the year ended December 31, 2011. 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. Certain reclassifications of amounts reported in prior years have been made to conform to the 2012 classification. On December 30, 2011, the Company completed the divestiture of its security installation and service business, which was sold under the Integrated Systems and Services brand in the United States and Canada, to Kratos Public Safety & Security Solutions, Inc. As a result of the sale, the Company has reported this business as a discontinued operation for all periods presented. See Note 15 for a discussion of our discontinued operations.

On September 30, 2011 and November 30, 2011, the Company completed transactions to sell its Hussmann refrigerated display case business to a newly-formed affiliate (Hussmann Parent) of private equity firm Clayton Dubilier & Rice, LLC (CD&R). The Hussmann divestiture, which was originally announced on April 21, 2011 and anticipated to be a sale of 100% of the Company's interest in Hussmann, with no retained ongoing interest, met the criteria for classification as held for sale and for reporting as discontinued operations in accordance with GAAP in the first and second quarter of 2011 Form 10-Q filings. During the third quarter of 2011, the Company negotiated the final terms of the transaction to include the Company's ownership of common stock of Hussmann Parent, which represents significant continuing involvement. Therefore, Hussmann no longer qualified for reporting treatment as a discontinued operation. The results of Hussmann are now included in continuing operations for all periods presented, with the Company's ownership interest reported using the equity method of accounting subsequent to September 30, 2011. See Note 15 for a discussion of our divested operations.

Note 2 – Recently Adopted 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 GAAP and IFRS resulting in common requirements for measuring fair value and for disclosing information about fair value measurements. This new guidance is effective for fiscal years beginning after December 15, 2011 and subsequent interim periods. The requirements of ASU 2011-04 did not have a material impact on the Company's condensed consolidated financial statements. The revised disclosure requirements are reflected in Note 9.

In June 2011, the FASB issued ASU 2011-05, "Presentation of Comprehensive Income." ASU 2011-05 requires the Company 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 is effective for fiscal years beginning after December 15, 2011 and subsequent interim periods. The revised presentation requirements are reflected in the Condensed Consolidated Statements of Comprehensive Income.

In December 2011, the FASB issued ASU 2011-12, "Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05." The revised amendments defer the presentation in the financial statements of reclassifications out of accumulated other comprehensive income for annual and interim financial statements. The deferral is effective for fiscal years beginning after December 15, 2011 and subsequent interim periods. The revised presentation

requirements are reflected in the Condensed Consolidated Statements of Comprehensive Income. In September 2011, the FASB issued ASU 2011-08, "Testing Goodwill for Impairment." This revised standard provides entities with the option to first use an assessment of qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If a conclusion is reached that reporting unit fair value is not more likely than not below carrying value, no further impairment testing is necessary. This revised guidance applies to fiscal years beginning after December 15, 2011, and the related interim and annual goodwill impairment tests. The requirements of ASU 2011-08 did not have a material impact on the Company's condensed consolidated

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INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

financial statements.

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 were as follows:

In millions	June 30, 2012	December 31, 2011
Raw materials	\$588.9	\$479.2
Work-in-process	130.0	114.4
Finished goods	855.6	791.1
	1,574.5	1,384.7
LIFO reserve	(99.5	) (102.7
Total	\$1,475.0	\$1,282.0

Note 4 – Goodwill

The changes in the carrying amount of goodwill for the six months ended June 30, 2012 were as follows:

In millions	Climate Solutions	Residential Solutions	Industrial Technologies	Security Technologies	Total
December 31, 2011 (gross)	\$5,343.9	\$2,328.0	\$366.8	\$906.4	\$8,945.1
Acquisitions and adjustments	0.3	—	—	—	0.3
Currency translation	(45.5	) —	(2.4	) (6.4	) (54.3
June 30, 2012 (gross)	5,298.7	2,328.0	364.4	900.0	8,891.1
Accumulated impairment *	(839.8	) (1,656.2	) —	(344.0	) (2,840.0
Goodwill (net)	\$4,458.9	\$671.8	\$364.4	\$556.0	\$6,051.1

* No impairment charges were recorded by the Company in 2012.

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, 2012			December 31, 2011		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Completed technologies/patents	\$206.3	\$(123.1	) \$83.2	\$207.1	\$(112.6	) \$94.5
Customer relationships	1,951.4	(463.1	) 1,488.3	1,962.0	(412.7	) 1,549.3
Trademarks (finite-lived)	92.4	(28.4	) 64.0	96.1	(27.6	) 68.5
Other	69.1	(56.9	) 12.2	70.0	(56.2	) 13.8
Total finite-lived intangible assets	2,319.2	\$(671.5	) 1,647.7	2,335.2	\$(609.1	) 1,726.1
Trademarks (indefinite-lived)	2,611.0		2,611.0	2,611.0		2,611.0
Total	\$4,930.2		\$4,258.7	\$4,946.2		\$4,337.1

Intangible asset amortization expense was \$35.1 million and \$35.7 million for the three months ended June 30, 2012 and 2011, respectively. For the six months ended June 30, 2012 and 2011, intangible asset amortization expense was \$70.2 million and \$73.7

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

million, respectively. Future estimated amortization expense on existing intangible assets in each of the next five years amounts to approximately \$145 million for 2012, \$142 million for 2013, \$138 million for 2014, \$112 million for 2015, and \$66 million for 2016.

Note 6 – Debt and Credit Facilities

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

In millions	June 30, 2012	December 31, 2011
Debentures with put feature	\$343.6	\$343.6
Exchangeable Senior Notes	—	341.2
Current maturities of long-term debt	11.2	12.5
Other short-term borrowings	67.2	66.0
Total	\$422.0	\$763.3

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, 2012 and December 31, 2011.

Debentures with Put Feature

At June 30, 2012 and December 31, 2011, the Company had outstanding \$343.6 million of fixed rate debentures which only require 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.

On February 15, 2012, holders of these debentures had the option to exercise the put feature on \$37.2 million of the outstanding debentures. No holder chose to exercise the put feature at that date.

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 were fully and unconditionally guaranteed by each of IR-Ireland, Ingersoll-Rand Company Limited (IR-Limited) and Ingersoll-Rand International Holding Limited (IR-International). Holders had the option to exchange their Notes for the Company's ordinary shares through April 12, 2012. The Notes were subject to certain customary covenants, however, none of these covenants were considered restrictive to the Company's operations.

The Company accounted 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 reflected the Company's nonconvertible debt borrowing rate. At issuance, 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. The Company amortized the discount into Interest expense over the three-year term. The Notes were exchangeable at the holders' option through April 12, 2012. Therefore, the remaining equity portion of the Notes at December 31, 2011 was classified as Temporary equity to reflect the amount that could result in cash settlement at the balance sheet date.

The Company settled all remaining outstanding Notes during the second quarter of 2012. As a result, the Company paid \$357.0 million in cash and issued 10.8 million ordinary shares to settle the principal, interest and equity portion of the Notes.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

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

In millions	June 30, 2012	December 31, 2011
6.000% Senior notes due 2013	\$599.9	\$599.9
9.500% Senior notes due 2014	655.0	655.0
5.50% Senior notes due 2015	199.8	199.8
4.75% Senior notes due 2015	299.6	299.6
6.875% Senior notes due 2018	749.3	749.3
9.00% Debentures due 2021	125.0	125.0
7.20% Debentures due 2013-2025	90.0	97.5
6.48% Debentures due 2025	149.7	149.7
Other loans and notes	3.2	3.5
Total	\$2,871.5	\$2,879.3

Credit Facilities

On May 26, 2010, the Company entered into a 3-year, \$1.0 billion revolving credit facility through its wholly-owned subsidiary, IR-Global. On March 15, 2012, this credit facility was refinanced with a 5-year, \$1.0 billion revolving credit facility maturing on March 15, 2017. The Company also has a 4-year, \$1.0 billion revolving credit facility maturing on May 20, 2015, through its wholly-owned subsidiary, IR-Global.

Each of IR-Ireland, IR-Limited and IR-International has provided an irrevocable and unconditional guarantee for these credit facilities. The total committed revolving credit facilities of \$2.0 billion are unused and provide support for the Company's commercial paper program as well as for other general corporate purposes.

Note 7 – Financial Instruments

In the normal course of business, the Company may use various financial instruments, including derivative instruments, to manage the risks associated with interest rate and currency rate 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 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 assesses at 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 Net earnings 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 will be recorded in Net earnings.

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INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

Currency Hedging Instruments

The notional amount of the Company's currency derivatives was \$1,616.9 million and \$1,818.5 million at June 30, 2012 and December 31, 2011, respectively. At June 30, 2012 and December 31, 2011, a gain of \$1.6 million and \$2.3 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 Net earnings over the next twelve months is a gain of \$1.6 million. The actual amounts that will be reclassified to Net 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 Net earnings as changes in fair value occur. At June 30, 2012, the maximum term of the Company's currency derivatives was approximately 12 months.

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 recognized in AOCI. No further gain or loss will be recognized 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, 2012 and December 31, 2011, \$8.1 million and \$9.0 million, respectively, of 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 recognized in AOCI. No further gain or loss will be recognized 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, 2012 and December 31, 2011, \$3.7 million and \$4.3 million, respectively, of 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 represents the fair values of derivative instruments included within the Condensed Consolidated Balance Sheets as of June 30, 2012 and December 31, 2011:

In millions	Asset derivatives		Liability derivatives	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Derivatives designated as hedges:				
Currency derivatives	\$2.3	\$ 3.1	\$0.7	\$ 0.3
Derivatives not designated as hedges:				
Currency derivatives	5.4	6.2	21.4	21.9
Total derivatives	\$7.7	\$ 9.3	\$22.1	\$ 22.2

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 Net earnings and AOCI for the three months ended June 30:

In millions	Amount of gain (loss) recognized in AOCI		Location of gain (loss) reclassified from AOCI and recognized into Net earnings	Amount of gain (loss) reclassified from AOCI and recognized into Net earnings	
	2012	2011		2012	2011

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Currency derivatives	\$4.7	\$0.4	Other, net	\$0.5	\$(1.2))
Interest rate locks	—	—	Interest expense	(0.7)) (0.7))
Total	\$4.7	\$0.4		\$(0.2)) \$(1.9))

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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 Net earnings for the three months ended June 30:

In millions	Location of gain (loss) recognized in Net earnings	Amount of gain (loss) recognized in Net earnings	
		2012	2011
Currency derivatives	Other, net	\$ (14.5)	\$ 4.8
Total		\$ (14.5)	\$ 4.8

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

The following table represents the amounts associated with derivatives designated as hedges affecting Net earnings and AOCI for the six months ended June 30:

In millions	Amount of gain (loss) recognized in AOCI		Location of gain (loss) reclassified from AOCI and recognized into Net earnings	Amount of gain (loss) reclassified from AOCI and recognized into Net earnings	
	2012	2011		2012	2011
Currency derivatives	\$ (0.2)	\$ (2.8)	Other, net	\$ 0.9	\$ (1.3)
Interest rate locks	—	—	Interest expense	(1.5)	(1.4)
Total	\$ (0.2)	\$ (2.8)		\$ (0.6)	\$ (2.7)

The following table represents the amounts associated with derivatives not designated as hedges affecting Net earnings for the six months ended June 30:

In millions	Location of gain (loss) recognized in Net earnings	Amount of gain (loss) recognized in Net earnings	
		2012	2011
Currency derivatives	Other, net	\$ 8.1	\$ 20.4
Total		\$ 8.1	\$ 20.4

The gains and losses associated with the Company's undesignated currency derivatives are materially offset in Net earnings 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.

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. eligible employees. 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 dollar benefit formula. In addition, the Company

maintains non-U.S. pension plans for certain eligible non-U.S. employees. These plans generally provide benefits based on earnings and years of service. The Company also maintains additional other supplemental plans for officers and other key employees.

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On June 8, 2012, the Board of Directors approved amendments to the Company's retirement pension plans for certain U.S. and Puerto Rico non-bargained employees. All eligible non-bargained employees hired prior to July 1, 2012 will be given a choice of remaining in the applicable defined benefit plan until the plans freeze on December 31, 2022 or freezing their accrued benefits in their respective defined benefit plans as of December 31, 2012 and receiving an additional 2% non-matching company contribution into the Company's applicable defined contribution plan. Eligible employees who elect to remain in a defined benefit plan until the plan freezes on December 31, 2022 will receive the 2% non-matching contribution into the defined contribution savings plan beginning January 1, 2023. All employees hired or rehired on or after July 1, 2012 will automatically receive the 2% non-matching contribution into the applicable defined contribution savings plan. As a result of these changes, the Company's projected benefit obligations for the amended plans were remeasured as of June 8, 2012, which included updating the discount rate assumption to 4.00% from the 4.25% assumed at December 31, 2011. The amendments resulted in a curtailment loss of \$4.0 million. The amendment and remeasurement resulted in an increase of \$1.0 million to the projected benefit obligation, an increase of \$29.4 million to the plan assets, an actuarial gain of \$28.4 million and a credit of \$4.0 million to prior service cost. Pension expense for 2012 is projected to be \$154.9 million as compared to \$158.6 million projected at December 31, 2011.

In connection with the Hussmann divestiture, the Company transferred its obligations for pension benefits for all current and former employees related to the divestiture.

The components of the Company's net periodic pension benefit costs for the three and six months ended June 30 were as follows:

In millions	Three months ended		Six months ended	
	2012	2011	2012	2011
Service cost	\$24.2	\$24.2	\$49.5	\$48.3
Interest cost	40.1	47.9	81.4	95.5
Expected return on plan assets	(42.3	) (56.1	) (85.6	) (112.0
Net amortization of:				
Prior service costs	1.3	1.4	2.7	2.8
Plan net actuarial losses	14.4	13.7	29.3	27.4
Net periodic pension benefit cost	37.7	31.1	77.3	62.0
Net curtailment and settlement losses	4.0	—	4.1	5.8
Net periodic pension benefit cost after net curtailment and settlement losses	\$41.7	\$31.1	\$81.4	\$67.8
Amounts recorded in continuing operations	\$38.8	\$30.9	\$75.6	\$67.4
Amounts recorded in discontinued operations	2.9	0.2	5.8	0.4
Total	\$41.7	\$31.1	\$81.4	\$67.8

The Company made required and discretionary employer contributions of \$21.7 million and \$36.8 million to its defined benefit pension plans during the six months ended June 30, 2012 and 2011, respectively.

The curtailment and settlement losses in 2012 are associated with the recent amendments to the pension plans and lump sum distributions under the supplemental benefit plans for officers and key employees. The curtailment and settlement losses in 2011 are only associated with lump sum distributions under supplemental benefit plans.

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.

The Board of Directors approved healthcare benefit amendments on February 1, 2012 to its postretirement plans for post-65 retiree medical coverage. Effective January 1, 2013, the Company will discontinue offering company-sponsored retiree medical coverage for certain individuals 65 and older. The Company will transition such individuals to coverage through the individual Medicare market and will provide a tax-advantaged subsidy to those retirees currently eligible for subsidized company coverage that can be used toward reimbursing premiums for individual Medicare supplemental coverage purchased through the Company's third-

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(Unaudited)

party Medicare coordinator and other qualified medical expenses. As a result of these changes, the Company's projected benefit obligations were remeasured as of February 1, 2012, which included updating the discount rate assumption to 3.75% from the 4.00% assumed at December 31, 2011. The remeasurement resulted in a decrease of \$40.5 million to the projected benefit obligation, an actuarial loss of \$21.3 million and a credit of \$61.8 million to prior service cost. Postretirement benefit cost for 2012 is projected to be \$39.7 million as compared to \$51.8 million projected at December 31, 2011.

The Company will continue to monitor healthcare reform legislation to review provisions which could impact its accounting for retiree medical benefits in future periods. The Company may consider future plan amendments, which may have accounting implications as further regulations are promulgated and interpretations of the legislation become available.

In connection with the Hussmann divestiture, the Company transferred its obligations for postretirement benefits other than pensions for all current and former employees related to the divestiture.

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

In millions	Three months ended		Six months ended	
	2012	2011	2012	2011
Service cost	\$1.9	\$2.1	\$3.9	\$4.2
Interest cost	8.1	10.8	16.2	21.2
Net amortization of:				
Prior service gains	(2.9	) (0.8	) (4.9	) (1.7
Net actuarial losses	2.8	0.8	5.3	1.5
Net periodic postretirement benefit cost	\$9.9	\$12.9	\$20.5	\$25.2
Amounts recorded in continuing operations	\$6.4	\$8.7	\$13.1	\$16.8
Amounts recorded in discontinued operations	3.5	4.2	7.4	8.4
Total	\$9.9	\$12.9	\$20.5	\$25.2

Note 9 – Fair Value Measurement

Fair value is defined 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. Fair value measurements are based on a framework that utilizes 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 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.

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(Unaudited)

Assets and liabilities measured at fair value at June 30, 2012 were as follows:

In millions	Fair value measurements			Total fair value
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Recurring fair value measurements				
Assets:				
Marketable securities	\$12.9	\$—	\$—	\$12.9
Derivative instruments	—	7.7	—	7.7
Total asset recurring fair value measurements	\$12.9	\$7.7	\$—	\$20.6
Liabilities:				
Derivative instruments	\$—	\$22.1	\$—	\$22.1
Total liability recurring fair value measurements	\$—	\$22.1	\$—	\$22.1
Nonrecurring fair value measurements				
Assets:				
Cash and cash equivalents	\$903.4	\$—	\$—	\$903.4
Total asset nonrecurring fair value measurements	\$903.4	\$—	\$—	\$903.4
Financial instruments not carried at fair value:				
Total debt	\$—	\$3,749.2	\$—	\$3,749.2
Total financial instruments not carried at fair value	\$—	\$3,749.2	\$—	\$3,749.2

Assets and liabilities measured at fair value at December 31, 2011 were as follows:

In millions	Fair value measurements			Total fair value
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Recurring fair value measurements				
Assets:				
Marketable securities	\$10.4	\$—	\$—	\$10.4
Derivative instruments	—	9.3	—	9.3
Total asset recurring fair value measurements	\$10.4	\$9.3	\$—	\$19.7
Liabilities:				
Derivative instruments	\$—	\$22.2	\$—	\$22.2
Total liability recurring fair value measurements	\$—	\$22.2	\$—	\$22.2
Nonrecurring fair value measurements				
Assets:				
Cash and cash equivalents	\$1,160.7	\$—	\$—	\$1,160.7
Total asset nonrecurring fair value measurements	\$1,160.7	\$—	\$—	\$1,160.7
Financial instruments not carried at fair value:				

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Total debt	\$—	\$4,359.2	\$—	\$4,359.2
Total financial instruments not carried at fair value	\$—	\$4,359.2	\$—	\$4,359.2

In prior years, the Company included benefit trust assets and liabilities within its fair value disclosures. Benefit trust assets consist primarily of insurance contracts and are recorded at cash surrender value. Benefit trust liabilities include deferred compensation

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(Unaudited)

and executive death benefits, and are recorded based on the underlying investment portfolio of the deferred compensation plan and the specific benefits guaranteed in the death benefit contract with each executive. Benefit trust assets and liabilities of \$169.5 million and \$178.3 million, respectively, have been removed from the December 31, 2011 table above.

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.

Debt - These securities are recorded at cost and include fixed-rate debentures maturing in 2027 and 2028, which only require early prepayment at the option of the holder; exchangeable senior notes; other senior notes maturing through 2025, and other short term borrowings. The fair value of the long-term debt instruments is obtained based on observable market prices quoted on public exchanges for similar assets.

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.

These methodologies used by the Company to determine the fair value of its financial assets and liabilities at June 30, 2012 are the same as those used at December 31, 2011. There have been no transfers between Level 1 and Level 2 categories.

Note 10 – Equity

The reconciliation of Ordinary shares is as follows:

In millions	Total
December 31, 2011	297.1
Shares issued under incentive plans, net	2.1
Shares issued for settlement of Exchangeable Senior Notes	10.8
Repurchase of ordinary shares	(0.9)
June 30, 2012	309.1

During the six months ended June 30, 2012, the Company repurchased 0.9 million shares for approximately \$35.0 million as a part of its \$2.0 billion share repurchase program. These repurchases were accounted for as a reduction of Ordinary shares and Capital in excess of par value as they were canceled upon repurchase.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

The components of Equity for the six months ended June 30, 2012 were as follows:

In millions	IR-Ireland shareholders' equity	Noncontrolling interests	Total equity
Balance at December 31, 2011	\$6,924.3	\$88.1	\$7,012.4
Net earnings	461.4	13.7	475.1
Currency translation	(116.0)	) —	(116.0)
Change in value of marketable securities and derivatives qualifying as cash flow hedges, net of tax	2.9	—	2.9
Pension and OPEB adjustments, net of tax	64.8	—	64.8
Total comprehensive income	413.1	13.7	426.8
Share-based compensation	19.3	—	19.3
Settlement of Exchangeable Senior Notes	(4.5)	) —	(4.5)
Acquisition/divestiture of noncontrolling interests	—	(0.4)	) (0.4)
Dividends to noncontrolling interests	—	(10.3)	) (10.3)
Dividends to ordinary shareholders	(49.8)	) —	(49.8)
Accretion of Exchangeable Senior Notes from Temporary equity	3.3	—	3.3
Shares issued under incentive plans, net	24.9	—	24.9
Repurchase of ordinary shares	(35.0)	) —	(35.0)
Balance at June 30, 2012	\$7,295.6	\$91.1	\$7,386.7

The components of Equity for the six months ended June 30, 2011 were 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	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	(0.6)	) 14.9
Total comprehensive income	300.2	12.5	312.7
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, net	101.9	—	101.9
Repurchase of ordinary shares	(56.0)	) —	(56.0)
Other	(0.5)	) (1.0)	) (1.5)
Balance at June 30, 2011	\$8,278.2	\$86.8	\$8,365.0

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, restricted stock units (RSUs), performance share units (PSUs) and deferred compensation.

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(Unaudited)

Compensation Expense

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

In millions	Three months ended		Six months ended	
	2012	2011	2012	2011
Stock options	\$4.2	\$4.9	\$(2.5)	) \$13.2
RSUs	4.0	9.6	12.0	12.5
PSUs	4.3	(3.1)	) 9.9	1.1
Deferred compensation	(0.5)	) 0.4	(0.1)	) 0.4
Other	0.2	(0.1)	) 1.5	0.5
Pre-tax expense	12.2	11.7	20.8	27.7
Tax benefit	(4.7)	) (4.5)	) (8.0)	) (10.6)
After-tax expense	\$7.5	\$7.2	\$12.8	\$17.1

During the first quarter of 2012, the Company recorded a correcting adjustment resulting in the reversal of \$13.5 million (\$8.3 million after tax) of previously charged compensation expense related to the accounting for stock option forfeitures. The Company does not believe the correcting adjustment is material to 2012 or to any of its previously issued annual or interim financial statements. As a result, the Company did not adjust any prior period amounts.

Stock Options/RSUs

Eligible participants may receive (i) stock options, (ii) RSUs or (iii) a combination of both stock options and RSUs.

The following table illustrates those granted during the six months ended June 30:

	2012		2011	
	Number granted	Weighted-average fair value per award	Number granted	Weighted-average fair value per award
Stock options	1,462,052	\$13.67	1,573,986	\$14.64
RSUs	623,422	\$40.67	530,486	\$47.37

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 3-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.

The average fair value of the stock options granted is determined using the Black-Scholes option-pricing model. The following assumptions were used during the six months ended June 30:

	2012	2011	
Dividend yield	1.33	% 1.33	%
Volatility	43.60	% 34.81	%
Risk-free rate of return	0.92	% 2.45	%
Expected life	5.1 years	5.3 years	

Expected volatility is based on the historical volatility from traded options on the Company's stock. The risk-free rate of return is based on the yield curve of a zero-coupon U.S. Treasury bond on the date the award is granted with a maturity equal to the expected term of the award. Historical data is used to estimate forfeitures within the Company's valuation model. The expected life of the Company's stock option awards is derived from historical experience and represents the period of time that awards are expected to be outstanding.

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PSUs

The Company has a Performance Share Program for key employees. The program provides awards in the form of PSUs based on performance against pre-established objectives. The annual target award level is expressed as a number of the Company's ordinary shares. All PSUs are settled in the form of ordinary shares unless deferred. During the six months ended June 30, 2012, the Company granted PSUs with a maximum award level of approximately 0.6 million shares.

Awards granted in 2011 and 2010 are based upon the Company's relative earnings-per-share (EPS) growth as compared to the industrial group of companies in the S&P 500 Index over the three-year performance period. During the fourth quarter of 2011, the Compensation Committee approved certain changes to the Company's Performance Share Program to be implemented beginning with the 2012 grant year. Under these changes, PSU awards are based 50% upon relative EPS growth and 50% upon the Company's relative total shareholder return (TSR) as compared to the TSR of the industrial group of companies in the S&P 500 Index over the three-year performance period.

Additionally, during the first quarter of 2012, the Compensation Committee approved a change to fix the measurement of EPS for all outstanding 2010 and 2011 PSU awards, effective January 31, 2012. This change results in fixed accounting being applied as of the date of change. The fair value of the Company's stock price used to fix the remaining amount of expense to be recorded over the life of the awards was \$34.94.

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 has not granted any stock appreciation rights (SARs) since 2006 and does not anticipate additional grants in the future. SARs outstanding as of June 30, 2012 of 417,864 are vested and expire 10 years from the date of grant. All SARs exercised are settled with the Company's ordinary shares.

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		
	2012	2011	2012	2011	
Climate Solutions	\$2.3	\$5.4	\$9.8	\$5.6	
Residential Solutions	(0.3	) —	0.2	0.2	
Industrial Technologies	1.7	2.3	7.5	1.2	*
Security Technologies	4.1	(1.9	) ** 7.9	(1.1) **
Corporate and Other	1.0	(0.1	) 2.1	—	
Total	\$8.8	\$5.7	\$27.5	\$5.9	
Cost of goods sold	\$3.0	\$(0.2	) \$11.4	\$(1.3)
Selling and administrative expenses	5.8	5.9	16.1	7.2	
Total	\$8.8	\$5.7	\$27.5	\$5.9	

* Amount includes the reversal of \$6.7 million of previously accrued restructuring charges, as the Company made a decision in the first quarter of 2011 to continue operating a facility.

** Amount includes the reversal of \$2.2 million of previously accrued restructuring charges, as the Company made a decision in the second quarter of 2011 to discontinue a portion of the Company's restructuring plans.

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The changes in the restructuring reserve during the six months ended June 30, 2012 were as follows:

In millions	Climate Solutions	Residential Solutions	Industrial Technologies	Security Technologies	Corporate and Other	Total
December 31, 2011	\$3.9	\$1.6	\$4.2	\$1.7	\$1.7	\$13.1
Additions, net of reversals	9.8	0.2	7.5	7.9	2.1	27.5
Cash and non-cash uses	(8.2)	(1.7)	(7.2)	(4.2)	(0.9)	(22.2)
Currency translation	(0.2)	—	—	—	—	(0.2)
June 30, 2012	\$5.3	\$0.1	\$4.5	\$5.4	\$2.9	\$18.2

During the six months ended June 30, 2012 and 2011, the Company incurred costs of \$27.5 million and \$5.9 million, respectively, associated with 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. As of June 30, 2012, the Company had \$18.2 million accrued for costs associated with its ongoing restructuring actions, of which a majority will be paid within one year.

Note 13 – Other, Net

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

In millions	Three months ended		Six months ended	
	2012	2011	2012	2011
Interest income	\$3.9	\$6.7	\$8.6	\$11.8
Exchange gain (loss)	(1.0)	(7.7)	(2.8)	(7.6)
Earnings (loss) from equity investments	(0.8)	—	(6.0)	—
Other	2.0	3.4	4.1	3.1
Other, net	\$4.1	\$2.4	\$3.9	\$7.3

Included within Earnings (loss) from equity investments for the three and six months ended June 30, 2012 is a \$0.8 million and \$6.0 million equity loss on the Hussmann equity investment, respectively.

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 complete for the years prior to 2001, 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. The Company strongly disagreed with the view of the IRS and filed a protest with the IRS in the third quarter of 2007.

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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 2002 tax filings. If this alternative position is upheld, the Company would be required to record additional charges. 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 merits of the Company's position, the Company believes that it is adequately reserved for this matter and does not expect that the ultimate resolution will have a material adverse impact on its future results of operations, financial condition, or cash flows. As the Company moves forward to resolve this matter with the IRS, the reserves established may be adjusted. Although the Company continues to contest the IRS's position, there can be no assurance that it will be successful. If the IRS's position with respect to 2002 is ultimately sustained it will have a material adverse impact on the Company's future results of operations, financial condition and cash flows.

Although the Company expects them to do so, at this time the IRS has not yet proposed any similar adjustments for years subsequent to 2002 as the federal income tax audits for those years are still in process or have not yet begun. It is unclear how the IRS will apply their position to subsequent years or whether the IRS will take a similar position with respect to other intercompany debt instruments.

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, 2012 and December 31, 2011 were \$542.3 million and \$536.9 million, respectively.

The Company will continue to monitor healthcare reform legislation to review provisions which could impact its accounting for income taxes in future periods. The Company may consider future plan amendments, which may have accounting implications as further regulations are promulgated and interpretations of the legislation become available. During the three months ended June 30, 2012, the Company recorded a net discrete tax benefit of approximately \$47 million which includes a \$54 million out-of-period adjustment related to a Spanish tax law change (Royal Decree-Law 12/2012) enacted on March 31, 2012, the benefit of which should have been recorded by the Company during the three months ended March 31, 2012. The Company does not believe this out-of-period adjustment is material to its 2012 projected annual results or to its previously issued interim financial statements.

On July 17, 2012, the Official Bulletin of the State (Boletín Oficial del Estado, the official gazette of the Government of Spain) published a resolution dated July 16, 2012 clarifying certain provisions of Royal Decree-Law 12/2012. As a result of this interpretation, the Company will record an additional discrete tax benefit of approximately \$22 million in the three months ending September 30, 2012. The Company will continue to monitor developments in the Spanish legislation and assess the financial statement implications. It is reasonably possible that future enacted Spanish legislation could further impact the Company's tax positions and adversely impact our future results.

Note 15 – Divestitures and Discontinued Operations

Divested Operations

Hussmann Divestiture

On September 30, 2011, the Company completed a transaction to sell its Hussmann refrigerated display case business to a newly-formed affiliate (Hussmann Parent) of private equity firm Clayton Dubilier & Rice, LLC (CD&R). This transaction included the equipment business and certain of the service branches in the U.S. and Canada, and the equipment, service and installation businesses in Mexico, Chile, Australia, New Zealand, and Japan (Hussmann Business). The final transaction allowed Hussmann Parent the option to acquire the remaining North American Hussmann service and installation branches (Hussmann Branches). Hussmann Parent completed the acquisition of the Hussmann Branches on November 30, 2011. The Hussmann Business and Branches, which are reported as part of the Climate Solutions segment, manufacture, market, distribute, install, and service

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refrigerated display merchandising equipment, refrigeration systems, over the counter parts, and other commercial and industrial refrigeration applications.

The Hussmann Business divestiture was originally announced on April 21, 2011 and met the criteria for classification as held for sale treatment in accordance with GAAP during the first quarter of 2011. The Company classified the assets and liabilities of the Hussmann Business as held for sale and reported the results in discontinued operations in the first and second quarter of 2011 Form 10-Q filings. The company recognized a \$200.5 million and \$386.8 million pre-tax impairment loss to write the net assets down to their estimated fair value during the three and six months ended June 30, 2011, respectively.

During the third quarter of 2011, the Company negotiated the final transaction to sell the Hussmann Business and Branches to CD&R in exchange for \$370 million in cash, subject to purchase price adjustments, and common stock of Hussmann Parent, such that following the sale, CD&R would own cumulative convertible participating preferred stock of Hussmann Parent, initially representing 60% of the outstanding capital stock (on an as-converted basis) of Hussmann Parent, and the Company would own all of the common stock, initially representing the remaining 40% of the outstanding capital stock (on an as-converted basis) of Hussmann Parent. The Company's ownership of common stock of Hussmann Parent represents significant continuing involvement. Therefore, the results of the Hussmann Business and Branches are included in continuing operations for all periods presented. Based on these terms, the Company recorded a total pre-tax loss on sale/asset impairment charge of \$646.9 million during the full year of 2011. Results for the Hussmann Business and Branches for the three and six months ended June 30, 2011 were as follows:

In millions	Three months ended	Six months ended
Net revenues	\$286.8	\$499.9
Loss on sale/asset impairment	(200.5	) (386.8
Net earnings (loss) attributable to Ingersoll-Rand plc	(179.3	) (370.4
Diluted earnings (loss) per share attributable to Ingersoll-Rand plc ordinary shareholders:	(0.51	) (1.06

As a result of Hussmann Parent's required quarterly preferred dividend payment to CD&R being paid in the form of additional preferred shares, the Company's ownership percentage as of June 30, 2012 was 37.9%. The Company's ownership interest in Hussmann Parent is reported using the equity method of accounting subsequent to September 30, 2011. The Company's equity investment in the Hussmann Parent is reported within Other noncurrent assets in the Condensed Consolidated Balance Sheet and the related equity earnings reported in Other, net within Net earnings.

Discontinued Operations

The components of Discontinued operations, net of tax for the three and six months ended June 30 were as follows:

In millions	Three months ended		Six months ended	
	2012	2011	2012	2011
Net revenues	\$—	\$18.6	\$—	\$34.5
Pre-tax earnings (loss) from operations	\$(13.7	) \$(10.7	) \$(26.8	) \$(25.7
Pre-tax gain (loss) on sale	3.2	(33.7	) 3.2	(33.6
Tax benefit (expense)	18.3	14.1	29.2	19.9
Discontinued operations, net of tax	\$7.8	\$(30.3	) \$5.6	\$(39.4

Discontinued operations, net of tax by business for the three and six months ended June 30 were as follows:

In millions	Three months ended		Six months ended	
	2012	2011	2012	2011
Integrated Systems and Services, net of tax	\$(0.1) \$0.8	\$(0.3) \$—

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Other discontinued operations, net of tax	7.9	(31.1) 5.9	(39.4)
Discontinued operations, net of tax	\$7.8	\$(30.3) \$5.6	\$(39.4)

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Integrated Systems and Services Divestiture

On December 30, 2011, the Company completed the divestiture of its security installation and service business, which was sold under the Integrated Systems and Services brand in the United States and Canada, to Kratos Public Safety & Security Solutions, Inc. This business, which was previously reported as part of the Security Technologies segment, designs, installs and services security systems. The Company reported this business as a discontinued operation for all periods presented. In the fourth quarter of 2011, the Company recorded a pre-tax loss on sale of \$6.7 million (\$5.0 million after-tax) within discontinued operations.

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

In millions	Three months ended		Six months ended	
	2012	2011	2012	2011
Net revenues	\$—	\$18.6	\$—	\$34.5
After-tax earnings (loss) from operations	\$(0.1)	) \$0.8	\$(0.3)) \$—
Gain (loss) on sale, net of tax	—	—	—	—
Discontinued operations, net of tax	\$(0.1)	) \$0.8	\$(0.3)) \$—

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 was 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. During the second quarter of 2012, Doosan Infracore paid the Company a total of \$46.5 million to settle the outstanding receivable and remaining disputed post-closing matters.

Other discontinued operations, net of tax from previously sold businesses is mainly related to postretirement benefits, product liability and legal costs (mostly asbestos-related) and tax effects of post-closing purchase price adjustments.

Note 16 – Earnings Per Share (EPS)

Basic EPS is calculated by dividing Net earnings 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	
	2012	2011	2012	2011
Weighted-average number of basic shares	309.2	333.8	304.2	332.6
Shares issuable under incentive stock plans	3.5	5.2	3.2	5.4
Exchangeable Senior Notes	1.7	11.9	6.1	11.9
Weighted-average number of diluted shares	314.4	350.9	313.5	349.9
Anti-dilutive shares	5.8	1.5	6.4	1.7

The Company settled all remaining outstanding Notes during the second quarter of 2012. As a result, the Company issued 10.8 million ordinary shares related to the equity portion of the Notes. See Note 6 for a further discussion.

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.

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Segment operating income is the measure of profit and loss that the Company's chief operating decision maker uses to evaluate the financial performance of the business and as the basis for performance reviews, compensation and resource allocation. For these reasons, the Company believes that Segment operating income represents the most relevant measure of segment profit and loss. The Company may exclude certain charges or gains from Operating income to arrive at a Segment operating income that is a more meaningful measure of profit and loss upon which to base its operating decisions.

On September 30, 2011 and November 30, 2011, the Company completed transactions to sell the Hussmann Business and Branches, respectively, to a newly-formed affiliate (Hussmann Parent) of private equity firm Clayton Dubilier & Rice, LLC (CD&R). During the three and six months ended June 30, 2011, the Company recorded a pre-tax asset impairment charge related to the Hussmann divestiture totaling \$200.5 million and \$386.8 million, respectively. These charges have been excluded from Segment operating income within the Climate Solutions segment as management excludes these charges from Operating income when making operating decisions about the business. See Note 15 for a further discussion of the Hussmann divestiture.

2011 Net revenues and Segment operating income for the Climate Solutions segment includes the operating results of the Hussmann Business and Branches prior to the sale. The operating results for the Hussmann Business and Branches for the three and six months ended June 30, 2011, were as follows:

In millions	Three months ended	Six months ended
Net revenues	\$286.8	\$499.9
Segment operating income	\$30.0	\$26.0

On December 30, 2011, the Company completed the divestiture of its security installation and service business, which was sold under the Integrated Systems and Services brand in the United States and Canada, to Kratos Public Safety & Security Solutions, Inc. This business, which was previously reported as part of the Security Technologies segment, designs, installs and services security systems. 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 was as follows:

In millions	Three months ended		Six months ended	
	2012	2011	2012	2011
Net revenues				
Climate Solutions	\$1,967.1	\$2,265.4	\$3,628.9	\$4,090.3
Residential Solutions	652.5	632.1	1,074.1	1,065.4
Industrial Technologies	790.3	771.9	1,479.0	1,412.4
Security Technologies	411.4	422.0	790.0	797.1
Total	\$3,821.3	\$4,091.4	\$6,972.0	\$7,365.2
Segment operating income				
Climate Solutions *	\$238.5	\$273.2	\$332.6	\$367.3
Residential Solutions	51.7	40.3	41.0	48.3
Industrial Technologies	134.4	120.5	225.9	205.7
Security Technologies	82.4	92.0	152.2	163.1
Total	\$507.0	\$526.0	\$751.7	\$784.4
Reconciliation to Operating income				
Gain (loss) on sale/asset impairment *	4.2	(200.5)	4.5	(386.8)
Unallocated corporate expense	(33.3)	(26.8)	(66.3)	(57.1)
Operating income	\$477.9	\$298.7	\$689.9	\$340.5

* During the three and six months ended June 30, 2011, the Company recorded a pre-tax asset impairment charge related to the Hussmann divestiture totaling \$200.5 million and \$386.8 million, respectively. During the three and six months ended June 30, 2012, the Company recorded \$4.2 million and \$4.5 million of purchase price adjustments related to the Hussmann sale, respectively. These amounts have been excluded from Segment operating income within the Climate Solutions segment as management excludes these charges from Operating income when making operating decisions about the business.

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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, asbestos, 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.

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 on our understanding of 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 months ended June 30, 2012 and 2011, the Company incurred \$2.2 million and \$0.1 million, respectively, of expenses for environmental remediation at sites presently or formerly owned or leased by us. For the six months ended June 30, 2012 and 2011, the Company incurred expenses of \$3.9 million and \$1.2 million, respectively. As of June 30, 2012 and December 31, 2011, the Company has recorded reserves for environmental matters of \$69.7 million and \$70.9 million, respectively. Of these amounts, \$50.4 million and \$51.3 million relate to remediation of sites previously disposed by the Company. Environmental reserves are classified as Accrued expenses and other current liabilities or Other noncurrent liabilities based on their expected term. The Company's total current environmental reserve at June 30, 2012 and December 31, 2011 was \$26.6 million and \$26.1 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 have been filed against either Ingersoll-Rand Company (IR-New Jersey) or Trane Inc. (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 an 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

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

At June 30, 2012 and December 31, 2011, 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 were included in the following balance sheet accounts:

In millions	June 30, 2012	December 31, 2011
Accrued expenses and other current liabilities	\$69.7	\$69.7
Other noncurrent liabilities	835.1	868.6
Total asbestos-related liabilities	\$904.8	\$938.3
Other current assets	\$23.6	\$23.5
Other noncurrent assets	294.9	298.9
Total asset for probable asbestos-related insurance recoveries	\$318.5	\$322.4

The Company's asbestos insurance receivable related to IR-New Jersey and Trane was \$125.2 million and \$193.2 million at June 30, 2012, and \$126.9 million and \$195.5 million, at December 31, 2011, respectively.

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	
	2012	2011	2012	2011
Continuing operations	\$(1.3	) \$(1.2	) \$(1.0	) \$(2.6
Discontinued operations	(3.5	) (1.9	) (5.0	) (5.6
Total	\$(4.8	) \$(3.1	) \$(6.0	) \$(8.2

IR-New Jersey records 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 has now settled claims regarding asbestos coverage with most of its insurers. The settlements collectively account for approximately 95% of its recorded asbestos-related insurance receivable as of June 30, 2012. Most 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. Trane remains in litigation in an action that Trane filed in November 2010 in the Circuit

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Court for La Crosse County, Wisconsin, relating to claims for insurance coverage for a subset of Trane's historical asbestos-related liabilities.

On January 12, 2012, IR-New Jersey filed an action in the Superior Court of New Jersey, Middlesex County, seeking a declaratory judgment and other relief regarding the Company's rights to defense and indemnity for asbestos claims. The defendants are several dozen solvent insurance companies, including companies that have been paying a portion of IR-New Jersey's asbestos claim defense and indemnity costs. The action involves IR-New Jersey's unexhausted insurance policies applicable to the asbestos claims that are not subject to any settlement agreement. The responding defendants generally challenged the Company's right to recovery, and raised various coverage defenses.

The Company continually monitors the status of pending litigation that could impact the allocation of asbestos claims against the Company's various insurance policies. The Company has concluded that its IR-New Jersey insurance receivable is probable of recovery because of the following factors:

- a review of other companies in circumstances comparable to IR-New Jersey, including Trane, and the success of other companies in recovering under their insurance policies, including Trane's favorable settlement discussed above;
- the Company's confidence in its right to recovery under the terms of its policies and pursuant to applicable law; and
- the Company's history of receiving payments under the IR-New Jersey insurance program, including under policies that had been the subject of prior litigation.

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. 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

Standard 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.

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

In millions	2012	2011
Balance at beginning of period	\$264.4	\$266.6
Reductions for payments	(72.9	) (77.6
Accruals for warranties issued during the current period	80.1	77.2
Changes to accruals related to preexisting warranties	(3.5	) (0.1
Translation	(1.8	) 4.1
Balance at end of period	\$266.3	\$270.2

Standard product warranty liabilities are classified as Accrued expenses and other current liabilities, or Other noncurrent liabilities based on their expected term. The Company's total current standard product warranty reserve at June 30, 2012 and December 31, 2011 was \$153.8 million and \$150.6 million, respectively.

The Company's extended warranty liability represents the deferred revenue associated with its extended warranty contracts and

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is amortized into Revenue on a straight-line basis over the life of the contract, unless another method is more representative of the costs incurred. The Company assesses the adequacy of its liability by evaluating the expected costs under its existing contracts to ensure these expected costs do not exceed the extended warranty liability.

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

In millions	2012	2011
Balance at beginning of period	\$372.0	\$364.8
Amortization of deferred revenue for the period	(49.1	) (49.2
Additions for extended warranties issued during the period	53.2	51.8
Changes to accruals related to preexisting warranties	2.2	(0.4
Translation	(0.3) —
Balance at end of period	\$378.0	\$367.0

The extended warranty liability is classified as Accrued expenses and other current liabilities or Other noncurrent liabilities based on the timing of when the deferred revenue is expected to be amortized into Revenue. The Company's total current extended warranty liability at June 30, 2012 and December 31, 2011 was \$97.7 million and \$94.5 million, respectively. For the six months ended June 30, 2012 and 2011, the Company incurred costs of \$25.9 million and \$32.5 million, respectively, related to extended warranties.

Trane has commitments and performance guarantees, including energy savings guarantees, totaling \$323.2 million extending from 2012-2032. These guarantees are provided under long-term service and maintenance contracts related to its air conditioning equipment and system controls. Through June 30, 2012, the Company has experienced no significant losses under such arrangements and considers the probability of any significant future losses to be remote.

Note 19 – Guarantor Financial Information

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), 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 had a fixed rate of interest of 11% per annum payable semi-annually and imposed certain restrictive covenants upon IR-New Jersey. 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. In the fourth quarter of 2011, the Company repaid the remaining \$1.0 billion outstanding of the original \$3.6 billion note.

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 IR-International, Ingersoll-Rand Global Holding Company Limited (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. 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, 2012, \$10.8

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billion remains outstanding.

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 affiliate continues to be reflected on the Condensed Consolidating Balance Sheet of IR-International and is enforceable in accordance with their terms.

The following condensed consolidating 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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

Condensed Consolidating Statement of Comprehensive Income

For the three months ended June 30, 2012

In millions	IR Ireland	IR Limited	IR International	IR Global	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Net revenues	\$—	\$—	\$—	\$—	\$239.7	\$3,581.6	\$—	\$3,821.3
Cost of goods sold	—	—	—	—	(153.6)	(2,490.4)	—	(2,644.0)
Selling and administrative expenses	(3.6)	(0.3)	—	(0.3)	(80.4)	(619.0)	—	(703.6)
Gain (loss) on sale/asset impairment	—	—	—	—	—	4.2	—	4.2
Operating income (loss)	(3.6)	(0.3)	—	(0.3)	5.7	476.4	—	477.9
Equity earnings (loss) in affiliates, net of tax	370.6	373.0	272.7	325.3	76.2	345.8	(1,763.6)	—
Interest expense	—	(0.1)	(4.0)	(41.0)	(12.5)	(4.5)	—	(62.1)
Intercompany interest and fees	(2.0)	—	(10.7)	(12.2)	(1.6)	26.5	—	—
Other, net	0.1	—	0.3	1.9	0.1	9.5	(7.8)	4.1
Earnings (loss) before income taxes	365.1	372.6	258.3	273.7	67.9	853.7	(1,771.4)	419.9
Benefit (provision) for income taxes	0.7	—	—	—	12.4	(67.9)	—	(54.8)
Earnings (loss) from continuing operations	365.8	372.6	258.3	273.7	80.3	785.8	(1,771.4)	365.1
Discontinued operations, net of tax	—	—	—	—	7.5	0.3	—	7.8
Net earnings (loss)	365.8	372.6	258.3	273.7	87.8	786.1	(1,771.4)	372.9
Less: Net earnings attributable to noncontrolling interests	—	—	—	—	—	(13.0)	5.9	(7.1)
Net earnings (loss) attributable to Ingersoll-Rand plc	\$365.8	\$372.6	\$258.3	\$273.7	\$87.8	\$773.1	\$(1,765.5)	\$365.8
Total comprehensive income	152.5	159.3	258.6	272.1	112.5	549.5	(1,344.9)	159.6
Less: Total comprehensive income attributable to noncontrolling interests	—	—	—	—	—	(13.0)	5.9	(7.1)
Total comprehensive income attributable to Ingersoll-Rand plc	\$152.5	\$159.3	\$258.6	\$272.1	\$112.5	\$536.5	\$(1,339.0)	\$152.5

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INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

Condensed Consolidating Statement of Comprehensive Income

For the six months ended June 30, 2012

In millions	IR Ireland	IR Limited	IR International	IR Global	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Net revenues	\$—	\$—	\$—	\$—	\$456.9	\$ 6,515.1	\$—	\$ 6,972.0
Cost of goods sold	—	—	—	—	(295.8)	(4,597.6)	—	(4,893.4)
Selling and administrative expenses	(5.4)	(0.3)	—	(0.5)	(160.1)	(1,226.9)	—	(1,393.2)
Gain (loss) on sale/asset impairment	—	—	—	—	—	4.5	—	4.5
Operating income (loss)	(5.4)	(0.3)	—	(0.5)	1.0	695.1	—	689.9
Equity earnings (loss) in affiliates, net of tax	470.3	269.7	219.6	535.1	143.1	335.0	(1,972.8)	—
Interest expense	—	(0.1)	(7.9)	(88.8)	(25.1)	(9.6)	—	(131.5)
Intercompany interest and fees	(4.9)	—	(22.3)	(23.8)	(0.2)	51.2	—	—
Other, net	0.1	—	0.4	(200.7)	1.5	12.8	189.8	3.9
Earnings (loss) before income taxes	460.1	269.3	189.8	221.3	120.3	1,084.5	(1,783.0)	562.3
Benefit (provision) for income taxes	1.3	—	—	—	3.3	(97.4)	—	(92.8)
Earnings (loss) from continuing operations	461.4	269.3	189.8	221.3	123.6	987.1	(1,783.0)	469.5
Discontinued operations, net of tax	—	—	—	—	21.8	(16.2)	—	5.6
Net earnings (loss)	461.4	269.3	189.8	221.3	145.4	970.9	(1,783.0)	475.1
Less: Net earnings attributable to noncontrolling interests	—	—	—	—	—	(24.9)	11.2	(13.7)
Net earnings (loss) attributable to Ingersoll-Rand plc	\$461.4	\$269.3	\$ 189.8	\$ 221.3	\$145.4	\$ 946.0	\$ (1,771.8)	\$ 461.4
Total comprehensive income	413.1	221.0	190.4	221.0	201.5	866.5	(1,686.7)	426.8
Less: Total comprehensive income attributable to noncontrolling interests	—	—	—	—	—	(24.9)	11.2	(13.7)
Total comprehensive income attributable to Ingersoll-Rand plc	\$413.1	\$221.0	\$ 190.4	\$ 221.0	\$201.5	\$ 841.6	\$ (1,675.5)	\$ 413.1

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INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

Condensed Consolidating Statement of Comprehensive Income

For the three months ended June 30, 2011

In millions	IR Ireland	IR Limited	IR International	IR Global	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Net revenues	\$—	\$—	\$—	\$—	\$219.6	\$ 3,871.8	\$—	\$ 4,091.4
Cost of goods sold	—	—	—	—	(137.6)	(2,725.4)	—	(2,863.0)
Selling and administrative expenses	(2.8)	—	—	(0.2)	(67.8)	(658.4)	—	(729.2)
Gain (loss) on sale/asset impairment	—	—	—	—	(2.5)	(198.0)	—	(200.5)
Operating income (loss)	(2.8)	—	—	(0.2)	11.7	290.0	—	298.7
Equity earnings (loss) in affiliates, net of tax	94.5	154.6	296.5	272.1	53.7	287.5	(1,158.9)	—
Interest expense	—	—	(3.9)	(48.3)	(12.7)	(6.8)	—	(71.7)
Intercompany interest and fees	(0.1)	—	(30.9)	13.3	(32.1)	49.8	—	—
Other, net	0.4	—	0.4	60.1	1.1	(2.0)	(57.6)	2.4
Earnings (loss) before income taxes	92.0	154.6	262.1	297.0	21.7	618.5	(1,216.5)	229.4
Benefit (provision) for income taxes	0.3	—	—	—	9.9	(110.0)	—	(99.8)
Earnings (loss) from continuing operations	92.3	154.6	262.1	297.0	31.6	508.5	(1,216.5)	129.6
Discontinued operations, net of tax	—	—	—	—	(8.7)	(21.6)	—	(30.3)
Net earnings (loss)	92.3	154.6	262.1	297.0	22.9	486.9	(1,216.5)	99.3
Less: Net earnings attributable to noncontrolling interests	—	—	—	—	—	(4.7)	(2.3)	(7.0)
Net earnings (loss) attributable to Ingersoll-Rand plc	\$92.3	\$ 154.6	\$ 262.1	\$ 297.0	\$ 22.9	\$ 482.2	\$ (1,218.8)	\$ 92.3
Total comprehensive income	186.7	249.0	262.4	298.6	24.0	576.7	(1,404.3)	193.1
Less: Total comprehensive income attributable to noncontrolling interests	—	—	—	—	—	(4.1)	(2.3)	(6.4)
Total comprehensive income attributable to Ingersoll-Rand plc	\$ 186.7	\$ 249.0	\$ 262.4	\$ 298.6	\$ 24.0	\$ 572.6	\$ (1,406.6)	\$ 186.7

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INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

Condensed Consolidating Statement of Comprehensive Income

For the six months ended June 30, 2011

In millions	IR Ireland	IR Limited	IR International	IR Global	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Net revenues	—	—	—	—	411.8	6,953.4	—	7,365.2
Cost of goods sold	—	—	—	—	(270.3)	(4,961.3)	—	(5,231.6)
Selling and administrative expenses	(4.6)	—	—	(0.3)	(129.6)	(1,271.8)	—	(1,406.3)
Gain (loss) on sale/asset impairment	—	—	—	—	(3.1)	(383.7)	—	(386.8)
Operating income (loss)	(4.6)	—	—	(0.3)	8.8	336.6	—	340.5
Equity earnings (loss) 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	(11.0)	15.5	7.3
Earnings (loss) before income taxes	14.2	(11.2)	88.5	159.6	49.8	548.0	(641.1)	207.8
Benefit (provision) for income taxes	0.5	—	—	—	11.3	(152.4)	—	(140.6)
Earnings (loss) from continuing operations	14.7	(11.2)	88.5	159.6	61.1	395.6	(641.1)	67.2
Discontinued operations, net of tax	—	—	—	—	(15.9)	(23.5)	—	(39.4)
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
Total comprehensive income	300.2	274.0	89.1	164.6	60.5	635.1	(1,210.8)	312.7
Less: Total comprehensive income attributable to noncontrolling interests	—	—	—	—	—	(27.5)	15.0	(12.5)
Total comprehensive income attributable to Ingersoll-Rand plc	\$300.2	\$274.0	\$89.1	\$164.6	\$60.5	\$607.6	\$(1,195.8)	\$300.2

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INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

Condensed Consolidating Balance Sheet

June 30, 2012

In millions	IR Ireland	IR Limited	IR International	IR Global	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Current assets:								
Cash and cash equivalents	\$—	\$—	\$—	\$—	\$76.8	\$826.6	\$—	\$903.4
Accounts and notes receivable, net	—	—	—	—	137.9	2,290.0	—	2,427.9
Inventories	—	—	—	—	94.5	1,380.5	—	1,475.0
Other current assets	0.2	—	0.9	—	154.3	409.4	—	564.8
Accounts and notes receivable affiliates	654.5	3,013.0	17.0	2,374.9	7,295.0	22,653.2	(36,007.6)	—
Total current assets	654.7	3,013.0	17.9	2,374.9	7,758.5	27,559.7	(36,007.6)	5,371.1
Investment in affiliates	8,184.7	6,479.0	20,485.4	17,975.5	8,118.4	89,461.5	(150,704.5)	—
Property, plant and equipment, net	0.1	—	—	0.2	227.2	1,381.6	—	1,609.1
Intangible assets, net	—	—	—	—	83.8	10,226.0	—	10,309.8
Other noncurrent assets	—	—	0.6	12.0	918.8	517.3	—	1,448.7
Total assets	\$8,839.5	\$9,492.0	\$20,503.9	\$20,362.6	\$17,106.7	\$129,146.1	\$(186,712.1)	\$18,738.7
Current liabilities:								
Accounts payable and accruals	\$7.6	\$—	\$2.9	\$47.6	\$437.4	\$2,991.7	\$—	\$3,487.2
Short-term borrowings and current maturities of long-term debt	—	—	—	—	351.9	70.1	—	422.0
Accounts and note payable affiliates	1,445.2	41.8	4,843.3	7,838.7	11,912.1	9,569.0	(35,650.1)	—
Total current liabilities	1,452.8	41.8	4,846.2	7,886.3	12,701.4	12,630.8	(35,650.1)	3,909.2
Long-term debt	—	—	299.6	2,004.3	365.0	202.6	—	2,871.5
Note payable affiliate	—	—	10,789.4	—	—	—	(10,789.4)	—
Other noncurrent liabilities	—	—	3.8	—	1,797.4	2,770.1	—	4,571.3
Total liabilities	1,452.8	41.8	15,939.0	9,890.6	14,863.8	15,603.5	(46,439.5)	11,352.0
Temporary equity	—	—	—	—	—	—	—	—
Equity:								
Total equity	7,386.7	9,450.2	4,564.9	10,472.0	2,242.9	113,542.6	(140,272.6)	7,386.7
Total liabilities and equity	\$8,839.5	\$9,492.0	\$20,503.9	\$20,362.6	\$17,106.7	\$129,146.1	\$(186,712.1)	\$18,738.7

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INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

Condensed Consolidating Balance Sheet

December 31, 2011

In millions	IR Ireland	IR Limited	IR International	IR Global	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Current assets:								
Cash and cash equivalents	\$—	\$—	\$—	\$241.8	\$77.8	\$841.1	\$—	\$1,160.7
Accounts and notes receivable, net	—	—	—	—	166.7	1,979.1	—	2,145.8
Inventories	—	—	—	—	73.3	1,208.7	—	1,282.0
Other current assets	0.1	—	0.1	0.5	176.0	417.4	—	594.1
Accounts and notes receivable affiliates	137.5	3,013.3	17.0	2,465.4	4,829.9	21,001.7	(31,464.8)	—
Total current assets	137.6	3,013.3	17.1	2,707.7	5,323.7	25,448.0	(31,464.8)	5,182.6
Investment in affiliates	8,179.9	6,254.6	20,265.3	17,420.3	7,922.5	84,841.3	(144,883.9)	—
Property, plant and equipment, net	0.1	—	—	0.2	217.0	1,423.3	—	1,640.6
Intangible assets, net	—	—	—	—	83.9	10,358.3	—	10,442.2
Other noncurrent assets	—	—	0.7	12.7	906.4	569.0	—	1,488.8
Total assets	\$8,317.6	\$9,267.9	\$20,283.1	\$20,140.9	\$14,453.5	\$122,639.9	\$(176,348.7)	\$18,754.2
Current liabilities:								
Accounts payable and accruals	\$51.7	\$—	\$3.9	\$50.8	\$433.1	\$2,821.7	\$—	\$3,361.2
Short-term borrowings and current maturities of long-term debt	—	—	—	581.0	351.9	70.2	(239.8)	763.3
Accounts and note payable affiliates	1,250.2	40.3	4,812.5	7,352.8	9,455.3	8,140.2	(31,051.3)	—
Total current liabilities	1,301.9	40.3	4,816.4	7,984.6	10,240.3	11,032.1	(31,291.1)	4,124.5
Long-term debt	—	—	299.6	2,004.2	372.6	202.9	—	2,879.3
Note payable affiliate	—	—	10,789.4	—	—	—	(10,789.4)	—
Other noncurrent liabilities	—	—	3.8	—	1,894.4	2,836.5	—	4,734.7
Total liabilities	1,301.9	40.3	15,909.2	9,988.8	12,507.3	14,071.5	(42,080.5)	11,738.5
Temporary equity	3.3	—	—	—	—	—	—	3.3
Equity:								
Total equity	7,012.4	9,227.6	4,373.9	10,152.1	1,946.2	108,568.4	(134,268.2)	7,012.4
Total liabilities and equity	\$8,317.6	\$9,267.9	\$20,283.1	\$20,140.9	\$14,453.5	\$122,639.9	\$(176,348.7)	\$18,754.2

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INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

Condensed Consolidating Statement of Cash Flows

For the six months ended June 30, 2012

In millions	IR Ireland	IR Limited	IR International	IR Global	IR New Jersey	Other Subsidiaries	IR Ireland Consolidated
Net cash provided by (used in) continuing operating activities	\$(0.8)	\$(0.4)	\$(7.5)	\$(495.5)	\$44.5	\$839.2	\$ 379.5
Net cash provided by (used in) discontinued operating activities	—	—	—	—	21.8	(95.7)	(73.9)
Net cash provided by (used in) operating activities	(0.8)	(0.4)	(7.5)	(495.5)	66.3	743.5	305.6
Cash flows from investing activities:							
Capital expenditures	—	—	—	—	(31.3)	(82.5)	(113.8)
Acquisition of businesses, net of cash acquired	—	—	—	—	—	—	—
Proceeds from sale of property, plant and equipment	—	—	—	—	0.5	11.5	12.0
Net cash provided by (used in) continuing investing activities	—	—	—	—	(30.8)	(71.0)	(101.8)
Net cash provided by (used in) discontinued investing activities	—	—	—	—	—	36.0	36.0
Net cash provided by (used in) investing activities	—	—	—	—	(30.8)	(35.0)	(65.8)
Cash flows from financing activities:							
Net proceeds (repayments) in debt	—	—	—	(344.5)	(7.6)	(0.8)	(352.9)
Debt issuance costs	—	—	—	(2.5)	—	—	(2.5)
Net inter-company proceeds (payments)	112.2	0.4	7.5	600.7	(28.9)	(691.9)	—
Dividends paid to ordinary shareholders	(96.4)	—	—	—	—	—	(96.4)
Dividends paid to noncontrolling interests	—	—	—	—	—	(13.5)	(13.5)
Acquisition/divestiture of noncontrolling interests	(0.4)	—	—	—	—	—	(0.4)
Proceeds from shares issued under incentive plans	24.9	—	—	—	—	—	24.9
	(35.0)	—	—	—	—	—	(35.0)

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Repurchase of ordinary shares							
Other, net	(4.5)	—	—	—	—	(4.5
Net cash provided by (used in) continuing financing activities	0.8	0.4	7.5	253.7	(36.5)	(706.2
Effect of exchange rate changes on cash and cash equivalents	—	—	—	—	—	(16.8)
Net increase (decrease) in cash and cash equivalents	—	—	—	(241.8	)	(1.0)
Cash and cash equivalents - beginning of period	—	—	—	241.8	77.8	841.1	1,160.7
Cash and cash equivalents - end of period	\$—	\$—	\$—	\$—	\$76.8	\$826.6	\$903.4

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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	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)	\$49.3	\$410.9	\$ 352.7
Net cash provided by (used in) discontinued operating activities	—	—	—	—	(15.9)	(4.3)	(20.2)
Net cash provided by (used in) operating activities	(4.2)	(0.1)	(6.8)	(96.4)	33.4	406.6	332.5
Cash flows from investing activities:							
Capital expenditures	—	—	—	—	(14.9)	(65.3)	(80.2)
Acquisition of businesses, net of cash acquired	—	—	—	—	—	(2.0)	(2.0)
Proceeds from sale of property, plant and equipment	—	—	—	—	1.6	33.1	34.7
Net cash provided by (used in) continuing investing activities	—	—	—	—	(13.3)	(34.2)	(47.5)
Net cash provided by (used in) discontinued investing activities	—	—	—	—	—	44.4	44.4
Net cash provided by (used in) investing activities	—	—	—	—	(13.3)	10.2	(3.1)
Cash flows from financing activities:							
Net proceeds (repayments) 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 ordinary shareholders	(63.1)	—	—	—	—	—	(63.1)
Dividends paid to noncontrolling interests	—	—	—	—	—	(18.3)	(18.3)
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)

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Net cash provided by (used in) continuing financing activities	3.8	0.1	(5.2)	189.3	89.9	(373.7)	(95.8)
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			

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Item 2 – 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, 2011. 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 (collectively, 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 being a world leader in creating safe, comfortable and efficient environments, we continue to focus on increasing our recurring revenue stream from parts, service, used equipment and rentals; and to continuously improve the efficiencies and capabilities of the products and services of our high-potential businesses. We also continue to focus on operational excellence strategies as a central theme to improving the earnings and cash flows of our Company.

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 mitigate the impact of any one industry or the economy of any single country on our consolidated operating results. 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.

Current market conditions continue to impact our financial results. While residential and consumer markets continue to be a challenge as new single-family housing construction and consumer confidence remain at low levels, we begin to see slight improvements in the new builder markets. The residential Heating, Ventilation and Air Conditioning (HVAC) business also continues to be impacted by a mix shift to units with a lower Seasonal Energy Efficiency Rating (SEER). Stagnant commercial construction activity is negatively impacting the results of our Security Technologies segment. However, we have seen moderate growth in the American and Asian industrial markets, and the North American refrigerated transport market. We believe the commercial HVAC equipment replacement and aftermarket is also slowly recovering. As economic conditions continue to stabilize, we expect modest revenue growth along with benefits from restructuring and productivity programs.

Despite the current market environment, we believe 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 we expect will drive our future growth.

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Recent Developments

Pension and Other Postretirement Plan Amendments

On June 8, 2012, our Board of Directors approved amendments to our retirement pension plans for certain U.S. and Puerto Rico non-bargained employees. All eligible non-bargained employees hired prior to July 1, 2012 will be given a choice of remaining in the applicable defined benefit plan until the plans freeze on December 31, 2022 or freezing their accrued benefits in their respective defined benefit plans as of December 31, 2012 and receiving an additional 2% non-matching company contribution into the Company's applicable defined contribution plan. Employees who elect to remain in a defined benefit plan until the plan freezes on December 31, 2022 will receive the 2% non-matching contribution into the applicable defined contribution savings plan beginning January 1, 2023.

On February 1, 2012, our Board of Directors approved healthcare benefit amendments to our postretirement plans for post-65 retiree medical coverage. Effective January 1, 2013, we will discontinue offering company-sponsored retiree medical coverage for certain individuals 65 and older.

See Note 8 to the condensed consolidated financial statements for a further discussion of these amendments.

Dividend Increase and Share Repurchase Program

In April 2011, 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. As of December 31, 2011, we repurchased 36.3 million shares for approximately \$1.2 billion under this program. During the six months ended June 30, 2012, we repurchased 0.9 million shares for approximately \$35.0 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. In December 2011, we announced an increase in our quarterly stock dividend from \$0.12 per share to \$0.16 per share beginning with our March 2012 payment.

Divested Operations

On September 30, 2011 and November 30, 2011, we completed transactions to sell our Hussmann refrigerated display case business to a newly-formed affiliate (Hussmann Parent) of private equity firm Clayton Dubilier & Rice, LLC (CD&R). The Hussmann divestiture, which was originally announced on April 21, 2011 and anticipated to be a sale of 100% of our interest in Hussmann, with no retained ongoing interest, met the criteria for classification as held for sale and for treatment as discontinued operations in accordance with GAAP as reported in our first and second quarter of 2011 Form 10-Q filings. During the third quarter of 2011, we negotiated the final terms of the transaction to include our ownership of common stock of Hussmann Parent, which represents significant continuing involvement. Therefore, Hussmann no longer qualified for reporting treatment as a discontinued operation. The results of Hussmann are now included in continuing operations for all periods presented, with our ownership interest reported using the equity method of accounting subsequent to September 30, 2011. See "Divestitures and Discontinued Operations" within Management's Discussion and Analysis and also Note 15 to the condensed consolidated financial statements for a discussion of our divested operations.

Discontinued Operations

On December 30, 2011, we completed the divestiture of our security installation and service business, which was sold under the Integrated Systems and Services brand in the United States and Canada, to Kratos Public Safety & Security Solutions, Inc. As a result of the sale, we have reported this business as a discontinued operation for all periods presented. See "Divestitures and Discontinued Operations" within Management's Discussion and Analysis and also Note 15 to the condensed consolidated financial statements for a discussion of our discontinued operations.

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Results of Operations – Three Months Ended June 30, 2012 and 2011

In millions, except per share amounts	2012	% of revenues	2011	% of revenues
Net revenues	\$3,821.3		\$4,091.4	
Cost of goods sold	(2,644.0)	) 69.2	% (2,863.0)	) 70.0
Selling and administrative expenses	(703.6)	) 18.4	% (729.2)	) 17.8
Gain (loss) on sale/asset impairment	4.2	(0.1)	)% (200.5)	) 4.9
Operating income	477.9	12.5	% 298.7	7.3
Interest expense	(62.1)	)	(71.7))
Other, net	4.1		2.4	
Earnings before income taxes	419.9		229.4	
Provision for income taxes	(54.8)	)	(99.8))
Earnings from continuing operations	365.1		129.6	
Discontinued operations, net of tax	7.8		(30.3))
Net earnings	372.9		99.3	
Less: Net earnings attributable to noncontrolling interests	(7.1)	)	(7.0))
Net earnings attributable to Ingersoll-Rand plc	\$365.8		\$92.3	
Diluted net earnings (loss) per ordinary share attributable to Ingersoll-Rand plc ordinary shareholders:				
Continuing operations	\$1.14		\$0.35	
Discontinued operations	0.02		(0.09))
Net earnings	\$1.16		\$0.26	

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, 2012 decreased by 6.6%, or \$270.1 million, compared with the same period in 2011, which resulted from the following:

Pricing	1.8	%
Volume/product mix	0.8	%
Currency exchange rates	(2.2))%
Hussmann	(7.0))%
Total	(6.6))%

The decrease in revenues was primarily driven by the absence of Hussmann in the three months ended June 30, 2012, which contributed \$286.8 million of revenue in the same period in 2011. This decrease was partially offset by improved pricing across all segments and higher volumes within the Residential Solutions and Industrial Technologies business segments.

Operating Income/Margin

Operating margin for the three months ended June 30, 2012 increased to 12.5% from 7.3% for the same period of 2011. Included in Operating income for the three months ended June 30, 2011 is a \$201 million asset impairment charge related to the divestiture of Hussmann, which had a 4.9 point impact on 2011 Operating margin. Excluding this asset impairment charge, Operating margin for the second quarter of 2012 increased by 0.3 points compared to the same period of 2011. The increase was primarily due to improved pricing across all sectors and the realization of benefits resulting from productivity actions, offset partially by inflation, unfavorable product mix, and increased restructuring costs and investments. Also 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.

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Interest Expense

Interest expense for the three months ended June 30, 2012 decreased \$9.6 million compared with the same period of 2011 primarily as a result of lower average debt balances for the three months ended June 30, 2012.

Other, Net

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

In millions	2012	2011
Interest income	\$3.9	\$6.7
Exchange gain (loss)	(1.0	) (7.7
Earnings (loss) from equity investments	(0.8) —
Other	2.0	3.4
Other, net	\$4.1	\$2.4

The increase in Other, net resulted primarily from lower foreign currency losses, offset partially by decreased interest income resulting from lower average cash balances for the three months ended June 30, 2012, and an \$0.8 million equity loss on the Hussmann equity investment.

Provision for Income Taxes

Our tax provision for the three months ended June 30, 2012 was \$54.8 million. The tax provision included a net discrete tax benefit of \$47 million, which included a \$54 million out-of-period adjustment discussed in Note 14 to the condensed consolidated financial statements. We project an annual effective rate for 2012 to be approximately 19%, including this net discrete tax benefit. Our tax provision for the three months ended June 30, 2011 was \$99.8 million.

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Results of Operations – Six months ended June 30, 2012 and 2011

In millions, except per share amounts	For the six months ended June 30,			
	2012	% of revenues	2011	% of revenues
Net revenues	\$6,972.0		\$7,365.2	
Cost of goods sold	(4,893.4)	) 70.2	%) (5,231.6)	) 71.0
Selling and administrative expenses	(1,393.2)	) 20.0	%) (1,406.3)	) 19.1
Gain (loss) on sale/asset impairment	4.5	(0.1	)% (386.8)	) 5.3
Operating income	689.9	9.9	%) 340.5	4.6
Interest expense	(131.5)	)	(140.0))
Other, net	3.9		7.3	
Earnings before income taxes	562.3		207.8	
Provision for income taxes	(92.8)	)	(140.6))
Earnings from continuing operations	469.5		67.2	
Discontinued operations, net of tax	5.6		(39.4))
Net earnings	475.1		27.8	
Less: Net earnings attributable to noncontrolling interests	(13.7)	)	(13.1))
Net earnings attributable to Ingersoll-Rand plc	\$461.4		\$14.7	
Diluted net earnings (loss) per ordinary share attributable to Ingersoll-Rand plc ordinary shareholders:				
Continuing operations	\$1.45		\$0.15	
Discontinued operations	0.02		(0.11))
Net earnings	\$1.47		\$0.04	

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, 2012 decreased by 5.3%, or \$393.2 million, compared with the same period in 2011, which resulted from the following:

Pricing	1.9	%
Volume/product mix	1.2	%
Currency exchange rates	(1.6))%
Hussmann	(6.8))%
Total	(5.3))%

The decrease in revenues was primarily driven by the absence of Hussmann in the six months ended June 30, 2012, which contributed \$499.9 million of revenue in the same period in 2011. This decrease was partially offset by improved pricing across all segments and higher volumes within the Climate Solutions and Industrial Technologies business segments.

Operating Income/Margin

Operating margin for the six months ended June 30, 2012 increased to 9.9% from 4.6% for the same period of 2011. Included in Operating income for the six months ended June 30, 2011 is a \$387 million asset impairment charge related to the divestiture of Hussmann, which had a 5.3 point impact on 2011 Operating margin. Excluding this asset impairment charge, Operating margin for the six months ended June 30, 2012 was flat compared to the same period of 2011. Improved pricing across all sectors and the realization of benefits resulting from productivity actions offset increased inflation, restructuring costs and investments, unfavorable foreign currency impacts, and the effect of the stock option forfeiture adjustment discussed in Note 11 to the condensed consolidated financial statements. Also 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

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for the six months ended June 30, 2011.

Interest Expense

Interest expense for the six months ended June 30, 2012 decreased \$8.5 million compared with the same period of 2011 primarily as a result of lower average debt balances for the six months ended June 30, 2012.

Other, Net

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

In millions	2012	2011
Interest income	\$8.6	\$11.8
Exchange gain (loss)	(2.8	) (7.6
Earnings (loss) from equity investments	(6.0) —
Other	4.1	3.1
Other, net	\$3.9	\$7.3

The decrease in Other, net resulted primarily from a \$6.0 million equity loss on the Hussmann equity investment and decreased interest income resulting from lower average cash balances for the six months ended June 30, 2012, partially offset by lower currency losses.

Provision for Income Taxes

Our tax provision for the six months ended June 30, 2012 was \$92.8 million. The tax provision included a net discrete tax benefit of \$44 million, which included a \$54 million out-of-period adjustment discussed in Note 14 to the condensed consolidated financial statements. We project an annual effective rate for 2012 to be approximately 19%, including this net discrete tax benefit. Our tax provision for the six months ended June 30, 2011 was \$140.6 million.

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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.

Segment operating income is the measure of profit and loss that our chief operating decision maker uses to evaluate the financial performance of the business and as the basis for performance reviews, compensation and resource allocation. For these reasons, we believe that Segment operating income represents the most relevant measure of segment profit and loss. Management may exclude certain charges or gains from Operating income to arrive at a Segment operating income that is a more meaningful measure of profit and loss upon which to base its operating decisions. We define Segment operating margin as Segment operating income as a percentage of Net revenues.

Climate Solutions

Our Climate Solutions segment delivers energy-efficient refrigeration and HVAC throughout the world.

Encompassing the transport refrigeration 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 September 30, 2011 and November 30, 2011, we completed transactions to sell Hussmann to a newly-formed affiliate (Hussmann Parent) of private equity firm Clayton Dubilier & Rice, LLC (CD&R). As part of the deal terms we have an ongoing equity interest in Hussmann Parent, therefore operating results continue to be recorded within Continuing Operations. However, subsequent to the respective transaction dates our earnings from this equity interest are not reported in Segment operating income. During the three and six months ended June 30, 2011, we recorded a pre-tax asset impairment charge related to the Hussmann divestiture totaling \$200.5 million and \$386.8 million, respectively. These charges have been excluded from Segment operating income within the Climate Solutions segment as management excludes these charges from Operating income when making operating decisions about the business. See "Divestitures and Discontinued Operations" within Management's Discussion and Analysis and also Note 15 to the condensed consolidated financial statements for a further discussion of our divested operations. 2011 Net revenues and Segment operating income for the Climate Solutions segment includes the operating results of Hussmann prior to the sale. The operating results for Hussmann for the three and six months ended June 30, 2011, were as follows:

In millions	Three months ended			Six months ended		
Net revenues				\$286.8	\$499.9	
Segment operating income				\$30.0	\$26.0	
Segment operating results for Climate Solutions for the three and six months ended June 30, were as follows:						
	Three months ended			Six months ended		
Dollar amounts in millions	2012	2011	% change	2012	2011	% change
Net revenues	\$1,967.1	\$2,265.4	(13.2)%	\$3,628.9	\$4,090.3	(11.3)%
Segment operating income	238.5	273.2	(12.7)%	332.6	367.3	(9.4)%
Segment operating margin	12.1	% 12.1	%	9.2	% 9.0	%

Net revenues for the three months ended June 30, 2012 decreased by 13.2%, or \$298.3 million, compared with the same period of 2011, primarily resulting from the absence of Hussmann activity in 2012 (13%). Excluding the impact of Hussmann, Net revenues for the Climate Solutions segment decreased 1%. This decrease was primarily driven by unfavorable currency impacts (2%), partially offset by improved pricing (1%).

Segment operating income for the three months ended June 30, 2012 decreased by 12.7%, or \$34.7 million, compared with the same period of 2011. Included in 2011 Segment operating income is \$30.0 million of income related to Hussmann and a \$23 million gain associated with the sale of assets from a restructured business in China. The 2011 results of Hussmann and the gain on sale had a net 0.8 point impact on 2011 Segment operating margin. Excluding these items, margin improved due to improved pricing (\$35 million) and net productivity benefits (\$19 million), partially offset by unfavorable volume/product mix (\$12 million), increased investment spending (\$12 million) and

unfavorable currency impacts (\$12 million).

Net revenues for the six months ended June 30, 2012 decreased by 11.3%, or \$461.4 million, compared with the same period of

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2011, primarily resulting from the absence of Hussmann activity in 2012 (12%). Excluding the impact of Hussmann, Net revenues for the Climate Solutions segment increased by 1%. This increase was primarily driven by improved pricing (2%) and higher volumes (1%), partially offset by unfavorable currency impacts (2%).

Segment operating income for the six months ended June 30, 2012 decreased by 9.4%, or \$34.7 million, compared with the same period of 2011. Included in 2011 Segment operating income is \$26.0 million of income related to Hussmann and a \$23 million gain associated with the sale of assets from a restructured business in China. The 2011 results of Hussmann and the gain on sale had a net 0.1 point impact on 2011 Segment operating margin. Excluding these items margin improved due to improved pricing (\$67 million) and net productivity benefits (\$7 million), partially offset by investment spending (\$36 million), unfavorable currency impacts (\$15 million), unfavorable product mix net of higher volumes (\$7 million) and increased material costs (\$1 million).

Trane commercial HVAC revenues reflect moderate growth within our equipment, systems, parts, services and solutions markets in the Americas, partially offset by declines in Europe. Net revenues in our transport businesses declined slightly as growth in the Americas was more than offset by declines in Europe.

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.

Segment operating results for Residential Solutions for the three and six months ended June 30, were as follows:

Dollar amounts in millions	Three months ended			Six months ended			
	2012	2011	% change	2012	2011	% change	
Net revenues	\$652.5	\$632.1	3.2	% \$1,074.1	\$1,065.4	0.8	%
Segment operating income	51.7	40.3	28.3	% 41.0	48.3	(15.1))%
Segment operating margin	7.9	% 6.4	%	3.8	% 4.5	%	

Net revenues for the three months ended June 30, 2012 increased by 3.2%, or \$20.4 million, compared with the same period of 2011. The increase was primarily related to improved pricing (2%) and higher volumes (1%).

Segment operating income for the three months ended June 30, 2012 increased by 28.3% or \$11.4 million, compared with the same period of 2011. The increase, which improved Segment operating margin from 6.4% to 7.9%, was primarily driven by improved pricing (\$15 million), reduced investments (\$4 million), net productivity benefits (\$3 million) and favorable currency impacts (\$2 million), partially offset by unfavorable product mix net of higher volumes (\$12 million).

Net revenues for the six months ended June 30, 2012 increased by 0.8%, or \$8.7 million, compared with the same period of 2011. The increase was primarily related to improved pricing (2%) partially offset by unfavorable volume/product mix (1%).

Segment operating income for the six months ended June 30, 2012 decreased by 15.1% or \$7.3 million, compared with the same period of 2011. The decrease, which lowered Segment operating margin to 3.8% from 4.5%, was primarily driven by unfavorable volume/product mix (\$26 million), net productivity costs (\$6 million), and increased material costs (\$5 million), partially offset by improved pricing (\$24 million), reduced investment spending (\$3 million) and favorable currency impacts (\$2 million).

Trane residential HVAC revenues increased slightly due to increased shipments in all equipment categories due to improved activity levels in both the new residential construction and replacement markets, including higher than expected revenue from newly introduced value priced products. These improvements are offset slightly by a continued mix shift to lower SEER units. Residential security revenues increased as a result of improved sales to new builder markets, "big box" customers, and South American 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 and material handling systems, as well as golf, utility, and rough terrain vehicles. It also includes a diverse range of service offerings including full coverage and preventative maintenance service contracts, service parts, installation, and remanufactured compressors and tools. This segment includes the Club Car, Ingersoll Rand, and ARO® market-leading brands.

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Segment operating results for Industrial Technologies for the three and six months ended June 30, were as follows:

Dollar amounts in millions	Three months ended			Six months ended		
	2012	2011	% change	2012	2011	% change
Net revenues	\$790.3	\$771.9	2.4 %	\$1,479.0	\$1,412.4	4.7 %
Segment operating income	134.4	120.5	11.5 %	225.9	205.7	9.8 %
Segment operating margin	17.0	% 15.6	%	15.3	% 14.6	%

Net revenues for the three months ended June 30, 2012 increased by 2.4%, or \$18.4 million, compared with the same period of 2011. The increase was primarily related to higher volumes (4%) and improved pricing (2%), partially offset by unfavorable currency impacts (4%).

Segment operating income for the three months ended June 30, 2012 increased by 11.5%, or \$13.9 million, compared with the same period of 2011. The increase, which improved Segment operating margin to 17.0% from 15.6%, was primarily driven by net productivity benefits (\$16 million), improved pricing (\$13 million) and favorable volume/product mix (\$9 million), partially offset by increased investment spending (\$11 million), increased material costs (\$6 million) and unfavorable currency impacts (\$7 million).

Net revenues for the six months ended June 30, 2012 increased by 4.7%, or \$66.6 million, compared with the same period of 2011. The increase was primarily related to higher volumes (5%) and improved pricing (2%), partially offset by unfavorable currency impacts (2%).

Segment operating income for the six months ended June 30, 2012 increased by 9.8%, or \$20.2 million, compared with the same period of 2011. The increase, which improved Segment operating margin to 15.3% from 14.6%, was primarily driven by net productivity benefits (\$28 million), improved pricing (\$26 million) and favorable volume/product mix (\$16 million), partially offset by increased investment spending (\$29 million), increased material costs (\$12 million) and unfavorable currency impacts (\$9 million).

We experienced growth within our Air and Productivity business primarily due to increased volume in the Americas and Asia offset by declines in Europe. Club Car revenues declined slightly due to stagnant activity in the golf car and utility vehicle markets.

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 products 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, and transport industries as well as educational and governmental facilities. This segment includes the CISA®, LCN®, Schlage and Von Duprin® market-leading brands.

On December 30, 2011, we completed the divestiture of our security installation and service business, which was sold under the Integrated Systems and Services brand in the United States and Canada, to Kratos Public Safety & Security Solutions, Inc. This business, which was previously reported as part of the Security Technologies segment, designs, installs and services security systems. Segment information has been revised to exclude the results of this business for all periods presented.

Segment operating results for Security Technologies for the three and six months ended June 30, were as follows:

Dollar amounts in millions	Three months ended			Six months ended		
	2012	2011	% change	2012	2011	% change
Net revenues	\$411.4	\$422.0	(2.5)%	\$790.0	\$797.1	(0.9)%
Segment operating income	82.4	92.0	(10.4)%	152.2	163.1	(6.7)%
Segment operating margin	20.0	% 21.8	%	19.3	% 20.5	%

Net revenues for the three months ended June 30, 2012 decreased by 2.5%, or \$10.6 million, compared with the same period of 2011. The decrease was primarily driven by unfavorable currency impacts (3%) and lower volumes (2%), partially offset by improved pricing (3%).

Segment operating income for the three months ended June 30, 2012 decreased by 10.4% or \$9.6 million, compared with the same

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period of 2011. The decrease, which lowered Segment operating margin to 20.0% from 21.8%, was primarily related to unfavorable volume/product mix (\$11 million), increased investment spending (\$9 million) and unfavorable currency impacts (\$2 million), partially offset by improved pricing (\$11 million) and net productivity benefits (\$2 million).

Net revenues for the six months ended June 30, 2012 decreased by 0.9%, or \$7.1 million, compared with the same period of 2011. The decrease was primarily driven by unfavorable currency impacts (2%) and lower volumes (1%), partially offset by improved pricing (2%).

Segment operating income for the six months ended June 30, 2012 decreased by 6.7%, or \$10.9 million, compared with the same period of 2011. The decrease, which lowered Segment operating margin to 19.3% from 20.5%, was primarily related to unfavorable volume/product mix (\$16 million), increased investment spending (\$12 million) and unfavorable currency impacts (\$4 million), partially offset by improved pricing (\$19 million) and net productivity benefits (\$4 million).

The weakness in worldwide commercial building markets continues to impact segment revenues. Our results reflect declines in Europe, partially offset by slight improvements in the Americas and Asia.

Divestitures and Discontinued Operations

Divested Operations

Husmann Divestiture

On September 30, 2011, we completed a transaction to sell our Husmann refrigerated display case business to a newly-formed affiliate (Husmann Parent) of private equity firm Clayton Dubilier & Rice, LLC (CD&R). This transaction included the equipment business and certain of the service branches in the U.S. and Canada, and the equipment, service and installation businesses in Mexico, Chile, Australia, New Zealand, and Japan (Husmann Business). The final transaction allowed Husmann Parent the option to acquire the remaining North American Husmann service and installation branches (Husmann Branches). Husmann Parent completed the acquisition of the Husmann Branches on November 30, 2011. The Husmann Business and Branches, which are reported as part of the Climate Solutions segment, manufacture, market, distribute, install, and service refrigerated display merchandising equipment, refrigeration systems, over the counter parts, and other commercial and industrial refrigeration applications.

The Husmann Business divestiture was originally announced on April 21, 2011 and met the criteria for classification as held for sale treatment in accordance with GAAP during the first quarter of 2011. We classified the assets and liabilities of the Husmann Business as held for sale and reported the results in discontinued operations in the first and second quarter of 2011 Form 10-Q filings. The Company recognized a \$200.5 million and \$386.8 million pre-tax impairment loss to write the net assets down to their estimated fair value during the three and six months ended June 30, 2011, respectively.

During the third quarter of 2011, we negotiated the final transaction to sell the Husmann Business and Branches to CD&R in exchange for \$370 million in cash, subject to purchase price adjustments, and common stock of Husmann Parent, such that following the sale, CD&R would own cumulative convertible participating preferred stock of Husmann Parent, initially representing 60% of the outstanding capital stock (on an as-converted basis) of Husmann Parent, and we would own all of the common stock, initially representing the remaining 40% of the outstanding capital stock (on an as-converted basis) of Husmann Parent. Our ownership of common stock of Husmann represents significant continuing involvement. Therefore, the results of the Husmann Business and Branches are included in continuing operations for all periods presented. Based on these terms, we recorded a total pre-tax loss on sale/asset impairment charge of \$646.9 million during the full year 2011.

Results for the Husmann Business and Branches for the three and six months ended June 30, 2011 were as follows:

In millions	Three months ended	Six months ended
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Net revenues	\$286.8	\$499.9
Loss on sale/asset impairment	(200.5) (386.8)
Net earnings (loss) attributable to Ingersoll-Rand plc	(179.3) (370.4)
Diluted earnings (loss) per share attributable to Ingersoll-Rand plc ordinary shareholders:	(0.51	) (1.06)

As a result of Hussmann Parent's required quarterly preferred dividend payment to CD&R being paid in the form of additional preferred shares, our ownership percentage as of June 30, 2012 was 37.9%. Our ownership interest in Hussmann Parent is reported using the equity method of accounting subsequent to September 30, 2011. Our equity investment in the Hussmann Parent is

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reported within Other noncurrent assets in the Condensed Consolidated Balance Sheet and the related equity earnings reported in Other, net within Net earnings.

Discontinued Operations

The components of Discontinued operations, net of tax for the three and six months ended June 30 were as follows:

In millions	Three months ended		Six months ended	
	2012	2011	2012	2011
Net revenues	\$—	\$18.6	\$—	\$34.5
Pre-tax earnings (loss) from operations	\$(13.7	) \$(10.7	) \$(26.8	) \$(25.7
Pre-tax gain (loss) on sale	3.2	(33.7	) 3.2	(33.6
Tax benefit (expense)	18.3	14.1	29.2	19.9
Discontinued operations, net of tax	\$7.8	\$(30.3	) \$5.6	\$(39.4

Discontinued operations, net of tax by business for the three and six months ended June 30 were as follows:

In millions	Three months ended		Six months ended	
	2012	2011	2012	2011
Integrated Systems and Services, net of tax	\$(0.1	) \$0.8	\$(0.3) \$—
Other discontinued operations, net of tax	7.9	(31.1	) 5.9	(39.4
Discontinued operations, net of tax	\$7.8	\$(30.3	) \$5.6	\$(39.4

Integrated Systems and Services Divestiture

On December 30, 2011, we completed the divestiture of our security installation and service business, which was sold under the Integrated Systems and Services brand in the United States and Canada, to Kratos Public Safety & Security Solutions, Inc. This business, which was previously reported as part of the Security Technologies segment, designs, installs and services security systems. We reported this business as a discontinued operation for all periods presented. In the fourth quarter of 2011, we recorded a pre-tax loss on sale of \$6.7 million (\$5.0 million after-tax) within discontinued operations.

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

In millions	Three months ended		Six months ended	
	2012	2011	2012	2011
Net revenues	\$—	\$18.6	\$—	\$34.5
After-tax earnings (loss) from operations	\$(0.1	) \$0.8	\$(0.3) \$—
Gain (loss) on sale, net of tax	—	—	—	—
Discontinued operations, net of tax	\$(0.1	) \$0.8	\$(0.3) \$—

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 were 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. During the second quarter of 2012, Doosan Infracore paid us a total of \$46.5 million to settle the outstanding receivable and remaining disputed post-closing matters.

Other discontinued operations, net of tax from previously sold businesses is mainly related to postretirement benefits, product liability and legal costs (mostly asbestos-related) and tax effects of post-closing purchase price adjustments.

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Liquidity and Capital Resources

We earn a significant amount of our operating income in jurisdictions where it is deemed to be permanently reinvested. Our most prominent jurisdiction of operation is the U.S. We currently do not intend nor foresee a need to repatriate funds to the U.S., and no provision for U.S. income taxes has been made with respect to such earnings. We expect existing cash and cash equivalents available to the U.S., the cash generated by our U.S. operations, our committed credit lines as well as our expected ability to access the capital markets will be sufficient to fund our U.S. operating and capital needs for at least the next twelve months and thereafter for the foreseeable future. In addition, we expect existing non-U.S. cash and cash equivalents and the cash generated by our non-U.S. operations to be sufficient to fund our non-U.S. operating and capital needs for at least the next twelve months and thereafter for the foreseeable future. Should we require more capital in the U.S. than is generated by our U.S. operations, and we determine that repatriation of non-U.S. cash is necessary; such amounts would be subject to U.S. federal income taxes. The following table contains several key measures to gauge our financial condition and liquidity at the period ended:

In millions	June 30, 2012	December 31, 2011		
Cash and cash equivalents	\$903.4	\$1,160.7		
Short-term borrowings and current maturities of long-term debt	422.0	763.3		
Long-term debt	2,871.5	2,879.3		
Total debt	3,293.5	3,642.6		
Total Ingersoll-Rand plc shareholders' equity	7,295.6	6,924.3		
Total equity	7,386.7	7,012.4		
Debt-to-total capital ratio	30.8	% 34.2		%

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

In millions	June 30, 2012	December 31, 2011
Debentures with put feature	\$343.6	\$343.6
Exchangeable Senior Notes	—	341.2
Current maturities of long-term debt	11.2	12.5
Other short-term borrowings	67.2	66.0
Total	\$422.0	\$763.3

Commercial Paper Program

We use borrowings under our commercial paper program for general corporate purposes. We had no amounts outstanding as of June 30, 2012 and December 31, 2011.

Debentures with Put Feature

At June 30, 2012 and December 31, 2011, we had outstanding \$343.6 million of fixed rate debentures which only require 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.

On February 15, 2012, holders of these debentures had the option to exercise the put feature on \$37.2 million of the outstanding debentures. No holder chose to exercise the put feature at that date. In November 2012, 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 and capital resources, 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 \$345.0 million of 4.5% Exchangeable Senior Notes (the Notes) through our wholly-owned subsidiary, Ingersoll-Rand Global Holding Company Limited (IR-Global). The Notes were fully and unconditionally guaranteed by each of IR-Ireland, IR-Limited and Ingersoll-Rand International Holding Limited (IR-International). Holders had the option to exchange their Notes for the Company's ordinary shares through April 12, 2012. The Notes were subject to certain customary covenants,

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however, none of these covenants were considered restrictive to our operations.

We accounted 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 reflected our nonconvertible debt borrowing rate. At issuance, 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. We amortized the discount into Interest expense over the three-year term. The Notes were exchangeable at the holders' option through April 12, 2012. Therefore, the remaining equity portion of the Notes at December 31, 2011 was classified as Temporary equity to reflect the amount that could result in cash settlement at the balance sheet date.

We settled all remaining outstanding Notes during the second quarter of 2012. As a result, we paid \$357.0 million in cash and issued 10.8 million ordinary shares to settle the principal, interest and equity portion of the Notes.

Other

On May 26, 2010, we entered into a 3-year, \$1.0 billion revolving credit facility through our wholly-owned subsidiary, IR-Global. On March 15, 2012, this credit facility was refinanced with a 5-year, \$1.0 billion revolving credit facility maturing on March 15, 2017. We also have a 4-year, \$1.0 billion revolving credit facility maturing on May 20, 2015, through our wholly-owned subsidiary, IR-Global.

Each of IR-Ireland, IR-Limited and IR-International has provided an irrevocable and unconditional guarantee for these credit facilities. The total committed revolving credit facilities of \$2.0 billion 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 Statements of Cash Flows in the condensed consolidated financial statements.

In millions	2012	2011
Operating cash flow provided by (used in) continuing operations	\$379.5	\$352.7
Investing cash flow provided by (used in) continuing operations	(101.8	) (47.5
Financing cash flow provided by (used in) continuing operations	(480.3	) (95.8

Operating Activities

Net cash provided by continuing operating activities during the six months ended June 30, 2012 was \$379.5 million, compared with \$352.7 million during the comparable period in 2011. Operating cash flows for the six months ended June 30, 2012 reflect improvements in working capital management resulting from operational excellence efforts.

Investing Activities

Net cash used in continuing investing activities during the six months ended June 30, 2012 was \$101.8 million, compared with \$47.5 million during the comparable period of 2011. The change in investing activities is primarily attributable to an increase in capital expenditures during the six months ended June 30, 2012, as well as \$23 million of proceeds in 2011 from the sale of assets from a restructured business in China.

Financing Activities

Net cash used in continuing financing activities during the six months ended June 30, 2012 was \$480.3 million, compared with \$95.8 million during the comparable period in 2011. The change in financing activities is primarily related to the settlement of the Exchangeable Senior Notes, increased dividend payments, as well as decreased share repurchases and proceeds from shares issued under incentive plans in 2012.

Pensions

Our investment objective in managing defined benefit plan assets is to ensure that all present and future benefit obligations are met as they come due. We seek to achieve this goal while trying to mitigate volatility in plan funded status, contribution and expense by better matching the characteristics of the plan assets to that of the plan liabilities. We use a dynamic approach to asset allocation whereby a plan's allocation to fixed income assets increases progressively over time towards an ultimate target of 90% as a plan moves toward full funding. We monitor plan funded status and asset allocation regularly in addition to investment manager performance.

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We monitor the impact of market conditions on our defined benefit plans on a regular basis. None of our defined benefit pension plans have experienced a significant impact on their liquidity due to the volatility in the markets. For further details on pension plan activity, see Note 8 to the condensed consolidated financial statements.

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, 2011.

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 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 condensed 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, 2012, to the items that we disclosed as our critical accounting policies 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, 2011.

Recently Adopted 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 GAAP and IFRS resulting in common requirements for measuring fair value and for disclosing information about fair value measurements. This new guidance is effective for fiscal years beginning after December 15, 2011 and subsequent interim periods. The requirements of ASU 2011-04 did not have a material impact on our condensed consolidated financial statements. The revised disclosure requirements are reflected in Note 9.

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 is effective for fiscal years beginning after December 15, 2011 and subsequent interim periods. The revised presentation requirements are reflected in the Condensed Consolidated Statements of Comprehensive Income.

In December 2011, the FASB issued ASU 2011-12, "Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05." The revised amendments defer the presentation in the financial statements of reclassifications out of accumulated other comprehensive income for annual and interim financial statements. The deferral is effective for fiscal years beginning after December 15, 2011 and subsequent interim periods. The revised presentation requirements are reflected in the Condensed Consolidated Statements of Comprehensive Income.

In September 2011, the FASB issued ASU 2011-08, "Testing Goodwill for Impairment." This revised standard provides entities with the option to first use an assessment of qualitative factors to determine whether the existence of

events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If a conclusion is reached that reporting unit fair value is not more likely than not below carrying value, no further impairment testing is necessary. This revised guidance applies to fiscal years beginning after December 15, 2011, and the related interim and annual goodwill impairment tests. The requirements of ASU 2011-08 did not have a material impact on our condensed consolidated financial statements.

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Other than as discussed above, management believes there have been no significant changes during the six months ended June 30, 2012, 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, 2011. For a further discussion, refer to the "Recently Adopted Accounting Pronouncements" discussion contained therein.

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," "show," "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; 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 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. You are advised to review any further disclosures we make on related subjects in materials we file with or furnish to the SEC. Forward-looking statements speak only as of the date they are made and 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. We do not undertake to update any forward-looking statements.

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

- overall economic, political and business conditions in the markets in which we operate;
- 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 commodities and the impact of higher energy prices;
- 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; 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 significant 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, 2011. 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 significant at the time, which could cause results to differ materially from our expectations.

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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 2012. 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, 2011.

Item 4 – Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Company's management, with participation of its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q.

Disclosure controls and procedures are defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act). Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based upon the evaluation, as of the end of the period covered by this Form 10-Q, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective at the reasonable assurance level because of the material weakness in internal control over financial reporting described below.

The Company did not maintain effective controls over the accounting for deferred tax balances and related valuation allowances. Specifically, the Company's interim controls related to timely identification of and accounting for the impact of enacted tax law changes did not operate as designed. This resulted in a misstatement of a deferred tax asset related valuation allowance in the March 31, 2012 balance sheet and the provision for income taxes for the period ended March 31, 2012. An out-of-period adjustment was recorded in the three month period ended June 30, 2012 as described in Note 14 to the Consolidated Financial Statements. Additionally, this control deficiency could result in misstatements of the aforementioned accounts and disclosures that would result in a material misstatement of the consolidated financial statements that would not be prevented or detected. Accordingly, the Company's management has determined that this control deficiency constitutes a material weakness.

(b) Planned Remediation Efforts to Address Material Weakness

To remediate the material weakness described above, we are implementing additional procedures and follow up as part of the interim quarterly close process to verify our conclusions regarding the timing of enacted tax law changes. However, the material weakness will not be considered remediated until the applicable remedial procedures operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

We expect that the remediation of the material weakness related to controls over the accounting for income taxes to be completed by the conclusion of our year-ended December 31, 2012 financial statement close process. However, we cannot make any assurances that we will successfully remediate this material weakness within the anticipated timeframe and thus reduce to remote the likelihood that material misstatements concerning income tax accounting will not be prevented or detected in a timely manner.

(c) Changes in Internal Control Over Financial Reporting

Except as it relates to the material weakness in internal control over financial reporting discussed above, there have been no changes in the Company's internal control over financial reporting that occurred during the quarter ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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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, asbestos-related claims, environmental liabilities, intellectual property disputes and tax-related matters. In our opinion, pending legal matters are not expected to have a material adverse impact on our 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. 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 2002 tax filings. If this alternative position is upheld, we would be required to record additional charges. 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 merits of our position, we believe that we are adequately reserved for this matter and do not expect that the ultimate resolution will have a material adverse impact on our future results of operations, financial condition, liquidity or cash flows. As we move forward to resolve this matter with the IRS, the reserves established may be adjusted. Although we continue to contest the IRS's position there can be no assurance that we will be successful. If the IRS's position with respect to 2002 is ultimately sustained it will have a material adverse impact on our future results of operations, financial condition, liquidity and cash flows.

Although we expect them to do so, at this time the IRS has not yet proposed any similar adjustments for years subsequent to 2002 as the federal income tax audits for those years are still in process or have not yet begun. It is unclear how the IRS will apply their position to subsequent years or whether the IRS will take a similar position with respect to other intercompany debt instruments.

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 have 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.

See also the discussion contained in our Annual Report on Form 10-K for the period ended December 31, 2011 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.

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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, 2011. 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, 2011.

Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

The following table provides information with respect to purchases by the Company of its ordinary shares during the second quarter of 2012:

Period	Total number of shares purchased (000's) (a) (b)	Average price paid per share (a) (b)	Total number of shares purchased as part of program (000's) (a)	Approximate dollar value of shares still available to be purchased under the program (\$000's)
April 1 - April 30	0.2	\$40.71	—	\$843,295
May 1 - May 31	—	—	—	843,295
June 1 - June 30	885.5	39.67	881.3	808,328
Total	885.7	\$39.67	881.3	

(a) On April 7, 2011, we announced that our Board of Directors authorized the repurchase of up to \$2.0 billion of our ordinary shares under a share repurchase program. Based on market conditions, share repurchases will be made from time to time in the open market and in privately negotiated transactions at the discretion of management. The repurchase program does not have a prescribed expiration date.

(b) We may also reacquire shares outside of the repurchase program from time to time in connection with the surrender of shares to cover taxes on vesting of share based awards. In April and June, 150 and 4,243 shares, respectively, were reacquired in transactions outside the repurchase program.

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Item 6 – Exhibits

(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, 2012, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Comprehensive Income, (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statement of Cash Flows, and (iv) Notes to Condensed Consolidated Financial Statements.	Furnished herewith.

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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 26, 2012

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

Date: July 26, 2012

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