Ingersoll-Rand plc
Form 10-Q
July 28, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2011
or

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

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

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

Ireland (State or other jurisdiction of incorporation or organization)	98-0626632 (I.R.S. Employer Identification No.)

170/175 Lakeview Dr.
Airside Business Park
Swords, Co. Dublin
Ireland
(Address of principal executive offices)
+(353) (0) 18707400
(Registrant's telephone number, including area code)

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 x 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 x NO ¨

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

Large accelerated filer	x	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 x

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

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PART I-FINANCIAL INFORMATION

Item 1. Financial Statements

INGERSOLL-RAND PLC
CONDENSED CONSOLIDATED INCOME STATEMENT
(Unaudited)

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

See accompanying notes to condensed consolidated financial statements.

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INGERSOLL-RAND PLC
CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

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

See accompanying notes to condensed consolidated financial statements.

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

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

See accompanying notes to condensed consolidated financial statements.

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

Note 1 – Description of Company

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

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

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

Note 2 – Basis of Presentation

The accompanying condensed consolidated financial statements reflect the consolidated operations of the Company and have been prepared in accordance with GAAP as defined by the Financial Accounting Standards Board (FASB) within the FASB Accounting Standards Codification (FASB ASC). In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments, which include normal recurring adjustments, necessary to present fairly the consolidated unaudited results for the interim periods presented. The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements included in the Ingersoll-Rand plc Annual Report on Form 10-K for the year ended December 31, 2010.

Certain reclassifications of amounts reported in prior years have been made to conform to the 2011 classification. The Company reclassified its earnings from equity investments from Other, net to Cost of goods sold, as the related investments have been deemed to be integral to the Company's operations. This reclassification had a $3.7 million and $6.3 million impact, respectively, on the Condensed Consolidated Income Statement for the three and six months ended June 30, 2010. The Company also made certain reclassifications of research and development costs and information technology costs within Operating income. These reclassifications resulted in a net $5.9 million and $7.7 million decrease, respectively, to Cost of goods sold with a corresponding increase to Selling and administrative expenses for the three and six months ended June 30, 2010.

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

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

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

Note 3 – Inventories
Depending on the business, U.S. inventories are stated at the lower of cost or market using the last-in, first-out (LIFO) method or the lower of cost or market using the first-in, first-out (FIFO) method. Non-U.S. inventories are primarily stated at the lower of cost or market using the FIFO method.
The major classes of inventory are as follows:

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

Note 4 – Goodwill
The changes in the carrying amount of Goodwill for the six months ended June 30, 2011 are as follows:

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

* Accumulated impairment relates to a charge of $2,840.0 million recorded in the fourth quarter of 2008 as a result of the Company’s annual impairment testing.
During 2011 the Company corrected certain immaterial purchase accounting errors associated with the acquisition of Trane.
As a result of the planned divestiture of Hussmann, the Company was required to test Goodwill within the Climate Solutions segment for impairment in the first quarter of 2011, and no impairment charge was required.

Note 5 – Intangible Assets

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

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

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

Note 6 – Debt and Credit Facilities

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

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

Commercial Paper Program

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

Debentures with Put Feature

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

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

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

Exchangeable Senior Notes Due 2012

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

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

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

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

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

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

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

Credit Facilities

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

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

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Note 7 – Financial Instruments

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

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

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

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

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

Currency and Commodity Hedging Instruments

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

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

Other Derivative Instruments

During the third quarter of 2008, the Company entered into interest rate locks for the forecasted issuance of approximately $1.4 billion of Senior Notes due in 2013 and 2018. These interest rate locks met the criteria to be accounted for as cash flow hedges of a forecasted transaction. Consequently, the changes in fair value of the interest rate locks were deferred in AOCI. No further gain or loss will be deferred in AOCI related to these interest rate locks as the contracts were effectively terminated upon issuance of the underlying debt. However, the amount of AOCI associated with these interest rate locks at the time of termination will be recognized into Interest expense over the term of the notes. At June 30, 2011 and December 31, 2010, $9.9 million and $10.8 million, respectively, of deferred losses remained in AOCI related to these interest rate locks. The amount expected to be reclassified into Interest expense over the next twelve months is $1.8 million.

In March 2005, the Company entered into interest rate locks for the forecasted issuance of $300 million of Senior Notes due 2015. These interest rate locks met the criteria to be accounted for as cash flow hedges of a forecasted transaction. Consequently, the changes in fair value of the interest rate locks were deferred in AOCI. No further gain or loss will be deferred in AOCI related to these interest rate locks as the contracts were effectively terminated upon issuance of the underlying debt. However, the amount of AOCI associated with these interest rate locks at the time of termination will be recognized into Interest expense over the term of the notes. At June 30, 2011 and December 31, 2010, $4.9 million and $5.4 million, respectively, of deferred losses remained in AOCI related to these interest rate locks. The amount expected to be reclassified into Interest expense over the next twelve months is $1.2 million.

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

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

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

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

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

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

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

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

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

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

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

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

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

Concentration of Credit Risk

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

Fair Value of Financial Instruments

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

Note 8 – Pensions and Postretirement Benefits Other than Pensions

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

Pension Plans

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

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

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

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

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

Postretirement Benefits Other Than Pensions

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

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

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

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

Note 9 – Fair Value Measurement

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

- Level 1 – Inputs based on quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than Level 1 quoted prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.
- Level 3 – Unobservable inputs based on little or no market activity and that are significant to the fair value of the assets and liabilities.

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

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

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

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

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

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

- Cash and cash equivalents – These amounts include cash on hand, demand deposits and all highly liquid investments with original maturities at the time of purchase of three months or less and are held in U.S and non-U.S. currencies.
- Marketable securities – These securities include investments in publicly traded stock of non-U.S. companies held by non-U.S. subsidiaries of the Company. The fair value is obtained for the securities based on observable market prices quoted on public stock exchanges.
- Derivative instruments – These instruments include forward contracts related to non-U.S. currencies. The fair value of the derivative instruments are determined based on a pricing model that uses inputs from actively quoted currency markets that are readily accessible and observable.
- Benefit trust assets – These assets include money market funds and insurance contracts that are the underlying for the benefit assets. The fair value of the assets is based on observable market prices quoted in a readily accessible and observable market.
- Benefit trust liabilities – These liabilities include deferred compensation and executive death benefits. The fair value is based on the underlying investment portfolio of the deferred compensation and the specific benefits guaranteed in a death benefit contract with each executive.

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

Note 10 – Equity

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

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

The reconciliation of ordinary shares is as follows:

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

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

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

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

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

Note 11 – Share-Based Compensation

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

Compensation Expense

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

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

Stock Options/RSUs

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

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

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

SARs

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

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Performance Shares
The Company has a Performance Share Program (PSP) for key employees. The program provides awards based on performance against pre-established objectives. The annual target award level is expressed as a number of the Company's ordinary shares. All PSP awards are settled in the form of ordinary shares. As of June 30, 2011, the Company's target award level for eligible employees is approximately 1.4 million shares.
Deferred Compensation
The Company allows key employees to defer a portion of their eligible compensation into a number of investment choices, including its ordinary share equivalents. Any amounts invested in ordinary share equivalents will be settled in ordinary shares of the Company at the time of distribution.
Other Plans
The Company maintains a shareholder-approved Management Incentive Unit Award Plan. Under the plan, participating key employees were awarded incentive units. When dividends are paid on ordinary shares, phantom dividends are awarded to unit holders, one-half of which is paid in cash, the remaining half of which is credited to the participants' accounts in the form of ordinary share equivalents. The value of the actual incentive units is never paid to participants, and only the fair value of accumulated ordinary share equivalents is paid in cash upon the participants' retirement.
The Company has issued stock grants as an incentive plan to certain key employees, with varying vesting periods. All stock grants are settled with the Company's ordinary shares.

Note 12 – Restructuring Activities
Restructuring charges recorded during the three and six months ended June 30, were as follows:

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

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

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

* Amount includes the reversal of $6.7 million of previously accrued restructuring charges.
** Amount includes the reversal of $2.2 million of previously accrued restructuring charges.

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

Note 13 – Other, Net

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

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

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

Note 14 – Income Taxes

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

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

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

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

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

The Company believes that it has adequately provided for any reasonably foreseeable resolution of any tax disputes, but will adjust its reserves if events so dictate in accordance with GAAP. To the extent that the ultimate results differ from the original or adjusted estimates of the Company, the effect will be recorded in the provision for income taxes.

Total unrecognized tax benefits as of June 30, 2011 and December 31, 2010 were $553.2 million and $534.1 million, respectively.

As a result of the Patient Protection and Affordable Care Act (the Act) signed into law on March 23, 2010 and the Healthcare and Education Reconciliation Bill of 2010 signed into law on March 30, 2010 (together with the Act, the Healthcare Reform Legislation), effective 2013, the tax benefits available to the Company will be reduced to the extent its prescription drug expenses are reimbursed under the Medicare Part D retiree drug subsidy program. Although the provisions of the Healthcare Reform Legislation relating to the retiree drug subsidy program do not take effect until 2013, the Company is required to recognize the full accounting impact in its financial statements in the reporting period in which the Healthcare Reform Legislation is enacted. As retiree healthcare liabilities and related tax impacts are already reflected in the Company's financial statements, the Healthcare Reform Legislation resulted in a non-cash charge to income tax expense in the first quarter of 2010 of $40.5 million.

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

Note 15 – Divestitures and Discontinued Operations

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

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

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

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

Hussmann Divestiture

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

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

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

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

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

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

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

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

Energy Systems Divestiture

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

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

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

KOXKA Divestiture

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

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

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

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

Other Discontinued Operations

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

During the second quarter of 2011, after an adverse summary judgment ruling on liability issues was rendered in May, the Company recorded an after-tax charge of approximately $21 million ($33.5 million pre-tax) related to an incentive plan established for the sale of one of the Company's businesses for which the maximum damages alleged by the plaintiffs is $115 million. The Company has also recorded retained costs from previously sold businesses, which are mainly those related to postretirement benefits, product liability and legal costs (mostly asbestos-related).

Note 16 – Earnings Per Share (EPS)

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

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

Note 17 – Business Segment Information

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

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

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

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

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

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

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

Note 18 – Commitments and Contingencies

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

Environmental Matters

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

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

In estimating its liability, the Company has assumed it will not bear the entire cost of remediation of any site to the exclusion of other PRPs who may be jointly and severally liable. The ability of other PRPs to participate has been taken into account, based generally on the parties' financial condition and probable contributions on a per site basis. Additional lawsuits and claims involving environmental matters are likely to arise from time to time in the future.

During the three and six months ended June 30, 2011, the Company spent $2.8 million and $4.6 million, respectively, for environmental remediation at sites presently or formerly owned or leased by us. As of June 30, 2011 and December 31, 2010, the Company has recorded reserves for environmental matters of $74.1 million and $78.6 million, respectively. Given the evolving nature of environmental laws, regulations and technology, the ultimate cost of future compliance is uncertain.

Asbestos-Related Matters

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

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

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

population;

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

At December 31, 2010, over 90 percent of the open claims against the Company are non-malignancy claims, many of which have been placed on inactive or deferral dockets and the vast majority of which have little or no settlement value against the Company, particularly in light of recent changes in the legal and judicial treatment of such claims.

The Company's liability for asbestos-related matters and the asset for probable asbestos-related insurance recoveries are as follows:

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

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

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

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

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

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

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

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

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

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

Other

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

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

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

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

Trane has commitments and performance guarantees, including energy savings guarantees, totaling $312.6 million extending from 2011-2030. These guarantees are provided under long-term service and maintenance contracts related to its air conditioning equipment and system controls. Through June 30, 2011, the Company has experienced no significant losses under such arrangements and considers the probability of any significant future losses to be remote.

As part of the reorganization of IR-New Jersey in 2001, IR-Limited fully and unconditionally guaranteed all of the issued public debt securities of IR-New Jersey. IR-New Jersey unconditionally guaranteed payment of the principal, premium, if any, and interest on IR-Limited’s 4.75% Senior Notes due in 2015 in the aggregate principal amount of $300 million. The guarantee is unsecured and provided on an unsubordinated basis. The guarantee ranks equally in right of payment with all of the existing and future unsecured and unsubordinated debt of IR-New Jersey. In addition, public debt securities issued by IR-Global are fully and unconditionally guaranteed by IR-Limited.

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

Note 19 – Guarantor Financial Information

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

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

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

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

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

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

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

Exchange Commission.

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

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

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

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For the six months ended June 30, 2010

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

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

Condensed Consolidating Balance Sheet
June 30, 2011

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

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

Condensed Consolidating Balance Sheet
December 31, 2010

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

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

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

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

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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, 2010

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

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

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Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations
INGERSOLL-RAND PLC
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Overview

Organizational

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

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

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

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

Trends and Economic Events

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

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

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

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

Recent Developments

Dividend Increase and Share Repurchase Program

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

Business Divestitures

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

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

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

Healthcare Reform

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

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

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

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

Venezuela Devaluation

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

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

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

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

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

Net Revenues

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

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

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

Operating Income/Margin

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

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Interest Expense

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

Other, Net

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

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