Ingersoll-Rand plc
Form 10-Q
July 24, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2013

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 PUBLIC LIMITED COMPANY
(Exact name of registrant as specified in its charter)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES 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, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” "accelerated filer," and "smaller reporting company," in Rule 12b-2 of the Exchange Act.

Large accelerated filer	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 12, 2013 was 291,028,149.

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PART I-FINANCIAL INFORMATION

Item 1. Financial Statements

INGERSOLL-RAND PLC
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

In millions, except per share amounts	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Net revenues	$3,932.7	$3,821.3	$7,045.1	$6,972.0
Cost of goods sold	(2,678.8)	(2,644.0)	(4,870.9)	(4,893.4)
Selling and administrative expenses	(770.9)	(703.6)	(1,497.7)	(1,393.2)
Gain (loss) on sale/asset impairment	—	4.2	—	4.5
Operating income	483.0	477.9	676.5	689.9
Interest expense	(62.4)	(62.1)	(123.4)	(131.5)
Other, net	(1.7)	4.1	(8.8)	3.9
Earnings before income taxes	418.9	419.9	544.3	562.3
Provision for income taxes	(99.8)	(54.8)	(123.4)	(92.8)
Earnings from continuing operations	319.1	365.1	420.9	469.5
Discontinued operations, net of tax	5.6	7.8	(1.6)	5.6
Net earnings	324.7	372.9	419.3	475.1
Less: Net earnings attributable to noncontrolling interests	(7.5)	(7.1)	(14.1)	(13.7)
Net earnings attributable to Ingersoll-Rand plc	$317.2	$365.8	$405.2	$461.4
Amounts attributable to Ingersoll-Rand plc ordinary shareholders:				
Continuing operations	$311.6	$358.0	$406.8	$455.8
Discontinued operations	5.6	7.8	(1.6)	5.6
Net earnings	$317.2	$365.8	$405.2	$461.4
Earnings (loss) per share attributable to Ingersoll-Rand plc ordinary shareholders:				
Basic:				
Continuing operations	$1.05	$1.16	$1.36	$1.50
Discontinued operations	0.02	0.02	—	0.02
Net earnings	$1.07	$1.18	$1.36	$1.52
Diluted:				
Continuing operations	$1.03	$1.14	$1.35	$1.45
Discontinued operations	0.02	0.02	(0.01)	0.02
Net earnings	$1.05	$1.16	$1.34	$1.47
Weighted-average shares outstanding				
Basic	297.5	309.2	298.1	304.2
Diluted	301.2	314.4	301.9	313.5
Dividends declared per ordinary share	$0.21	$0.16	$0.21	$0.16
Total comprehensive income (loss)	$324.2	$159.6	$333.8	$426.8
Less: Total comprehensive (income) loss attributable to noncontrolling interests	1.6	(7.1)	(6.2)	(13.7)
Total comprehensive income (loss) attributable to Ingersoll-Rand plc	$325.8	$152.5	$327.6	$413.1

See accompanying notes to condensed consolidated financial statements.

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INGERSOLL-RAND PLC
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

In millions	June 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$2,200.5	$882.1
Accounts and notes receivable, net	2,571.3	2,157.5
Inventories	1,435.0	1,308.8
Other current assets	621.7	594.3
Total current assets	6,828.5	4,942.7
Property, plant and equipment, net	1,663.0	1,652.6
Goodwill	6,112.6	6,138.9
Intangible assets, net	4,127.7	4,200.9
Other noncurrent assets	1,541.9	1,557.8
Total assets	$20,273.7	$18,492.9
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$1,475.0	$1,230.2
Accrued compensation and benefits	482.0	506.8
Accrued expenses and other current liabilities	1,563.2	1,460.6
Short-term borrowings and current maturities of long-term debt	1,626.7	963.7
Total current liabilities	5,146.9	4,161.3
Long-term debt	3,155.1	2,269.3
Postemployment and other benefit liabilities	1,820.3	1,823.2
Deferred and noncurrent income taxes	1,607.9	1,592.8
Other noncurrent liabilities	1,367.3	1,417.0
Total liabilities	13,097.5	11,263.6
Equity:		
Ingersoll-Rand plc shareholders' equity:		
Ordinary shares	291.9	295.6
Capital in excess of par value	699.3	1,014.5
Retained earnings	6,701.5	6,358.7
Accumulated other comprehensive income (loss)	(598.6)	(521.0)
Total Ingersoll-Rand plc shareholders' equity	7,094.1	7,147.8
Noncontrolling interest	82.1	81.5
Total equity	7,176.2	7,229.3
Total liabilities and equity	$20,273.7	$18,492.9

See accompanying notes to condensed consolidated financial statements.

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

	Six months ended June 30,	
In millions	2013	2012
Cash flows from operating activities:		
Net earnings	$419.3	$475.1
(Income) loss from discontinued operations, net of tax	1.6	(5.6)
Adjustments to arrive at net cash provided by (used in) operating activities:		
(Gain) loss on sale/asset impairment	—	(4.5)
Depreciation and amortization	188.6	193.1
Stock settled share-based compensation	40.1	19.3
Changes in other assets and liabilities, net	(244.7)	(305.6)
Other, net	25.6	7.7
Net cash provided by (used in) continuing operating activities	430.5	379.5
Net cash provided by (used in) discontinued operating activities	(1.7)	(73.9)
Net cash provided by (used in) operating activities	428.8	305.6
Cash flows from investing activities:		
Capital expenditures	(139.2)	(113.8)
Proceeds from sale of property, plant and equipment	4.3	12.0
Proceeds from business dispositions, net of cash sold	4.4	—
Net cash provided by (used in) continuing investing activities	(130.5)	(101.8)
Net cash provided by (used in) discontinued investing activities	—	36.0
Net cash provided by (used in) investing activities	(130.5)	(65.8)
Cash flows from financing activities:		
Short-term borrowings, net	11.7	1.5
Proceeds from long-term debt	1,546.2	—
Payments of long-term debt	(8.5)	(354.4)
Net proceeds (repayments) in debt	1,549.4	(352.9)
Debt issuance costs	(13.2)	(2.5)
Dividends paid to ordinary shareholders	(124.4)	(96.4)
Dividends paid to noncontrolling interests	(7.6)	(13.5)
Proceeds from shares issued under incentive plans	118.6	24.9
Repurchase of ordinary shares	(477.6)	(35.0)
Other, net	—	(4.9)
Net cash provided by (used in) continuing financing activities	1,045.2	(480.3)
Effect of exchange rate changes on cash and cash equivalents	(25.1)	(16.8)
Net increase (decrease) in cash and cash equivalents	1,318.4	(257.3)
Cash and cash equivalents - beginning of period	882.1	1,160.7
Cash and cash equivalents - end of period	$2,200.5	$903.4

See accompanying notes to condensed consolidated financial statements.

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

Note 1 – Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Ingersoll-Rand plc (IR-Ireland), an Irish public limited company, and its consolidated subsidiaries (collectively, the Company), reflect the consolidated operations of the Company and have been prepared in accordance with United States Securities and Exchange Commission (SEC) interim reporting requirements. Accordingly, the accompanying condensed consolidated financial statements do not include all disclosures required by accounting principles generally accepted in the United States of America (GAAP) for full financial statements and should be read in conjunction with the consolidated financial statements included in the IR-Ireland Annual Report on Form 10-K for the year ended December 31, 2012. In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments, which include normal recurring adjustments, necessary to present fairly the condensed consolidated results for the interim periods presented. Certain reclassifications of amounts reported in prior years have been made to conform to the 2013 classification.

Note 2 – Proposed Spin-Off Transaction

In December 2012, the Company's Board of Directors announced a plan to spin off the commercial and residential security businesses. The separation will result in two stand-alone companies: Ingersoll-Rand plc; and Allegion plc, a leading global provider of electronic and mechanical security products and services, delivering comprehensive solutions to commercial and residential customers. This new company’s portfolio of brands will include Schlage, Von Duprin®, LCN®, CISA®, and Interflex®.

The completion of the spin-off is subject to certain customary conditions, unless waived by Ingersoll Rand, including receipt of regulatory approvals; the receipt of a private letter ruling from the U.S. Internal Revenue Service (IRS) and opinions of tax counsel confirming that the distribution and certain transactions entered into in connection with the distribution generally will be tax-free to Ingersoll Rand and its shareholders for U.S. federal income tax purposes, except for cash received in lieu of fractional shares; execution of intercompany agreements; effectiveness of appropriate filings with the SEC; and final approval of the transactions contemplated by the spin-off, as may be required under Irish law. There can be no assurance that any separation transaction will ultimately occur, or, if one does occur, its terms or timing. The disclosures and financial statements within these condensed consolidated financial statements include the results of operations, financial position, and cash flows of the commercial and residential security businesses as continuing operations.

Upon completion of the spin-off, Allegion plc will hold the commercial and residential security businesses and will become an independent publicly traded company. Allegion plc is an Irish public limited company.

During the three and six months ended June 30, 2013, the Company incurred $21.0 million and $32.0 million of professional service fees related to the proposed spin-off, respectively. These costs are reported in Selling and administrative expenses in the Condensed Consolidated Statements of Comprehensive Income.

Note 3 – Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-11, "Disclosures about Offsetting Assets and Liabilities." ASU 2011-11 requires enhanced disclosures including both gross and net information about financial and derivative instruments eligible for offset or subject to an enforceable master netting arrangement or similar agreement. This new guidance is effective for annual reporting periods beginning on or after January 1, 2013 and subsequent interim periods. The requirements of ASU 2011-11 did not have an impact on the condensed consolidated financial statements.

In January 2013, the FASB issued ASU 2013-01, "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities." ASU 2013-01 clarifies the scope of ASU 2011-11 to apply to derivative instruments that are offset or subject to an enforceable master netting arrangement or similar agreement. This clarified guidance is effective for annual reporting periods beginning on or after January 1, 2013 and subsequent interim periods. The revised requirements of ASU 2013-01 did not have an impact on the condensed consolidated financial statements.

In February 2013, the FASB issued ASU 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" (AOCI). ASU 2013-02 requires a rollforward of changes in AOCI by component and information about significant reclassifications from AOCI to Net earnings to be presented in one location, either on the face of the financial statements or in the notes. This new guidance is effective for fiscal years beginning after December 15, 2012 and subsequent interim periods. The requirements of ASU 2013-02 did not have a material impact on the Company's condensed consolidated financial statements. The revised disclosure requirements are reflected in Note 11.

Recently Issued Accounting Pronouncements

In February 2013, the FASB issued ASU 2013-04, "Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date." ASU 2013-04 provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements where the total obligation is fixed at the reporting date, and for which no specific guidance currently exists. This new guidance is effective for annual reporting periods beginning on or after December 15, 2013 and subsequent interim periods. The Company is currently assessing the impact, if any, on the condensed consolidated financial statements.

In March 2013, the FASB issued ASU 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity." ASU 2013-05 clarifies the application of GAAP to the release of cumulative translation adjustments related to changes of ownership in or within foreign entities, including step acquisitions. This new guidance is effective for annual reporting periods beginning on or after December 15, 2013 and subsequent interim periods.

In July 2013, the FASB issued ASU 2013-10, "Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes." ASU 2013-10 allows the Fed Funds Effective Swap Rate (OIS) to be designated as a U.S. benchmark interest rate for hedge accounting purposes, in addition to interest rates on direct Treasury obligations of the U.S. government and the London Interbank Offered Rate. The amendments also remove the restriction on using different benchmark rates for similar hedges. The amendments are effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. The Company does not anticipate the requirements of ASU 2013-10 will have a material impact on the condensed consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." ASU 2013-11 clarifies guidance and eliminates diversity in practice on the presentation of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. This new guidance is effective for annual reporting periods beginning on or after December 15, 2013 and subsequent interim periods. The Company is currently assessing the impact, if any, on the condensed consolidated financial statements.

Note 4 – Inventories

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

The major classes of inventory were as follows:

In millions	June 30, 2013	December 31, 2012
Raw materials	$507.2	$501.9
Work-in-process	147.6	109.6
Finished goods	881.6	800.2
	1,536.4	1,411.7
LIFO reserve	(101.4)	(102.9)
Total	$1,435.0	$1,308.8

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

Note 5 – Goodwill
The changes in the carrying amount of goodwill for the six months ended June 30, 2013 were as follows:

In millions	Climate Solutions	Residential Solutions	Industrial Technologies	Security Technologies	Total
December 31, 2012 (gross)	$5,370.6	$2,317.1	$368.7	$922.5	$8,978.9
Acquisitions and adjustments *	(1.4)	10.3	1.1	(10.0)	—
Currency translation	(19.9)	—	(1.4)	(5.0)	(26.3)
June 30, 2013 (gross)	5,349.3	2,327.4	368.4	907.5	8,952.6
Accumulated impairment **	(839.8)	(1,656.2)	—	(344.0)	(2,840.0)
Goodwill (net)	$4,509.5	$671.2	$368.4	$563.5	$6,112.6

* During 2013, the Company made reclassifications to goodwill across all segments, including a reclassification of goodwill related to a product line transfer from the Security Technologies segment to the Residential Solutions segment.
** No impairment charges were recorded by the Company in 2013 or 2012.

Note 6 – Intangible Assets
The gross amount of the Company's intangible assets and related accumulated amortization were as follows:

	June 30, 2013			December 31, 2012		
In millions	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Completed technologies/patents	$199.1	$(141.0)	$58.1	$203.2	$(134.4)	$68.8
Customer relationships	1,962.6	(577.8)	1,384.8	1,966.8	(523.6)	1,443.2
Trademarks (finite-lived)	96.3	(33.4)	62.9	98.0	(32.1)	65.9
Other	73.1	(62.2)	10.9	71.4	(59.4)	12.0
Total finite-lived intangible assets	2,331.1	$(814.4)	1,516.7	2,339.4	$(749.5)	1,589.9
Trademarks (indefinite-lived)	2,611.0		2,611.0	2,611.0		2,611.0
Total	$4,942.1		$4,127.7	$4,950.4		$4,200.9

Intangible asset amortization expense was $34.2 million and $35.1 million for the three months ended June 30, 2013 and 2012, respectively. Intangible asset amortization expense was $69.3 million and $70.2 million for the six months ended June 30, 2013 and 2012, respectively.

Note 7 – Debt and Credit Facilities
Short-term borrowings and current maturities of long-term debt consisted of the following:

In millions	June 30, 2013	December 31, 2012
Debentures with put feature	$343.0	$343.0
6.000% Senior notes due 2013	600.0	600.0
9.500% Senior notes due 2014	655.0	—
Other current maturities of long-term debt	8.7	10.8
Other short-term borrowings	20.0	9.9
Total	$1,626.7	$963.7

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

Commercial Paper Program
The Company uses borrowings under its commercial paper program for general corporate purposes. The Company had no commercial paper outstanding at June 30, 2013 or December 31, 2012.
Debentures with Put Feature
At June 30, 2013 and December 31, 2012, the Company had $343.0 million of fixed rate debentures outstanding, which only require early repayment at the option of the holder. These debentures contain a put feature that the holders may exercise on each anniversary of the issuance date. If exercised, the Company is obligated to repay in whole or in part, at the holder's option, the outstanding principal amount (plus accrued and unpaid interest) of the debentures held by the holder. If these options are not exercised, the final maturity dates would range between 2027 and 2028.
On February 15, 2013, holders of these debentures had the option to exercise the put feature on $37.2 million of the outstanding debentures. No holder chose to exercise the put feature at that date.
Long-term debt, excluding current maturities, consisted of the following:

In millions	June 30, 2013	December 31, 2012
9.500% Senior notes due 2014	—	655.0
5.50% Senior notes due 2015	198.8	196.4
4.75% Senior notes due 2015	299.7	299.7
6.875% Senior notes due 2018	749.5	749.4
2.875% Senior notes due 2019	349.5	—
9.00% Debentures due 2021	125.0	125.0
4.250% Senior notes due 2023	698.7	—
7.20% Debentures due 2014-2025	82.5	90.0
6.48% Debentures due 2025	149.7	149.7
5.750% Senior notes due 2043	498.0	—
Other loans and notes	3.7	4.1
Total	$3,155.1	$2,269.3

Senior Notes due 2019, 2023, and 2043
In June 2013, the Company issued $1.55 billion principal amount of Senior Notes in three tranches through its wholly-owned subsidiary, Ingersoll-Rand Global Holding Company Limited (IR-Global) pursuant to Rule 144A of the U.S. Securities Act of 1933 ("Securities Act"). The tranches consist of $350 million of 2.875% Senior Notes due in 2019, $700 million of 4.250% Senior Notes due in 2023, and $500 million of 5.750% Senior Notes due in 2043. The notes are fully and unconditionally guaranteed by each of IR-Ireland, Ingersoll-Rand Company Limited (IR-Limited), and Ingersoll-Rand International Holding Limited (IR-International). Interest on the notes will be paid twice a year in arrears. The Company has the option to redeem the notes in whole or in part at any time, and from time to time, prior to their stated maturity date at redemption prices set forth in the indenture agreement. The notes are subject to certain customary covenants, however, none of these covenants are considered restrictive to the Company's operations. In connection with the issuance of each series of notes, IR-Global, the Guarantors and the initial purchasers of the notes entered into a Registration Rights Agreement dated June 20, 2013. Each Registration Rights Agreement requires IR-Global and the Guarantors to use their commercially reasonable efforts to execute an effective exchange offer registration statement with the SEC no later than 365 days after the closing date of the notes offering and to complete an exchange offer within 30 business days of such effective date. If a registration default occurs additional interest shall accrue on the notes. The proceeds from these notes were used to fund the July 2013 redemption of $600 million of 6.000% Senior Notes due 2013 and $655 million of 9.500% Senior Notes due 2014 and to fund expenses related to the spin-off of the commercial and residential security businesses, with any remaining proceeds to be used for general corporate purposes.

On July 17, 2013, the Company fully redeemed the outstanding principal amount of $600 million of its 6.000% Senior Notes due 2013 and $655 million of its 9.500% Senior Notes due 2014, resulting in $45.6 million of redemption premium expense, which will be recorded in the third quarter of 2013 in Interest expense.

Credit Facilities

As of June 30, 2013, the Company has a 5-year, $1.0 billion revolving credit facility maturing on March 15, 2017, and a 4-year, $1.0 billion revolving credit facility maturing on May 20, 2015, through its wholly-owned subsidiary, IR-Global.

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

Note 8 – Financial Instruments

In the normal course of business, the Company may use various financial instruments, including derivative instruments, to manage the risks associated with interest rate and currency rate exposures. These financial instruments are not used for trading or speculative purposes.

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

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

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

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

Currency Hedging Instruments

The notional amount of the Company’s currency derivatives was $1,601.2 million and $1,656.7 million at June 30, 2013 and December 31, 2012, respectively. At June 30, 2013 and December 31, 2012, a loss of $3.0 million and $4.0 million, net of tax, respectively, was included in AOCI related to the fair value of the Company’s currency derivatives designated as accounting hedges. The amount expected to be reclassified into Net earnings over the next twelve months is a loss of $3.0 million. The actual amounts that will be reclassified to Net earnings may vary from this amount as a result of changes in market conditions. Gains and losses associated with the Company’s currency derivatives not designated as hedges are recorded in Net earnings as changes in fair value occur. At June 30, 2013, the maximum term of the Company’s currency derivatives was approximately 12 months.

Other Derivative Instruments

In February 2013, the Company entered into forward starting interest rate swaps for $750 million of the forecasted issuance of $1.2 billion of Senior Notes due in 2023 and 2043. These interest rate swaps 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 swaps were recognized in AOCI. No further gain or loss will be recognized in AOCI related to these interest rate swaps as the contracts were terminated upon the June 2013 issuance of the underlying debt. The amount of AOCI associated with these interest rate swaps at the time of termination will be recognized in Interest expense over the term

of the notes. At June 30, 2013, $10.5 million of gains remained in AOCI related to these interest rate swaps. The amount expected to be reclassified into Interest expense over the next twelve months is $0.7 million.
During the third quarter of 2008, the Company entered into interest rate locks for the forecasted issuance of approximately $1.4 billion of Senior Notes due in 2013 and 2018. These interest rate locks met the criteria to be accounted for as cash flow hedges of a forecasted transaction. Consequently, the changes in fair value of the interest rate locks were recognized in AOCI. No further gain or loss will be recognized in AOCI related to these interest rate locks as the contracts were effectively terminated upon issuance of the underlying debt. However, the amount of AOCI associated with these interest rate locks at the time of termination will be

recognized into Interest expense over the term of the notes. At June 30, 2013 and December 31, 2012, $6.2 million and $7.2 million, respectively, of losses remained in AOCI related to these interest rate locks. The amount related to the Senior Notes due in 2018 expected to be reclassified into Interest expense over the next twelve months is $1.2 million.

In March 2005, the Company entered into interest rate locks for the forecasted issuance of $300 million of Senior Notes due 2015. These interest rate locks met the criteria to be accounted for as cash flow hedges of a forecasted transaction. Consequently, the changes in fair value of the interest rate locks were recognized in AOCI. No further gain or loss will be recognized in AOCI related to these interest rate locks as the contracts were effectively terminated upon issuance of the underlying debt. However, the amount of AOCI associated with these interest rate locks at the time of termination will be recognized into Interest expense over the term of the notes. At June 30, 2013 and December 31, 2012, $2.4 million and $3.1 million, respectively, of losses remained in AOCI related to these interest rate locks. The amount expected to be reclassified into Interest expense over the next twelve months is $1.3 million.

The fair values of derivative instruments included within the Condensed Consolidated Balance Sheets were as follows:

In millions	Asset derivatives June 30, 2013	 December 31, 2012	Liability derivatives June 30, 2013	 December 31, 2012
Derivatives designated as hedges:				
Currency derivatives	$1.7	$0.1	$5.0	$4.6
Derivatives not designated as hedges:				
Currency derivatives	3.4	4.6	34.0	7.1
Total derivatives	$5.1	$4.7	$39.0	$11.7

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

The amounts associated with derivatives designated as hedges affecting Net earnings and AOCI for the three months ended June 30 were as follows:

In millions	Amount of gain (loss) recognized in AOCI 2013	 2012	Location of gain (loss) reclassified from AOCI and recognized into Net earnings	Amount of gain (loss) reclassified from AOCI and recognized into Net earnings 2013	 2012
Currency derivatives	$(1.0)	$4.7	Cost of goods sold	$(3.0)	$0.5
Interest rate swaps	20.4	—	Interest expense	—	—
Interest rate locks	—	—	Interest expense	(0.8)	(0.7)
Total	$19.4	$4.7		$(3.8)	$(0.2)

The amounts associated with derivatives not designated as hedges affecting Net earnings for the three months ended June 30 were as follows:

In millions	Location of gain (loss) recognized in Net earnings	Amount of gain (loss) recognized in Net earnings 2013	 2012
Currency derivatives	Other, net	$(26.7)	$(14.5)
Total		$(26.7)	$(14.5)

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

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

In millions	Amount of gain (loss) recognized in AOCI 2013	2012	Location of gain (loss) reclassified from AOCI and recognized into Net earnings	Amount of gain (loss) reclassified from AOCI and recognized into Net earnings 2013	2012
Currency derivatives	$(4.1)	$(0.2)	Cost of goods sold	$(5.2)	$0.9
Interest rate swaps	10.5	—	Interest expense	—	—
Interest rate locks	—	—	Interest expense	(1.7)	(1.5)
Total	$6.4	$(0.2)		$(6.9)	$(0.6)

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

In millions	Location of gain (loss) recognized in Net earnings	Amount of gain (loss) recognized in Net earnings 2013	2012
Currency derivatives	Other, net	$(41.0)	$8.1
Total		$(41.0)	$8.1

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

Note 9 – Pensions and Postretirement Benefits Other than Pensions
The Company sponsors several U.S. defined benefit and defined contribution plans covering substantially all of our U.S. employees. Additionally, the Company has many non-U.S. defined benefit and defined contribution plans covering eligible non-U.S. employees. Postretirement benefits, other than pensions, provide healthcare benefits, and in some instances, life insurance benefits for certain eligible retired employees.
Pension Plans
The noncontributory defined benefit pension plans covering non-collectively bargained U.S. employees provide benefits on an average pay formula while most plans for collectively bargained U.S. employees provide benefits on a flat dollar benefit formula. The non-U.S. pension plans generally provide benefits based on earnings and years of service. The Company also maintains additional other supplemental plans for officers and other key employees.
In June 2012, the Board of Directors approved amendments to the Company's retirement plans for certain U.S. and Puerto Rico non-bargained employees. Eligible non-bargained employees hired prior to July 1, 2012 were given a choice of remaining in their respective defined benefit plan until the plan freezes on December 31, 2022 or freezing their accrued benefits in their respective defined benefit plan as of December 31, 2012 and receiving an additional 2% non-matching Company contribution into the Company's applicable defined contribution plan. Eligible employees hired or rehired on or after July 1, 2012 automatically receive the 2% non-matching Company contribution into the applicable defined contribution plan in lieu of participating in the defined benefit plan. Beginning January 1, 2023, all eligible employees will receive the 2% non-matching contribution into the applicable defined contribution plan. As a result of these changes, the Company's projected benefit obligations for the amended plans were remeasured in June 2012, which included updating the discount rate assumption to 4.00% from the 4.25% assumed at December 31, 2011.

The amendments resulted in a 2012 curtailment loss of $4.0 million. The amendment and remeasurement resulted in an increase of $1.0 million to the projected benefit obligation, an increase of $29.4 million to the plan assets, an actuarial gain of $28.4 million and a credit of $4.0 million to prior service cost during 2012.

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

	Three months ended		Six months ended	
In millions	2013	2012	2013	2012
Service cost	$23.0	$24.2	$46.1	$49.5
Interest cost	39.1	40.1	78.3	81.4
Expected return on plan assets	(41.9)	(42.3)	(83.9)	(85.6)
Net amortization of:				
Prior service costs	1.2	1.3	2.4	2.7
Plan net actuarial losses	15.5	14.4	31.0	29.3
Net periodic pension benefit cost	36.9	37.7	73.9	77.3
Net curtailment and settlement losses	—	4.0	—	4.1
Net periodic pension benefit cost after net curtailment and settlement losses	$36.9	$41.7	$73.9	$81.4
Amounts recorded in continuing operations	$34.6	$38.8	$69.3	$75.6
Amounts recorded in discontinued operations	2.3	2.9	4.6	5.8
Total	$36.9	$41.7	$73.9	$81.4

The Company made required and discretionary employer contributions of $16.8 million and $21.7 million to its defined benefit pension plans during the six months ended June 30, 2013 and 2012, respectively.

The curtailment and settlement losses in 2012 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 retired employees. The Company funds postretirement benefit obligations principally on a pay as you go basis. Generally, postretirement health benefits are contributory with contributions adjusted annually. Life insurance plans for retirees are primarily noncontributory.

In February 2012, the Board of Directors approved amendments to its postretirement medical plan with respect to post-65 retiree medical coverage. Effective January 1, 2013, the Company discontinued offering company-sponsored retiree medical coverage for certain individuals age 65 and older. The Company transitioned affected individuals to coverage through the individual Medicare market and will provide a tax-advantaged subsidy to those retirees eligible for subsidized company coverage that can be used toward reimbursing premiums and other qualified medical expenses for individual Medicare supplemental coverage that is purchased through our third-party Medicare coordinator. As a result of these changes, the Company's projected benefit obligations were remeasured in February 2012, which included updating the discount rate assumption to 3.75% from the 4.00% assumed at December 31, 2011. The remeasurement resulted in a decrease of $40.5 million to the projected benefit obligation, an actuarial loss of $21.3 million and a credit of $61.8 million to prior service cost.

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

	Three months ended		Six months ended	
In millions	2013	2012	2013	2012
Service cost	$1.7	$1.9	$3.4	$3.9
Interest cost	6.7	8.1	13.4	16.2
Net amortization of:				
Prior service gains	(2.6)	(2.9)	(5.2)	(4.9)
Net actuarial losses	2.7	2.8	5.4	5.3
Net periodic postretirement benefit cost	$8.5	$9.9	$17.0	$20.5
Amounts recorded in continuing operations	$5.4	$6.4	$10.8	$13.1
Amounts recorded in discontinued operations	3.1	3.5	6.2	7.4
Total	$8.5	$9.9	$17.0	$20.5

Note 10 – Fair Value Measurement

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value measurements are based on a framework that utilizes the inputs market participants use to determine the fair value of an asset or liability and establishes a fair value hierarchy to prioritize those inputs. The fair value hierarchy is comprised of three levels that are described below:

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

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

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Assets and liabilities measured at fair value at June 30, 2013 were as follows:

	Fair value measurements			
In millions	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total fair value
Recurring fair value measurements				
Assets:				
Marketable securities	$17.2	$—	$ —	$17.2
Derivative instruments	—	5.1	—	5.1
Total asset recurring fair value measurements	$17.2	$5.1	$ —	$22.3
Liabilities:				
Derivative instruments	$—	$39.0	$ —	$39.0
Total liability recurring fair value measurements	$—	$39.0	$ —	$39.0
Financial instruments not carried at fair value				
Total debt	$—	$5,037.2	$ —	$5,037.2
Total financial instruments not carried at fair value	$—	$5,037.2	$ —	$5,037.2

Assets and liabilities measured at fair value at December 31, 2012 were as follows:

	Fair value measurements			
In millions	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total fair value
Recurring fair value measurements				
Assets:				
Marketable securities	$16.7	$—	$ —	$16.7
Derivative instruments	—	4.7	—	4.7
Total asset recurring fair value measurements	$16.7	$4.7	$ —	$21.4
Liabilities:				
Derivative instruments	$—	$11.7	$ —	$11.7
Total liability recurring fair value measurements	$—	$11.7	$ —	$11.7
Financial instruments not carried at fair value				
Total debt	$—	$3,663.1	$ —	$3,663.1
Total financial instruments not carried at fair value	$—	$3,663.1	$ —	$3,663.1

The Company determines the fair value of its financial assets and liabilities using the following methodologies:

- 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 and forward starting interest rate swaps. The fair value of the derivative instruments are determined based on a pricing model that uses inputs from actively quoted currency markets that are readily accessible and observable.

- Debt – These securities are recorded at cost and include fixed-rate debentures, with a put feature, maturing in 2027 and 2028, which only require early prepayment at the option of the holder; and other fixed-rate debentures and senior notes maturing through 2043. The fair value of the long-term debt instruments is obtained based on observable market prices quoted on public exchanges for similar instruments.

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The carrying values of cash and cash equivalents, accounts receivable, accounts payable and short-term borrowings are a reasonable estimate of their fair value due to the short-term nature of these instruments.
These methodologies used by the Company to determine the fair value of its financial assets and liabilities at June 30, 2013 are the same as those used at December 31, 2012. There have been no significant transfers between Level 1 and Level 2 categories.
Note 11 – Equity
The reconciliation of Ordinary shares is as follows:

In millions	Total
December 31, 2012	295.6
Shares issued under incentive plans, net	4.8
Repurchase of ordinary shares	(8.5)
June 30, 2013	291.9

During the six months ended June 30, 2013, the Company repurchased 8.5 million shares for approximately $477.6 million as a part of its share repurchase programs. 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 components of Equity for the six months ended June 30, 2013 were as follows:

In millions	IR-Ireland shareholders' equity	Noncontrolling interests	Total equity
Balance at December 31, 2012	$7,147.8	$81.5	$7,229.3
Net earnings	405.2	14.1	419.3
Currency translation	(128.6)	(7.9)	(136.5)
Change in value of marketable securities and derivatives qualifying as cash flow hedges, net of tax	13.9	—	13.9
Pension and OPEB adjustments, net of tax	37.1	—	37.1
Total comprehensive income	327.6	6.2	333.8
Share-based compensation	40.1	—	40.1
Dividends declared to noncontrolling interests	—	(5.6)	(5.6)
Dividends declared to ordinary shareholders	(62.4)	—	(62.4)
Shares issued under incentive plans, net	118.6	—	118.6
Repurchase of ordinary shares	(477.6)	—	(477.6)
Balance at June 30, 2013	$7,094.1	$82.1	$7,176.2

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

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

Other Comprehensive Income (Loss)

The changes in Accumulated other comprehensive income (loss) for the six months ended June 30, 2013 are as follows:

In millions	Cash flow hedges and marketable securities	Pension and OPEB Items	Foreign Currency Items	Total
December 31, 2012	$(1.4)	$(964.2)	$444.6	$(521.0)
Other comprehensive income before reclassifications	7.5	15.0	(128.6)	(106.1)
Amounts reclassified from accumulated other comprehensive income	6.9	33.6	—	40.5
Tax (expense) benefit	(0.5)	(11.5)	—	(12.0)
June 30, 2013	$12.5	$(927.1)	$316.0	$(598.6)

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The reclassifications out of Accumulated other comprehensive income (loss) for the three and six months ended June 30, 2013 were as follows:

	Amount Reclassified from Accumulated Other Comprehensive Income		
In millions	Three months ended	Six months ended	Statement of Comprehensive Income Line Item
Reclasses below represent (Income) loss to the Statement of Comprehensive Income			
Gains and losses on cash flow hedges:			
Interest rate locks	$0.8	$1.7	Interest expense
Foreign exchange contracts	3.0	5.2	Cost of goods sold
	3.8	6.9	Earnings before income taxes
	(0.5)	(0.5)	Provision for income taxes
	3.3	6.4	
Defined benefit pension items:			
Amortization of:			
Prior-service (gains) costs	$(1.4)	$(2.8)	(a)
Actuarial (gains) losses	18.2	36.4	(a)
	16.8	33.6	Earnings before income taxes
	(5.6)	(11.5)	Provision for income taxes
	11.2	22.1	
Total reclassifications for the period	$14.5	$28.5	

(a) These accumulated other comprehensive income components are included in the computation of net periodic pension cost and net periodic postretirement benefit cost (see Note 9 for additional details).

Note 12 – Share-Based Compensation

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

Compensation Expense

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

	Three months ended		Six months ended	
In millions	2013	2012	2013	2012
Stock options	$5.3	$4.2	$13.2	$(2.5)
RSUs	6.3	4.0	16.4	12.0
PSUs	7.4	4.3	11.3	9.9
Deferred compensation	0.5	(0.5)	0.9	(0.1)
Other	0.1	0.2	0.8	1.5
Pre-tax expense	19.6	12.2	42.6	20.8
Tax benefit	(7.5)	(4.7)	(16.3)	(8.0)

After-tax expense	$12.1	$7.5	$26.3	$12.8

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

Stock Options/RSUs

Eligible participants may receive (i) stock options, (ii) RSUs or (iii) a combination of both stock options and RSUs. Grants issued during the six months ended June 30 were as follows:

	2013		2012	
	Number granted	Weighted-average fair value per award	Number granted	Weighted-average fair value per award
Stock options	1,326,377	$16.51	1,462,052	$13.67
RSUs	539,964	$52.40	623,422	$40.67

The fair value of each of the Company’s stock option and RSU awards is expensed on a straight-line basis over the required service period, which is generally the 3-year vesting period. However, for stock options and RSUs granted to retirement eligible employees, the Company recognizes expense for the fair value at the grant date.

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

	2013		2012	
Dividend yield	1.60	%	1.33	%
Volatility	42.15	%	43.60	%
Risk-free rate of return	0.85	%	0.92	%
Expected life	5.1 years		5.1 years	

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

PSUs

The Company has a Performance Share Program for key employees. The program provides awards in the form of PSUs based on performance against pre-established objectives. The annual target award level is expressed as a number of the Company's ordinary shares. All PSUs are settled in the form of ordinary shares unless deferred. During the six months ended June 30, 2013, the Company granted PSUs with a maximum award level of approximately 0.5 million shares.

Awards granted in 2011 are based upon the Company's relative earnings-per-share (EPS) growth as compared to the industrial group of companies in the S&P 500 Index over the three-year performance period.

Awards granted after 2011 are based 50% upon a performance condition, measured at each reporting period by relative EPS growth to the industrial group of companies in the S&P 500 Index and the fair market value of the Company's stock on the date of grant, and 50% upon a market condition, measured by the Company's relative total shareholder return (TSR) as compared to the TSR of the industrial group of companies in the S&P 500 Index over the three-year performance period. The fair value of the market condition is estimated using a Monte Carlo Simulation approach in a risk-neutral framework based upon historical volatility, risk-free rates and correlation matrix.

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.

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Other Plans
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 13 – Restructuring Activities
Restructuring charges recorded during the three and six months ended June 30 were as follows:

In millions	Three months ended 2013	Three months ended 2012	Six months ended 2013	Six months ended 2012
Climate Solutions	$3.7	$2.3	$20.9	$9.8
Residential Solutions	—	(0.3)	—	0.2
Industrial Technologies	2.3	1.7	5.1	7.5
Security Technologies	0.1	4.1	4.6	7.9
Corporate and Other	0.8	1.0	2.8	2.1
Total	$6.9	$8.8	$33.4	$27.5
Cost of goods sold	$1.6	$3.0	$14.1	$11.4
Selling and administrative expenses	5.3	5.8	19.3	16.1
Total	$6.9	$8.8	$33.4	$27.5

The changes in the restructuring reserve during the six months ended June 30, 2013 were as follows:

In millions	Climate Solutions	Residential Solutions	Industrial Technologies	Security Technologies	Corporate and Other	Total
December 31, 2012	$4.7	$—	$2.1	$3.1	$1.9	$11.8
Additions, net of reversals	20.9	—	5.1	4.6	2.8	33.4
Cash and non-cash uses	(19.1)	—	(4.6)	(2.0)	(2.8)	(28.5)
Currency translation	(0.1)	—	—	—	—	(0.1)
June 30, 2013	$6.4	$—	$2.6	$5.7	$1.9	$16.6

The 2013 charges primarily represent termination benefits to improve the Company's cost structure. The 2012 actions included workforce reductions, as well as the consolidation of manufacturing facilities, in an effort to increase efficiencies across multiple lines of business. As of June 30, 2013, the Company had $16.6 million accrued for costs associated with its ongoing restructuring actions, of which a majority will be paid within one year.
In addition to the 2013 restructuring charges described above, the Company incurred $0.4 million and $0.6 million of non-qualified restructuring charges during the three and six months ended June 30, 2013, respectively, which represent costs that are directly attributable to restructuring activities, but do not fall into the severance, exit or disposal category. These non-qualified restructuring charges were incurred to improve the Company's cost structure.
Note 14 – Other, Net
The components of Other, net for the three and six months ended June 30 were as follows:

In millions	Three months ended 2013	Three months ended 2012	Six months ended 2013	Six months ended 2012
Interest income	$2.5	$3.9	$6.0	$8.6
Exchange gain (loss)	(6.8)	(1.0)	(13.7)	(2.8)
Earnings (loss) from equity investments	1.7	(0.8)	(2.5)	(6.0)
Other	0.9	2.0	1.4	4.1
Other, net	$(1.7)	$4.1	$(8.8)	$3.9

Included within Earnings (loss) from equity investments for the three months ended June 30, 2013 and 2012 is $1.7 million of income and $0.8 million of losses on the Hussmann equity investment, respectively. Included within Earnings (loss) from equity investments for the six months ended June 30, 2013 and 2012 is $2.5 million and $6.0 million of equity losses on the Hussmann equity investment, respectively. The Company's ownership percentage in Hussmann Parent, an affiliate of private equity firm Clayton Dubilier & Rice, LLC, was 37.2% as of June 30, 2013 and is recorded using the equity method of accounting. The Company's equity investment in the Hussmann Parent is reported within Other noncurrent assets.

Effective February 13, 2013, the government of Venezuela announced a devaluation of the Bolivar, from the pre-existing exchange rate of 4.29 Bolivars to the U.S. dollar to 6.3 Bolivars to the U.S. dollar. As a result of the devaluation, the Company realized a foreign currency translation loss of approximately $10.0 million, which is included in Exchange gain (loss) for the six months ended June 30, 2013.

Note 15 – 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, China, Germany, Ireland, Italy, the Netherlands and the United States. In general, the examination of the Company’s material tax returns is complete for the years prior to 2001, with certain matters being resolved through appeals and litigation.

In 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 involved treating the entire intercompany debt incurred in connection with the Company's reincorporation in Bermuda as equity. As a result of this recharacterization, the IRS disallowed the deduction of interest paid on the debt and imposed dividend withholding taxes on the payments denominated as interest. The IRS also asserted an alternative argument to be applied if the intercompany debt is respected as debt. In that circumstance, the IRS proposed to ignore the entities that hold the debt and to which the interest was paid and impose 30% withholding tax on a portion of the interest payments as if they were made directly to a company that was not eligible for reduced U.S. withholding tax under a U.S. income tax treaty. The IRS asserted under this alternative theory that the Company owes additional taxes with respect to 2002 of approximately $84 million plus interest. The Company strongly disagreed with the view of the IRS and filed a protest.

In 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 continued to assert the alternative position described above. In addition, the IRS also provided notice that it is assessing penalties of 30% on the asserted underpayment of tax described above.

The IRS recently indicated that it may assert that the Company also owes 30% withholding tax on the portion of the 2002 interest payments made on this debt upon which it did not previously assert withholding tax. Should the IRS do so, the Company believes it will assert that the Company owes an additional $20 million to $30 million in withholding tax for 2002 plus 30% penalties and interest. This would increase the total tax liability proposed for 2002 to $104-$114 million plus 30% penalties and interest.

The Company has so far been unsuccessful in resolving this dispute and expects to receive a formal Notice of Deficiency from the IRS for 2002 shortly. When a taxpayer receives a Notice of Deficiency, it has 90 days to pay the tax or file a petition in the United States Tax Court. If this matter cannot be resolved in a satisfactory manner, the Company intends to pursue the matter in court.

Recently the IRS examination team auditing the Company's 2003-2006 tax years provided Notices of Proposed Adjustment (NOPAs) related to the Company's interest payments on the intercompany debt issued in connection with its reincorporation in Bermuda. In these notices, which reflect the examination team's written position but are not a formal assertion of tax owed, the IRS asserts that the Company owes a total of approximately $665 million of additional taxes, as described more fully below, in connection with these interest payments for the 2003-2006 period, plus penalties and interest on these unpaid taxes.

In these NOPAs, the IRS continues to take the alternative position on this intercompany debt, which was retired at the end of 2011, that it previously took for the Company's 2002 tax year and which is described above. As a result of this recharacterization, the IRS asserts that the Company owes approximately $455 million of withholding tax for 2003-2006 plus 30% penalties.

The IRS also proposes to extend its previous position further and to treat all of the interest income from the intercompany debt as “earned” by IR-Limited and, as a result, recharacterize the distributions made by IR-Limited during the 2002-2006 tax years as taxable dividends instead of as a return of capital. Consequently the IRS asserts that the Company owes approximately $210 million of income tax on these dividends plus penalties of 20%.

Although the Company expects it to do so, the IRS has not yet proposed any similar adjustments for years subsequent to 2006, as the federal income tax audits for those years are still in process or have not yet begun. In addition, the Company does not know how the IRS will apply its position to the different facts presented in those years or whether the IRS will take a similar position in future audits with respect to intercompany debt instruments not outstanding in prior years.

The Company has vigorously contested all of these proposed adjustments and intends to continue to do so. Although the outcome of these matters cannot be predicted with certainty, based upon an analysis of the merits of the Company's position the Company believes that it is adequately reserved under the applicable accounting standards for these matters and does not expect that the ultimate resolution will have a material adverse impact on its future results of operations, financial condition, or cash flows. As the Company moves forward to resolve these matters with the IRS, the reserves established may be adjusted. Although the Company continues to contest the IRS's position, there can be no assurance that it will be successful. If the IRS's position with respect to the 2002-2006 tax years is ultimately sustained the Company would be required to record additional charges and the resulting liability will have a material adverse impact on its future results of operations, financial condition and cash flows.

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, 2013 and December 31, 2012 were $537.5 million and $533.7 million, respectively.

Note 16 – Discontinued Operations

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

	Three months ended		Six months ended	
In millions	2013	2012	2013	2012
Net revenues	$—	$—	$—	$—
Pre-tax earnings (loss) from operations	$(7.0)	$(13.7)	$(17.5)	$(26.8)
Pre-tax gain (loss) on sale	—	3.2	—	3.2
Tax benefit (expense)	12.6	18.3	15.9	29.2
Discontinued operations, net of tax	$5.6	$7.8	$(1.6)	$5.6

In November 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. During the second quarter of 2012, Doosan Infracore paid the Company a total of $46.5 million to settle outstanding receivables and disputed post-closing matters.

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

Note 17 – Earnings Per Share (EPS)

Basic EPS is calculated by dividing Net earnings attributable to IR-Ireland 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 settled in April 2012. 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	2013	2012	2013	2012
Weighted-average number of basic shares	297.5	309.2	298.1	304.2
Shares issuable under incentive stock plans	3.7	3.5	3.8	3.2
Exchangeable Senior Notes	—	1.7	—	6.1
Weighted-average number of diluted shares	301.2	314.4	301.9	313.5
Anti-dilutive shares	1.1	5.8	1.4	6.4

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

Note 18 – 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.

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

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

	Three months ended		Six months ended	
In millions	2013	2012	2013	2012
Net revenues				
Climate Solutions	$2,058.2	$1,967.1	$3,674.6	$3,628.9
Residential Solutions	713.0	652.5	1,177.0	1,074.1
Industrial Technologies	762.9	790.3	1,443.2	1,479.0
Security Technologies	398.6	411.4	750.3	790.0
Total	$3,932.7	$3,821.3	$7,045.1	$6,972.0
Segment operating income				
Climate Solutions *	$271.1	$238.5	$352.2	$332.6
Residential Solutions	79.8	51.7	86.7	41.0
Industrial Technologies	122.4	134.4	224.6	225.9
Security Technologies	86.2	82.4	145.0	152.2
Total	$559.5	$507.0	$808.5	$751.7
Reconciliation to Operating income				
Gain (loss) on sale/asset impairment *	—	4.2	—	4.5
Unallocated corporate expense	(76.5)	(33.3)	(132.0)	(66.3)
Operating income	$483.0	$477.9	$676.5	$689.9

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

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Note 19 – Commitments and Contingencies

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

Environmental Matters

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

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

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

During the three months ended June 30, 2013 and 2012, the Company incurred $4.2 million and $2.2 million, respectively, of expenses for environmental remediation at sites presently or formerly owned or leased by us. For the six months ended June 30, 2013 and 2012, the Company incurred expenses of $4.9 million and $3.9 million, respectively. As of June 30, 2013 and December 31, 2012, the Company has recorded reserves for environmental matters of $62.6 million and $65.9 million, respectively. Of these amounts, $47.5 million and $47.3 million relate to remediation of sites previously disposed by the Company. Environmental reserves are classified as Accrued expenses and other current liabilities or Other noncurrent liabilities based on their expected term. The Company's total current environmental reserve at June 30, 2013 and December 31, 2012 was $20.0 million and $22.2 million, respectively. Given the evolving nature of environmental laws, regulations and technology, the ultimate cost of future compliance is uncertain.

Asbestos-Related Matters

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

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

- the outside expert's interpretation of a widely accepted forecast of the population likely to have been occupationally exposed to asbestos;
- epidemiological studies estimating the number of people likely to develop asbestos-related diseases such as mesothelioma and lung cancer;

- the Company's historical experience with the filing of non-malignancy claims against it and the historical ratio between the numbers of non-malignancy and lung cancer claims filed against the Company;
- the outside expert's analysis of the number of people likely to file an asbestos-related personal injury claim against the Company based on such epidemiological and historical data and the Company's most recent three-year claims history;
- an analysis of the Company's pending cases, by type of disease claimed;
- an analysis of the Company's most recent three-year history to determine the average settlement and resolution value of claims, by type of disease claimed;
- an adjustment for inflation in the future average settlement value of claims, at a 2.5% annual inflation rate, adjusted downward to 1.5% to take account of the declining value of claims resulting from the aging of the claimant population; and
- an analysis of the period over which the Company has and is likely to resolve asbestos-related claims against it in the future.

At June 30, 2013 and December 31, 2012, over 80 percent of the open claims against the Company are non-malignancy claims, many of which have been placed on inactive or deferral dockets and the vast majority of which have little or no settlement value against the Company, particularly in light of recent changes in the legal and judicial treatment of such claims.

The Company's liability for asbestos-related matters and the asset for probable asbestos-related insurance recoveries were included in the following balance sheet accounts:

In millions	June 30, 2013	December 31, 2012
Accrued expenses and other current liabilities	$69.1	$69.1
Other noncurrent liabilities	778.4	810.4
Total asbestos-related liabilities	$847.5	$879.5
Other current assets	$22.3	$22.5
Other noncurrent assets	289.9	297.8
Total asset for probable asbestos-related insurance recoveries	$312.2	$320.3

The Company's asbestos insurance receivable related to IR-New Jersey and Trane was $126.0 million and $186.2 million at June 30, 2013, and $125.5 million and $194.8 million at December 31, 2012, respectively.

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

	Three months ended		Six months ended	
In millions	2013	2012	2013	2012
Continuing operations	$(2.9)	$(1.3)	$(5.0)	$(1.0)
Discontinued operations	(2.4)	(3.5)	(4.9)	(5.0)
Total	$(5.3)	$(4.8)	$(9.9)	$(6.0)

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

Trane has now settled claims regarding asbestos coverage with most of its insurers. The settlements collectively account for approximately 95% of its recorded asbestos-related insurance receivable as of June 30, 2013. Most of Trane's settlement agreements constitute "coverage-in-place" arrangements, in which the insurer signatories agree to reimburse Trane for specified portions of its costs for asbestos bodily injury claims and Trane agrees to certain claims-handling protocols and grants to the insurer signatories certain releases and indemnifications. Trane remains in litigation in an action that Trane filed in November 2010 in the Circuit

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

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

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

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

The amounts recorded by the Company for asbestos-related liabilities and insurance-related assets are based on currently available information. The Company’s actual liabilities or insurance recoveries could be significantly higher or lower than those recorded if assumptions used in the calculations vary significantly from actual results. Key variables in these assumptions include the number and type of new claims to be filed each year, the average cost of resolution of each such new claim, the resolution of coverage issues with insurance carriers, and the solvency risk with respect to the Company’s insurance carriers. Furthermore, predictions with respect to these variables are subject to greater uncertainty as the projection period lengthens. Other factors that may affect the Company’s liability include uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, reforms that may be made by state and federal courts, and the passage of state or federal tort reform legislation.

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

Other

Standard product warranty accruals are recorded at the time of sale and are estimated based upon product warranty terms and historical experience. The Company assesses the adequacy of its liabilities and will make adjustments as necessary based on known or anticipated warranty claims, or as new information becomes available.

The changes in the standard product warranty liability for the six months ended June 30 were as follows:

In millions	2013	2012
Balance at beginning of period	$263.1	$264.4
Reductions for payments	(72.8)	(72.9)
Accruals for warranties issued during the current period	69.7	80.1
Changes to accruals related to preexisting warranties	(2.2)	(3.5)
Translation	(1.2)	(1.8)
Balance at end of period	$256.6	$266.3

Standard product warranty liabilities are classified as Accrued expenses and other current liabilities or Other noncurrent liabilities based on their expected term. The Company's total current standard product warranty reserve at June 30, 2013 and December 31, 2012 was $142.5 million and $147.4 million, respectively.

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

The changes in the extended warranty liability for the six months ended June 30 were as follows:

In millions	2013	2012
Balance at beginning of period	$375.1	$372.0
Amortization of deferred revenue for the period	(50.2)	(49.1)
Additions for extended warranties issued during the period	46.9	53.2
Changes to accruals related to preexisting warranties	4.0	2.2
Translation	(0.6)	(0.3)
Balance at end of period	$375.2	$378.0

The extended warranty liability is classified as Accrued expenses and other current liabilities or Other noncurrent liabilities based on the timing of when the deferred revenue is expected to be amortized into Revenue. The Company's total current extended warranty liability at June 30, 2013 and December 31, 2012 was $100.0 million and $98.5 million, respectively. For the six months ended June 30, 2013 and 2012, the Company incurred costs of $27.7 million and $29.0 million, respectively, related to extended warranties.

Trane has commitments and performance guarantees, including energy savings guarantees, totaling $432.1 million extending from 2013-2032. These guarantees are provided under long-term service and maintenance contracts related to its air conditioning equipment and system controls. Through June 30, 2013, the Company has experienced no significant losses under such arrangements and considers the probability of any significant future losses to be remote.

Note 20 – 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).

As part of the Bermuda Reorganization, IR-New Jersey and certain of its subsidiaries hold non-voting, Class B common shares of IR-Limited. In addition, 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 and interest on IR-Limited's 4.75% Senior Notes due in 2015 in the aggregate principal amount of $300.0 million. The guarantee is unsecured and provided on an unsubordinated basis. The guarantee ranks equally in right of payment with all of the existing and future unsecured and unsubordinated debt of IR-New Jersey.

As part of the Ireland Reorganization, the guarantor financial statements were revised to present IR-Ireland as the ultimate parent company and Ingersoll-Rand International Holding Limited (IR-International) as a stand-alone subsidiary. In addition, the guarantee structure was updated to reflect the newly created legal structure under which
(i) IR-International assumed the obligations of IR-Limited as issuer or guarantor, as the case may be, and
(ii) IR-Ireland and IR-Limited fully and unconditionally guaranteed the obligations under the various indentures covering the currently outstanding public debt of IR-International, Ingersoll-Rand Global Holding Company Limited (IR-Global), and IR-New Jersey. Neither IR-Ireland nor IR-Limited has issued or intends to issue guarantees in respect of any public indebtedness incurred by Trane. Also as part of the Ireland Reorganization, IR-Limited transferred all the shares of IR-Global to IR-International in exchange for a note payable that initially approximated $15.0 billion, which was then immediately reduced by the settlement of net intercompany payables of $4.1 billion. At June 30, 2013, $10.8 billion remains outstanding.

The condensed consolidating financial statements present the investments of IR-Ireland, IR-Limited, IR-Global, IR-International and IR-New Jersey and their subsidiaries using the equity method of accounting. Intercompany investments in the non-voting Class B common shares are accounted for on the cost method and are reduced by intercompany dividends. In accordance with GAAP, the amounts related to the issuance of the Class B shares have been recorded as a reduction of Total equity. The Notes payable affiliate continues to be reflected on the Condensed Consolidating Balance Sheet of IR-International and is enforceable in accordance with their terms.

The following condensed consolidating financial information for IR-Ireland, IR-Limited, IR-Global, IR-International, and IR-New Jersey, and all their other subsidiaries is included so that separate financial statements of IR-Ireland, IR-Limited, IR-Global, IR-International and IR-New Jersey are not required to be filed with the SEC. IR-Ireland's subsidiary debt issuers and guarantors are directly or indirectly 100% owned by IR-Ireland and the guarantees are full and unconditional and joint and several.

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

Condensed Consolidating Statement of Comprehensive Income
For the three months ended June 30, 2013

In millions	IR Ireland	IR Limited	IR International	IR Global	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Net revenues	$—	$—	$ —	$ —	$ 236.5	$ 3,696.2	$ —	$ 3,932.7
Cost of goods sold	—	—	—	—	(145.3)	(2,533.5)	—	(2,678.8)
Selling and administrative expenses	(5.7)	—	—	(0.1)	(118.7)	(646.4)	—	(770.9)
Gain (loss) on sale/asset impairment	—	—	—	—	—	—	—	—
Operating income (loss)	(5.7)	—	—	(0.1)	(27.5)	516.3	—	483.0
Equity earnings (loss) in affiliates, net of tax	324.9	324.9	338.7	385.9	72.0	379.2	(1,825.6)	—
Interest expense	—	—	(3.9)	(41.7)	(12.2)	(4.6)	—	(62.4)
Intercompany interest and fees	(3.3)	—	(8.5)	(9.1)	(0.2)	21.1	—	—
Other, net	0.2	—	0.7	0.5	(0.1)	1.5	(4.5)	(1.7)
Earnings (loss) before income taxes	316.1	324.9	327.0	335.5	32.0	913.5	(1,830.1)	418.9
Benefit (provision) for income taxes	1.1	—	—	—	27.8	(128.7)	—	(99.8)
Earnings (loss) from continuing operations	317.2	324.9	327.0	335.5	59.8	784.8	(1,830.1)	319.1
Discontinued operations, net of tax	—	—	—	—	(7.5)	13.1	—	5.6
Net earnings (loss)	317.2	324.9	327.0	335.5	52.3	797.9	(1,830.1)	324.7
Less: Net earnings attributable to noncontrolling interests	—	—	—	—	—	(12.0)	4.5	(7.5)
Net earnings (loss) attributable to Ingersoll-Rand plc	$ 317.2	$ 324.9	$ 327.0	$ 335.5	$ 52.3	$ 785.9	$ (1,825.6)	$ 317.2
Total comprehensive income (loss)	325.9	333.2	327.3	356.4	57.6	770.8	(1,847.0)	324.2
Less: Total comprehensive (income) loss attributable to noncontrolling interests	—	—	—	—	2.5	(5.4)	4.5	1.6
Total comprehensive income (loss) attributable to Ingersoll-Rand plc	$ 325.9	$ 333.2	$ 327.3	$ 356.4	$ 60.1	$ 765.4	$ (1,842.5)	$ 325.8

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

Condensed Consolidating Statement of Comprehensive Income
For the six months ended June 30, 2013

In millions	IR Ireland	IR Limited	IR International	IR Global	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Net revenues	$—	$—	$ —	$ —	$462.0	$ 6,583.1	$ —	$ 7,045.1
Cost of goods sold	—	—	—	—	(281.9)	(4,589.0)	—	(4,870.9)
Selling and administrative expenses	(8.3)	—	—	(0.5)	(225.9)	(1,263.0)	—	(1,497.7)
Gain (loss) on sale/asset impairment	—	—	—	—	—	—	—	—
Operating income (loss)	(8.3)	—	—	(0.5)	(45.8)	731.1	—	676.5
Equity earnings (loss) in affiliates, net of tax	417.5	417.5	447.0	539.8	110.2	477.1	(2,409.1)	—
Interest expense	—	—	(7.9)	(81.4)	(24.8)	(9.3)	—	(123.4)
Intercompany interest and fees	(6.3)	—	(17.3)	(18.7)	(0.7)	43.0	—	—
Other, net	0.5	—	1.3	0.8	(2.8)	5.9	(14.5)	(8.8)
Earnings (loss) before income taxes	403.4	417.5	423.1	440.0	36.1	1,247.8	(2,423.6)	544.3
Benefit (provision) for income taxes	1.8	—	—	—	35.1	(160.3)	—	(123.4)
Earnings (loss) from continuing operations	405.2	417.5	423.1	440.0	71.2	1,087.5	(2,423.6)	420.9
Discontinued operations, net of tax	—	—	—	—	(17.4)	15.8	—	(1.6)
Net earnings (loss)	405.2	417.5	423.1	440.0	53.8	1,103.3	(2,423.6)	419.3
Less: Net earnings attributable to noncontrolling interests	—	—	—	—	—	(28.6)	14.5	(14.1)
Net earnings (loss) attributable to Ingersoll-Rand plc	$405.2	$417.5	$ 423.1	$ 440.0	$53.8	$ 1,074.7	$ (2,409.1)	$ 405.2
Total comprehensive income (loss)	327.6	339.5	423.7	451.5	64.5	999.0	(2,272.0)	333.8
Less: Total comprehensive (income) loss attributable to noncontrolling interests	—	—	—	—	2.5	(23.2)	14.5	(6.2)
Total comprehensive income (loss) attributable to Ingersoll-Rand plc	$327.6	$339.5	$ 423.7	$ 451.5	$67.0	$ 975.8	$ (2,257.5)	$ 327.6

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

Condensed Consolidating Statement of Comprehensive Income
For the three months ended June 30, 2012

In millions	IR Ireland	IR Limited	IR International	IR Global	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Net revenues	$—	$—	$ —	$—	$239.7	$ 3,581.6	$ —	$ 3,821.3
Cost of goods sold	—	—	—	—	(153.6)	(2,490.4)	—	(2,644.0)
Selling and administrative expenses	(3.6)	(0.3)	—	(0.3)	(80.4)	(619.0)	—	(703.6)
Gain (loss) on sale/asset impairment	—	—	—	—	—	4.2	—	4.2
Operating income (loss)	(3.6)	(0.3)	—	(0.3)	5.7	476.4	—	477.9
Equity earnings (loss) in affiliates, net of tax	370.6	373.0	390.3	441.6	70.7	458.0	(2,104.2)	—
Interest expense	—	(0.1)	(4.0)	(41.0)	(12.5)	(4.5)	—	(62.1)
Intercompany interest and fees	(2.0)	—	(10.7)	(12.2)	(1.6)	26.5	—	—
Other, net	0.1	—	0.3	1.9	0.1	9.5	(7.8)	4.1
Earnings (loss) before income taxes	365.1	372.6	375.9	390.0	62.4	965.9	(2,112.0)	419.9
Benefit (provision) for income taxes	0.7	—	—	—	12.4	(67.9)	—	(54.8)
Earnings (loss) from continuing operations	365.8	372.6	375.9	390.0	74.8	898.0	(2,112.0)	365.1
Discontinued operations, net of tax	—	—	—	—	7.5	0.3	—	7.8
Net earnings (loss)	365.8	372.6	375.9	390.0	82.3	898.3	(2,112.0)	372.9
Less: Net earnings attributable to noncontrolling interests	—	—	—	—	—	(13.0)	5.9	(7.1)
Net earnings (loss) attributable to Ingersoll-Rand plc	$365.8	$372.6	$ 375.9	$ 390.0	$82.3	$ 885.3	$ (2,106.1)	$ 365.8
Total comprehensive income (loss)	152.5	159.3	376.2	388.4	107.0	661.7	(1,685.5)	159.6
Less: Total comprehensive (income) loss attributable to noncontrolling interests	—	—	—	—	—	(13.0)	5.9	(7.1)
Total comprehensive income (loss) attributable to Ingersoll-Rand plc	$152.5	$159.3	$ 376.2	$ 388.4	$107.0	$ 648.7	$ (1,679.6)	$ 152.5

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

Condensed Consolidating Statement of Comprehensive Income
For the six months ended June 30, 2012

In millions	IR Ireland	IR Limited	IR International	IR Global	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Net revenues	$—	$—	$ —	$ —	$456.9	$ 6,515.1	$ —	$ 6,972.0
Cost of goods sold	—	—	—	—	(295.8)	(4,597.6)	—	(4,893.4)
Selling and administrative expenses	(5.4)	(0.3)	—	(0.5)	(160.1)	(1,226.9)	—	(1,393.2)
Gain (loss) on sale/asset impairment	—	—	—	—	—	4.5	—	4.5
Operating income (loss)	(5.4)	(0.3)	—	(0.5)	1.0	695.1	—	689.9
Equity earnings (loss) in affiliates, net of tax	470.3	269.7	318.8	632.3	135.7	426.8	(2,253.6)	—
Interest expense	—	(0.1)	(7.9)	(88.8)	(25.1)	(9.6)	—	(131.5)
Intercompany interest and fees	(4.9)	—	(22.3)	(23.8)	(0.2)	51.2	—	—
Other, net	0.1	—	0.4	(200.7)	1.5	12.8	189.8	3.9
Earnings (loss) before income taxes	460.1	269.3	289.0	318.5	112.9	1,176.3	(2,063.8)	562.3
Benefit (provision) for income taxes	1.3	—	—	—	3.3	(97.4)	—	(92.8)
Earnings (loss) from continuing operations	461.4	269.3	289.0	318.5	116.2	1,078.9	(2,063.8)	469.5
Discontinued operations, net of tax	—	—	—	—	21.8	(16.2)	—	5.6
Net earnings (loss)	461.4	269.3	289.0	318.5	138.0	1,062.7	(2,063.8)	475.1
Less: Net earnings attributable to noncontrolling interests	—	—	—	—	—	(24.9)	11.2	(13.7)
Net earnings (loss) attributable to Ingersoll-Rand plc	$461.4	$269.3	$ 289.0	$ 318.5	$138.0	$ 1,037.8	$ (2,052.6)	$ 461.4
Total comprehensive income (loss)	413.1	221.0	289.6	318.2	194.1	958.3	(1,967.5)	426.8
Less: Total comprehensive (income) loss attributable to noncontrolling interests	—	—	—	—	—	(24.9)	11.2	(13.7)
Total comprehensive income (loss) attributable to Ingersoll-Rand plc	$413.1	$221.0	$ 289.6	$ 318.2	$194.1	$ 933.4	$ (1,956.3)	$ 413.1

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

Condensed Consolidating Balance Sheet
June 30, 2013

In millions	IR Ireland	IR Limited	IR International	IR Global	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Current assets:								
Cash and cash equivalents	$—	$—	$—	$1,270.4	$314.4	$615.7	$—	$2,200.5
Accounts and notes receivable, net	—	—	—	—	129.4	2,441.9	—	2,571.3
Inventories	—	—	—	—	79.5	1,355.5	—	1,435.0
Other current assets	0.2	—	0.6	—	140.4	480.5	—	621.7
Accounts and notes receivable affiliates	62.7	3,039.2	2.2	2,220.6	9,693.3	23,733.7	(38,751.7)	—
Total current assets	62.9	3,039.2	2.8	3,491.0	10,357.0	28,627.3	(38,751.7)	6,828.5
Investment in affiliates	9,267.0	7,435.8	21,633.2	19,141.0	8,302.3	100,315.0	(166,094.3)	—
Property, plant and equipment, net	—	—	—	0.2	265.5	1,397.3	—	1,663.0
Intangible assets, net	—	—	—	—	83.7	10,156.6	—	10,240.3
Other noncurrent assets	—	—	0.4	21.3	843.2	677.0	—	1,541.9
Total assets	$9,329.9	$10,475.0	$21,636.4	$22,653.5	$19,851.7	$141,173.2	$(204,846.0)	$20,273.7
Current liabilities:								
Accounts payable and accruals	$7.1	$—	$9.2	$51.8	$426.2	$3,025.9	$—	$3,520.2
Short-term borrowings and current maturities of long-term debt	—	—	—	1,255.0	350.5	21.2	—	1,626.7
Accounts and note payable affiliates	2,146.6	34.2	4,907.7	7,389.6	14,702.2	9,223.4	(38,403.7)	—
Total current liabilities	2,153.7	34.2	4,916.9	8,696.4	15,478.9	12,270.5	(38,403.7)	5,146.9
Long-term debt	—	—	299.7	2,295.6	357.2	202.6	—	3,155.1
Note payable affiliate	—	—	10,755.7	—	—	—	(10,755.7)	—
Other noncurrent liabilities	—	—	3.8	—	1,596.3	3,195.4	—	4,795.5
Total liabilities	2,153.7	34.2	15,976.1	10,992.0	17,432.4	15,668.5	(49,159.4)	13,097.5
Equity:								
Total equity	7,176.2	10,440.8	5,660.3	11,661.5	2,419.3	125,504.7	(155,686.6)	7,176.2
Total liabilities and equity	$9,329.9	$10,475.0	$21,636.4	$22,653.5	$19,851.7	$141,173.2	$(204,846.0)	$20,273.7

Condensed Consolidating Balance Sheet
December 31, 2012

In millions	IR Ireland	IR Limited	IR International	IR Global	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Current assets:								
Cash and cash equivalents	$—	$—	$—	$61.9	$59.1	$761.1	$—	$ 882.1
Accounts and notes receivable, net	—	—	—	—	128.8	2,028.7	—	2,157.5
Inventories	—	—	—	—	73.1	1,235.7	—	1,308.8
Other current assets	0.1	—	0.1	0.2	149.3	444.6	—	594.3
Accounts and notes receivable affiliates	148.9	3,039.2	2.0	2,189.0	8,669.5	23,772.0	(37,820.6)	—
Total current assets	149.0	3,039.2	2.1	2,251.1	9,079.8	28,242.1	(37,820.6)	4,942.7
Investment in affiliates	8,885.1	7,095.3	21,185.6	18,589.8	8,179.9	99,205.0	(163,140.7)	—
Property, plant and equipment, net	—	—	—	0.2	254.0	1,398.4	—	1,652.6
Intangible assets, net	—	—	—	—	83.8	10,256.0	—	10,339.8
Other noncurrent assets	—	—	0.5	10.0	867.3	680.0	—	1,557.8
Total assets	$9,034.1	$10,134.5	$21,188.2	$20,851.1	$18,464.8	$139,781.5	$(200,961.3)	$ 18,492.9
Current liabilities:								
Accounts payable and accruals	$70.5	$—	$4.0	$46.0	$420.2	$2,656.9	$—	$ 3,197.6
Short-term borrowings and current maturities of long-term debt	—	—	—	600.0	350.5	13.2	—	963.7
Accounts and note payable affiliates	1,734.3	34.3	4,888.9	7,602.2	13,337.7	9,867.6	(37,465.0)	