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INGERSOLL-RAND PLC

FORM 10-Q
(Quarterly Report)

Filed 11/01/10 for the Period Ending 09/30/10

Telephone	732-652-7000
CIK	0001466258
Symbol	IR
SIC Code	3560 - General Industrial Machinery And Equipment
Industry	Auto & Truck Manufacturers
Sector	Consumer Cyclical
Fiscal Year	12/31

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

FORM 10-Q

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

For the quarterly period ended September 30, 2010

or

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

For the transition period from _____to _____

Commission File Number 001-34400

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

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

170/175 Lakeview Dr.
Airside Business Park
Swords, Co. Dublin
Ireland
(Address of principal executive offices)

+(353) (0) 18707400
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer ☒	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 ☒

The number of ordinary shares outstanding of Ingersoll-Rand plc as of October 15, 2010 was 324,010,700.

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INGERSOLL-RAND PLC

FORM 10-Q

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

INGERSOLL-RAND PLC
CONDENSED CONSOLIDATED INCOME STATEMENT
(Unaudited)

In millions, except per share amounts	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Net revenues	$ 3,730.3	$ 3,458.9	$10,367.4	$ 9,820.8
Cost of goods sold	(2,651.4)	(2,462.6)	(7,457.7)	(7,156.9)
Selling and administrative expenses	(670.7)	(671.7)	(1,975.8)	(2,018.7)
Operating income	408.2	324.6	933.9	645.2
Interest expense	(70.2)	(76.3)	(212.3)	(225.4)
Other, net	11.2	—	31.1	15.8
Earnings (loss) before income taxes	349.2	248.3	752.7	435.6
Provision for income taxes	(72.1)	(14.8)	(189.4)	(62.3)
Earnings (loss) from continuing operations	277.1	233.5	563.3	373.3
Discontinued operations, net of tax	(39.5)	(10.9)	(117.7)	(45.0)
Net earnings (loss)	237.6	222.6	445.6	328.3
Less: Net earnings attributable to noncontrolling interests	(5.4)	(6.0)	(15.5)	(16.4)
Net earnings (loss) attributable to Ingersoll-Rand plc	$ 232.2	$ 216.6	$ 430.1	$ 311.9
Amounts attributable to Ingersoll-Rand plc ordinary shareholders:				
Continuing operations	$ 271.7	$ 227.5	$ 547.7	$ 356.9
Discontinued operations	(39.5)	(10.9)	(117.6)	(45.0)
Net earnings (loss)	$ 232.2	$ 216.6	$ 430.1	$ 311.9
Earnings (loss) per share attributable to Ingersoll-Rand plc ordinary shareholders:				
Basic:				
Continuing operations	$ 0.84	$ 0.71	$ 1.69	$ 1.11
Discontinued operations	(0.12)	(0.04)	(0.36)	(0.14)
Net earnings (loss)	$ 0.72	$ 0.67	$ 1.33	$ 0.97
Diluted:				
Continuing operations	$ 0.80	$ 0.69	$ 1.62	$ 1.09
Discontinued operations	(0.12)	(0.04)	(0.35)	(0.13)
Net earnings (loss)	$ 0.68	$ 0.65	$ 1.27	$ 0.96
Weighted-average shares outstanding				
Basic	324.7	321.0	323.7	320.8
Diluted	339.0	331.8	338.2	326.4
Dividends declared per ordinary share	$ 0.07	$ 0.07	$ 0.21	$ 0.43

See accompanying notes to condensed consolidated financial statements.

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INGERSOLL-RAND PLC

CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

In millions	September 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 810.7	$ 876.7
Accounts and notes receivable, net	2,466.5	2,094.2
Inventories	1,539.0	1,176.1
Other current assets	666.5	635.4
Assets held for sale	32.2	87.1
Total current assets	5,514.9	4,869.5
Property, plant and equipment, net	1,786.0	1,888.8
Goodwill	6,560.5	6,606.0
Intangible assets, net	4,916.1	5,042.8
Other noncurrent assets	1,457.8	1,583.9
Total assets	$ 20,235.3	$ 19,991.0
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 1,401.3	$ 1,065.3
Accrued compensation and benefits	536.1	489.7
Accrued expenses and other current liabilities	1,632.7	1,520.9
Short-term borrowings and current maturities of long-term debt	738.4	1,191.7
Liabilities held for sale	29.6	30.0
Total current liabilities	4,338.1	4,297.6
Long-term debt	2,922.8	2,904.9
Postemployment and other benefit liabilities	1,705.5	1,954.2
Deferred and noncurrent income taxes	1,929.5	1,930.3
Other noncurrent liabilities	1,645.9	1,698.3
Total liabilities	12,541.8	12,785.3
Temporary equity	20.0	30.0
Shareholders' equity:		
Ingersoll-Rand plc shareholders' equity:		
Ordinary shares	323.2	320.6
Capital in excess of par value	2,444.0	2,347.6
Retained earnings	5,200.3	4,837.9
Accumulated other comprehensive income (loss)	(393.7)	(434.3)
Total Ingersoll-Rand plc shareholders' equity	7,573.8	7,071.8
Noncontrolling interests	99.7	103.9
Total shareholders' equity	7,673.5	7,175.7
Total liabilities and shareholders' equity	$ 20,235.3	$ 19,991.0

See accompanying notes to condensed consolidated financial statements.

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INGERSOLL-RAND PLC

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

In millions	Nine months ended September 30, 2010	2009
Cash flows from operating activities:		
Net earnings (loss)	$ 445.6	$ 328.3
(Income) loss from discontinued operations, net of tax	117.7	45.0
Adjustments to arrive at net cash provided by (used in) operating activities:		
Depreciation and amortization	329.4	313.5
Stock settled share-based compensation	46.5	56.0
Changes in other assets and liabilities, net	(437.1)	682.3
Other, net	80.4	90.3
Net cash provided by (used in) continuing operating activities	582.5	1,515.4
Net cash provided by (used in) discontinued operating activities	(65.6)	(35.5)
Cash flows from investing activities:		
Capital expenditures	(117.3)	(155.9)
Proceeds from sale of property, plant and equipment	12.2	19.1
Acquisitions, net of cash acquired	(5.5)	—
Other, net	—	(0.2)
Net cash provided by (used in) continuing investing activities	(110.6)	(137.0)
Net cash provided by (used in) discontinued investing activities	0.4	(0.2)
Cash flows from financing activities:		
Proceeds from issuance of bonds	—	1,000.0
Proceeds from bridge loan	—	196.0
Payments of bridge loan	—	(950.0)
Commercial paper program (net)	—	(998.7)
Other short-term borrowings (net)	23.9	(11.7)
Proceeds from long-term debt	51.6	2.2
Payments of long-term debt	(523.1)	(210.3)
Net change in debt	(447.6)	(972.5)
Settlement of cross currency swap	—	(26.9)
Debt issuance costs	(5.5)	(16.1)
Dividends paid to ordinary shareholders	(67.7)	(137.8)
Dividends paid on noncontrolling interest	(9.4)	(12.0)
Acquisition of noncontrolling interest	(8.0)	(1.5)
Proceeds from exercise of stock options	47.5	8.3
Net cash provided by (used in) continuing financing activities	(490.7)	(1,158.5)
Net cash provided by (used in) discontinued financing activities	—	—
Effect of exchange rate changes on cash and cash equivalents	18.0	9.5
Net increase (decrease) in cash and cash equivalents	(66.0)	193.7
Cash and cash equivalents-beginning of period	876.7	550.2
Cash and cash equivalents-end of period	$ 810.7	$ 743.9

See accompanying notes to condensed consolidated financial statements.

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 – Description of Company

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

On July 1, 2009, Ingersoll-Rand Company Limited (IR-Limited), a Bermuda company, completed a reorganization to change the jurisdiction of incorporation of the parent company of Ingersoll Rand from Bermuda to Ireland (the Ireland Reorganization). As a result, IR-Ireland replaced IR-Limited as the ultimate parent company effective July 1, 2009. In conjunction with the Ireland Reorganization, IR-Limited became a wholly-owned subsidiary of IR-Ireland and the Class A common shareholders of IR-Limited became ordinary shareholders of IR-Ireland. Unless otherwise indicated, all references to the Company prior to July 1, 2009 relate to IR-Limited.

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

Note 2 – Basis of Presentation

The accompanying Condensed Consolidated Financial Statements reflect the consolidated operations of the Company and have been prepared in accordance with GAAP as defined by the Financial Accounting Standards Board (FASB) within the FASB Accounting Standards Codification (FASB ASC). In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments, which include normal recurring adjustments, necessary to present fairly the consolidated unaudited results for the interim periods presented. The accompanying Condensed Consolidated Financial Statements should be read in conjunction with the consolidated financial statements included in the Ingersoll-Rand plc Annual Report on Form 10-K for the year ended December 31, 2009.

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Certain reclassifications of amounts reported in prior years have been made to conform to the 2010 classification. During the fourth quarter of 2009, the sales price condition set forth in the indenture agreement for the Company's Exchangeable Senior Notes (the Notes) was satisfied and the Notes became exchangeable at the holders' option during the first quarter 2010. As the debt and equity components of the Notes are accounted for separately, the Company changed the classification of $315.0 million associated with the debt portion of the Notes from Long-term debt to Short-term borrowings and current maturities of long-term debt in the December 31, 2009 Condensed Consolidated Balance Sheet of this Form 10-Q. In addition, the Company changed the classification of $30.0 million associated with the equity portion of the Notes from Capital in excess of par value to Temporary equity to reflect the amount of equity that could result in cash settlement at December 31, 2009.

On October 4, 2010, the Company completed the divestiture of its European refrigerated display case business, which was sold under the KOXKA brand, to an affiliate of American Industrial Acquisition Corporation (AIAC Group). During the second quarter of 2010, the planned divestiture met both the component and held for sale criteria in accordance with GAAP. Therefore, the Company reported this business as a discontinued operation and classified the assets and liabilities as held for sale for all periods presented.

During the third quarter of 2010, the Company committed to a plan to divest its gas microturbine generator business, which is sold under the Energy Systems brand. As of September 30, 2010, the planned divestiture met both the component and held for sale criteria in accordance with GAAP. Therefore, the Company now reports this business as a discontinued operation and classifies the assets and liabilities as held for sale for all periods presented. On October 19, 2010, the Company signed a letter of intent to sell Energy Systems to Flex Energy, LLC, and the sale is expected to be completed in the fourth quarter of 2010.

At the close of business on June 5, 2008 (the Acquisition Date), the Company completed its acquisition of 100% of the outstanding common shares of Trane Inc. (Trane). Trane, formerly American Standard Companies Inc., provides systems and services that enhance the quality and comfort of the air in homes and buildings around the world. Trane's systems and services have leading positions in premium commercial, residential, institutional and industrial markets, a reputation for reliability, high quality and product innovation and a powerful distribution network. The results of operations of Trane have been included in the Condensed Consolidated Financial Statements for all periods presented.

Note 3 – Inventories

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

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

The major classes of inventory are as follows:

In millions	September 30, 2010	December 31, 2009
Raw materials	$ 431.5	$ 349.5
Work-in-process	289.6	211.8
Finished goods	902.6	697.7
Sub-total	1,623.7	1,259.0
LIFO reserve	(84.7)	(82.9)
Total	$ 1,539.0	$ 1,176.1

Note 4 – Goodwill

The changes in the carrying amount of goodwill are as follows:

In millions	Climate Solutions	Residential Solutions	Industrial Technologies	Security Technologies	Total
December 31, 2009	$4,978.3	$ 682.3	$ 372.9	$ 572.5	$6,606.0
Acquisitions and adjustments	1.6	—	0.5	—	2.1
Translation	(31.4)	—	(8.7)	(7.5)	(47.6)
September 30, 2010	$4,948.5	$ 682.3	$ 364.7	$ 565.0	$6,560.5

As a result of the annual impairment testing in the fourth quarter of 2008, the Company recognized a pre-tax, non-cash charge related to the impairment of goodwill within the following segments:

In millions	Total
Climate Solutions	$ (839.8)
Residential Solutions	(1,656.2)
Security Technologies	(344.0)
Total	$(2,840.0)

The Company does not have any accumulated impairment losses subsequent to the adoption of Statement of Financial Accounting Standards No. 142, “Goodwill and Other Intangible Assets” (ASC 350 – “Intangibles, Goodwill, and Other”) other than the amounts recorded in 2008.

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Note 5 – Intangible Assets

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

In millions	September 30, 2010	December 31, 2009
Completed technologies/patents	$ 204.7	$ 204.0
Customer relationships	2,350.3	2,358.4
Trademarks	106.4	111.2
Other	186.3	188.1
Total gross finite-lived intangible assets	2,847.7	2,861.7
Accumulated amortization	(645.7)	(533.0)
Total net finite-lived intangible assets	2,202.0	2,328.7
Trademarks (indefinite-lived)	2,714.1	2,714.1
Total	$ 4,916.1	$ 5,042.8

Intangible asset amortization expense was $38.3 million and $40.1 million for the three months ended September 30, 2010 and 2009, respectively. For the nine months ended September 30, 2010 and 2009, intangible assets amortization expense was $115.5 million and $117.1 million, respectively. Estimated amortization expense on existing intangible assets is approximately $160 million for each of the next five fiscal years.

Note 6 – Accounts Receivable Purchase Agreements

In connection with the acquisition of Trane, the Company acquired Trane's accounts receivable purchase agreement (the Trane Facility) in the U.S. As part of the Trane Facility, Trane formed a special-purpose entity (SPE) for the sole purpose of buying and selling receivables generated by Trane. Under the Trane Facility, Trane, irrevocably and without recourse, transferred all eligible accounts receivable to the SPE, which, in turn, sold undivided ownership interests in them to a conduit administered by the participating bank. The assets of the SPE were not available to pay the claims of Trane or any of its subsidiaries.

On March 31, 2009, the Company expanded the existing Trane Facility to include originators from all four business segments (the Expanded IR Facility). Under the Expanded IR Facility, the Company continuously sold, through certain consolidated special purpose vehicles, designated pools of eligible trade receivables to an affiliated master special purpose vehicle (MSPV) which, in turn, sold undivided ownership interests to three conduits administered by unaffiliated financial institutions. The maximum purchase limit of the three conduits was $325.0 million. The Expanded IR Facility superseded the Trane Facility.

For the nine months ended September 30, 2009, the Company recorded a cash inflow of $143 million within cash flows from operating activities, which represented the increase in the net interests in the receivables sold to the conduits.

At December 31, 2009, the outstanding balance of eligible trade receivables sold to the MSPV was $544.2 million. However, no net interests were sold to any of the three conduits administered by unaffiliated financial institutions. On February 17, 2010, the Company terminated the Expanded IR Facility prior to its expiration in March 2010.

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Note 7 – Debt and Credit Facilities

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

In millions	September 30, 2010	December 31, 2009
Debentures with put feature	$ 343.6	$ 343.6
Exchangeable senior notes	325.0	315.0
Current maturities of long-term debt	37.6	526.5
Other short-term borrowings	32.2	6.6
Total	$ 738.4	$ 1,191.7

Commercial Paper Program

The Company uses borrowings under its commercial paper program for general corporate purposes. At December 31, 2009, the Company had no amounts outstanding after repaying $998.7 million during the year. These payments were funded primarily using cash generated from operations. No amounts were outstanding at September 30, 2010.

Debentures with Put Feature

At September 30, 2010 and December 31, 2009, the Company had outstanding $343.6 million of fixed rate debentures, which only requires early repayment at the option of the holder. These debentures contain a put feature that the holders may exercise on each anniversary of the issuance date. If exercised, the Company is obligated to repay in whole or in part, at the holder's option, the outstanding principal amount (plus accrued and unpaid interest) of the debentures held by the holder. If these options are not exercised, the final maturity dates would range between 2027 and 2028.

In February 2010, holders of these debentures had the option to exercise the put feature on $37.2 million of the outstanding debentures, of which less than $0.1 million were exercised and repaid in February.

Exchangeable Senior Notes Due 2012

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

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

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

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

During the third quarter of 2010, the sales price condition set forth in the indenture agreement for the Notes continues to be satisfied. As a result, the Notes may be exchangeable at the holders' option during the fourth quarter of 2010. Therefore, the Company classified the debt portion of the Notes as short-term in the Condensed Consolidated Balance Sheet at September 30, 2010. In addition, the Company classified the equity portion of the Notes as Temporary equity to reflect the amount that could result in cash settlement at September 30, 2010.

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

In millions	September 30, 2010	December 31, 2009
6.000% Senior notes due 2013	$ 599.8	$ 599.8
9.50% Senior notes due 2014	655.0	655.0
5.50% Senior notes due 2015	199.7	199.7
4.75% Senior notes due 2015	299.4	299.3
6.875% Senior notes due 2018	749.2	749.1
9.00% Debentures due 2021	125.0	125.0
7.20% Debentures due 2011-2025	105.0	112.5
6.48% Debentures due 2025	149.7	149.7
Other loans and notes	40.0	14.8
Total	$ 2,922.8	$ 2,904.9

The fair value of the Company's debt was $4,264.6 million and $4,459.6 million at September 30, 2010 and December 31, 2009, respectively. The fair value of debt was primarily based upon quoted market values.

Senior Notes Due 2014

In April 2009, the Company issued $655 million of 9.5% Senior Notes through its wholly-owned subsidiary, IR-Global. The notes are fully and unconditionally guaranteed by each of IR-Ireland, IR-Limited and IR-International, another wholly-owned indirect subsidiary of IR-Limited. Interest on the fixed rate notes will be paid twice a year in arrears. The Company has the option to redeem them 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.

Credit Facilities

On May 26, 2010, the Company entered into a 3-year, $1.0 billion Senior Unsecured Revolving Credit Facility through its wholly-owned subsidiary, IR-Global. This new facility replaced the Company's pre-existing $1.25 billion, 5-year revolving credit facility that was scheduled to mature on August 12, 2010.

At September 30, 2010, the Company's committed revolving credit facilities totaled $2.0 billion, of which $1.0 billion expires in June 2011 and $1.0 billion expires in May 2013. These lines are unused and provide support for the Company's commercial paper program as well as for other general corporate purposes.

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Note 8 – Financial Instruments

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

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

The Company also assesses both at the inception and at least quarterly thereafter, whether the derivatives used in cash flow hedging transactions are highly effective in offsetting the changes in the cash flows of the hedged item. Any ineffective portion of a derivative instrument's change in fair value is recorded in the income statement in the period of change. If the hedging relationship ceases to be highly effective, or it becomes probable that a forecasted transaction is no longer expected to occur, the hedging relationship will be undesignated and any future gains and losses on the derivative instrument would be recorded in the income statement.

The fair market value of derivative instruments are 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.

Currency and Commodity Derivative Instruments

The notional amounts of the Company's currency derivatives were $1,044.7 million and $884.8 million at September 30, 2010 and December 31, 2009, respectively. At September 30, 2010 and December 31, 2009, a deferred gain of $0.5 million and deferred loss of $1.5 million, net of tax, respectively, was included in Accumulated other comprehensive income (AOCI) related to the fair value of the Company's currency derivatives designated as accounting hedges. The amount expected to be reclassified into earnings over the next twelve months is a gain of $0.5 million. The actual amounts that will be reclassified into earnings may vary from this amount as a result of changes in market conditions. Gains and losses associated with the Company's currency derivatives not designated as hedges are recorded in earnings as changes in fair value occur. At September 30, 2010, the maximum term of the Company's currency derivatives was 12 months.

As a result of the acquisition of Trane in June 2008, the Company assumed a cross currency swap that fixed, in U.S. dollars, the currency cash flows on the £60.0 million 8.25% senior notes. These senior notes matured on June 1, 2009 along with the cross currency swap. The cross currency swap met the criteria to be accounted for as a foreign currency cash flow hedge, which allowed for deferral of any associated gains or losses within AOCI until settlement. The deferred gain remaining in AOCI related to the cross currency swap was released into earnings upon maturity.

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

The Company had no commodity derivatives outstanding as of September 30, 2010 and December 31, 2009. During 2008, the Company discontinued the use of hedge accounting for its commodity hedges at which time the Company recognized into the income statement all deferred gains and losses related to its existing commodity hedges at the time of discontinuance. All further gains and losses associated with the Company's commodity derivatives were recorded in earnings as changes in fair value occurred.

Other Derivative Instruments

During the third quarter of 2008, the Company entered into interest rate locks for the forecasted issuance of approximately $1.4 billion of Senior Notes due in 2013 and 2018. These interest rate locks met the criteria to be accounted for as cash flow hedges of a forecasted transaction. Consequently, the changes in fair value of the interest rate locks were deferred in AOCI. No further gain or loss will be deferred in AOCI related to these interest rate locks as the contracts were effectively terminated upon issuance of the underlying debt. However, the amount of AOCI associated with these interest rate locks at the time of termination will be recognized into interest expense over the term of the notes. At September 30, 2010 and December 31, 2009, $11.3 million and $12.6 million, respectively, of deferred losses remained in AOCI related to these interest rate locks. The amount expected to be reclassified into interest expense over the next twelve months is $1.8 million.

In March 2005, the Company entered into interest rate locks for the forecasted issuance of $300 million of Senior Notes due 2015. These interest rate locks met the criteria to be accounted for as cash flow hedges of a forecasted transaction. Consequently, the changes in fair value of the interest rate locks were deferred in AOCI. No further gain or loss will be deferred in AOCI related to these interest rate locks as the contracts were effectively terminated upon issuance of the underlying debt. However, the amount of AOCI associated with these interest rate locks at the time of termination will be recognized into interest expense over the term of the notes. At September 30, 2010 and December 31, 2009, $5.7 million and $6.5 million, respectively, of deferred losses remained in AOCI related to these interest rate locks. The amount expected to be reclassified into interest expense over the next twelve months is $1.1 million.

The following table presents the fair values of derivative instruments included within the Condensed Consolidated Balance Sheet as of September 30, 2010 and December 31, 2009:

	Asset derivatives		Liability derivatives	
	September 30,	December 31,	September 30,	December 31,
In millions	2010	2009	2010	2009
Derivatives designated as hedges:				
Currency derivatives	$ 1.9	$ 0.3	$ 1.0	$ 2.7
Derivatives not designated as hedges:				
Currency derivatives	23.8	7.0	3.7	5.2
Total derivatives	$ 25.7	$ 7.3	$ 4.7	$ 7.9

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

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

In millions	Amount of gain (loss) deferred in AOCI		Location of gain (loss) reclassified from AOCI and recognized into earnings	Amount of gain (loss) reclassified from AOCI and recognized into earnings	
	2010	2009		2010	2009
Currency derivatives	$ (0.4)	$ (1.5)	Other, net	$ 0.8	$ (0.5)
Interest rate locks	—	—	Interest expense	(0.7)	(0.7)
Total	$ (0.4)	$ (1.5)		$ 0.1	$ (1.2)

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

In millions	Location of gain (loss) recognized in earnings	Amount of gain (loss) recognized in earnings	
Derivatives not designated as hedges under ASC 815		2010	2009
Currency derivatives	Other, net	$ 22.7	$ 18.6*
Commodity derivatives	Other, net	—	0.6
Total		$ 22.7	$ 19.2

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

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

In millions	Amount of gain (loss) deferred in AOCI		Location of gain (loss) reclassified from AOCI and recognized into earnings	Amount of gain (loss) reclassified from AOCI and recognized into earnings	
	2010	2009		2010	2009
Currency derivatives	$ 2.3	$ (5.1)	Other, net	$ (0.8)	$ 7.3
Interest rate locks	—	—	Interest expense	(2.1)	(2.1)
Total	$ 2.3	$ (5.1)		$ (2.9)	$ 5.2

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

In millions Derivatives not designated as hedges under ASC 815	Location of gain (loss) recognized in earnings	Amount of gain (loss) recognized in earnings 2010	2009
Currency derivatives	Other, net	$ 34.0	$ 49.8*
Commodity derivatives	Other, net	—	1.7
Total		$ 34.0	$ 51.5

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

Concentration of Credit Risk

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

Fair Value of Financial Instruments

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

Note 9 – Pensions and Postretirement Benefits Other than Pensions

The Company sponsors several U.S. and non-U.S. pension plans covering substantially all of our U.S. employees and retirees as well as a portion of our non-U.S. employees and retirees. In addition, postretirement benefits other than pensions provide for health care benefits, and in some instances, life insurance benefits that cover certain eligible employees.

Pension Plans

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

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

	Three months ended September 30,		Nine months ended September 30,	
In millions	2010	2009	2010	2009
Service cost	$ 14.1	$ 13.9	$ 65.4	$ 48.9
Interest cost	48.3	49.6	145.6	147.3
Expected return on plan assets	(49.0)	(45.1)	(147.1)	(133.4)
Net amortization of:		—		—
Prior service costs	2.2	2.2	6.2	6.4
Transition amount	—	0.1	—	0.3
Plan net actuarial losses	13.5	15.7	41.5	44.5
Net periodic pension benefit cost	29.1	36.4	111.6	114.0
Net curtailment and settlement (gains) losses	(0.2)	(1.1)	6.0	(0.3)
Net periodic pension benefit cost after net curtailment and settlement (gains) losses	$ 28.9	$ 35.3	$ 117.6	$ 113.7
Amounts recorded in continuing operations	$ 27.5	$ 32.5	$ 112.6	$ 105.3
Amounts recorded in discontinued operations	1.4	2.8	5.0	8.4
Total	$ 28.9	$ 35.3	$ 117.6	$ 113.7

The Company made required and discretionary employer contributions of $286.1 million and $88.8 million to its defined benefit pension plans during the nine months ended September 30, 2010 and 2009, respectively. Additionally the company expects to make up to $200 million of pension contributions in the fourth quarter of 2010.

The curtailment and settlement losses in 2010 and 2009 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 health-care benefits, and in some instances, life insurance benefits that cover certain eligible employees. These plans are unfunded and have no plan assets, but are instead funded by the Company on a pay as you go basis in the form of direct benefit payments. Generally, postretirement health benefits are contributory with contributions adjusted annually. Life insurance plans for retirees are primarily noncontributory.

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

	Three months ended September 30,		Nine months ended September 30,	
In millions	2010	2009	2010	2009
Service cost	$ 1.8	$ 2.1	$ 6.7	$ 7.3
Interest cost	10.1	13.9	35.9	42.5
Net amortization of prior service gains	(0.7)	(0.8)	(2.5)	(2.5)
Net amortization of net actuarial losses	—	1.3	8.3	9.7
Net periodic postretirement benefit cost	$ 11.2	$ 16.5	$ 48.4	$ 57.0
Amounts recorded in continuing operations	$ 7.3	$ 10.6	$ 29.5	$ 34.9
Amounts recorded in discontinued operations	3.9	5.9	18.9	22.1
Total	$ 11.2	$ 16.5	$ 48.4	$ 57.0

Note 10 – Fair Value Measurement

FASB ASC 820, “Fair Value Measurements and Disclosures” (ASC 820) establishes a framework for measuring fair value that is based on the inputs market participants use to determine the fair value of an asset or liability and establishes a fair value hierarchy to prioritize those inputs. The fair value hierarchy 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 on a recurring basis at September 30, 2010 are as follows:

	Fair value measurements			Total
In millions	Level 1	Level 2	Level 3	fair value
Assets:				
Cash and cash equivalents	$810.7	$ —	$ —	$ 810.7
Marketable securities	12.0	—	—	12.0
Derivative instruments	—	25.7	—	25.7
Benefit trust assets	17.4	153.2	—	170.6
Total	$840.1	$178.9	$ —	$1,019.0
Liabilities:				
Derivative instruments	$ —	$ 4.7	$ —	$ 4.7
Benefit trust liabilities	17.3	174.3	—	191.6
Total	$ 17.3	$179.0	$ —	$ 196.3

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

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

These methodologies used by the Company to determine the fair value of its financial assets and liabilities at September 30, 2010 are the same as those used at December 31, 2009. As a result, there have been no significant transfers between Level 1 and Level 2 categories.

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Note 11 – Shareholders' Equity

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

The reconciliation of ordinary shares is as follows:

In millions	Total
December 31, 2009	320.6
Shares issued under incentive plans	2.6
September 30, 2010	323.2

The components of shareholders' equity for the nine months ended September 30, 2010 are as follows:

In millions	IR-Ireland shareholders' equity	Noncontrolling interests	Total shareholders' equity
Balance at December 31, 2009	$ 7,071.8	$ 103.9	$ 7,175.7
Net earnings (loss)	430.1	15.5	445.6
Currency translation	(13.1)	—	(13.1)
Change in value of marketable securities and derivatives qualifying as cash flow hedges, net of tax	4.8	—	4.8
Pension and OPEB adjustments, net of tax	48.9	—	48.9
Total comprehensive income (loss)	470.7	15.5	486.2
Share-based compensation	46.5	—	46.5
Dividends to noncontrolling interests	—	(9.4)	(9.4)
Dividends to ordinary shareholders	(67.7)	—	(67.7)
Accretion of exchangeable senior notes	10.0	—	10.0
Acquisition of noncontrolling interest	(5.0)	(3.0)	(8.0)
Shares issued under incentive plans	47.5	—	47.5
Other	—	(7.3)	(7.3)
Balance at September 30, 2010	$ 7,573.8	$ 99.7	$ 7,673.5

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The components of shareholders' equity for the nine months ended September 30, 2009 are as follows:

In millions	IR-Ireland shareholders' equity	Noncontrolling interests	Total shareholders' equity
Balance at December 31, 2008	$ 6,661.4	$ 100.7	$ 6,762.1
Net earnings (loss)	311.9	16.4	328.3
Currency translation	112.2	—	112.2
Change in value of marketable securities and derivatives qualifying as cash flow hedges, net of tax	(2.8)	—	(2.8)
Pension and OPEB adjustments, net of tax	31.6	—	31.6
Total comprehensive income (loss)	452.9	16.4	469.3
Shares issued under incentive stock plan	8.3	—	8.3
Share-based compensation	55.9	—	55.9
Issuance of exchangeable notes	38.7*	—	38.7
Acquisition of noncontrolling interests	(0.1)	(1.4)	(1.5)
Dividends to noncontrolling interests	—	(12.0)	(12.0)
Dividends to ordinary shareholders	(137.8)	—	(137.8)
Other	2.9	—	2.9
Balance at September 30, 2009	$ 7,082.2	$ 103.7	$ 7,185.9

* Represents the portion of net proceeds received from the issuance of Senior Exchangeable Notes that is allocated to equity, as described in Note 7.

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 and restricted stock units (RSUs), stock appreciation rights (SARs), performance shares and deferred compensation.

Stock Options/Restricted Stock Units

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

	2010		2009	
	Number granted	Weighted-average fair value per award	Number granted	Weighted-average fair value per award
Stock options	2,614,967	$ 10.14	4,056,032	$ 5.65
RSUs	833,465	$ 32.19	921,182	$ 16.85

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

SARs

All SARs outstanding as of September 30, 2010 are vested and expire ten years from the date of grant. All SARs exercised are settled with the Company's ordinary shares. The Company did not grant SARs during the nine months ended September 30, 2010 and does not anticipate additional grants in the future.

Performance Shares

The Company has a Performance Share Program (PSP) for key employees. The program provides awards based on performance against pre-established objectives. The annual target award level is expressed as a number of the Company's ordinary shares. All PSP awards are settled in the form of ordinary shares. As of September 30, 2010, the Company's target award level for eligible employees is approximately 0.4 million shares.

Deferred Compensation

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

Other Plans

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

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

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Compensation Expense

Share-based compensation expense is included in Selling and administrative expenses within continuing operations. The following table summarizes the expenses recognized for the three and nine months ended September 30:

	Three months ended September 30,		Nine months ended September 30,	
In millions	2010	2009	2010	2009
Stock options	$ 5.6	$ 7.3	$ 25.6	$ 30.3
RSUs	2.8	1.1	11.0	5.6
Performance shares	3.6	8.8	9.2	17.8
Deferred compensation	0.3	1.7	1.0	2.2
SARs and other	0.1	1.0	0.8	2.2
Pre-tax expense	12.4	19.9	47.6	58.1
Tax benefit	(4.7)	(7.6)	(18.2)	(22.2)
After tax expense	$ 7.7	$ 12.3	$ 29.4	$ 35.9

Note 13 – Restructuring Activities

Restructuring charges recorded during the three and nine months ended September 30, 2010 and 2009 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
In millions	2010	2009	2010	2009
Climate Solutions	$ 8.0	$ 3.3	$ 20.2	$ 18.8
Residential Solutions	0.2	0.3	1.1	1.8
Industrial Technologies	6.3	3.5	10.4	21.4
Security Technologies	(0.1)	1.7	2.4	6.9
Corporate and Other	0.6	0.9	0.5	11.6
Total	$ 15.0	$ 9.7	$ 34.6	$ 60.5
Cost of goods sold	$ 8.8	$ 5.2	$ 23.5	$ 22.2
Selling and administrative	6.2	4.5	11.1	38.3
Total	$ 15.0	$ 9.7	$ 34.6	$ 60.5

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The changes in the restructuring reserve are as follows:

In millions	Climate Solutions	Residential Solutions	Industrial Technologies	Security Technologies	Corporate and Other	Total
December 31, 2009	$ 14.4	$ 7.8	$ 4.3	$ 18.2	$ 8.3	$ 53.0
Additions	20.2	1.1	10.4	2.4	0.5	34.6
Cash and non-cash uses	(27.9)	(4.5)	(6.3)	(6.7)	(3.3)	(48.7)
Currency translation	(1.2)	—	(0.5)	(0.7)	—	(2.4)
September 30, 2010	$ 5.5	$ 4.4	$ 7.9	$ 13.2	$ 5.5	$ 36.5

In October 2008, the Company announced an enterprise-wide restructuring program necessitated by the lower demand in many of the Company's end markets resulting from the overall deterioration in global economic conditions that began in the second half of 2008 and continued through 2009. The program included streamlining the footprint of manufacturing facilities and reducing the general and administrative cost base across all sectors of the Company. During the nine months ended September 30, 2009, the Company incurred costs of $60.5 million associated with this program.

During the nine months ended September 30, 2010, the Company incurred costs of $34.6 million associated with ongoing restructuring actions. These actions included workforce reductions as well as the consolidation of manufacturing facilities in an effort to increase efficiencies across multiple lines of business. As of September 30, 2010, the Company had $36.5 million accrued for costs associated with these ongoing restructuring actions, which is expected to be paid within one year.

Note 14 – Other, Net

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

	Three months ended September 30,		Nine months ended September 30,	
In millions	2010	2009	2010	2009
Interest income	$ 2.8	$ 3.3	$ 10.4	$ 10.7
Exchange gain (loss)	2.3	(6.8)	1.7	(7.9)
Earnings from equity investments	4.2	3.1	10.5	6.6
Other	1.9	0.4	8.5	6.4
Other, net	$ 11.2	$ —	$ 31.1	$ 15.8

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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, Germany, Ireland, Italy, the Netherlands and the United States. In general, the examination of the Company's material tax returns is completed for the years prior to 2000, with certain matters being resolved through appeals and litigation.

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

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

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

Although the outcome of this matter cannot be predicted with certainty, based upon an analysis of the strength of its position, the Company believes that it is adequately reserved for this matter. As the Company moves forward to resolve this matter with the IRS, it is reasonably possible that the reserves

established may be adjusted within the next 12 months. However, the Company does not expect that the ultimate resolution will have a material adverse impact on its future results of operations or financial position. At this time, the IRS has not proposed any similar adjustments for years subsequent to 2002. However, if all or a portion of these adjustments proposed by the IRS are ultimately sustained, it is likely to also affect subsequent tax years.

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

Total unrecognized tax benefits as of September 30, 2010 and December 31, 2009 were $533.8 million and $525.1 million, respectively.

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

During the third quarter of 2009, the Company identified certain accounting errors associated with its previously reported income tax balance sheet accounts. The Company corrected these errors in the third quarter of 2009, which resulted in a tax benefit of $25 million recorded to continuing operations and a tax charge of $29 million recorded to discontinued operations. The Company does not believe that the accounting errors are material to its annual results for 2009 or to any of its previously issued financial statements. As a result, the Company did not adjust any prior period amounts.

In addition, during the third quarter of 2009, the Company recorded to continuing operations a tax charge of $42 million associated with increasing its deferred tax asset valuation allowance for its foreign tax credit carryforwards, and a tax benefit of $30 million primarily associated with reducing its liability for unrecognized tax benefits. The Company recorded to discontinued operations a tax benefit of $22 million primarily associated with reducing its liability for unrecognized tax benefits. The net tax charge recorded to continuing operations and the benefit recorded to discontinued operations represent changes in accounting estimate as defined by GAAP.

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Note 16 – Divestitures and Discontinued Operations

Amounts related to discontinued operations for the three and nine months ended September 30 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
In millions	2010	2009	2010	2009
Revenues	$ 24.2	$ 23.8	$ 62.4	$ 68.6
Pre-tax earnings (loss) from operations	(49.2)	(23.2)	(133.9)	(84.0)
Pre-tax gain (loss) on sale	(0.3)	(0.3)	(0.7)	1.9
Tax benefit (expense)	10.0	12.6	16.9	37.1
Discontinued operations, net of tax	$ (39.5)	$ (10.9)	$(117.7)	$(45.0)

During the third quarter of 2009, the Company recorded a discrete tax benefit of $22 million primarily associated with reducing its liability for unrecognized tax benefits, and a discrete tax charge of $29 million associated with correcting immaterial accounting errors. See Note 15 for a further description of these tax matters.

Discontinued operations for the three and nine months ended September 30 consisted of the following businesses:

	Three months ended September 30,		Nine months ended September 30,	
In millions	2010	2009	2010	2009
Compact Equipment, net of tax	$ —	$ (29.5)	$ (3.9)	$(30.2)
Road Development, net of tax	(0.5)	(1.5)	(0.2)	3.0
KOXKA Business, net of tax	(19.5)	(1.2)	(68.9)	(16.0)
Energy Systems, net of tax	(9.5)	(1.4)	(12.5)	(2.6)
Other discontinued operations, net of tax	(10.0)	22.7	(32.2)	0.8
Total discontinued operations, net of tax	$ (39.5)	$ (10.9)	$(117.7)	$(45.0)

Road Development Divestiture

On April 30, 2007, the Company completed the sale of its Road Development business unit to AB Volvo (publ) for cash proceeds of approximately $1.3 billion. The Road Development business unit manufactured and sold asphalt paving equipment, compaction equipment, milling machines and construction-related material handling equipment.

Compact Equipment Divestiture

On November 30, 2007, the Company completed the sale of its Bobcat, Utility Equipment and Attachments businesses (collectively, Compact Equipment) to Doosan Infracore for gross proceeds of approximately $4.9 billion, subject to post-closing purchase price adjustments. Compact Equipment manufactured and sold compact equipment, including skid-steer loaders, compact track loaders, mini-excavators and telescopic tool handlers; portable air compressors, generators and light towers; general-purpose light construction equipment; and attachments. The Company is currently in the process of resolving post-closing matters relating to the final purchase price adjustments and other items with Doosan Infracore.

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KOXKA Divestiture

On October 4, 2010, the Company completed the divestiture of its European refrigerated display case business, which was sold under the KOXKA brand, to an affiliate of American Industrial Acquisition Corporation (AIAC Group). The business, which was previously reported as part of the Climate Solutions segment, designs, manufactures and markets commercial refrigeration equipment through sales branches and a network of distributors throughout Europe, Africa and the Middle East. KOXKA had two manufacturing facilities in Spain and employed 445 people.

During the second quarter of 2010, the planned divestiture met both the component and held for sale criteria in accordance with GAAP. Therefore, the Company reported this business as a discontinued operation and classified the assets and liabilities as held for sale for all periods presented. During the second quarter of 2010, the Company recognized a $38.8 million after-tax impairment loss within discontinued operations related to the initial write-down of the net assets to their estimated fair value. During the third quarter of 2010, the Company recorded an additional $15.1 million after-tax impairment charge based on the final working capital and tax balances at the date of sale.

Net revenues and after-tax earnings of the KOXKA business for the three and nine months ended September 30 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
In millions	2010	2009	2010	2009
Net revenues	$ 20.3	$ 21.5	$ 56.7	$ 58.6
After-tax earnings (loss) from operations	(4.4)	(1.2)	(15.0)	(16.0)

The components of assets and liabilities recorded as held for sale on the Condensed Consolidated Balance Sheet are as follows:

In millions	September 30, 2010	December 31, 2009
Assets		
Current assets	$ 30.6	$ 36.6
Property, plant and equipment, net	—	17.8
Other assets and deferred income taxes	—	18.9
Assets held for sale	$ 30.6	$ 73.3
Liabilities		
Current liabilities	$ 23.8	$ 25.2
Noncurrent liabilities	5.3	4.3
Liabilities held for sale	$ 29.1	$ 29.5

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Energy Systems Divestiture

During the third quarter of 2010, the Company committed to a plan to divest its gas microturbine generator business, which is sold under the Energy Systems brand. The business, which was previously reported as part of the Industrial Technologies segment, designs, manufactures, markets, distributes, and services gas powered microturbine generators which feature energy efficient design and low emissions technology.

As of September 30, 2010, the planned divestiture met both the component and held for sale criteria in accordance with GAAP. Therefore, the Company now reports this business as a discontinued operation and classifies the assets and liabilities as held for sale for all periods presented. During the third quarter of 2010, the Company recognized a $8.3 million after-tax impairment loss within discontinued operations related to the initial write-down of the net assets to their estimated fair value. On October 19, 2010, the Company signed a letter of intent to sell Energy Systems to Flex Energy, LLC, and the sale is expected to be completed in the fourth quarter of 2010.

Net revenues and after-tax earnings of the Energy Systems business for the three and nine months ended September 30 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
In millions	2010	2009	2010	2009
Net revenues	$ 3.9	$ 2.3	$ 5.7	$ 10.0
After-tax earnings (loss) from operations	(1.2)	(1.4)	(4.2)	(2.6)

The components of assets and liabilities recorded as held for sale on the Condensed Consolidated Balance Sheet are as follows:

In millions	September 30, 2010	December 31, 2009
Assets		
Current assets	$ 0.5	$ 7.7
Property, plant and equipment, net	—	6.1
Other assets and deferred income taxes	—	—
Assets held for sale	$ 0.5	$ 13.8
Liabilities		
Current liabilities	$ 0.5	$ 0.5
Noncurrent liabilities	—	—
Liabilities held for sale	$ 0.5	$ 0.5

Other Discontinued Operations

The Company has retained costs from previously sold businesses that mainly include costs related to postretirement benefits, product liability and legal costs (mostly asbestos-related).

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Note 17 – Earnings Per Share (EPS)

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

	Three months ended September 30,		Nine months ended September 30,	
In millions	2010	2009	2010	2009
Weighted-average number of basic shares	324.7	321.0	323.7	320.8
Shares issuable under incentive stock plans	4.9	3.9	4.9	2.3
Exchangeable senior notes	9.4	6.9	9.6	3.3
Weighted-average number of diluted shares	339.0	331.8	338.2	326.4
Anti-dilutive shares	13.9	17.0	13.9	19.4

Note 18 – Business Segment Information

In the fourth quarter of 2009, the Company realigned its external reporting structure to more closely reflect our corporate and business strategies and to promote additional productivity and growth. The Company's segments are now as follows: Climate Solutions, Residential Solutions, Industrial Technologies and Security Technologies. As part of the change, the Company eliminated the Air Conditioning Systems and Services segment which represented the acquired Trane businesses and created two new reportable segments, the Climate Solutions segment and the Residential Solutions segment.

On October 4, 2010, the Company completed the divestiture of its European refrigerated display case business, which was sold under the KOXKA brand, to an affiliate of American Industrial Acquisition Corporation (AIAC Group). The business, which was previously reported as part of the Climate Solutions segment, designs, manufactures and markets commercial refrigeration equipment through sales branches and a network of distributors throughout Europe, Africa and the Middle East. KOXKA had two manufacturing facilities in Spain and employed 445 people. Segment information has been revised to exclude the results of this business for all periods presented.

During the third quarter of 2010, the Company committed to a plan to divest its gas microturbine generator business, which is sold under the Energy Systems brand. On October 19, 2010, the Company signed a letter of intent to sell Energy Systems to Flex Energy, LLC, and the sale is expected to be completed in the fourth quarter of 2010. The business, which was previously reported as part of the Industrial Technologies segment, designs, manufactures, markets, distributes, and services gas powered microturbine generators which feature energy efficient design and low emissions technology. Segment information has been revised to exclude the results of this business for all periods presented.

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Net revenues and operating income for the three and nine months ended September 30 consisted of the following reportable segments:

	Three months ended September 30,		Nine months ended September 30,	
In millions	2010	2009	2010	2009
Net revenues				
Climate Solutions	$2,120.8	$1,943.3	$ 5,739.6	$5,431.7
Residential Solutions	575.4	569.2	1,611.4	1,544.2
Industrial Technologies	624.3	509.8	1,793.2	1,579.4
Security Technologies	409.8	436.6	1,223.2	1,265.5
Total	$3,730.3	$3,458.9	$10,367.4	$9,820.8
Operating income				
Climate Solutions	$ 219.7	$ 180.3	$ 451.6	$ 340.2
Residential Solutions	55.4	58.2	134.2	88.3
Industrial Technologies	79.4	45.1	219.8	102.6
Security Technologies	90.5	95.2	243.7	247.6
Unallocated corporate expense	(36.8)	(54.2)	(115.4)	(133.5)
Total	$ 408.2	$ 324.6	$ 933.9	$ 645.2

Note 19 – Commitments and Contingencies

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

Environmental Matters

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

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

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

During the three and nine months ended September 30, 2010, the Company spent $2.4 million and $8.5 million, respectively, for environmental remediation at sites presently or formerly owned or leased by us. As of September 30, 2010 and December 31, 2009, the Company has recorded reserves for environmental matters of $84.4 million and $93.3 million, respectively. The Company believes that these expenditures will continue and may increase over time. Given the evolving nature of environmental laws, regulations and technology, the ultimate cost of future compliance is uncertain.

Asbestos Matters

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

Prior to the fourth quarter of 2007, the Company recorded a liability (which it periodically updated) for its actual and anticipated future asbestos settlement costs projected seven years into the future. The Company did not record a liability for future asbestos settlement costs beyond the seven-year period covered by its reserve because such costs previously were not reasonably estimable for the reasons detailed below.

In the fourth quarter of 2007, the Company again reviewed its history and experience with asbestos-related litigation and determined that it had now become possible to make a reasonable estimate of its total liability for pending and unasserted potential future asbestos-related claims. This determination was based upon the Company's analysis of developments in asbestos litigation, including the substantial and continuing decline in the filing of non-malignancy claims against the Company, the establishment in many jurisdictions of inactive or deferral dockets for such claims, the decreased value of non-malignancy claims because of changes in the legal and judicial treatment of such claims, increasing focus of the asbestos litigation upon malignancy claims, primarily those involving mesothelioma, a cancer with a known historical and predictable future annual incidence rate, and the Company's substantial accumulated experience with respect to the resolution of malignancy claims, particularly mesothelioma claims, filed against it.

Accordingly, in the fourth quarter of 2007, the Company retained Dr. Thomas Vasquez of Analysis, Research & Planning Corporation (collectively, ARPC) to assist it in calculating an estimate of the Company's total liability for pending and unasserted future asbestos-related claims. ARPC is a respected expert in performing complex calculations such as this. ARPC has been involved in many asbestos-related valuations of current and future liabilities, and its valuation methodologies have been accepted by numerous courts.

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The methodology used by ARPC 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:

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

Based on these factors, ARPC calculated a total estimated liability of $755 million for the Company to resolve all pending and unasserted potential future claims through 2053, which is ARPC's reasonable best estimate of the time it will take to resolve asbestos-related claims. This amount is on a pre-tax basis, not discounted for the time-value of money, and excludes the Company's defense fees (which will continue to be expensed by the Company as they are incurred). After considering ARPC's analysis and the factors listed above, in the fourth quarter of 2007, the Company increased its recorded liability for asbestos claims by $538 million, from $217 million to $755 million.

In addition, during the fourth quarter of 2007, the Company recorded an $89 million increase in its assets for probable asbestos-related insurance recoveries to $250 million. This represents amounts due to the Company for previously paid and settled claims and the probable reimbursements relating to its estimated liability for pending and future claims. In calculating this amount, the Company used the estimated asbestos liability for pending and projected future claims calculated by ARPC. It also considered the amount of insurance available, gaps in coverage, allocation methodologies, solvency ratings and creditworthiness of the insurers, the amounts already recovered from and the potential for settlements with insurers, and the terms of existing settlement agreements with insurers.

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During the fourth quarter of 2007, the Company recorded a non-cash charge to earnings of discontinued operations of $449 million ($277 million after-tax), which is the difference between the amount by which the Company increased its total estimated liability for pending and projected future asbestos-related claims and the amount that the Company expects to recover from insurers with respect to that increased liability.

In connection with our acquisition of Trane, the Company requested ARPC to assist in calculating Trane's asbestos-related valuations of current and future liabilities. As required by GAAP the Company is required to record the assumed asbestos obligations and associated insurance-related assets at their fair value at the Acquisition Date. The Company estimated that the assumed asbestos obligation and associated insurance-related assets at the Acquisition Date to be $494 million and $249 million, respectively. These amounts were estimated based on certain assumptions and factors consistent with those described above.

Trane continues to be in litigation against certain carriers whose policies it believes provide coverage for asbestos claims. The insurance carriers named in this suit have challenged Trane's right to recovery. Trane filed the action in April 1999 in the Superior Court of New Jersey, Middlesex County, against various primary and lower layer excess insurance carriers, seeking coverage for environmental claims (the NJ Litigation). The NJ Litigation was later expanded to also seek coverage for asbestos-related liabilities from twenty-one primary and lower layer excess carriers and underwriting syndicates. The environmental claims against the insurers in the NJ Litigation have been resolved or dismissed without prejudice for later resolution. On September 19, 2005, the court granted Trane's motion to add claims for insurance coverage for asbestos-related liabilities against 16 additional insurers and 117 new insurance policies to the NJ Litigation. The court also required the parties to submit all contested matters to mediation. Trane engaged in its first mediation session with the NJ Litigation defendants on January 18, 2006 and has engaged in active discussions since that time.

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

The amounts recorded by the Company for asbestos-related liabilities and insurance-related assets are based on currently available information. The Company's actual liabilities or insurance recoveries could be significantly higher or lower than those recorded if assumptions used in the Company's or ARPC's calculations vary significantly from actual results. Key variables in these assumptions are identified above and 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.

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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.

From receipt of its first asbestos claims more than twenty five years ago to December 31, 2009, the Company has resolved (by settlement or dismissal) approximately 256,000 claims arising from the legacy Ingersoll Rand businesses. The total amount of all settlements paid by the Company (excluding insurance recoveries) and by its insurance carriers is approximately $410 million, for an average payment per resolved claim of $1,595. The average payment per claim resolved during the year ended December 31, 2009 was $12,136. Because claims are frequently filed and settled in large groups, the amount and timing of settlements, as well as the number of open claims, can fluctuate significantly from period to period.

The table below provides additional information regarding asbestos-related claims filed against the legacy Ingersoll Rand businesses, excluding those filed against Trane, reflecting updated information for the last three years.

	2009	2008	2007
Open claims - January 1	63,309	104,296	105,363
New claims filed	4,821	4,567	5,399
Claims settled	(2,514)	(3,693)	(4,993)
Claims dismissed *	(1,729)	(41,861)	(1,473)
Open claims - December 31	63,887	63,309	104,296

* The significant increase in dismissals in 2008 is attributed to the dismissal of large numbers of dormant and/or inactive cases in Mississippi and New York. This amount reflects the Company's emphasis on resolution of higher value malignancy claims, particularly mesothelioma claims, rather than lower value non-malignancy claims, which are more heavily represented in the Company's historical settlements.

From receipt of the first asbestos claim more than twenty years ago through December 31, 2009, the Company has resolved approximately 86,646 (by settlement or dismissal) claims arising from the legacy Trane business. The Company and its insurance carriers have paid settlements of approximately $148 million on these claims, which represents an average payment per resolved claim of $1,710. At December 31, 2009, there were 92,298 open claims pending against Trane. Because claims are frequently filed and settled in large groups, the amount and timing of settlements, as well as the number of open claims, can fluctuate significantly from period to period.

The table below provides additional information regarding asbestos-related claims filed against the legacy Trane businesses, reflecting updated information for the last three years.

	2009	2008	2007
Open claims - January 1	100,309	111,211	114,420
New claims filed	2,343	3,705	3,055
Claims settled	(1,042)	(677)	(787)
Claims dismissed	(9,312)	(13,930)	(5,477)
Open claims - December 31	92,298	100,309	111,211

At December 31, 2009, over 91 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.

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At September 30, 2010, the Company's liability for asbestos-related matters and the asset for probable asbestos-related insurance recoveries totaled $1,067.8 million and $370 million, respectively, compared to $1,113.1 million and $424.2 million at December 31, 2009.

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

	Three months ended September 30,		Nine months ended September 30,	
In millions	2010	2009	2010	2009
Continuing operations	$ 0.4	$ (2.4)	$ (2.2)	$ (2.6)
Discontinued operations	(1.7)	2.6	(10.5)	(1.2)
Total	$ (1.3)	$ 0.2	$ (12.7)	$ (3.8)

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

The European Commission Investigation

In November 2004, Trane was contacted by the European Commission as part of a multi-company investigation into possible infringement of European Union competition law relating to the distribution of bathroom fixtures and fittings in certain European countries. On March 28, 2007, Trane, along with a number of other companies, received a Statement of Objections from the European Commission. The Statement of Objections, an administrative complaint, alleges infringements of European Union competition rules by numerous bathroom fixture and fittings companies, including Trane and certain of its former European subsidiaries engaged in the Bath and Kitchen business. These former subsidiaries were transferred (i) to WABCO on July 31, 2007 as part of a legal reorganization in connection with the spinoff of Trane's Vehicle Control Systems business and (ii) to Bain Capital Partners LLC on October 31, 2007 in connection with the sale of Trane's Bath & Kitchen business. Trane and certain of its former European subsidiaries will be jointly and severally liable for any fines that result from the investigation. However, pursuant to an Indemnification and Cooperation Agreement among Trane and certain other parties (Indemnification Agreement), American Standard Europe BVBA (renamed WABCO Europe BVBA) (WABCO Europe), which is a subsidiary of WABCO following the reorganization, will be responsible for, and will indemnify Trane and its subsidiaries (including certain subsidiaries formerly engaged in the Bath and Kitchen business) and their respective affiliates against, any fines related to this investigation. Trane and the charged subsidiaries responded to the European Commission on August 1, 2007 and July 31, 2007, respectively. A hearing with the European Commission regarding the response to the Statement of Objections was conducted from November 12-14, 2007, in Brussels. WABCO Europe and other former Trane subsidiaries participated in the hearing. Trane, however, did not participate in the hearing.

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On June 23, 2010, the European Commission announced a fine of EUR 326 million (approximately $400 million) against entities representing the former American Standard Companies Inc. and certain of its former operations in Europe (Charged Entities). On September 21, 2010, WABCO paid the full amount of the fine to the European Commission. As a result, the Company has removed the recorded indemnification receivable from WABCO and the corresponding liability to the European Commission from the Condensed Consolidated Balance Sheet at September 30, 2010. The fine has had no impact on the Company's consolidated results of operations or cash flow.

Independent of its payment of the fine, WABCO filed an appeal on September 8, 2010 with the General Court of the European Union (General Court) contesting the size of the fine on behalf of all of the Charged Entities, including Trane. The decision to file the appeal was solely WABCO's. However, because WABCO could not perfect its appeal without Trane being among the appealing parties, Trane was obligated under the Indemnification Agreement to consent to joining WABCO's appeal. The General Court's decision regarding WABCO's appeal may take anywhere from 18 months to 4 years and is expected to impact only WABCO given that WABCO will continue to be fully responsible for indemnifying Trane for all fines in connection with this matter by operation of the Indemnification Agreement. WABCO will continue to remain responsible for the full amount of the fine regardless of whether the General Court affirms the European Commission's original fine, reduces the fine, or, pursuant to its unlimited jurisdiction under applicable rules and regulations, increases the fine. The General Court's power to increase the fine has only rarely been invoked, but in the highly unlikely event that (i) the General Court increases the size of the original fine during appeal and (ii) WABCO is unable to satisfy the additional payment obligation resulting from the increased fine, the Company does not believe that any potential liability arising from the increased fine will have a material adverse effect on its financial condition or results of operations.

Oil for Food Program

As previously reported, on November 10, 2004, the Securities and Exchange Commission (SEC) issued an Order directing that a number of public companies, including the Company, provide information relating to their participation in transactions under the United Nations' Oil for Food Program. Upon receipt of the Order, the Company undertook a thorough review of its participation in the Oil for Food Program, provided the SEC with information responsive to the Order and provided additional information requested by the SEC. During a March 27, 2007 meeting with the SEC, at which a representative of the Department of Justice (DOJ) was also present, the Company began discussions concerning the resolution of this matter with both the SEC and DOJ. On October 31, 2007, the Company announced it had reached settlements with the SEC and DOJ relating to this matter. Under the terms of the settlements, the Company paid a total of $6.7 million in penalties, interest and disgorgement of profits. The Company has consented to the entry of a civil injunction in the SEC action and has entered into a three-year deferred prosecution agreement (DPA) with the DOJ. The DPA expired on October 31, 2010. However, the DOJ could take the position that it may nonetheless proceed against the Company on matters covered by the DPA were it to conclude in the future that the Company breached its obligations under the DPA. The initiation of further enforcement actions concerning the matters covered by the DPA therefore remains a possibility. Under both settlements, the Company has implemented and will continue to implement improvements to its compliance program that are consistent with its longstanding policy against improper payments. In the settlement documents, the Government noted that the Company thoroughly cooperated with the investigation, that the Company had conducted its own complete investigation of the conduct at issue, promptly and thoroughly reported its findings to them, and took prompt remedial measures.

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Additionally, the Company has reported to the DOJ and SEC certain matters which raise potential issues under the FCPA and other applicable anti-corruption laws, including matters which were reported during the past quarter. The Company has conducted, and continues to conduct, investigations and have had preliminary discussions with respect to these matters with the SEC and DOJ, which are ongoing. The SEC has indicated that it will seek additional information and documents regarding these matters. These matters (and others which may arise or of which we become aware in the future) may be deemed to violate the FCPA and other applicable anti-corruption laws. Such determinations could subject the Company to, among other things, civil and criminal penalties (if, for example, the DOJ deems us to have violated the DPA), material fines, equitable remedies (including profit disgorgement and injunctions on future conduct), securities litigation and a general loss of investor confidence, any one of which could adversely affect the Company's business prospects, financial position, or the market value of its stock.

Other

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

The following table represents the changes in the product warranty liability for the nine months ended September 30:

In millions	2010	2009
Balance at beginning of period	$ 625.0	$ 638.4
Reductions for payments	(205.2)	(223.8)
Accruals for warranties issued during the current period	214.2	204.5
Changes to accruals related to preexisting warranties	(0.3)	11.7
Translation	(0.5)	3.6
Balance at end of period	$ 633.2	$ 634.4

Trane has commitments and performance guarantees, including energy savings guarantees, totaling $177.9 million extending from 2010-2030. These guarantees are provided under long-term service and maintenance contracts related to its air conditioning equipment and system controls. Through September 30, 2010, the Company has experienced no significant losses under such arrangements and considers the probability of any significant future losses to be remote.

The Company has other contingent liabilities of $4.1 million as of September 30, 2010. These liabilities include performance bonds, guarantees and stand-by letters of credit associated with the prior sale of products by divested businesses as well as existing loan guarantees and residual values of equipment.

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

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). Both the Ireland Reorganization and Bermuda Reorganization were accounted for as a reorganization of entities under common control and accordingly, did not result in any changes to the consolidated amounts of assets, liabilities and shareholders' equity.

As a part of the Bermuda Reorganization, IR-Limited issued non-voting, Class B common shares to IR-New Jersey and certain IR-New Jersey subsidiaries in exchange for a $3.6 billion note and shares of certain IR-New Jersey subsidiaries. The note, which is due in 2011, has a fixed rate of interest of 11% per annum payable semi-annually and imposes certain restrictive covenants upon IR-New Jersey. At September 30, 2010, $1.0 billion of the original $3.6 billion note remains outstanding. In 2002, IR-Limited contributed the note to a wholly-owned subsidiary, which subsequently transferred portions of the note to several other subsidiaries, all of which are included in the "Other Subsidiaries" below. Accordingly, the subsidiaries of IR-Limited remain creditors of IR-New Jersey.

In addition, as part of the Bermuda Reorganization, IR-Limited fully and unconditionally guaranteed all of the issued public debt securities of IR-New Jersey. IR-New Jersey unconditionally guaranteed payment of the principal, premium, if any, and interest on IR-Limited's 4.75% Senior Notes due in 2015 in the aggregate principal amount of $300 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.

During 2008, the Company revised the guarantor financial statements for all periods presented in order to reflect Ingersoll-Rand Global Holding Company Limited (IR-Global) as a stand-alone subsidiary. IR-Global issued public debt that is guaranteed by IR-Limited.

As part of the Ireland Reorganization, the guarantor financial statements were further revised to present IR-Ireland as the ultimate parent company and Ingersoll-Rand International Holding Limited (IR-International) as a stand-alone subsidiary. In addition, the guarantee structure was updated to reflect the newly created legal structure under which (i) IR-International assumed the obligations of IR-Limited as issuer or guarantor, as the case may be, and (ii) IR-Ireland and IR-Limited fully and unconditionally guaranteed the obligations under the various indentures covering the currently outstanding public debt of Ingersoll-Rand plc and its subsidiaries. Neither IR-Ireland nor IR-Limited has issued or intends to issue guarantees in respect of any public indebtedness incurred by Trane. Also as part of the Ireland Reorganization, IR-Limited transferred all the shares of IR-Global to IR-International in exchange for a note payable that initially approximated $15.0 billion, which was then immediately reduced by the settlement of net intercompany payables of $4.1 billion. At September 30, 2010, $10.8 billion remains outstanding.

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

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

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

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

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Condensed Consolidating Income Statement
For the three months ended September 30, 2010

In millions	IR Ireland	IR Limited	IR International	IR Global Holding	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Net revenues	$ —	$ —	$ —	$ —	$ 200.1	$ 3,530.2	$ —	$ 3,730.3
Cost of goods sold	—	—	—	—	(151.5)	(2,499.9)	—	(2,651.4)
Selling and administrative expenses	(1.9)	—	—	(0.1)	(46.3)	(622.4)	—	(670.7)
Operating income	(1.9)	—	—	(0.1)	2.3	407.9	—	408.2
Equity earnings in affiliates (net of tax)	233.6	240.3	267.2	321.7	20.9	234.9	(1,318.6)	—
Interest expense	—	—	(3.9)	(48.9)	(12.7)	(4.7)	—	(70.2)
Intercompany interest and fees	—	—	(35.3)	(10.4)	(31.3)	77.0	—	—
Other, net	0.2	(0.2)	—	6.3	3.7	35.3	(34.1)	11.2
Earnings (loss) before income taxes	231.9	240.1	228.0	268.6	(17.1)	750.4	(1,352.7)	349.2
Benefit (provision) for income taxes	0.2	—	—	—	0.9	(73.2)	—	(72.1)
Continuing operations	232.1	240.1	228.0	268.6	(16.2)	677.2	(1,352.7)	277.1
Discontinued operations, net of tax	—	—	—	—	23.0	(62.5)	—	(39.5)
Net earnings (loss)	232.1	240.1	228.0	268.6	6.8	614.7	(1,352.7)	237.6
Less: Net earnings attributable to noncontrolling interests	—	—	—	—	—	(33.0)	27.6	(5.4)
Net earnings (loss) attributable to Ingersoll-Rand plc	$232.1	$240.1	$ 228.0	$ 268.6	$ 6.8	$ 581.7	$ (1,325.1)	$ 232.2

Condensed Consolidating Income Statement
For the nine months ended September 30, 2010

In millions	IR Ireland	IR Limited	IR International	IR Global Holding	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Net revenues	$ —	$ —	$ —	$ —	$ 539.7	$ 9,827.7	$ —	$ 10,367.4
Cost of goods sold	—	—	—	—	(413.2)	(7,044.5)	—	(7,457.7)
Selling and administrative expenses	(6.6)	—	—	(0.5)	(146.6)	(1,822.1)	—	(1,975.8)
Operating income	(6.6)	—	—	(0.5)	(20.1)	961.1	—	933.9
Equity earnings in affiliates (net of tax)	436.3	462.7	575.7	725.7	98.8	430.7	(2,729.9)	—
Interest expense	—	—	(11.7)	(146.0)	(39.1)	(15.5)	—	(212.3)
Intercompany interest and fees	—	—	(101.9)	(25.4)	(97.9)	225.2	—	(0.0)
Other, net	(0.6)	0.1	0.6	26.4	13.5	57.8	(66.7)	31.1
Earnings (loss) before income taxes	429.1	462.8	462.7	580.2	(44.8)	1,659.3	(2,796.6)	752.7
Benefit (provision) for income taxes	0.9	—	—	—	(5.2)	(185.1)	—	(189.4)
Continuing operations	430.0	462.8	462.7	580.2	(50.0)	1,474.2	(2,796.6)	563.3
Discontinued operations, net of tax	—	—	—	—	18.1	(135.8)	—	(117.7)
Net earnings (loss)	430.0	462.8	462.7	580.2	(31.9)	1,338.4	(2,796.6)	445.6
Less: Net earnings attributable to noncontrolling interests	—	—	—	—	—	(55.8)	40.3	(15.5)
Net earnings (loss) attributable to Ingersoll-Rand plc	$430.0	$462.8	$ 462.7	$ 580.2	$ (31.9)	$ 1,282.6	$ (2,756.3)	$ 430.1

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Condensed Consolidating Income Statement
For the three months ended September 30, 2009

In millions	IR Ireland	IR Limited	IR International	IR Global Holding	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Net revenues	$ —	$ —	$ —	$ —	$ 153.5	$ 3,305.4	$ —	$ 3,458.9
Cost of goods sold	—	—	—	—	(131.0)	(2,331.6)	—	(2,462.6)
Selling and administrative expenses	(2.1)	(2.1)	—	(0.2)	(81.2)	(586.1)	—	(671.7)
Operating income	(2.1)	(2.1)	—	(0.2)	(58.7)	387.7	—	324.6
Equity earnings in affiliates (net of tax)	218.5	221.1	315.7	285.1	24.9	55.0	(1,120.3)	—
Interest expense	—	—	(3.9)	(48.9)	(13.2)	(10.3)	—	(76.3)
Intercompany interest and fees	—	—	(44.9)	(16.9)	(43.3)	105.1	—	—
Other, net	0.2	(0.2)	0.2	(143.6)	3.3	30.4	109.7	—
Earnings (loss) before income taxes	216.6	218.8	267.1	75.5	(87.0)	567.9	(1,010.6)	248.3
Benefit (provision) for income taxes	—	—	—	—	(27.7)	12.9	—	(14.8)
Continuing operations	216.6	218.8	267.1	75.5	(114.7)	580.8	(1,010.6)	233.5
Discontinued operations, net of tax	—	—	—	—	(38.9)	28.0	—	(10.9)
Net earnings (loss)	216.6	218.8	267.1	75.5	(153.6)	608.8	(1,010.6)	222.6
Less: Net earnings attributable to noncontrolling interests	—	(0.3)	—	—	0.7	(40.6)	34.2	(6.0)
Net earnings (loss) attributable to Ingersoll-Rand plc	$216.6	$218.5	$ 267.1	$ 75.5	$(152.9)	$ 568.2	$ (976.4)	$ 216.6

Condensed Consolidating Income Statement
For the nine months ended September 30, 2009

In millions	IR Ireland	IR Limited	IR International	IR Global Holding	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Net revenues	$ —	$ —	$ —	$ —	$ 482.7	$ 9,338.1	$ —	$ 9,820.8
Cost of goods sold	—	(0.7)	—	—	(401.0)	(6,755.2)	—	(7,156.9)
Selling and administrative expenses	(2.1)	(35.5)	—	(1.2)	(211.0)	(1,768.9)	—	(2,018.7)
Operating income	(2.1)	(36.2)	—	(1.2)	(129.3)	814.0	—	645.2
Equity earnings in affiliates (net of tax)	218.5	368.0	312.9	647.9	(20.8)	(59.7)	(1,466.8)	—
Interest expense	—	(7.8)	(3.9)	(138.5)	(40.2)	(35.0)	—	(225.4)
Intercompany interest and fees	—	(4.2)	(101.6)	(55.5)	(108.9)	270.2	—	(0.0)
Other, net	0.2	(6.0)	0.8	(230.9)	90.4	(48.9)	210.2	15.8
Earnings (loss) before income taxes	216.6	313.8	208.2	221.8	(208.8)	940.6	(1,256.6)	435.6
Benefit (provision) for income taxes	—	—	—	—	(22.1)	(40.2)	—	(62.3)
Continuing operations	216.6	313.8	208.2	221.8	(230.9)	900.4	(1,256.6)	373.3
Discontinued operations, net of tax	—	—	—	—	(36.9)	(8.1)	—	(45.0)
Net earnings (loss)	216.6	313.8	208.2	221.8	(267.8)	892.3	(1,256.6)	328.3
Less: Net earnings attributable to noncontrolling interests	—	—	—	—	—	(38.5)	22.1	(16.4)
Net earnings (loss) attributable to Ingersoll-Rand plc	$216.6	$313.8	$ 208.2	$ 221.8	$(267.8)	$ 853.8	$ (1,234.5)	$ 311.9

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Condensed Consolidating Balance Sheet
September 30, 2010

In millions	IR Ireland	IR Limited	IR International	IR Global Holding	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Current assets:								
Cash and cash equivalents	$ —	$ —	$ —	$ 37.3	$ 70.5	$ 702.9	$ —	$ 810.7
Accounts and notes receivable, net	0.2	—	—	—	211.7	2,254.6	—	2,466.5
Inventories	—	—	—	—	89.4	1,449.6	—	1,539.0
Other current assets	0.8	1.4	16.5	0.3	202.1	445.4	—	666.5
Assets held for sale	—	—	—	—	—	32.2	—	32.2
Accounts and notes receivable affiliates	4.9	294.5	17.0	3,130.6	787.8	50,413.0	(54,647.8)	—
Total current assets	5.9	295.9	33.5	3,168.2	1,361.5	55,297.7	(54,647.8)	5,514.9
Investment in affiliates	7,678.6	6,936.5	16,361.8	13,724.8	7,739.4	65,802.6	(118,243.7)	—
Property, plant and equipment, net	0.1	—	—	0.3	210.1	1,575.5	—	1,786.0
Intangible assets, net	—	—	—	—	79.5	11,397.1	—	11,476.6
Other noncurrent assets	—	—	0.9	20.4	1,244.3	192.2	—	1,457.8
Total assets	$7,684.6	$7,232.4	$ 16,396.2	$16,913.7	$10,634.8	$134,265.1	$(172,891.5)	$ 20,235.3
Current liabilities:								
Accounts payable and accruals	$ 3.3	$ —	$ 5.3	$ 46.9	$ 129.1	$ 3,385.5	$ —	$ 3,570.1
Short term borrowings and current maturities of long-term debt	—	—	—	325.0	351.0	62.4	—	738.4
Liabilities held for sale	—	—	—	—	—	29.6	—	29.6
Accounts and note payable affiliates	7.8	10.1	4,648.7	6,741.0	4,110.7	38,702.7	(54,221.0)	—
Total current liabilities	11.1	10.1	4,654.0	7,112.9	4,590.8	42,180.2	(54,221.0)	4,338.1
Long-term debt	—	—	299.4	2,004.0	381.2	238.2	—	2,922.8
Note payable affiliate	—	—	10,789.4	—	1,047.4	—	(11,836.8)	—
Other noncurrent liabilities	—	9.0	3.8	293.1	2,322.4	2,945.7	(293.1)	5,280.9
Total liabilities	11.1	19.1	15,746.6	9,410.0	8,341.8	45,364.1	(66,350.9)	12,541.8
Temporary equity	—	—	—	20.0	—	—	—	20.0
Shareholders' equity:								
Total shareholders' equity	7,673.5	7,213.3	649.6	7,483.7	2,293.0	88,901.0	(106,540.6)	7,673.5
Total liabilities and equity	$7,684.6	$7,232.4	$ 16,396.2	$16,913.7	$10,634.8	$134,265.1	$(172,891.5)	$ 20,235.3

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Condensed Consolidating Balance Sheet
December 31, 2009

In millions	IR Ireland	IR Limited	IR International	IR Global Holding	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Current assets:								
Cash and cash equivalents	$ 0.6	$ —	$ —	$ 81.8	$ 175.5	$ 618.8	$ —	$ 876.7
Accounts and notes receivable, net	0.1	—	—	—	187.1	1,907.0	—	2,094.2
Inventories	—	—	—	—	39.1	1,137.0	—	1,176.1
Other current assets	0.7	1.4	—	—	519.2	114.1	—	635.4
Assets held for sale	—	—	—	—	—	87.1	—	87.1
Accounts and notes receivable affiliates	26.1	294.5	17.0	2,734.0	657.1	48,967.4	(52,696.1)	—
Total current assets	27.5	295.9	17.0	2,815.8	1,578.0	52,831.4	(52,696.1)	4,869.5
Investment in affiliates	7,158.5	6,437.4	15,785.3	13,413.2	7,611.2	66,277.9	(116,683.5)	—
Property, plant and equipment, net	0.1	—	—	—	213.3	1,675.4	—	1,888.8
Intangible assets, net	—	—	—	—	72.4	11,576.4	—	11,648.8
Other noncurrent assets	—	—	1.1	20.3	1,129.3	433.2	—	1,583.9
Total assets	$7,186.1	$6,733.3	$ 15,803.4	$16,249.3	$10,604.2	$132,794.3	$(169,379.6)	$ 19,991.0
Current liabilities:								
Accounts payable and accruals	$ 6.0	$ —	$ 1.8	$ 52.2	$ 325.7	$ 2,690.2	$ —	$ 3,075.9
Short term borrowings and current maturities of long-term debt	—	—	—	565.0	351.2	275.5	—	1,191.7
Liabilities held for sale	—	—	—	—	—	30.0	—	30.0
Accounts and note payable affiliates	4.4	6.0	4,523.8	6,407.0	3,952.7	37,414.7	(52,308.6)	—
Total current liabilities	10.4	6.0	4,525.6	7,024.2	4,629.6	40,410.4	(52,308.6)	4,297.6
Long-term debt	—	—	299.3	2,003.9	388.9	212.8	—	2,904.9
Note payable affiliate	—	—	10,789.4	—	1,047.4	—	(11,836.8)	—
Other noncurrent liabilities	—	9.0	3.8	339.5	2,301.3	3,268.7	(339.5)	5,582.8
Total liabilities	10.4	15.0	15,618.1	9,367.6	8,367.2	43,891.9	(64,484.9)	12,785.3
Temporary equity	—	—	—	30.0	—	—	—	30.0
Shareholders' equity:								
Total shareholders' equity	7,175.7	6,718.3	185.3	6,851.7	2,237.0	88,902.4	(104,894.7)	7,175.7
Total liabilities and equity	$7,186.1	$6,733.3	$ 15,803.4	$16,249.3	$10,604.2	$132,794.3	$(169,379.6)	$ 19,991.0

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Condensed Consolidating Statement of Cash Flows
For the nine months ended September 30, 2010

In millions	IR Ireland	IR Limited	IR International	IR Global Holding	IR New Jersey	Other Subsidiaries	IR Ireland Consolidated
Net cash provided by (used in) continuing operating activities	$ (7.2)	$ 0.1	$ (11.2)	$ (120.1)	$(260.2)	$ 981.1	$ 582.5
Net cash provided by (used in) discontinued operating activities	—	—	—	—	18.1	(83.7)	(65.6)
Cash flows from investing activities:							
Capital expenditures	—	—	—	(0.3)	(23.3)	(93.7)	(117.3)
Proceeds from sale of property, plant and equipment	—	—	—	—	(0.8)	13.0	12.2
Acquisitions, net of cash	—	—	—	—	—	(5.5)	(5.5)
Proceeds from business disposition, net of cash	—	—	—	—	—	—	—
Other, net	—	—	—	—	—	—	—
Net cash provided by (used in) continuing investing activities	—	—	—	(0.3)	(24.1)	(86.2)	(110.6)
Net cash provided by (used in) discontinued investing activities	—	—	—	—	—	0.4	0.4
Cash flows from financing activities:							
Net change in debt	—	—	—	(249.9)	(7.8)	(189.9)	(447.6)
Debt issuance costs	—	—	—	(5.5)	—	—	(5.5)
Net inter-company proceeds (payments)	74.3	(47.6)	11.2	331.3	169.0	(538.2)	—
Dividends (paid) received	(67.7)	—	—	—	—	—	(67.7)
Acquisition of noncontrolling interest	—	—	—	—	—	(8.0)	(8.0)
Proceeds from the exercise of stock options	—	47.5	—	—	—	—	47.5
Dividends paid on noncontrolling interest	—	—	—	—	—	(9.4)	(9.4)
Net cash provided by (used in) continuing financing activities	6.6	(0.1)	11.2	75.9	161.2	(745.5)	(490.7)
Net cash provided by (used in) discontinued financing activities	—	—	—	—	—	—	—
Effect of exchange rate changes on cash and cash equivalents	—	—	—	—	—	18.0	18.0
Net increase (decrease) in cash and cash equivalents	(0.6)	(0.0)	—	(44.5)	(105.0)	84.1	(66.0)
Cash and cash equivalents - beginning of period	0.6	—	—	81.8	175.5	618.8	876.7
Cash and cash equivalents - end of period	$ (0.0)	$ (0.0)	$ —	$ 37.3	$ 70.5	$ 702.9	$ 810.7

INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Condensed Consolidating Statement of Cash Flows
For the nine months ended September 30, 2009

In millions	IR Ireland	IR Limited	IR International	IR Global Holding	IR New Jersey	Other Subsidiaries	IR Ireland Consolidated
Net cash provided by (used in) continuing operating activities	$ (1.9)	$ (49.9)	$ (3.1)	$ (370.5)	$ (69.0)	$ 2,009.8	$ 1,515.4
Net cash provided by (used in) discontinued operating activities	—	—	—	—	(36.9)	1.4	(35.5)
Cash flows from investing activities:							
Capital expenditures	—	—	—	—	(18.1)	(137.8)	(155.9)
Proceeds from sale of property, plant and equipment	—	—	—	—	2.9	16.2	19.1
Other, net	—	—	—	—	—	(0.2)	(0.2)
Net cash provided by (used in) continuing investing activities	—	—	—	—	(15.2)	(121.8)	(137.0)
Net cash provided by (used in) discontinued investing activities	—	—	—	—	—	(0.2)	(0.2)
Cash flows from financing activities:							
Net change in debt	—	—	—	(752.7)	(9.5)	(210.3)	(972.5)
Debt issuance costs	—	—	—	(16.1)	—	—	(16.1)
Net inter-company proceeds (payments)	24.3	251.3	3.1	1,202.1	225.3	(1,706.1)	—
Dividends (paid) received	(22.3)	(209.7)	—	9.4	9.9	74.9	(137.8)
Acquisition of noncontrolling interest	—	—	—	—	—	(1.5)	(1.5)
Proceeds from the exercise of stock options	—	8.3	—	—	—	—	8.3
Settlement of cross currency swap	—	—	—	—	—	(26.9)	(26.9)
Dividends paid on noncontrolling interest	—	—	—	—	—	(12.0)	(12.0)
Net cash provided by (used in) continuing financing activities	2.0	49.9	3.1	442.7	225.7	(1,881.9)	(1,158.5)
Net cash provided by (used in) discontinued financing activities	—	—	—	—	—	—	—
Effect of exchange rate changes on cash and cash equivalents	—	—	—	—	—	9.5	9.5
Net increase (decrease) in cash and cash equivalents	0.1	—	—	72.2	104.6	16.8	193.7
Cash and cash equivalents - beginning of period	—	—	—	1.1	8.6	540.5	550.2
Cash and cash equivalents - end of period	$ 0.1	$ —	$ —	$ 73.3	$113.2	$ 557.3	$ 743.9

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

INGERSOLL-RAND PLC

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause a difference include, but are not limited to, those discussed under Part I, Item 1A – Risk Factors in this Quarterly Report on Form 10-Q and under Part I, Item 1A - Risk Factors in the Annual Report on Form 10-K for the fiscal year ended December 31, 2009. The following section is qualified in its entirety by the more detailed information, including our financial statements and the notes thereto, which appears elsewhere in this Quarterly Report.

Overview

Organizational

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

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

On July 1, 2009, Ingersoll-Rand Company Limited (IR-Limited), a Bermuda company, completed a reorganization to change the jurisdiction of incorporation of the parent company of Ingersoll Rand from Bermuda to Ireland (the Ireland Reorganization). As a result, IR-Ireland replaced IR-Limited as the ultimate parent company effective July 1, 2009. In conjunction with the Ireland Reorganization, IR-Limited became a wholly-owned subsidiary of IR-Ireland and the Class A common shareholders of IR-Limited became ordinary shareholders of IR-Ireland. All references related to the Company prior to July 1, 2009 relate to IR-Limited.

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

Trends and Economic Events

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

Since the onset of the economic downturn in 2008, we have seen weaker demand for many of our products and services across each of our businesses. Consumers and businesses have reduced spending and investment. As a result of the reduced end-market activity, we initiated restructuring actions at the end of 2008 targeted at streamlining the footprint of manufacturing facilities and reducing the general and administrative cost base across all sectors of the company. Although the challenging and difficult end-market environments in which we operate have been showing signs of stabilization, albeit at lower levels, we are still operating in a depressed economic climate.

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

For 2010, current market conditions have continued to impact our financial results. The U.S. and European non-residential construction markets remain weak. However, in the first nine months of 2010, we experienced modest volume growth in some of our other major end markets . As economic conditions continue to stabilize, we expect this modest revenue growth to continue along with the continued benefits of restructuring savings and productivity programs.

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

Recent Developments

Business Divestitures

On October 4, 2010, we completed the sale of our European refrigerated display case business, which was sold under the KOXKA brand, to an affiliate of American Industrial Acquisition Corporation (AIAC Group). The business, which was previously reported as part of the Climate Solutions segment, designs, manufactures and markets commercial refrigeration equipment through sales branches and a network of distributors throughout Europe, Africa and the Middle East. KOXKA had two manufacturing facilities in Spain and employed 445 people. As a result of the sale, we have reported this business as a discontinued operation in this Form 10-Q and have classified the assets and liabilities as held for sale for all periods presented in accordance with GAAP.

During the third quarter of 2010, we committed to a plan to divest our gas microturbine generator business, which is sold under the Energy Systems brand. On October 19, 2010, the Company signed a letter of intent to sell Energy Systems to Flex Energy, LLC, and the sale is expected to be completed in the fourth quarter of 2010. The business, which was previously reported as part of the Industrial Technologies segment, designs, manufactures, markets, distributes, and services gas powered microturbine generators which feature energy efficient design and low emissions technology. As a result of the planned sale, we have reported this business as a discontinued operation in this Form 10-Q and have classified the assets and liabilities as held for sale for all periods presented in accordance with GAAP.

Healthcare Reform

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

The Healthcare Reform Legislation contains provisions which could impact our accounting for retiree medical benefits in future periods. However, the extent of that impact, if any, cannot be determined until regulations are promulgated and additional interpretations of the Healthcare Reform Legislation become available. We will continue to assess the accounting implications of the Healthcare Reform Legislation. Based on an analysis to date of the provisions in the Healthcare Reform Legislation, a remeasurement of our retiree plan liabilities is not required at this time. In addition, we may consider plan amendments in future periods that may have accounting implications.

Venezuela Devaluation

During the fourth quarter of 2009, the blended Consumer Price Index/National Consumer Price Index of Venezuela reached a cumulative three-year inflation rate in excess of 100%. As a result, Venezuela has been designated as highly inflationary effective January 1, 2010. All foreign currency fluctuations during the first nine months of 2010 have been recorded in income.

At December 31, 2009, we remeasured our foreign currency receivables and payables associated with the Venezuelan Bolivar at the parallel rate of 6.0 Bolivars for each U.S. dollar. This was based on our inability to settle certain transactions through the official government channels in an expeditious manner. Previously, we remeasured all foreign currency transactions at the official rate of 2.15 Bolivars to the U.S. dollar. As a result, we recorded a $24 million charge in the fourth quarter of 2009 associated with the devaluation.

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

Accounts Receivable Purchase Program

In March 2009, we replaced our Trane accounts receivable purchase program with a new accounts receivable purchase program that encompassed originators from all four of our business segments. At December 31, 2009, the outstanding balance of eligible trade receivables sold to an affiliated master special purpose vehicle was $544.2 million. However, no net interests were sold to any of the three conduits administered by unaffiliated financial institutions. On February 17, 2010, we terminated the new accounts receivable purchase program prior to its expiration in March 2010.

Segment Realignment

In the fourth quarter of 2009, we realigned our external reporting structure to more closely reflect our corporate and business strategies and to promote additional productivity and growth. Our segments are now as follows: Climate Solutions, Residential Solutions, Industrial Technologies and Security Technologies. As part of the change, we eliminated the Air Conditioning Systems and Services segment which represented the acquired Trane businesses and created two new reportable segments, the Climate Solutions segment and the Residential Solutions segment.

Debt Issuance

In April 2009, we issued $1.0 billion in long-term debt which included $655 million of 9.5% Senior Notes and $345 million of 4.5% Exchangeable Senior Notes. The proceeds were used to repay the $950.0 million outstanding under our senior unsecured bridge loan facility at March 31, 2009. The facility was used to partially fund the acquisition of Trane in June 2008.

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Results of Operations – Three Months Ended September 30, 2010 and 2009

	For the three months ended September 30,			
In millions, except per share amounts	2010	% of revenues	2009	% of revenues
Net revenues	$ 3,730.3		$ 3,458.9	
Cost of goods sold	(2,651.4)	71.1%	(2,462.6)	71.2%
Selling and administrative expenses	(670.7)	18.0%	(671.7)	19.4%
Operating income	408.2	10.9%	324.6	9.4%
Interest expense	(70.2)		(76.3)	
Other, net	11.2		—	
Earnings (loss) before income taxes	349.2		248.3	
Benefit (provision) for income taxes	(72.1)		(14.8)	
Earnings (loss) from continuing operations	277.1		233.5	
Discontinued operations, net of tax	(39.5)		(10.9)	
Net earnings (loss)	237.6		222.6	
Less: Net earnings attributable to noncontrolling interests	(5.4)		(6.0)	
Net earnings (loss) attributable to Ingersoll-Rand plc	$ 232.2		$ 216.6	
Diluted net earnings (loss) per share attributable to Ingersoll-Rand plc ordinary shareholders:				
Continuing operations	$ 0.80		$ 0.69	
Discontinued operations	(0.12)		(0.04)	
Net earnings (loss)	$ 0.68		$ 0.65	

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

Net Revenues

Net revenues for the three months ended September 30, 2010 increased by 7.8%, or $271.4 million, compared with the same period in 2009, which resulted from the following:

Volume/product mix	8.4%
Pricing	0.5%
Currency exchange rates	-0.6%
Devaluation of Venezuelan Bolivar	-0.5%
Total	7.8%

The increase in revenues was primarily driven by higher volumes experienced within the Climate Solutions and Residential Solutions business segments. However, the recent devaluation of the Venezuelan Bolivar had a $18.5 million impact on reported revenues for the three months ended September 30, 2010.

Cost of Goods Sold

For the three months ended September 30, 2010, cost of goods sold increased by $188.8 million, or 7.7% compared with the same period of 2009. The increase was primarily due to higher volumes and increases in material and other costs, partially offset by the benefits from productivity actions and restructuring programs implemented during 2009. These actions helped to mitigate the impact of the depressed economic climate in several of our major end markets. As a result, cost of goods sold as a percentage of revenue decreased to 71.1% from 71.2%. In addition, restructuring costs had a 0.2 point impact on cost of goods sold as a percentage of revenue for both the three months ended September 30, 2010 and 2009.

Selling and Administrative Expenses

For the three months ended September 30, 2010, selling and administrative expense decreased by $1.0 million, or 0.1% compared with the same period of 2009. The decrease was primarily due to increased productivity actions and restructuring programs implemented during 2009. These actions helped to mitigate the impact of the depressed economic climate in several of our major end markets. As a result, selling and administrative expense as a percentage of revenue decreased to 18.0% from 19.4%. In addition, restructuring costs had a 0.2 point and a 0.1 point impact on selling and administrative expense as a percentage of revenue for the three months ended September 30, 2010 and 2009, respectively.

Operating Margin

Operating margin for the three months ended September 30, 2010 increased to 10.9% from 9.4% for the same period of 2009. Included in operating income was $15.0 million of charges associated with ongoing restructuring actions compared to $9.7 million recorded in 2009. These costs had a 0.4 point and 0.3 point impact on operating margins for the three months ended September 30, 2010 and 2009, respectively. The benefit of higher volumes, productivity actions and restructuring programs more than offset the negative effect of increased material and other costs.

Interest Expense

Interest expense for the three months ended September 30, 2010 decreased $6.1 million compared with the same period of 2009 as a result of lower average debt balances for the third quarter of 2010.

Other, Net

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

	Three months ended September 30,	
In millions	2010	2009
Interest income	$ 2.8	$ 3.3
Exchange gain (loss), net	2.3	(6.8)
Earnings from equity investments	4.2	3.1
Other	1.9	0.4
Other, net	$ 11.2	$ —

For the three months ended September 30, 2010, Other, net increased by $11.2 million compared with the same period of 2009. The increase was primarily a result of lower currency losses.

Provision for Income Taxes

Our tax provision for the three months ended September 30, 2010 was $72.1 million. Excluding the $40.5 million non-cash charge related to adjusting our deferred tax asset for the tax law change associated with Medicare Part D Retiree Drug Subsidies, we project an annual effective rate for 2010 to be approximately 20%. Our tax provision for the three months ended September 30, 2009 was $14.8 million, which included $13.7 million of net discrete tax benefits primarily associated with our liability for unrecognized tax benefits and other tax adjustments. See Note 15 to the Condensed Consolidated Financial Statements for further description of discrete tax items for the quarter.

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Results of Operations – Nine Months Ended September 30, 2010 and 2009

	For the nine months ended September 30,			
In millions, except per share amounts	2010	% of revenues	2009	% of revenues
Net revenues	$10,367.4		$ 9,820.8	
Cost of goods sold	(7,457.7)	71.9%	(7,156.9)	72.9%
Selling and administrative expenses	(1,975.8)	19.1%	(2,018.7)	20.6%
Operating income	933.9	9.0%	645.2	6.6%
Interest expense	(212.3)		(225.4)	
Other, net	31.1		15.8	
Earnings (loss) before income taxes	752.7		435.6	
Benefit (provision) for income taxes	(189.4)		(62.3)	
Earnings (loss) from continuing operations	563.3		373.3	
Discontinued operations, net of tax	(117.7)		(45.0)	
Net earnings (loss)	445.6		328.3	
Less: Net earnings attributable to noncontrolling interests	(15.5)		(16.4)	
Net earnings (loss) attributable to Ingersoll-Rand plc	$ 430.1		$ 311.9	
Diluted net earnings (loss) per share attributable to Ingersoll-Rand plc ordinary shareholders:				
Continuing operations	$ 1.62		$ 1.09	
Discontinued operations	(0.35)		(0.13)	
Net earnings (loss)	$ 1.27		$ 0.96	

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

Net Revenues

Net revenues for the nine months ended September 30, 2010 increased by 5.6%, or $546.6 million, compared with the same period in 2009, which resulted from the following:

Volume/product mix	5.6%
Pricing	0.1%
Currency exchange rates	0.5%
Devaluation of Venezuelan Bolivar	-0.6%
Total	5.6%

The increase in revenues was primarily driven by higher volumes experienced within the Climate Solutions, Residential Solutions, and Industrial Technologies business segments, as well as favorable foreign currency impacts. However, the recent devaluation of the Venezuelan Bolivar had a $54.3 million impact on reported revenues for the nine months ended September 30, 2010.

Cost of Goods Sold

For the nine months ended September 30, 2010, cost of goods sold increased by $300.8 million, or 4.2% compared with the same period of 2009. The increase was primarily due to higher volumes, increases in material and other costs and unfavorable foreign currency impacts. However, these costs were partially offset by productivity actions and restructuring programs implemented during 2009. These actions helped to mitigate the impact of the depressed economic climate in several of our major end markets. As a result, cost of goods sold as a percentage of revenue decreased to 71.9% from 72.9%. In addition, restructuring costs had a 0.2 point impact on cost of goods sold as a percentage of revenue for both the nine months ended September 30, 2010 and 2009.

Selling and Administrative Expenses

For the nine months ended September 30, 2010, selling and administrative expense decreased by $42.9 million, or 2.1% compared with the same period of 2009. The decrease was primarily due to benefits from productivity actions and restructuring programs implemented during 2009. These actions helped to mitigate the impact of the depressed economic climate in several of our major end markets. As a result, selling and administrative expense as a percentage of revenue decreased to 19.1% from 20.6%. In addition, restructuring costs had a 0.1 point and 0.4 point impact on selling and administrative expense as a percentage of revenue for the nine months ended September 30, 2010 and 2009, respectively.

Operating Margin

Operating margin for the nine months ended September 30, 2010 increased to 9.0% from 6.6% for the same period of 2009. Included in operating income was $34.6 million of charges associated with ongoing restructuring actions compared to $60.5 million recorded in 2009. These costs had a 0.3 point and 0.6 point impact on operating margin for the nine months ended September 30, 2010 and 2009, respectively. The benefit of higher volumes, productivity actions and restructuring programs more than offset the negative effect of increased material and other costs.

Interest Expense

Interest expense for the nine months ended September 30, 2010 decreased $13.1 million compared with the same period of 2009 as a result of lower average debt balances for the first nine months of 2010.

Other, Net

The components of Other, net for the nine months ended September 30 are as follows:

	Nine months ended September 30,	
In millions	2010	2009
Interest income	$ 10.4	$ 10.7
Exchange gain (loss), net	1.7	(7.9)
Earnings from equity investments	10.5	6.6
Other	8.5	6.4
Other, net	$ 31.1	$ 15.8

For the nine months ended September 30, 2010, Other, net increased by $15.3 million compared with the same period of 2009. The increase was primarily a result of higher earnings from equity investments and lower currency losses.

Provision for Income Taxes

Our tax provision for the nine months ended September 30, 2010 was $189.4 million, which included a $40.5 million non-cash charge related to adjusting our deferred tax asset for the tax law change associated with Medicare Part D Retiree Drug Subsidies. Excluding the non-cash charge, we project an annual effective rate for 2010 to be approximately 20%. Our tax provision for the nine months ended September 30, 2009 was $62.3 million, which included $5.4 million of discrete tax benefit primarily associated with our liability for unrecognized tax benefits and other tax adjustments. See Note 15 to the Condensed Consolidated Financial Statements for further description of discrete tax items.

Review of Business Segments

In the fourth quarter of 2009, we realigned our external reporting structure to more closely reflect our corporate and business strategies and to promote additional productivity and growth. Our segments are now as follows: Climate Solutions, Residential Solutions, Industrial Technologies and Security Technologies. As part of the change, we eliminated the Air Conditioning Systems and Services segment which represented the acquired Trane business and created two new reportable segments, the Climate Solutions segment and the Residential Solutions segment.

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

Climate Solutions

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

In the fourth quarter of 2009, we realigned our external reporting structure to eliminate the Air Conditioning Systems and Services segment, which represented the Trane commercial and residential businesses acquired at the close of business on June 5, 2008 (the Acquisition Date). As a result, the Trane commercial HVAC business is now incorporated within the Climate Solutions segment, along with the transport and stationary refrigeration businesses.

On October 4, 2010, the Company completed the divestiture of its European refrigerated display case business, which is sold under the KOXKA brand, to an affiliate of American Industrial Acquisition Corporation. The business, which was previously reported as part of the Climate Solutions segment, designs, manufactures and markets commercial refrigeration equipment through sales branches and a network of distributors throughout Europe, Africa and the Middle East. During the second quarter, the planned divestiture met both the component and held for sale criteria in accordance with GAAP. Therefore, segment information has been revised to exclude the results of this business for all periods presented.

	Three months ended September 30,			Nine months ended September 30,		
In millions	2010	2009	% change	2010	2009	% change
Net revenues	$2,120.8	$1,943.3	9.1%	$5,739.6	$5,431.7	5.7%
Operating income	219.7	180.3	21.9%	451.6	340.2	32.7%
Operating margin	10.4%	9.3%		7.9%	6.3%	

Net revenues for the three months ended September 30, 2010 increased by 9.1%, or $177.5 million, compared with the same period of 2009. The increase was primarily related to higher volumes (9.1%) and favorable pricing (0.4%). In addition, the recent devaluation of the Venezuelan Bolivar negatively impacted year-over-year revenues by $5.2 million.

Operating income for the three months ended September 30, 2010 increased by 21.9%, or $39.4 million, compared with the same period of 2009. The increase, which improved operating margins to 10.4% from 9.3%, was primarily related to improved productivity actions ($71 million) as well as higher volumes and product mix ($71 million). However, the benefits resulting from these improvements were partially offset by increases in material and other costs ($93 million). Included in 2010 operating income was $8 million of charges associated with ongoing restructuring actions, which had a 0.4 point impact on operating margins. The comparable amount recorded in 2009 was $3.3 million which had a 0.2 point impact on operating margins.

Net revenues for the nine months ended September 30, 2010 increased by 5.7%, or $307.9 million, compared with the same period of 2009. The increase was primarily related to higher volumes (5.0%) and a favorable currency impact (0.9%). In addition, the recent devaluation of the Venezuelan Bolivar negatively impacted year-over-year revenues by $14.7 million.

Operating income for the nine months ended September 30, 2010 increased by 32.7%, or $111.4 million, compared with the same period of 2009. The increase, which improved operating margins to 7.9% from 6.3%, was primarily related to improved productivity actions ($221 million) as well as higher volumes and product mix ($94 million). However, the benefits resulting from these improvements were partially offset by increases in material and other costs ($176 million). Included in 2010 operating income was $20.2 million of charges associated with ongoing restructuring actions, which had a 0.4 point impact on operating margins. The comparable amount recorded in 2009 was $18.8 million, which had a 0.4 point impact on operating margins.

Trane commercial HVAC revenues continue to be impacted by declining activity in non-residential construction markets, which has affected our commercial HVAC revenues in all geographic areas, except Asia. Both equipment and systems revenue were impacted by the decrease in end-market activity. However, increased revenue for parts, services and solutions helped to mitigate these declines. Net revenues in our transport businesses experienced strong improvements in all geographic areas due to the refrigerated trailer and truck markets. In addition, sea-going container revenues and worldwide bus revenues have begun to improve due to an increase in end-market activity. Worldwide display cases and contracting revenue also increased due to recovering supermarket capital expenditures.

Residential Solutions

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

In the fourth quarter of 2009, we realigned our external reporting structure to eliminate the Air Conditioning Systems and Services segment, which represented the Trane commercial and residential businesses acquired at the close of business on June 5, 2008 (the Acquisition Date). As a result, the Trane residential HVAC business is now incorporated within the Residential Solutions segment, along with our residential security business.

In millions	Three months ended September 30, 2010	Three months ended September 30, 2009	% change	Nine months ended September 30, 2010	Nine months ended September 30, 2009	% change
Net revenues	$575.4	$569.2	1.1%	$1,611.4	$1,544.2	4.4%
Operating income	55.4	58.2	-4.8%	134.2	88.3	52.0%
Operating margin	9.6%	10.2%		8.3%	5.7%	

Net revenues for the three months ended September 30, 2010 increased by 1.1%, or $6.2 million, compared with the same period of 2009. The increase was primarily related to higher volumes (4.1%). However, the increase was partially offset by unfavorable pricing (0.8%). In addition, the recent devaluation of the Venezuelan Bolivar negatively impacted year-over-year revenues by $13.3 million.

Operating income for the three months ended September 30, 2010 decreased by 4.8%, or $2.8 million, compared with the same period of 2009. The decrease, which reduced operating margins to 9.6% from 10.2%, was primarily related to improved productivity actions ($23 million) which were more than offset by increased material and other costs ($16 million), unfavorable pricing ($4 million), and the recent devaluation of the Venezuelan Bolivar ($6 million).

Net revenues for the nine months ended September 30, 2010 increased by 4.4%, or $67.2 million, compared with the same period of 2009. The increase was primarily related to higher volumes (7.9%), partially offset by unfavorable pricing (0.9%). In addition, the recent devaluation of the Venezuelan Bolivar negatively impacted year-over-year revenues by $39.6 million.

Operating income for the nine months ended September 30, 2010 increased by 52.0%, or $45.9 million, compared with the same period of 2009. The increase, which improved operating margins to 8.3% from 5.7%, was primarily related to improved productivity actions ($66 million) and higher volumes and product mix ($37 million). However, the benefits resulting from these improvements were partially offset by increased material and other costs ($20 million) and unfavorable pricing ($15 million). In addition, the recent devaluation of the Venezuelan Bolivar negatively impacted year-over-year results by $14.4 million.

Trane residential HVAC revenues were impacted by continued weakness in the U.S. new residential construction market. However, improved sales to the replacement market more than offset the effect of the new construction market. Excluding the impact of the recent devaluation of the Venezuelan Bolivar, revenues in the residential security business increased primarily as a result of improving remodeling markets and an increase in end-market activity in the U.S. new builder channel.

Industrial Technologies

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

During the third quarter of 2010, the Company committed to a plan to divest its gas microturbine generator business, which is sold under the Energy Systems brand. The business, which was previously reported as part of the Industrial Technologies segment, designs, manufactures, markets, distributes, and services gas powered microturbine generators which feature energy efficient design and low emissions technology. During the third quarter, the planned divestiture met both the component and held for sale criteria in accordance with GAAP. Therefore, segment information has been revised to exclude the results of this business for all periods presented.

	Three months ended September 30,			Nine months ended September 30,		
In millions	2010	2009	% change	2010	2009	% change
Net revenues	$624.3	$509.8	22.5%	$1,793.2	$1,579.4	13.5%
Operating income	79.4	45.1	76.1%	219.8	102.6	114.2%
Operating margin	12.7%	8.8%		12.3%	6.5%	

Net revenues for the three months ended September 30, 2010 increased by 22.5%, or $114.5 million, compared with the same period of 2009. The increase was primarily related to higher volumes (22.3%) and favorable pricing (1.5%). These items were slightly offset by an unfavorable currency impact (1.5%).

Operating income for the three months ended September 30, 2010 increased by 76.1%, or $34.3 million, compared with the same period of 2009. The increase, which improved operating margins to 12.7% from 8.8%, was primarily related to higher volumes and product mix ($36 million), improved productivity actions ($21 million), and favorable pricing ($8 million). However, these improvements were partially offset by increases in material and other costs ($18 million). Included in 2010 operating income was $6.3 million of charges associated with ongoing restructuring actions, which had a 1.0 point impact on operating margins. The comparable amount recorded in 2009 was $3.5 million, which had a 0.7 point impact on 2009 operating margin.

Net revenues for the nine months ended September 30, 2010 increased by 13.5%, or $213.8 million, compared with the same period of 2009. The increase was primarily related to higher volumes (12.5%) and favorable pricing (0.8%).

Operating income for the nine months ended September 30, 2010 increased by 114.2%, or $117.2 million, compared with the same period of 2009. The increase, which improved operating margins to 12.3% from 6.5%, was primarily related to improved productivity actions ($87 million), higher volumes and product mix ($70 million), and favorable pricing ($13 million). However, these improvements were partially offset by increased material and other costs ($49 million). Included in 2010 operating income was $10.4 million of charges associated with ongoing restructuring actions, which had a 0.6 point impact on operating margins. The comparable amount recorded in 2009 was $21.4 million, which had a 1.4 point impact on 2009 operating margin.

Air and Productivity revenues outside of the U.S. increased as improved aftermarket activity in Asia was partially offset by weaker markets in Europe. U.S. markets increased as the equipment market continues to improve. Club Car revenues increased as a result of improving golf markets.

Security Technologies

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

In the fourth quarter of 2009, we realigned our external reporting structure to eliminate the Air Conditioning Systems and Services segment, which represented the Trane commercial and residential businesses acquired at the close of business on June 5, 2008 (the Acquisition Date). As a result, the Trane residential HVAC business is now incorporated within the Residential Solutions segment, along with our residential security business. Therefore, our residential security business is no longer included as a part of our Security Technologies segment, which now represents our commercial security business.

	Three months ended September 30,			Nine months ended September 30,		
In millions	2010	2009	% change	2010	2009	% change
Net revenues	$409.8	$436.6	-6.1%	$1,223.2	$1,265.5	-3.3%
Operating income	90.5	95.2	-4.9%	243.7	247.6	-1.6%
Operating margin	22.1%	21.8%		19.9%	19.6%	

Net revenues for the three months ended September 30, 2010 decreased by 6.1%, or $26.8 million, compared with the same period of 2009. The decrease was primarily related to unfavorable currency impact (1.8%) and a reduction in volumes (5.7%). These decreases were partially offset by favorable pricing (1.4%).

Operating income for the three months ended September 30, 2010 decreased by 4.9%, or $4.7 million, compared with the same period of 2009. However, operating margins improved to 22.1% from 21.8%, due to improved productivity actions ($21 million). However, the improvements were more than offset by increases in material and other costs ($13 million) and a reduction in volumes and product mix ($11 million). Included in 2009 operating income was $1.7 million of charges associated with ongoing restructuring actions, which had a 0.4 point impact on operating margins.

Net revenues for the nine months ended September 30, 2010 decreased by 3.3%, or $42.3 million, compared with the same period of 2009. The decrease was primarily related to a reduction in volumes (4%). This decrease was partially offset by favorable pricing (0.7%).

Operating income for the nine months ended September 30, 2010 decreased by 1.6%, or $3.9 million, compared with the same period of 2009. However, operating margins improved to 19.9% from 19.6%, due to improved productivity actions ($61 million). However, the improvements were offset

by a reduction in volumes and product mix ($29 million) and increases in material and other costs ($27 million). Included in 2010 operating income was $2.4 million of charges associated with ongoing restructuring actions, which had a 0.2 point impact on operating margins. The comparable amount recorded in 2009 was $6.9 million, which had a 0.6 point impact on 2009 operating margin.

The decline in worldwide commercial building and remodeling markets continue to impact segment revenues, especially in the United States. Slight improvement in Europe and modest volume increases in Asia helped mitigate continued weakness in the United States.

Discontinued Operations

Amounts related to discontinued operations for the three and nine months ended September 30 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
In millions	2010	2009	2010	2009
Revenues	$ 24.2	$ 23.8	$ 62.4	$ 68.6
Pre-tax earnings (loss) from operations	(49.2)	(23.2)	(133.9)	(84.0)
Pre-tax gain (loss) on sale	(0.3)	(0.3)	(0.7)	1.9
Tax benefit (expense)	10.0	12.6	16.9	37.1
Discontinued operations, net of tax	$ (39.5)	$ (10.9)	$(117.7)	$(45.0)

During the third quarter of 2009, we recorded a discrete tax benefit of $22 million primarily associated with reducing our liability for unrecognized tax benefits, and a discrete tax charge of $29 million associated with correcting immaterial accounting errors. See Note 15 to the Condensed Consolidated Financial Statements for a further description of these tax matters.

Discontinued operations for the three and nine months ended September 30 consisted of the following businesses:

	Three months ended September 30,		Nine months ended September 30,	
In millions	2010	2009	2010	2009
Compact Equipment, net of tax	$ —	$ (29.5)	$ (3.9)	$(30.2)
Road Development, net of tax	(0.5)	(1.5)	(0.2)	3.0
KOXKA Business, net of tax	(19.5)	(1.2)	(68.9)	(16.0)
Energy Systems, net of tax	(9.5)	(1.4)	(12.5)	(2.6)
Other discontinued operations, net of tax	(10.0)	22.7	(32.2)	0.8
Total discontinued operations, net of tax	$ (39.5)	$ (10.9)	$(117.7)	$(45.0)

Road Development Divestiture

On April 30, 2007, we completed the sale of our Road Development business unit to AB Volvo (publ) for cash proceeds of approximately $1.3 billion. The Road Development business unit manufactured and sold asphalt paving equipment, compaction equipment, milling machines and construction-related material handling equipment.

Compact Equipment Divestiture

On November 30, 2007, we completed the sale of our Bobcat, Utility Equipment and Attachments businesses (collectively, Compact Equipment) to Doosan Infracore for gross proceeds of approximately $4.9 billion, subject to post-closing purchase price adjustments. Compact Equipment manufactured and sold compact equipment, including skid-steer loaders, compact track loaders, mini-excavators and telescopic tool handlers; portable air compressors, generators and light towers; general-purpose light construction equipment; and attachments. We are currently in the process of resolving post-closing matters relating to the final purchase price adjustments and other items with Doosan Infracore.

KOXKA Divestiture

On October 4, 2010, the Company completed the divestiture of its European refrigerated display case business, which was sold under the KOXKA brand, to an affiliate of American Industrial Acquisition Corporation (AIAC Group). The business, which was previously reported as part of the Climate Solutions segment, designs, manufactures and markets commercial refrigeration equipment through sales branches and a network of distributors throughout Europe, Africa and the Middle East. KOXKA had two manufacturing facilities in Spain and employed 445 people.

During the second quarter 2010, the planned divestiture met both the component and held for sale criteria in accordance with GAAP. Therefore, the Company reported this business as a discontinued operation and classified the assets and liabilities as held for sale for all periods presented. During the second quarter of 2010, the Company recognized a $38.8 million after-tax impairment loss within discontinued operations related to the initial write-down of the net assets to their estimated fair value. During the third quarter 2010, the Company recorded an additional $15.1 million after-tax impairment charge based on the final working capital and tax balances at the date of sale.

Net revenues and after-tax earnings of the KOXKA business for the three and nine months ended September 30 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
In millions	2010	2009	2010	2009
Net revenues	$ 20.3	$ 21.5	$ 56.7	$ 58.6
After-tax earnings (loss) from operations	(4.4)	(1.2)	(15.0)	(16.0)

The components of assets and liabilities recorded as held for sale on the Condensed Consolidated Balance Sheet are as follows:

In millions	September 30, 2010	December 31, 2009
Assets		
Current assets	$ 30.6	$ 36.6
Property, plant and equipment, net	—	17.8
Other assets and deferred income taxes	—	18.9
Assets held for sale	$ 30.6	$ 73.3
Liabilities		
Current liabilities	$ 23.8	$ 25.2
Noncurrent liabilities	5.3	4.3
Liabilities held for sale	$ 29.1	$ 29.5

Energy Systems Divestiture

During the third quarter of 2010, the Company committed to a plan to divest its gas microturbine generator business, which is sold under the Energy Systems brand. The business, which was previously reported as part of the Industrial Technologies segment, designs, manufactures, markets, distributes, and services gas powered microturbine generators which feature energy efficient design and low emissions technology.

As of September 30, 2010, the planned divestiture met both the component and held for sale criteria in accordance with GAAP. Therefore, the Company now reports this business as a discontinued operation and classifies the assets and liabilities as held for sale for all periods presented. During the third quarter of 2010, the Company recognized a $8.3 million after-tax impairment loss within discontinued operations related to the initial write-down of the net assets to their estimated fair value. On October 19, 2010, the Company signed a letter of intent to sell Energy Systems to Flex Energy, LLC, and the sale is expected to be completed in the fourth quarter of 2010.

Net revenues and after-tax earnings of the Energy Systems business for the three and nine months ended September 30 are as follows:

In millions	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Net revenues	$ 3.9	$ 2.3	$ 5.7	$ 10.0
After-tax earnings (loss) from operations	(1.2)	(1.4)	(4.2)	(2.6)

The components of assets and liabilities recorded as held for sale on the Condensed Consolidated Balance Sheet are as follows:

In millions	September 30, 2010	December 31, 2009
Assets		
Current assets	$ 0.5	$ 7.7
Property, plant and equipment, net	—	6.1
Other assets and deferred income taxes	—	—
Assets held for sale	$ 0.5	$ 13.8
Liabilities		
Current liabilities	$ 0.5	$ 0.5
Noncurrent liabilities	—	—
Liabilities held for sale	$ 0.5	$ 0.5

Other Discontinued Operations

We also have retained costs from previously sold businesses that mainly include costs related to postretirement benefits, product liability and legal costs (mostly asbestos-related).

Liquidity and Capital Resources

In 2009, we completed a comprehensive financing program that significantly enhanced the liquidity and debt profile of the Company. Significant actions included the repayment of the outstanding balance of our senior unsecured bridge loan facility with the proceeds from the issuance of $1.0 billion of long-term debt (Senior Notes and Exchangeable Senior Notes) and the expansion of our Trane accounts receivable purchase program to encompass originators from all four of our business segments. In addition, we reduced our quarterly stock dividend from $0.18 per share to $0.07 per share, effective with our September 2009 payment.

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

In millions	September 30, 2010	December 31, 2009
Cash and cash equivalents	$ 810.7	$ 876.7
Short-term borrowings and current maturities of long-term debt	738.4	1,191.7
Long-term debt	2,922.8	2,904.9
Total debt	3,661.2	4,096.6
Total Ingersoll-Rand plc shareholders' equity	7,573.8	7,071.8
Total shareholders' equity	7,673.5	7,175.7
Debt-to-total capital ratio	32.2%	36.2%

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

In millions	September 30, 2010	December 31, 2009
Debentures with put feature	$ 343.6	$ 343.6
Exchangeable senior notes	325.0	315.0
Current maturities of long-term debt	37.6	526.5
Other short-term borrowings	32.2	6.6
Total	$ 738.4	$ 1,191.7

Commercial Paper Program

We use borrowings under our commercial paper program for general corporate purposes. At December 31, 2009, we had no amounts outstanding after repaying $998.7 million during 2009. These payments were funded primarily using cash generated from our operations. No amounts were outstanding at September 30, 2010.

Debentures with Put Feature

At September 30, 2010 and December 31, 2009, we had outstanding $343.6 million of fixed rate debentures, which only requires early repayment at the option of the holder. These debentures contain a put feature that the holders may exercise on each anniversary of the issuance date. If exercised, we are obligated to repay in whole or in part, at the holder's option, the outstanding principal amount (plus accrued and unpaid interest) of the debentures held by the holder. If these options are not exercised, the final maturity dates would range between 2027 and 2028.

In February 2010, holders of these debentures had the option to exercise the put feature on $37.2 million of the outstanding debentures, of which less than $0.1 million were exercised and repaid in February. In November 2010, holders of these debentures will have the option to exercise the put feature on $306.4 million of the outstanding debentures. Based on our cash flow forecast, we believe we will have sufficient liquidity to repay any amounts redeemable as a result of these put options.

Exchangeable Senior Notes Due 2012

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

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

During the third quarter of 2010, the sales price condition set forth in the indenture agreement for the Notes continues to be satisfied. As a result, the Notes may be exchangeable at the holders' option during the fourth quarter 2010. Therefore, we classified the debt portion of the Notes as short-term in the Condensed Consolidated Balance Sheet at September 30, 2010. In addition, we classified the equity portion of the Notes as Temporary equity to reflect the amount that could result in cash settlement at September 30, 2010.

Senior Notes Due 2014

In April 2009, we issued $655 million of 9.5% Senior Notes through our wholly-owned subsidiary, IR-Global. The notes are fully and unconditionally guaranteed by each of IR-Ireland, IR-Limited and IR-International. Interest on the fixed rate notes will be paid twice a year in arrears. We have the option to redeem them 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 our operations.

Accounts Receivable Purchase Program

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

Other

In March 2009, we announced a reduction of our quarterly stock dividend from $0.18 per share to $0.07 per share, effective with the September 2009 payment. The reduced payment provides additional liquidity for the Company.

On May 26, 2010, we entered into a 3-year, $1.0 billion Senior Unsecured Revolving Credit Facility through our wholly-owned subsidiary, IR-Global. This new facility replaced the Company's pre-existing $1.25 billion, 5-year revolving credit facility that was scheduled to mature on August 12, 2010.

At September 30, 2010, the Company's committed revolving credit facilities totaled $2.0 billion, of which $1.0 billion expires in June 2011 and $1.0 billion expires in May 2013. These lines are unused and provide support for the Company's commercial paper program as well as for other general corporate purposes.

Cash Flows

The following table reflects the major categories of cash flows for the nine months ended September 30. For additional details, see the Condensed Consolidated Statement of Cash Flows in the Condensed Consolidated Financial Statements.

In millions	2010	2009
Operating cash flow provided by (used in) continuing operations	$ 582.5	$ 1,515.4
Investing cash flow provided by (used in) continuing operations	(110.6)	(137.0)
Financing cash flow provided by (used in) continuing operations	(490.7)	(1,158.5)

Operating Activities

Net cash provided by continuing operating activities during the nine months ended September 30, 2010 was $582.5 million, compared with net cash provided by continuing operating activities of $1,515.4 million during the comparable period in 2009. As a result of the severe economic downturn, positive operating cash flows for the nine months ended September 30, 2009 reflected decreased volume levels, our increased focus on working capital management, including improvements in accounts receivable collections and inventory management, and a $143 million inflow relating to the Company's accounts receivable purchase agreements. While we continue to actively manage working capital at September 30, 2010, our operating cash flows reflect increased inventory levels from year-end as several of our end markets have stabilized and we anticipate improvement in several of our key end markets during 2010. Additionally, during the third quarter the Company made a discretionary cash contribution to its pension fund of $242 million ($157.3 million after tax benefit received).

Investing Activities

Net cash used in investing activities during the nine months ended September 30, 2010 was $110.6 million, compared with $137.0 million during the comparable period of 2009. The change in investing activities is primarily attributable to a reduction in capital expenditures during the nine months ended September 30, 2010.

Financing Activities

Net cash used in financing activities during the nine months ended September 30, 2010 was $490.7 million, compared with $1,158.5 million during the comparable period in 2009. The change in financing activities is primarily related to less debt repayments in 2010 and a reduction of the quarterly stock dividend.

Pensions

Our investment objectives in managing defined benefit plan assets are to ensure that present and future benefit obligations to all participants and beneficiaries are met as they become due; to provide a total return that, over the long-term, minimizes our required contributions at the appropriate levels of risk; and to meet any statutory or regulatory requirements. The company expects to make up to $200 million of pension contributions in the fourth quarter of 2010.

We monitor the impact of market conditions on our funding requirements and pension plan expense on a quarterly basis. None of our pension plans have experienced any significant impact on their liquidity to pay retirees in the plans due to the volatility in the markets.

For a further discussion of Liquidity and Capital Resources, refer to Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contained in the Company’s Annual Report on Form 10-K for the period ended December 31, 2009.

Commitments and Contingencies

We are involved in various litigations, claims and administrative proceedings, including those related to environmental and product liability matters. Amounts recorded for identified contingent liabilities are estimates, which are reviewed periodically and adjusted to reflect additional information when it becomes available. Subject to the uncertainties inherent in estimating future costs for contingent liabilities, management believes that the liability which may result from these legal matters would not have a material adverse effect on our financial condition, results of operations, liquidity or cash flows. See Note 19 to the Condensed Consolidated Financial Statements for a further discussion regarding our commitments and contingencies.

Critical Accounting Policies

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

Management believes there have been no significant changes during the nine months ended September 30, 2010, to the items that we disclose as our critical accounting policies and estimates in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2009.

Recently Adopted Accounting Pronouncements

In June 2009, the FASB issued revised guidance within ASC 810. These revisions eliminate FASB Interpretation 46(R)’s exceptions to consolidating qualifying special-purpose entities, contain new criteria for determining the primary beneficiary, and increase the frequency of required reassessments to determine whether a company is the primary beneficiary of a variable interest entity. ASC 810 also contains a new requirement that any term, transaction, or arrangement that does not have a substantive effect on an entity’s status as a variable interest entity, a company’s power over a variable interest entity, or a company’s obligation to absorb losses or its right to receive benefits of an entity must be disregarded in applying FASB Interpretation 46(R)’s provisions. The elimination of the qualifying special-purpose entity concept and its consolidation exceptions means more entities will be subject to consolidation assessments and reassessments. These provisions of ASC 810 are effective as of the beginning of the first fiscal year beginning after November 15, 2009, and for interim periods within that first period, with earlier adoption prohibited. The provisions of ASC 810 did not have a material impact on the Company’s consolidated financial statements.

In June 2009, the FASB issued revised guidance within FASB ASC 860, “Transfers and Servicing” (ASC 860). These revisions eliminate the concept of a qualifying special-purpose entity, create more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarify other sale-accounting criteria, and change the initial measurement of a transferor’s interest in transferred financial assets. These provisions of ASC 860 will be effective for transfers of financial assets in fiscal years beginning after November 15, 2009 and in interim periods within those fiscal years with earlier adoption prohibited. The provisions of ASC 860 did not have a material impact on the Company’s consolidated financial statements.

In January 2010, the FASB issued revised guidance within FASB ASC 820, “Fair Value Measurements and Disclosures” (ASC 820). The revisions require interim disclosures regarding the amounts and reasons for significant transfers in and out of Level 1 and Level 2 fair value measurements, as well as disclosures for each class of assets and liabilities and about the inputs and valuation techniques used to measure fair value for both recurring and non-recurring fair value measurements. These disclosures are required for fair value measurements that fall in either Level 2 or Level 3. Additionally, the revision also requires separate presentation of Level 3 activity for the fair value measurements, using significant unobservable inputs. These revisions are effective as of January 1, 2010, with the exception of the separate presentation of Level 3 activity, which is not effective until fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. See Note 10 to the Condensed Consolidated Financial Statements for these additional disclosures.

Other than as discussed above, management believes there have been no significant changes during the nine months ended September 30, 2010, to the items we disclosed as our recently adopted accounting pronouncements in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the period ended December 31, 2009. For a further discussion, refer to the “Recently Adopted Accounting Pronouncements” discussion contained therein.

Safe Harbor Statement

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

Forward-looking statements may relate to such matters as projections of revenue, margins, expenses, tax provisions, earnings, cash flows, benefit obligations, share or debt repurchases or other financial items; any statements of the plans, strategies and objectives of management for future operations, including those relating to any statements concerning expected development, performance or market share relating to our products and services; any statements regarding future economic conditions or our performance; any statements regarding pending investigations, claims or disputes, including those relating to the Internal Revenue Service audit of our consolidated subsidiaries’ tax filings in 2001 and 2002; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. These statements are based on currently available information and our current assumptions, expectations and projections about future events. While we believe that our assumptions, expectations and projections are reasonable in view of the currently available information, you are cautioned not to place undue reliance on our forward-looking statements. These statements are not guarantees of future performance. They are subject to future events, risks and uncertainties – many of which are beyond our control – as well as potentially inaccurate assumptions, that could cause actual results to differ materially from our expectations and projections.

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

- overall economic and business conditions;
- the demand for our products and services;
- our incorporation in a non-U.S. jurisdiction;
- competitive factors in the industries in which we compete;
- changes in tax requirements (including tax rate changes, new tax laws and revised tax law interpretations);
- the outcome of litigation and governmental proceedings;
- the effect of income tax audit settlements;
- interest rate fluctuations and other changes in borrowing costs;
- other capital market conditions, including availability of funding sources and currency exchange rate fluctuations;
- availability of and fluctuations in the prices of key raw materials;

- economic and political conditions in international markets, including governmental changes and restrictions on the ability to transfer capital across borders;
- the ability to achieve cost savings in connection with our strategic restructuring;
- potential further impairment of our goodwill, indefinite-lived intangible assets and/or our long-lived assets;
- the impact of fluctuations in the price of our ordinary shares;
- changes in U.S. and non-U.S. governmental laws and regulations;
- the possible effects on us of legislation in the U.S. that may limit or eliminate potential U.S. tax benefits resulting from our incorporation in a non-U.S. jurisdiction, such as Ireland, or deny U.S. government contracts to us based upon our incorporation in such non-U.S. jurisdiction.

Some of the material risks and uncertainties that could cause actual results to differ materially from our expectations and projections are described more fully in the “Risk Factors” section of this Quarterly Report on Form 10-Q, and our Annual Report on Form 10-K for the fiscal year ended December 31, 2009. There may also be other factors that have not been anticipated or that are not described in our periodic filings with the SEC, generally because we did not believe them to be material at the time, which could cause results to differ materially from our expectations.

Forward-looking statements speak only as of the date they are made, and we do not undertake to update these forward-looking statements. You are advised, however, to review any further disclosures we make on related subjects in our periodic filings with the SEC.

Item 3 – Quantitative and Qualitative Disclosures about Market Risk

There has been no significant change in our exposure to market risk during the third quarter of 2010. For a discussion of the Company’s exposure to market risk, refer to Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” contained in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

Item 4 – Controls and Procedures

The Company’s management, including its Chief Executive Officer and Chief Financial Officer, have conducted an evaluation of the effectiveness of disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded as of September 30, 2010, that the disclosure controls and procedures are effective in ensuring that all material information required to be filed in this Quarterly Report on Form 10-Q has been recorded, processed, summarized and reported when required and the information is accumulated and communicated, as appropriate, to allow timely decisions regarding required disclosure.

There has been no change in the Company's internal control over financial reporting that occurred during the third quarter of 2010 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

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

Oil for Food Program and Foreign Corrupt Practices Act (FCPA) matters

As previously reported, on November 10, 2004, the Securities and Exchange Commission (SEC) issued an Order directing that a number of public companies, including the Company, provide information relating to their participation in transactions under the United Nations' Oil for Food Program. Upon receipt of the Order, we undertook a thorough review of our participation in the Oil for Food Program, provided the SEC with information responsive to the Order and provided additional information requested by the SEC. During a March 27, 2007 meeting with the SEC, at which a representative of the Department of Justice (DOJ) was also present, we began discussions concerning the resolution of this matter with both the SEC and DOJ. On October 31, 2007, we announced we had reached settlements with the SEC and DOJ relating to this matter. Under the terms of the settlements, we paid a total of $6.7 million in penalties, interest and disgorgement of profits. We have consented to the entry of a civil injunction in the SEC action and have entered into a three-year deferred prosecution agreement (DPA) with the DOJ. The DPA expired on October 31, 2010. However, the DOJ could take the position that it may nonetheless proceed against us on matters covered by the DPA were it to conclude in the future that we breached our obligations under the DPA. The initiation of further enforcement actions concerning the matters covered by the DPA therefore remains a possibility. Under both settlements, we have implemented and will continue to implement improvements to our compliance program that are consistent with our longstanding policy against improper payments. In the settlement documents, the Government noted that we thoroughly cooperated with the investigation, that we had conducted our own complete investigation of the conduct at issue, promptly and thoroughly reported our findings to them, and took prompt remedial measures.

Additionally, we have reported to the DOJ and SEC certain matters which raise potential issues under the FCPA and other applicable anti-corruption laws, including matters which were reported during the past quarter. We have conducted, and continue to conduct, investigations and have had preliminary discussions with respect to these matters with the SEC and DOJ, which are ongoing. The SEC has indicated that it will seek additional information and documents regarding these matters. These matters (and others which may arise or of which we become aware in the future) may be deemed to violate the FCPA and other applicable anti-corruption laws. Such determinations could subject us to, among other things, civil and criminal penalties (if, for example, the DOJ deems us to have violated the DPA), material fines, equitable remedies (including profit disgorgement and injunctions on future conduct), securities litigation and a general loss of investor confidence, any one of which could adversely affect our business prospects, financial position, or the market value of our stock.

The European Commission Investigation

In November 2004, Trane was contacted by the European Commission as part of a multi-company investigation into possible infringement of European Union competition law relating to the distribution of bathroom fixtures and fittings in certain European countries. On March 28, 2007, Trane, along with a number of other companies, received a Statement of Objections from the European Commission. The Statement of Objections, an administrative complaint, alleges infringements of European Union competition rules by numerous bathroom fixture and fittings companies, including Trane and certain of its former European subsidiaries engaged in the Bath and Kitchen business. These former subsidiaries were transferred (i) to WABCO on July 31, 2007 as part of a legal reorganization in connection with the spinoff of Trane's Vehicle Control Systems business and (ii) to Bain Capital Partners LLC on October 31, 2007 in connection with the sale of Trane's Bath & Kitchen business. Trane and certain of its former European subsidiaries will be jointly and severally liable for any fines that result from the investigation. However, pursuant to an Indemnification and Cooperation Agreement among Trane and certain other parties (Indemnification Agreement), American Standard Europe BVBA (renamed WABCO Europe BVBA) (WABCO Europe), which is a subsidiary of WABCO following the reorganization, will be responsible for, and will indemnify Trane and its subsidiaries (including certain subsidiaries formerly engaged in the Bath and Kitchen business) and their respective affiliates against, any fines related to this investigation. Trane and the charged subsidiaries responded to the European Commission on August 1, 2007 and July 31, 2007, respectively. A hearing with the European Commission regarding the response to the Statement of Objections was conducted from November 12-14, 2007, in Brussels. WABCO Europe and other former Trane subsidiaries participated in the hearing. Trane, however, did not participate in the hearing.

On June 23, 2010, the European Commission announced a fine of EUR 326 million (approximately $400 million) against entities representing the former American Standard Companies Inc. and certain of its former operations in Europe (Charged Entities). On September 21, 2010, WABCO paid the full amount of the fine to the European Commission. As a result, the Company has removed the recorded indemnification receivable from WABCO and the corresponding liability to the European Commission from the Condensed Consolidated Balance Sheet at September 30, 2010. The fine has had no impact on the Company's consolidated results of operations.

Independent of its payment of the fine, WABCO filed an appeal on September 8, 2010 with the General Court of the European Union (General Court) contesting the size of the fine on behalf of all of the Charged Entities, including Trane. The decision to file the appeal was solely WABCO's. However, because WABCO could not perfect its appeal without Trane being among the appealing parties, Trane was obligated under the Indemnification Agreement to consent to joining WABCO's appeal. The General Court's decision regarding WABCO's appeal may take anywhere from 18 months to 4 years and is expected to impact only WABCO given that WABCO will continue to be fully responsible for indemnifying Trane for all fines in connection with this matter by operation of the Indemnification Agreement. WABCO will continue to remain responsible for the full amount of the fine regardless of whether the General Court affirms the European Commission's original fine, reduces the fine, or, pursuant to its unlimited jurisdiction under applicable rules and regulations, increases the fine. The General Court's power to increase the fine has only rarely been invoked, but in the highly unlikely event that (i) the General Court increases the size of the original fine during appeal and (ii) WABCO is unable to satisfy the additional payment obligation resulting from the increased fine, the Company does not believe that any potential liability arising from the increased fine will have a material adverse effect on its financial condition or results of operations.

Tax-Related Matters

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

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

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

Although the outcome of this matter cannot be predicted with certainty, based upon an analysis of the strength of our position, we believe that we are adequately reserved for this matter. As we move forward to resolve this matter with the IRS, it is reasonably possible that the reserves established may be adjusted. However, we do not expect that the ultimate resolution will have a material adverse impact on our future results of operations or financial position. At this time, the IRS has not proposed any similar adjustments for years subsequent to 2002. However, if all or a portion of these adjustments proposed by the IRS are ultimately sustained, it is likely to also affect subsequent tax years. For a further discussion of tax matters, see Note 15 to the consolidated financial statements.

Asbestos-Related Matters

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

See also the discussion under Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, Environmental and Asbestos Matters and also Note 19 to the consolidated financial statements.

Item 1A – Risk Factors

There have been no material changes to our risk factors contained in our Annual Report on Form 10-K for the period ended December 31, 2009, with the exception of the item noted below. For a further discussion of our Risk Factors, refer to the "Risk Factors" discussion contained in our Annual Report on Form 10-K for the period ended December 31, 2009.

Oil for Food Program and Foreign Corrupt Practices Act (FCPA) matters

As previously reported, on November 10, 2004, the Securities and Exchange Commission (SEC) issued an Order directing that a number of public companies, including the Company, provide information relating to their participation in transactions under the United Nations' Oil for Food Program. Upon receipt of the Order, we undertook a thorough review of our participation in the Oil for Food Program, provided the SEC with information responsive to the Order and provided additional information requested by the SEC. During a March 27, 2007 meeting with the SEC, at which a representative of the Department of Justice (DOJ) was also present, we began discussions concerning the resolution of this matter with both the SEC and DOJ. On October 31, 2007, we announced we had reached settlements with the SEC and DOJ relating to this matter. Under the terms of the settlements, we paid a total of $6.7 million in penalties, interest and disgorgement of profits. We have consented to the entry of a civil injunction in the SEC action and have entered into a three-year deferred prosecution agreement (DPA) with the DOJ. The DPA expired on October 31, 2010. However, the DOJ could take the position that it may nonetheless proceed against us on matters covered by the DPA were it to conclude in the future that we breached our obligations under the DPA. The initiation of further enforcement actions concerning the matters covered by the DPA therefore remains a possibility. Under both settlements, we have implemented and will continue to implement improvements to our compliance program that are consistent with our longstanding policy against improper payments. In the settlement documents, the Government noted that we thoroughly cooperated with the investigation, that we had conducted our own complete investigation of the conduct at issue, promptly and thoroughly reported our findings to them, and took prompt remedial measures.

Additionally, we have reported to the DOJ and SEC certain matters which raise potential issues under the FCPA and other applicable anti-corruption laws, including matters which were reported during the past quarter. We have conducted, and continue to conduct, investigations and have had preliminary discussions with respect to these matters with the SEC and DOJ, which are ongoing. The SEC has indicated that it will seek additional information and documents regarding these matters. These matters (and others which may arise or of which we become aware in the future) may be deemed to violate the FCPA and other applicable anti-corruption laws. Such determinations could subject us to, among other things, civil and criminal penalties (if, for example, the DOJ deems us to have violated the DPA), material fines, equitable remedies (including profit disgorgement and injunctions on future conduct), securities litigation and a general loss of investor confidence, any one of which could adversely affect our business prospects, financial position, or the market value of our stock.

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Item 6 – Exhibits

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

(a) Exhibits

Exhibit No.	Description	Method of Filing
10.1	Robert Zafari Letter and Addendum.	Filed herewith.
23.1	Consent of Analysis, Research & Planning Corporation.	Filed herewith.
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
32	Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Income Statement, (ii) the Condensed Consolidated Balance Sheet, (iii) the Condensed Consolidated Statement of Cash Flows, and (iv) Notes to Condensed Consolidated Financial Statements.	Furnished herewith.

INGERSOLL-RAND PLC

SIGNATURES

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

INGERSOLL-RAND PLC
(Registrant)

Date: November 1, 2010

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

Date: November 1, 2010

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

Exhibit 10.1

June 14, 2010

Mr. Robert Zafari
AV DU FORT JACO DES MONTECRISTA No. 75
Uccle
Belgium 1180

Dear Robert,

I am pleased to offer you the position of Senior Vice President & President of Industrial Technologies Sector effective July 1, 2010. You will report to me and upon completion of the necessary United States (U.S.) work permits and authorizations, your official location will be transferred from Brussels, Belgium to Davidson, North Carolina. I look forward to your acceptance of this promotion and providing leadership to this sector.

1. Your starting base salary will be at an annual rate of $440,000 (four hundred and forty thousand U.S. dollars) paid monthly. When your current salary is converted from Euros to USD (1.2127), this represents an increase of $57,393 or 15%. Your new salary will be effective on July 1, 2010.
2. Your Annual Incentive Matrix (AIM) target opportunity has been increased from 65% to 80% of your base salary effective on July 1, 2010. This represents an increase in your target opportunity from $248,694 to $352,000 or 42%. For 2010, your AIM award will be prorated using your previous base salary and AIM target of 65% (for 6 months), and your new base salary and AIM target effective on July 1st (for 6 months). Furthermore, the metrics used to determine your 2010 AIM award will be pro-rated between the two positions held.
3. For the February 2011 grant, your annual equity award target opportunity will be increased from $200,000 to $400,000 representing an increase of $200,000 or 100%. At this time it is anticipated that your 2011 equity grant will be made in an equal proportion of stock options and Restricted Stock Units (RSUs). The award dollar value wiQ be converted into stock options and RSUs based on the fair market value of Ingersoll Rand stock on the date the Compensation Committee approves the awards. Annual equity awards are contingent on and variable with your sustained performance and demonstrated leadership potential.
4. For the February 2011 grant, your Performance Share Unit (PSUs) target will be increased from $200,000 to $400,000 representing an increase of $200,000 or 100%. Your grant will be converted into PSUs based on the fair market value of Ingersoll Rand stock on the date the Compensation Committee approves the award. The actual number of PSUs awarded will be based on Ingersoll Rand's Earnings per Share (EPS) growth relative to the S&P 500 Industrial peer companies over the 2011 to 2013 performance period and can range from 0% to 200% of the target number of PSUs.

5. At the time that you are able to work in the U.S. and begin to pay U.S. taxes, you will be eligible to participate in U.S. benefit programs to include qualified and non-qualified retirement plans, deferred compensation, as well as health and welfare programs.

6. You will be provided a company automobile in accordance with our Company car policy, which in your case provides an executive automobile with a purchase value of up to $60,000. A portion of the benefit will be imputed to your statement of gross income for tax purposes. A brief summary is enclosed.

7. This position is eligible for participation in the Elected Officer Supplemental Program (EOSP). The EOSP is a defined benefit pension plan that provides a target level of retirement benefits reduced (or offset) by other qualified and non-qualified retirement benefits to which you are entitled. For non-US citizens, these reductions include any and all benefits accrued or accumulated by the employee under any Foreign Plan as defined by the EOSP plan document. At the appropriate time, Jeffrey Blair will be available to help you coordinate the collection of the information necessary to determine the reductions (or offsets).

8. You will continue to be eligible for the Company's Executive Health Program.

9. Based on your new position, you are eligible for financial and retirement counseling services through AYCO, a division of Goldman-Sachs. This service includes investment strategy and tax filing assistance. A portion of the cost for these services is imputed to your annual income. A representative from AYCO will contact you soon.

10. You will be eligible for an enhanced Executive Long-Term Disability (LTD) program that covers annual incentive compensation in addition to base salary and provides a greater benefit than offered in the standard group program.

11. You will be provided with a Change in Control Agreement, which provides economic security in the form of cash payments to the participant and guaranteed coverage under certain benefit plans in the event of job loss caused by the sale of all or a substantial part of the Company (2.5 x base salary and annual incentive target). The agreement will be sent to you shortly after assuming your position.

12. You will be eligible for the Company's Relocation Program to Davidson, North Carolina from Brussels, Belgium. A representative from Cartus will be in touch with you after we receive your acceptance of this offer to explain the program and begin the process.

13. Based on your promotion to a Senior Vice President, your stock ownership requirements have increased. Your new requirement (which must be achieved over a three-year period) has been increased from 6,000 to 40,000 shares. You will receive communication every year that provides you with your current holdings. If you fall behind on your guideline requirement, you will be restricted from exercising your stock options (except in the case of a 'buy and hold ').

14. Based on your accountabilities in your new position, you are restricted from transactions involving company stock (exercising options, moving in or out of company stock held in company plans, or buying or selling company stock on the open market) except during designated window periods. You will receive communication from the Corporate Secretary when window periods are open along with instructions on how to execute transactions.

15. Your spouse will be provided with support in obtaining a visa to work in the United States. Also, your two children will be provided with language training (English) if needed in a total amount not to exceed $5,000.

16. This employment offer is contingent upon obtaining the appropriate temporary non-immigrant work authorization that will allow you to legally work in the United States. All employees must demonstrate their employment eligibility pursuant to the Immigration Reform and Control Act of 1986 within the first three (3) days of working in the United States and being on a U.S. payroll. Until these matters are completed, you will remain on Belgium payroll and you will not participate in U.S. benefit or deferred compensation programs. We expect to have all necessary approvals completed within the next 30 days or so. Jeffrey Blair will be your contact who will help coordinate obtaining the necessary work permits.

Robert, we all believe that you will make a significant contribution in this new role and I look forward to you taking the helm of the Industrial Technologies Sector. This offer is contingent upon your acceptance of the Non-Compete and Proprietary Information agreements. To accept this offer, please sign the following page as well as the attached Non-Compete and Proprietary agreements and return to Jeffrey Blair. If you have any questions regarding the changes in your compensation and benefits, please call Marcia Avedon at 704-655-5821 or Jeffrey Blair at 732-652-6759.

Sincerely,

/s/ Michael W. Lamach
Michael W. Lamach
Chairman, President and Chief Executive Officer

cc: Marcia Avedon
Jeffrey Blair

Attachments: Executive Automobile Program
Elected Officer Supplemental (Pension) Program
Non-Compete Agreement
Proprietary Information Agreement

CANDIDATE ACCEPTANCE

I accept your offer of employment with Ingersoll Rand, as Senior Vice President & President of Industrial Technologies Sector and agree to the conditions hereon and in the offer letter.

/s/ Robert Zafari — June 14, 2010
Robert Zafari — Date

1 Centennial Avenue
Piscataway, NJ 08854

August 25, 2010

Mr. Robert Zafari
Ingersoll Rand
800 D Beaty Street
Davidson, NC 28036

Dear Robert,

The purpose of this letter, which serves as an addendum to your employment agreement dated June 14, 2010, is to confirm additional considerations agreed to by the Compensation Committee of the Board at their August 5, 2010 meeting.

To ensure that you are not negatively impacted in the event you return to Europe in the future, after working for Ingersoll Rand in the United States, we have agreed to make contributions on your behalf to the Belgium social system. These contributions, which will be imputed to your income, will enable you to maintain coverage in the Belgium social scheme. This imputed income will be tax neutral to you. Please note that the pension component of the Belgium social scheme serves as an offset to the Elected Officer Supplemental (retirement) Program.

In regard to any stock options on which you have already paid taxes in Belgium (based on the grant value) the company agrees that if you exercise options while in the United States you will not pay more in income tax (which includes the taxes you have already paid in Belgium) than what you would owe as a U.S. taxpayer. Any future stock options granted to you while working in the U.S. will be taxed based on the U.S. tax rules.

The company also agrees to provide an amount (estimated at $15,000) to help with your estate planning. This payment is taxable to you.

Robert, if you have any questions or concerns regarding the provisions of this letter, please do not hesitate to contact me directly on (732) 652-6759.

Very truly yours,

/s/ Jeff Blair
Jeff Blair
Vice President, Total Rewards

cc: Barbara Santoro
Ken Yi

Exhibit 23.1

Consent of Analysis, Research & Planning Corporation

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-161334) and S-8 (No. 333-67257, No. 333-00829, No. 333-19445, No. 333-42133, No. 333-130047, No. 333-143716, No. 333-149396, No. 333-151607 and No. 333-149537) of Ingersoll-Rand plc (the "Company") of (i) the references to us in the form and context in which they appear in the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended September 30, 2010, and (ii) the use of or reliance on the information contained in our report to the Company to assist the Company in setting forth an estimate of the Company's total liability for asbestos-related indemnity and defense costs in such registration statements.

November 1, 2010

Analysis, Research & Planning Corporation

By: /s/ Thomas Vasquez
Name: Thomas Vasquez, Ph.D
Title: Vice President

Exhibit 31.1

CERTIFICATION

I, Michael W. Lamach, certify that:

1. I have reviewed the quarterly report on Form 10-Q of Ingersoll-Rand plc for the three and nine months ended September 30, 2010;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2010

/s/ Michael W. Lamach
Michael W. Lamach
Principal Executive Officer

Exhibit 31.2

CERTIFICATION

I, Steven R. Shawley, certify that:

1. I have reviewed the quarterly report on Form 10-Q of Ingersoll-Rand plc for the three and nine months ended September 30, 2010;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2010

/s/ Steven R. Shawley
Steven R. Shawley
Principal Financial Officer

Exhibit 32

Section 1350 Certifications
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Ingersoll-Rand plc (the Company), does hereby certify that:

The Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2010 (the Form 10-Q) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael W. Lamach
Michael W. Lamach
Principal Executive Officer
November 1, 2010

/s/ Steven R. Shawley
Steven R. Shawley
Principal Financial Officer
November 1, 2010