OBJET LTD
Form F-1
March 22, 2012

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As filed with the Securities and Exchange Commission on March 22, 2012.

Registration No. 333-

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

FORM F-1
**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

OBJET LTD.
(Exact Name of Registrant as Specified in its Charter)

State of Israel	**3577**	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

**Objet Ltd.
2 Holtzman Street
Science Park, P.O. Box 2496
Rehovot 76124, Israel
+972-8-931-4314**
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Frank Marangell
Objet Inc.
5 Fortune Drive
Billerica, Massachusetts 01821
(877) 489-9449**
(Name, Address, including zip code, and telephone number, including area code, of agent for service)

Copies of all correspondence to:

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

CALCULATION OF REGISTRATION FEE(1)

Title of each class of securities to be registered	Proposed maximum aggregate offering price(2)	Amount of registration fee
Class A ordinary shares, par value NIS 0.01 per share	$75,000,000	$8,595.00

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(a) of the Securities Act.

(2) Includes Class A ordinary shares that the underwriters may purchase to cover over-allotments, if any.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED MARCH 22, 2012

Class A ordinary shares

We are offering of our Class A ordinary shares. This is our initial public offering, and no public market currently exists for our Class A ordinary shares. We have applied to have our Class A ordinary shares listed on the NASDAQ Global Market under the symbol "OBJT." We anticipate that the initial public offering price for our Class A ordinary shares will be between $ and $ per share.

Following this offering, we will have two classes of authorized ordinary shares, Class A ordinary shares and Class B ordinary shares. The rights of the holders of Class A ordinary shares and Class B ordinary shares will be identical, except with respect to voting and conversion. Each Class A ordinary share will be entitled to one vote. Each Class B ordinary share will be entitled to five votes and will be convertible at any time into one Class A ordinary share upon the election of the holder thereof. Each Class B ordinary share will furthermore automatically convert into one Class A ordinary share upon transfer (with certain limited exceptions) or when the Class B ordinary shares represent less than 15% of the combined number of Class A and Class B ordinary shares.

Investing in our Class A ordinary shares involves a high degree of risk. See "Risk factors" beginning on page 11 for a discussion of information that should be considered in connection with an investment in our Class A ordinary shares.

	Per share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us	$	$

Neither the U.S. Securities and Exchange Commission, nor any state or other foreign regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We have granted the underwriters a 30-day option to purchase up to an additional Class A ordinary shares to cover over-allotments, if any, at the initial public offering price per share, less underwriting discounts and commissions.

The underwriters expect to deliver the Class A ordinary shares against payment in New York, New York on or about , 2012.

J.P. Morgan **Goldman, Sachs & Co.**

Needham & Company

The date of this prospectus is , 2012

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We have not authorized anyone to provide any information other than that contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus. In addition, we are not offering, and the underwriters are not offering, to sell or solicit any securities to or from any person in any jurisdiction where it is unlawful to make this offer to or solicit an offer from a person in that jurisdiction. The information contained in this prospectus is accurate as of the date on the front of this prospectus.

Neither we nor any of the underwriters has done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required other than the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of our Class A ordinary shares and the distribution of this prospectus outside of the United States.

This prospectus includes statistical data, market data and other industry data and forecasts, which we obtained from market research, publicly available information and independent industry publications and reports that we believe to be reliable sources.

Through and including   , 2012 (the 25th day after the date of this prospectus), federal securities laws may require all dealers that effect transactions in these securities, whether or not participating in this offering, to deliver a prospectus. This requirement is in addition to the dealers' obligation to deliver a prospectus when acting as underwriter and with respect to their unsold allotments or subscriptions.

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Prospectus summary

This summary highlights selected information contained elsewhere in this prospectus that we consider important. This summary does not contain all of the information you should consider before investing in our Class A ordinary shares. You should read this summary together with the more detailed information appearing in this prospectus, including "Risk factors," "Selected consolidated financial data," "Management's discussion and analysis of financial condition and results of operations," "Business" and our consolidated financial statements and the related notes included at the end of this prospectus, before making an investment in our Class A ordinary shares. Unless the context otherwise requires, all references to "Objet," "we," "us," "our," the "company" and similar designations refer to Objet Ltd. and its wholly-owned subsidiaries: Objet Inc., a Delaware corporation, Objet GMBH, a German limited liability company, Objet AP Limited, a Hong Kong limited company, and Objet Shanghai Ltd., a Chinese company. The term "NIS" refers to New Israeli Shekels, the lawful currency of the State of Israel, the terms "dollar," "US$" or "$" refer to U.S. dollars, the lawful currency of the United States, and the terms "Euros" or "€" refer to Euros, the lawful currency of the European Union. Unless otherwise indicated, U.S. dollar translations of NIS amounts presented in this prospectus are translated using the rate of NIS 3.82 to US$1.00, the exchange rate reported by the Bank of Israel on December 30, 2011 (as December 31, 2011 was not a business day in Israel). Unless otherwise indicated, U.S. dollar translations of Euro amounts presented in this prospectus are translated using the rate of €0.77 to US$1.00, the exchange rate reported at www.xe.com on December 31, 2011.

Our business

Objet is a global provider of three-dimensional, or 3D, printing solutions, offering a broad range of 3D printing systems, resin consumables and services. Our printers use our proprietary inkjet-based technology, resin consumables and integrated software to create 3D models directly from computer data such as 3D computer-aided design, or CAD, files. Our printers build 3D objects by depositing multiple layers of resin one on top of another. We enhance the ability of designers, engineers and manufacturers to visualize, verify and communicate product designs, thereby improving the design process and reducing time-to-market. Our easy-to-use, high-speed 3D printers create high-resolution, smooth surface finish models that have the look, feel and functionality of the final designed product. We offer the only 3D printing systems that deposit two materials simultaneously, enabling the printing of models with a broad range of physical attributes. As of December 31, 2011, we had sold 3,378 3D printing systems, of which 569 and 929 were sold in 2010 and 2011, respectively. Our installed base of 3D printers provides the basis for recurring revenues from the sale of resin consumables and services.

3D printing is transforming prototype development and customized manufacturing processes, and is displacing traditional methodologies such as metal extrusion, computer-controlled machining and manual modeling techniques. 3D printing significantly improves the design process, reduces the time required for product development and facilitates creativity, while keeping the entire design process in-house. According to the 2010 report of Wohlers Associates, Inc., or the Wohlers Report, the 3D printer market grew at a 20% compound annual growth rate, or CAGR, from 2004 to 2009. We expect that the adoption of 3D printing will continue to increase over the next several years as a result of the proliferation of 3D content and authoring tools (3D CAD and other simplified 3D authoring tools) as well as increased availability of 3D scanners.

We are pioneers in 3D inkjet printing technology, which we believe is differentiated from competing technologies primarily in its ability to be scaled and to deliver high-resolution and multi-material printing. We combine our proprietary hardware platform, integrated software and resin consumables with widely-deployed inkjet printer heads to develop leading 3D printing systems. Our products are used in a broad array of applications, including concept and functional modeling, focus groups and sales presentations, ergonomic studies, prototype production, short-run tooling and customized small series manufacturing. Our 3D printing systems are deployed at over 2,800 companies in a wide range of industries. Our systems are used by a number of Fortune 100 companies. We provide products and services to our global customer base through our offices in Israel, the United States, Germany, Japan, China and Hong Kong, as well as through our worldwide network of over 85 distributors and sales agents.

Headquartered in Israel, we were founded in 1998 and sold our first 3D printing systems in 2002. Our revenues and net income were $121.1 million and $14.7 million, respectively, in 2011, marking our seventh consecutive profitable year and reflecting growth of 37.8% and 41.8% over the corresponding amounts for 2010.

Industry overview

3D printing addresses the inherent limitations of traditional modeling technologies through its combination of functionality, quality, ease-of-use, speed and cost. 3D printing can be significantly more efficient and effective than traditional model-making techniques for use across the design process, from concept modeling and design review and validation to fit and function prototyping, pattern making and tooling. An indicator of the total addressable market is the number of licensed 3D design software seats, such as 3D CAD seats, although multiple CAD seat licenses will often utilize only one printing system. According to "The Worldwide CAD Market Report 2010," or the CAD Report, by Jon Peddie Research, there was an installed base of over five million 3D CAD seats at the end of 2009. With only 26,797 3D printing systems installed worldwide at the end of 2009, according to the Wohlers Report, we believe that the 3D printing industry is significantly under-penetrated and has considerable room for growth. Additionally, users are increasingly upgrading their CAD software from 2D to 3D, as illustrated by the increasing share of 3D CAD installed seats from 30% in 2007 to 41% of the 14 million total CAD installed seats at the end of 2009, according to the CAD Report. While the number of 3D CAD seats is an indicator of the total addressable market, the growth of 3D printing extends beyond the number of 3D CAD users, as users can print 3D content files without the need for specialized 3D CAD design software.

We believe that increased market adoption in 3D printing will be facilitated by continued improvements in 3D printing technology, including:

Print quality: Further advancements in resolution, accuracy and surface quality, improved material properties and increased availability of color and transparent print materials.

Affordability: Entry-level systems at lower price points with high quality printing capabilities, albeit with smaller tray sizes and cartridge capacities as well as lower duty cycles.

Systems and software improvements: Improvements in ease of use, plug and play-type installation, support material improvement and higher print speed.

There are a number of available 3D printing technologies. The technologies differ on the basis of accuracy, surface quality, variety and properties of resin consumables, capacity, speed, color variety, transparency, the ability to print multiple materials and others. According to Wohlers Associates, inkjet-based technology has several characteristics that offer competitive benefits, including flexible rubber and plastic-like materials, multi-material printing, composite materials, transparency and accuracy.

Our solution

Our 3D printing solution uses our proprietary PolyJet inkjet-based technology, resin consumables and integrated software to create 3D models directly from computer data such as 3D CAD files. Our printers build 3D objects by depositing multiple layers of resin one on top of another. We are the only providers of 3D printers that allow the simultaneous jetting of two materials, enabling our end-users to print models with a variety of model features, such as objects with both rigid and flexible parts in a single build.

We offer our customers a broad range of 3D printer systems, including our advanced Connex family, our mid-range Eden family and our lower capacity, entry-level Desktop family. While all of our products offer our customers high-quality printing capabilities with high resolution and accuracy, our customers typically base their selection of a particular Objet system primarily on tray size, cartridge capacity, duty cycle, print speed, features and price. We offer a wide variety of office-friendly resin consumables, including rigid and flexible (rubber-like) materials and bio-compatible materials for medical and dental applications.

Our solutions allow our end-users to print 3D models which enhance their ability to visualize, verify and communicate product designs, thereby improving the design process and reducing time-to-market. Our systems create visual aids for concept modeling and functional prototypes to test fit, form and function, permitting rapid evaluation of product designs. In addition to contributing to the design process, our systems may also be used as part of the manufacturing process for smaller-volume manufacturing of customized products.

Our competitive strengths

We believe that the following are our key competitive strengths:

Proprietary inkjet-based technology platform. We believe our 3D inkjet printing technology, which benefits from ongoing industry advancements in 2D inkjet head technology, is differentiated from competing technologies primarily in its ability to scale and deliver high-resolution and multi-material printing. This technology also allows us to offer a spectrum of 3D printers of varying features, capacities and price points, and to migrate the advanced features of our high-end products to our entry-level products with greater efficiency.

Differentiated product offering with superior model quality. Our 3D printing systems are differentiated through a combination of superior printing qualities, print speed, variety of materials, the ability to print multiple materials simultaneously and suitability for office environments.

Multidisciplinary technological expertise. Our 3D printing solutions integrate innovations in a wide range of scientific disciplines, such as physics, chemistry and mechanical and electrical engineering, as well as software development. We believe we have a strong base of technology know-how, backed by our patent portfolio of 63 granted patents and 67 pending patent applications (as of March 1, 2012), encompassing granted patents in the United States, China, France, Germany, Italy, the UK, Spain, Austria, Belgium, Switzerland, Ireland and Hong Kong, and pending patent applications in the United States, China, the European Union, Hong Kong and Japan, along with a U.S. provisional patent application and international applications pursuant to the Patent Cooperation Treaty.

Large and growing installed base. Our differentiated offering has led to a large and growing installed base. We derive recurring revenues through sales of proprietary resin consumables and services to this installed base.

Diverse, global blue chip customer base. Our end-users include over 2,800 companies across a wide range of industries and applications.

Our strategy

The key elements of our strategy for growth include the following:

Expanding customer base and further penetrating existing customers. We intend to increase the market awareness of our company by adding distribution channels and increasing our marketing efforts in order to drive sales to new customers. We also expect to generate additional revenues from sales to existing customers as they experience the benefits of our products and further adopt 3D printing.

Driving further market adoption through lower capacity entry-level systems. We expect to broaden our installed base through increased adoption of our Desktop family of lower capacity entry-level systems, which we introduced in 2009 and which are offered at lower price points.

Broadening our printing systems' capabilities through the development of new materials. We believe that by developing new materials for our 3D printing systems, we will be able to increase both the size of, and our market share in, the 3D printing market.

Maintaining and extending our technology lead. We will seek to extend our technology capabilities by continuing to invest in our R&D efforts, which focus on enhancing our inkjet-based technologies that underlie all of our printing systems and developing resin consumables that offer an even broader array of physical and aesthetic properties, thereby broadening user applications.

Risk factors

Our business is subject to a number of risks that you should understand before deciding to invest in our Class A ordinary shares, including those discussed under "Risk factors."

Our corporate information

We were incorporated under the laws of the State of Israel in March 1998. Our principal executive offices are located at 2 Holtzman Street, Science Park, P.O. Box 2496, Rehovot 76124,

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Israel, and our telephone number is +972-8-931-4314. We have offices in Israel, the United States, Germany, Japan, China and Hong Kong. Our website is www.objet.com. Information contained on, or that can be accessed through, our website does not constitute a part of this prospectus and is not incorporated by reference herein. We have included our website address in this prospectus solely as an inactive textual reference.

Unless the context otherwise indicates or requires, "Objet," "FullCure," "PolyJet," "PolyJet Matrix," "Digital Materials," "Connex," "Eden," "Vero" and all product names and trade names used by us in this prospectus are our trademarks and service marks, which may be registered in certain jurisdictions. Although we have omitted the "®" and "TM" trademark designations for such marks in this prospectus, all rights to such trademarks and service marks are nevertheless reserved. Furthermore, the "Objet" design logo is our property. This prospectus contains additional trade names, trademarks and service marks of other companies. We do not intend our use or display of other companies' tradenames, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, these other companies.

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The offering

Issuer	Objet Ltd.
Class A ordinary shares we are offering	Class A ordinary shares
Class A ordinary shares to be outstanding immediately after this offering	Class A ordinary shares
Class B ordinary shares to be outstanding immediately after this offering	Class B ordinary shares
Total number of ordinary shares (Class A and Class B) to be outstanding after this offering	ordinary shares
Voting rights	Following this offering, we will have two classes of authorized ordinary shares: Class A ordinary shares and Class B ordinary shares. The rights of the holders of Class A and Class B ordinary shares are identical, except with respect to voting and conversion. The holders of Class B ordinary shares are entitled to five (5) votes per share, and the holders of Class A ordinary shares are entitled to one (1) vote per share, on all matters that are subject to a shareholder vote. Each Class B ordinary share may be converted into one (1) Class A ordinary share at any time at the election of the holder thereof, and will be automatically converted into one (1) Class A ordinary share upon the earlier of (i) the date on which the outstanding Class B ordinary shares represent less than 15% of the combined number of Class A and Class B ordinary shares and (ii) transfer thereof (except for certain excluded distributions). The Class A ordinary shares are not convertible. See "Description of share capital."
Offering price	We expect that the initial public offering price for the Class A ordinary shares being sold in this offering will be between $ and $ per share.
Over-allotment option	We have granted the underwriters a 30-day option to purchase up to an additional Class A ordinary shares from us to cover over-allotments, if any, at the initial public offering price per share, less underwriting discounts and commissions.

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Use of proceeds	We estimate that we will receive net proceeds from this offering of approximately $ million, based on an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses. We expect to use the net proceeds from this offering to meet our anticipated increased working capital requirements resulting from the expected growth in our business. We may also use a portion of the net proceeds for the potential acquisition of, or investment in, technologies, products or companies that complement our business, although we have no understandings, commitments or agreements to consummate any such acquisition or investment.
Risk factors	Investing in our Class A ordinary shares involves a high degree of risk and purchasers of our Class A ordinary shares may lose part or all of their investment. See "Risk factors" for a discussion of factors you should carefully consider before deciding to invest in our Class A ordinary shares.
Proposed NASDAQ Global Market symbol	We have applied to have our Class A ordinary shares listed on the NASDAQ Global Market under the symbol "OBJT."

Unless otherwise stated, the number of Class A and Class B ordinary shares to be outstanding after this offering is based on the offering of Class A ordinary shares in this offering, and Class B ordinary shares that will be outstanding prior to the consummation of this offering. Such Class B ordinary shares will be issued upon the reclassification of an equivalent aggregate number of our outstanding preferred shares and ordinary shares immediately prior to the consummation of this offering and following a -for- reverse stock split of our outstanding shares that we will effect prior to the effectiveness of the registration statement of which this prospectus forms a part.

Unless otherwise indicated, all information in this prospectus:

- assumes an initial public offering price of $ per Class A ordinary share, the midpoint of the range on the cover of this prospectus;
- assumes no exercise by the underwriters of their option to purchase up to an additional Class A ordinary shares from us;
- excludes 27,185,664 Class B ordinary shares that we have reserved for issuance upon the exercise of outstanding options under our Amended and Restated 2004 Omnibus Stock Option and Restricted Stock Incentive Plan as of March 1, 2012, of which 19,831,820 Class B ordinary shares underlie options that are, or will become, exercisable upon the consummation of this offering at a weighted average exercise price of $0.433 per Class B ordinary share;

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- excludes 7,500,000 Class A ordinary shares authorized and reserved for issuance under our 2011 Omnibus Stock Option and Restricted Stock Incentive Plan;

- gives effect to a -for- reverse split of our outstanding ordinary shares prior to the effectiveness of the registration statement of which this prospectus forms a part; and

- gives effect to the adoption of our amended and restated articles of association, which we will adopt prior to the completion of this offering.

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Summary consolidated financial data

The following table is a summary of our historical consolidated financial data, which is derived from our consolidated financial statements, which have been prepared in accordance with U.S. Generally Accepted Accounting Principles, or U.S. GAAP. The summary consolidated financial statement data for the years ended December 31, 2009, 2010 and 2011, and as of December 31, 2011, is derived from our audited consolidated financial statements included elsewhere in this prospectus.

You should read this summary financial data in conjunction with, and it is qualified in its entirety by, reference to our historical financial information and other information provided in this prospectus including, "Selected consolidated financial data," "Management's discussion and analysis of financial condition and results of operations" and our consolidated financial statements and related notes. The historical results set forth below are not necessarily indicative of the results to be expected in future periods.

(in thousands, except per share data)	Year ended December 31, 2009	2010	2011
Consolidated statements of operations data:			
Revenues			
Products	$ 56,993	$ 76,556	$ 105,759
Services	10,537	11,322	15,337
Total revenues	67,530	87,878	121,096
Cost of revenues			
Cost of products	19,835	23,734	34,008
Cost of services	9,286	10,039	12,946
Gross profit	38,409	54,105	74,142
Operating expenses			
Research and development	9,297	11,980	14,569
Sales and marketing	12,791	19,979	28,366
General and administrative	7,988	10,009	13,696
Operating profit	8,333	12,137	17,511
Finance income (expense), net	232	(365)	(1,228)
Income before income taxes	8,565	11,772	16,283
Tax on income (tax benefit)	960	1,411	1,589
Net income	$ 7,605	$ 10,361	14,694
Earnings per share attributable to ordinary shareholders:			
Basic and diluted(1)	$ 0.00	$ 0.00	$ 0.07

Weighted average number of ordinary shares:			
Basic and diluted	3,237	3,237	3,237
Pro forma net income per Class B ordinary share(2) (unaudited):			
Basic and diluted		$ 0.00	$ 0.55
Pro forma weighted average number of ordinary shares(2) (unaudited):			
Basic and diluted			26,846

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(1)
Our convertible preferred shares, which represent the majority of the voting power in our company, are entitled to a dividend preference in the amount of their original purchase price. Accordingly, that amount is allocated to the participation of preferred shares in the earnings of each year. As a result of the deemed participation of the preferred shares in our earnings, earnings per share attributable to ordinary shareholders in each of 2009 and 2010 were $0.00. As of the conclusion of 2011, our retained earnings exceeded the preferred shares' liquidation preference, and, accordingly, a portion of our earnings for such year was attributed to our ordinary shares. See Notes 1d, 1x and 8 to the notes to our consolidated financial statements, included elsewhere in this prospectus, for additional information.

(2)
The pro forma net income per Class B ordinary share, basic and diluted, gives effect to the conversion of all of our issued and outstanding preferred shares into ordinary shares and their reclassification as Class B ordinary shares immediately prior to the consummation of this offering.

	As of December 31, 2011		
(in thousands)	**Actual**	**Pro forma(1)**	**Pro forma as adjusted(2)**
Consolidated balance sheets data:			
Cash and cash equivalents	$ 42,954	$ 42,954	$
Total assets	124,538	124,538	
Current liabilities	34,239	34,239	
Long-term liabilities	4,436	4,436	
Convertible preferred shares(3)	38,231		
Total shareholders' equity(3)	47,632	85,863	

(1)
The "pro forma" data gives effect to the conversion of all of our issued and outstanding preferred shares into ordinary shares and their reclassification as Class B ordinary shares immediately prior to the consummation of this offering and sets forth the total shareholder' equity resulting from elimination of this temporary equity. See Notes 1d, 1x and 8 to the notes to our consolidated financial statements, included elsewhere in this prospectus for additional information.

(2)
The "pro forma as adjusted" data gives further effect to the sale of Class A ordinary shares in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses. A $1.00 increase (decrease) in the assumed initial public offering price of $ would increase (decrease) each of cash and cash equivalents, total assets and total equity by $ million, assuming that the number of Class A ordinary shares offered, as set forth on the cover page of this prospectus, remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses.

(3)
Our convertible preferred shares, which represent the majority of the voting power in our company, are entitled to a dividend preference in the amount of their original purchase price. Accordingly, the preferred

shares are presented as temporary equity at the mezzanine level of the balance sheet.

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Risk factors

Investing in our Class A ordinary shares involves a high degree of risk. You should carefully consider the following risk factors, in addition to the other information set forth in this prospectus, before purchasing our Class A ordinary shares. If any of the following risks actually occurs, our business, financial condition and results of operations could suffer. In that case, the trading price of our Class A ordinary shares would likely decline and you might lose all or part of your investment. The risks below are not the only ones facing our company. Additional risks not currently known to us or that we currently deem immaterial may also adversely affect us.

Risks relating to our business and industry

If the market does not grow as we expect, our revenues may stagnate or decline.

The marketplace for prtyle="overflow:hidden;font-size:10pt;">

304.2

Diluted
301.2

314.4

301.9

313.5

Dividends declared per ordinary share
$
0.21

$
0.16

$
0.21

$
0.16

Total comprehensive income (loss)
$
324.2

$
159.6

$
333.8

$
426.8

Less: Total comprehensive (income) loss attributable to noncontrolling interests
1.6

(7.1
)

(6.2
)

(13.7
)
Total comprehensive income (loss) attributable to Ingersoll-Rand plc
$
325.8

$
152.5

$
327.6

$
413.1

See accompanying notes to condensed consolidated financial statements.

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INGERSOLL-RAND PLC
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

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

See accompanying notes to condensed consolidated financial statements.

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

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

See accompanying notes to condensed consolidated financial statements.

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

Note 1 – Basis of Presentation

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

Note 2 – Proposed Spin-Off Transaction

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

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

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

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

Note 3 – Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

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

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

In February 2013, the FASB issued ASU 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" (AOCI). ASU 2013-02 requires a rollforward of changes in AOCI by component and information about significant reclassifications from AOCI to Net earnings to be presented in one location, either on the face of the financial statements or in the notes. This new guidance is effective for fiscal years beginning after December 15, 2012 and subsequent interim periods. The

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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requirements of ASU 2013-02 did not have a material impact on the Company's condensed consolidated financial statements. The revised disclosure requirements are reflected in Note 11.

Recently Issued Accounting Pronouncements

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

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

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

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

Note 4 – Inventories

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

The major classes of inventory were as follows:

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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Note 5 – Goodwill
The changes in the carrying amount of goodwill for the six months ended June 30, 2013 were as follows:

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

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

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

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

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

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

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

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

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

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

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

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Credit Facilities

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

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

Note 8 – Financial Instruments

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

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

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

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

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

Currency Hedging Instruments

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

Other Derivative Instruments

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

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

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

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

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

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

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

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

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

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

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

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

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INGERSOLL-RAND PLC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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The following table represents the amounts associated with derivatives designated as hedges affecting Net earnings and AOCI for the six months ended June 30:

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

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

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

Concentration of Credit Risk

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

Note 9 – Pensions and Postretirement Benefits Other than Pensions

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

Pension Plans

The noncontributory defined benefit pension plans covering non-collectively bargained U.S. employees provide benefits on an average pay formula while most plans for collectively bargained U.S. employees provide benefits on a flat dollar benefit formula. The non-U.S. pension plans generally provide benefits based on earnings and years of service. The Company also maintains additional other supplemental plans for officers and other key employees.

In June 2012, the Board of Directors approved amendments to the Company's retirement plans for certain U.S. and Puerto Rico non-bargained employees. Eligible non-bargained employees hired prior to July 1, 2012 were given a choice of remaining in their respective defined benefit plan until the plan freezes on December 31, 2022 or freezing their accrued benefits in their respective defined benefit plan as of December 31, 2012 and receiving an additional 2% non-matching Company contribution into the Company's applicable defined contribution plan. Eligible employees hired or rehired on or after July 1, 2012 automatically receive the 2% non-matching Company contribution into the applicable defined contribution plan in lieu of participating in the defined benefit plan. Beginning January 1, 2023, all eligible employees will receive the 2% non-matching contribution into the applicable defined contribution plan. As a result of these changes, the Company's projected benefit obligations for the amended plans were remeasured in June 2012, which included updating the discount rate assumption to 4.00% from the 4.25% assumed at December 31, 2011.

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

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

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

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

The curtailment and settlement losses in 2012 are associated with lump sum distributions under supplemental benefit plans for officers and other key employees.

Postretirement Benefits Other Than Pensions

The Company sponsors several postretirement plans that provide for healthcare benefits, and in some instances, life insurance benefits that cover certain eligible retired employees. The Company funds postretirement benefit obligations principally on a pay as you go basis. Generally, postretirement health benefits are contributory with contributions adjusted annually. Life insurance plans for retirees are primarily noncontributory.

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

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

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

Note 10 – Fair Value Measurement

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

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

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

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

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

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

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

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

- Marketable securities – These securities include investments in publicly traded stock of non-U.S. companies held by non-U.S. subsidiaries of the Company. The fair value is obtained for the securities based on observable market prices quoted on public stock exchanges.
- Derivative instruments – These instruments include forward contracts related to non-U.S. currencies and forward starting interest rate swaps. The fair value of the derivative instruments are determined based on a pricing model that uses inputs from actively quoted currency markets that are readily accessible and observable.

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

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

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

During the six months ended June 30, 2013, the Company repurchased 8.5 million shares for approximately $477.6 million as a part of its share repurchase programs. These repurchases were accounted for as a reduction of Ordinary shares and Capital in excess of par value as they were canceled upon repurchase.
The components of Equity for the six months ended June 30, 2013 were as follows:

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

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

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

Other Comprehensive Income (Loss)

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

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

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

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

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

Note 12 – Share-Based Compensation

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

Compensation Expense

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

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

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

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

Stock Options/RSUs

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

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

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

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

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

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

PSUs

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

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

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

Deferred Compensation

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

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Other Plans

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

Note 13 – Restructuring Activities

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

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

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

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

The 2013 charges primarily represent termination benefits to improve the Company's cost structure. The 2012 actions included workforce reductions, as well as the consolidation of manufacturing facilities, in an effort to increase efficiencies across multiple lines of business. As of June 30, 2013, the Company had $16.6 million accrued for costs associated with its ongoing restructuring actions, of which a majority will be paid within one year.

In addition to the 2013 restructuring charges described above, the Company incurred $0.4 million and $0.6 million of non-qualified restructuring charges during the three and six months ended June 30, 2013, respectively, which represent costs that are directly attributable to restructuring activities, but do not fall into the severance, exit or disposal category. These non-qualified restructuring charges were incurred to improve the Company's cost structure.

Note 14 – Other, Net

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

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

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

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

Note 15 – Income Taxes

The provision for income taxes involves a significant amount of management judgment regarding interpretation of relevant facts and laws in the jurisdictions in which the Company operates. Future changes in applicable laws, projected levels of taxable income and tax planning could change the effective tax rate and tax balances recorded by the Company. In addition, tax authorities periodically review income tax returns filed by the Company and can raise issues regarding its filing positions, timing and amount of income or deductions, and the allocation of income among the jurisdictions in which the Company operates. A significant period of time may elapse between the filing of an income tax return and the ultimate resolution of an issue raised by a revenue authority with respect to that return. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world, including such major jurisdictions as Brazil, Canada, China, Germany, Ireland, Italy, the Netherlands and the United States. In general, the examination of the Company’s material tax returns is complete for the years prior to 2001, with certain matters being resolved through appeals and litigation.

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

In 2010, the Company received an amended notice from the IRS eliminating its assertion that the intercompany debt incurred in connection with the Company's reincorporation in Bermuda should be treated as equity. However, the IRS continued to assert the alternative position described above. In addition, the IRS also provided notice that it is assessing penalties of 30% on the asserted underpayment of tax described above.

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

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

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

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

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

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

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

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

Total unrecognized tax benefits as of June 30, 2013 and December 31, 2012 were $537.5 million and $533.7 million, respectively.

Note 16 – Discontinued Operations

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

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

In November 2007, the Company completed the sale of its Bobcat, Utility Equipment and Attachments businesses (collectively, Compact Equipment) to Doosan Infracore for gross proceeds of approximately $4.9 billion, subject to post-closing purchase price adjustments. Compact Equipment manufactured and sold compact equipment, including skid-steer loaders, compact track loaders, mini-excavators and telescopic tool handlers; portable air compressors, generators and light towers; general-purpose light construction equipment; and attachments. During the second quarter of 2012, Doosan Infracore paid the Company a total of $46.5 million to settle outstanding receivables and disputed post-closing matters.

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

Note 17 – Earnings Per Share (EPS)

Basic EPS is calculated by dividing Net earnings attributable to IR-Ireland by the weighted-average number of ordinary shares outstanding for the applicable period. Diluted EPS is calculated after adjusting the denominator of the basic EPS calculation for the effect of all potentially dilutive ordinary shares, which in the Company's case, includes shares issuable under share-based compensation plans and the effects of the Exchangeable Senior Notes settled in April 2012. The following table summarizes the

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weighted-average number of ordinary shares outstanding for basic and diluted earnings per share calculations for the three and six months ended June 30:

	Three months ended		Six months ended	
In millions	2013	2012	2013	2012
Weighted-average number of basic shares	297.5	309.2	298.1	304.2
Shares issuable under incentive stock plans	3.7	3.5	3.8	3.2
Exchangeable Senior Notes	—	1.7	—	6.1
Weighted-average number of diluted shares	301.2	314.4	301.9	313.5
Anti-dilutive shares	1.1	5.8	1.4	6.4

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

Note 18 – Business Segment Information

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

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

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

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

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

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Note 19 – Commitments and Contingencies

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

Environmental Matters

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

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

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

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

Asbestos-Related Matters

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other

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

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

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

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

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

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

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

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

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

Note 20 – Guarantor Financial Information

Ingersoll-Rand plc, an Irish public limited company (IR-Ireland), is the successor to Ingersoll-Rand Company Limited, a Bermuda company (IR-Limited), following a corporate reorganization that became effective on July 1, 2009 (the Ireland Reorganization). IR-Limited is the successor to Ingersoll-Rand Company, a New Jersey corporation (IR-New Jersey), following a corporate reorganization that occurred on December 31, 2001 (the Bermuda Reorganization).

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

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

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

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

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

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

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

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INGERSOLL-RAND PLC
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Condensed Consolidating Statement of Comprehensive Income
For the six months ended June 30, 2013

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

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

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

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

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INGERSOLL-RAND PLC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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Condensed Consolidating Statement of Comprehensive Income
For the six months ended June 30, 2012

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

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INGERSOLL-RAND PLC
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Condensed Consolidating Balance Sheet
June 30, 2013

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

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

Condensed Consolidating Balance Sheet
December 31, 2012

In millions	IR Ireland	IR Limited	IR International	IR Global	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Current assets:								
Cash and cash equivalents	$—	$—	$—	$61.9	$59.1	$761.1	$—	$882.1
Accounts and notes receivable, net	—	—	—	—	128.8	2,028.7	—	2,157.5
Inventories	—	—	—	—	73.1	1,235.7	—	1,308.8
Other current assets	0.1	—	0.1	0.2	149.3	444.6	—	594.3
Accounts and notes receivable affiliates	148.9	3,039.2	2.0	2,189.0	8,669.5	23,772.0	(37,820.6)	—
Total current assets	149.0	3,039.2	2.1	2,251.1	9,079.8	28,242.1	(37,820.6)	4,942.7
Investment in affiliates	8,885.1	7,095.3	21,185.6	18,589.8	8,179.9	99,205.0	(163,140.7)	—
Property, plant and equipment, net	—	—	—	0.2	254.0	1,398.4	—	1,652.6
Intangible assets, net	—	—	—	—	83.8	10,256.0	—	10,339.8
Other noncurrent assets	—	—	0.5	10.0	867.3	680.0	—	1,557.8
Total assets	$9,034.1	$10,134.5	$21,188.2	$20,851.1	$18,464.8	$139,781.5	$(200,961.3)	$18,492.9
Current liabilities:								
Accounts payable and accruals	$70.5	$—	$4.0	$46.0	$420.2	$2,656.9	$—	$3,197.6
Short-term borrowings and current maturities of long-term debt	—	—	—	600.0	350.5	13.2	—	963.7
Accounts and note payable affiliates	1,734.3	34.3	4,888.9	7,602.2	13,337.7	9,867.6	(37,465.0)	—
Total current liabilities	1,804.8	34.3	4,892.9	8,248.2	14,108.4	12,537.7	(37,465.0)	4,161.3
Long-term debt	—	—	299.7	1,404.4	364.7	200.5	—	2,269.3
Note payable affiliate	—	—	10,755.7	—	—	—	(10,755.7)	—
Other noncurrent liabilities	—	4.3	3.8	—	1,620.0	3,204.9	—	4,833.0
Total liabilities	1,804.8	38.6	15,952.1	9,652.6	16,093.1	15,943.1	(48,220.7)	11,263.6
Equity:								
Total equity	7,229.3	10,095.9	5,236.1	11,198.5	2,371.7	123,838.4	(152,740.6)	7,229.3
Total liabilities and equity	$9,034.1	$10,134.5	$21,188.2	$20,851.1	$18,464.8	$139,781.5	$(200,961.3)	$18,492.9

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

Condensed Consolidating Statement of Cash Flows
For the six months ended June 30, 2013

In millions	IR Ireland	IR Limited	IR International	IR Global	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Net cash provided by (used in) continuing operating activities	$(7.8)	$—	$ (6.6)	$(81.1)	$(52.6)	$ 579.4	$ (0.8)	$ 430.5
Net cash provided by (used in) discontinued operating activities	—	—	—	—	(17.4)	15.7	—	(1.7)
Net cash provided by (used in) operating activities	(7.8)	—	(6.6)	(81.1)	(70.0)	595.1	(0.8)	428.8
Cash flows from investing activities:								
Capital expenditures	—	—	—	—	(34.2)	(105.0)	—	(139.2)
Proceeds from sale of property, plant and equipment	—	—	—	—	0.2	4.1	—	4.3
Proceeds from business disposition, net of cash	—	—	—	—	—	4.4	—	4.4
Net cash provided by (used in) continuing investing activities	—	—	—	—	(34.0)	(96.5)	—	(130.5)
Net cash provided by (used in) discontinued investing activities	—	—	—	—	—	—	—	—
Net cash provided by (used in) investing activities	—	—	—	—	(34.0)	(96.5)	—	(130.5)
Cash flows from financing activities:								
Net proceeds (repayments) in debt	—	—	—	1,546.2	(7.5)	10.7	—	1,549.4
Debt issuance costs	—	—	—	(13.2)	—	—	—	(13.2)
Net inter-company proceeds (payments)	491.2	—	6.6	(243.4)	366.8	(621.2)	—	—
Dividends paid	(124.4)	—	—	—	—	(8.4)	0.8	(132.0)
Proceeds from shares issued under incentive plans	118.6	—	—	—	—	—	—	118.6
Repurchase of ordinary shares	(477.6)	—	—	—	—	—	—	(477.6)
Other, net	—	—	—	—	—	—	—	—
Net cash provided by (used in) continuing financing activities	7.8	—	6.6	1,289.6	359.3	(618.9)	0.8	1,045.2
Effect of exchange rate changes on cash and cash equivalents	—	—	—	—	—	(25.1)	—	(25.1)
Net increase (decrease) in cash and cash equivalents	—	—	—	1,208.5	255.3	(145.4)	—	1,318.4
	—	—	—	61.9	59.1	761.1	—	882.1

Cash and cash equivalents - beginning of period								
Cash and cash equivalents - end of period	$—	$—	$ —	$1,270.4	$314.4	$ 615.7	$ —	$ 2,200.5

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

Condensed Consolidating Statement of Cash Flows
For the six months ended June 30, 2012

In millions	IR Ireland	IR Limited	IR International	IR Global	IR New Jersey	Other Subsidiaries	Consolidating Adjustments	IR Ireland Consolidated
Net cash provided by (used in) continuing operating activities	$(5.3)	$(0.4)	$ (7.5)	$(391.7)	$(97.8)	$ 982.3	$ (100.1)	$ 379.5
Net cash provided by (used in) discontinued operating activities	—	—	—	—	21.8	(95.7)	—	(73.9)
Net cash provided by (used in) operating activities	(5.3)	(0.4)	(7.5)	(391.7)	(76.0)	886.6	(100.1)	305.6
Cash flows from investing activities:								
Capital expenditures	—	—	—	—	(31.3)	(82.5)	—	(113.8)
Proceeds from sale of property, plant and equipment	—	—	—	—	0.5	11.5	—	12.0
Net cash provided by (used in) continuing investing activities	—	—	—	—	(30.8)	(71.0)	—	(101.8)
Net cash provided by (used in) discontinued investing activities	—	—	—	—	—	36.0	—	36.0
Net cash provided by (used in) investing activities	—	—	—	—	(30.8)	(35.0)	—	(65.8)
Cash flows from financing activities:								
Net proceeds (repayments) in debt	—	—	—	(344.5)	(7.6)	(0.8)	—	(352.9)
Debt issuance costs	—	—	—	(2.5)	—	—	—	(2.5)
Net inter-company proceeds (payments)	116.7	0.4	7.5	496.9	113.4	(734.9)	—	—
Dividends paid	(96.4)	—	—	—	—	(113.6)	100.1	(109.9)
Proceeds from shares issued under incentive plans	24.9	—	—	—	—	—	—	24.9
Repurchase of ordinary shares	(35.0)	—	—	—	—	—	—	(35.0)
Other, net	(4.9)	—	—	—	—	—	—	(4.9)
Net cash provided by (used in) continuing financing activities	5.3	0.4	7.5	149.9	105.8	(849.3)	100.1	(480.3)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	—	—	(16.8)	—	(16.8)
Net increase (decrease) in cash and cash equivalents	—	—	—	(241.8)	(1.0)	(14.5)	—	(257.3)
Cash and cash equivalents - beginning of period	—	—	—	241.8	77.8	841.1	—	1,160.7

Cash and cash equivalents - end of period	$—	$—	$ —	$—	$76.8	$ 826.6	$ —	$ 903.4

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause a difference include, but are not limited to, those discussed under Part II, Item 1A – Risk Factors in this Quarterly Report on Form 10-Q and under Part I, Item 1A – Risk Factors in the Annual Report on Form 10-K for the fiscal year ended December 31, 2012. The following section is qualified in its entirety by the more detailed information, including our financial statements and the notes thereto, which appears elsewhere in this Quarterly Report.

Overview

Organizational

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

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

Trends and Economic Events

We are a global corporation with worldwide operations. As a global business, our operations are affected by worldwide, regional and industry-specific economic factors, as well as political factors, wherever we operate or do business. Our geographic and industry diversity, as well as the diversity of our product sales and services, has helped mitigate the impact of any one industry or the economy of any single country on our consolidated operating results. Given the broad range of products manufactured and geographic markets served, management uses a variety of factors to predict the outlook for the Company. We monitor key competitors and customers in order to gauge relative performance and the outlook for the future. In addition, our order rates are indicative of future revenue and thus a key measure of anticipated performance. In those industry segments where we are a capital equipment provider, revenues depend on the capital expenditure budgets and spending patterns of our customers, who may delay or accelerate purchases in reaction to changes in their businesses and in the economy.

Current market conditions, including challenges in international markets, continue to impact our financial results. Uneven global commercial new construction activity is negatively impacting the results of our Security Technologies segment and commercial Heating, Ventilation and Air Conditioning (HVAC) business. However, we believe the commercial HVAC equipment replacement and aftermarket is slowly recovering. We have seen slower worldwide industrial equipment and aftermarket activity. While U.S. residential and consumer markets continue to be a challenge, we are beginning to see improvements in the U.S. new builder and replacement markets. The residential HVAC business also continues to be impacted by a mix shift to units with a lower Seasonal Energy Efficiency Rating (SEER). As economic conditions stabilize, we expect slight revenue growth along with benefits from restructuring and productivity programs.

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

Recent Developments

Senior Notes due 2019, 2023, and 2043

In June 2013, we issued $1.55 billion principal amount of Senior Notes in three tranches through our wholly-owned subsidiary, Ingersoll-Rand Global Holding Company Limited (IR-Global) pursuant to Rule 144A of the U.S. Securities Act of 1933 ("Securities Act"). The tranches consist of $350 million of 2.875% Senior Notes due in 2019, $700 million of 4.250% Senior Notes due in 2023, and $500 million of 5.750% Senior Notes due in 2043. The notes are fully and unconditionally guaranteed by each of IR-Ireland, Ingersoll-Rand Company Limited (IR-Limited), and Ingersoll-Rand International Holding Limited (IR-International).

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Interest on the notes will be paid twice a year in arrears. The Company has the option to redeem the notes in whole or in part at any time, and from time to time, prior to their stated maturity date at redemption prices set forth in the indenture agreement. The notes are subject to certain customary covenants, however, none of these covenants are considered restrictive to the Company's operations. In connection with the issuance of each series of notes, IR-Global, the Guarantors and the initial purchasers of the notes entered into a Registration Rights Agreement dated June 20, 2013. Each Registration Rights Agreement requires IR-Global and the Guarantors to use their commercially reasonable efforts to execute an effective exchange offer registration statement with the SEC no later than 365 days after the closing date of the notes offering and to complete an exchange offer within 30 business days of such effective date. If a registration default occurs additional interest shall accrue on the notes. The proceeds from these notes were used to fund the July 2013 redemption of $600 million of 6.000% Senior Notes due 2013 and $655 million of 9.500% Senior Notes due 2014 and to fund expenses related to the spin-off of the commercial and residential security businesses, with any remaining proceeds to be used for general corporate purposes.

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

IRS Exam Results

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

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

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

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

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

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

30% penalties.

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

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

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

Venezuela Devaluation

Effective February 13, 2013, the government of Venezuela announced a devaluation of the Bolivar, from the pre-existing exchange rate of 4.29 Bolivars to the U.S. dollar to 6.3 Bolivars to the U.S. dollar. We have four subsidiaries with operations in Venezuela. As a result of the devaluation, we realized a foreign currency translation loss of approximately $10.0 million. Further devaluation of the Bolivar could negatively impact our results of operations, financial condition, or cash flows. For additional information, refer to the “Risk Factors” discussion contained in our Annual Report on Form 10-K for the period ended December 31, 2012.

Proposed Spin-Off Transaction

In December 2012, our Board of Directors announced a plan to spin off our commercial and residential security businesses. The separation will result in two stand-alone companies: Ingersoll-Rand plc, a world leader in creating comfortable, sustainable and efficient environments through its industrial, transport refrigeration, and HVAC businesses; and Allegion plc, a leading global provider of electronic and mechanical security products and services, delivering comprehensive solutions to commercial and residential customers. This new company’s portfolio of brands will include Schlage, Von Duprin®, LCN®, CISA®, and Interflex®.

We expect the spin-off, which is intended to be tax free to shareholders, to be completed prior to year-end 2013. However, the completion of the spin-off is subject to certain customary conditions, unless waived by Ingersoll Rand, including receipt of regulatory approvals; the receipt of a private letter ruling from the IRS and opinions of tax counsel confirming that the distribution and certain transactions entered into in connection with the distribution generally will be tax-free to Ingersoll Rand and its shareholders for U.S. federal income tax purposes, except for cash received in lieu of fractional shares; execution of intercompany agreements; effectiveness of appropriate filings with the U.S. Securities and Exchange Commission; and final approval of the transactions contemplated by the spin-off, as may be required under Irish law. There can be no assurance that any separation transaction will ultimately occur, or, if one does occur, its terms or timing. The disclosures within this Management's Discussion and Analysis of Financial Condition and Results of Operations include the results of operations, financial position, and cash flows of the commercial and residential security businesses as continuing operations.

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

During the three and six months ended June 30, 2013, we incurred $21.0 million and $32.0 million of professional service fees related to the proposed spin-off, respectively. These costs are reported in Selling and administrative expenses in the Condensed Consolidated Statements of Comprehensive Income. The full year 2013 forecast for spin-off related costs and restructuring activities is $0.50-$0.60 per share, after tax. See Note 13 for a discussion of restructuring activities.

2012 Dividend Increase and 2013 Share Repurchase Program

In December 2012, we announced an increase in our quarterly stock dividend from $0.16 to $0.21 per share beginning with our March 2013 payment. In December 2012, our Board of Directors authorized the repurchase of up to $2.0 billion of our ordinary shares under a new share repurchase program upon completion of the 2011 share repurchase program. The new share repurchase program began in April 2013. During the six months ended June 30, 2013, we repurchased 8.5 million shares for approximately $477.6 million. These repurchases will be accounted for as a reduction of Ordinary shares and Capital in excess of par value as they will be canceled upon repurchase.

2011 Share Repurchase Program

Our 2011 share repurchase program was authorized by our Board of Directors in April 2011 and was completed in April 2013. During the year ended December 31, 2012, we repurchased 18.4 million shares for approximately $0.8 billion, excluding commissions. These repurchases were accounted for as a reduction of Ordinary shares and Capital in excess of par value as they were canceled upon repurchase.

Pension and Other Postretirement Plan Amendments

In June 2012, our Board of Directors approved amendments to our retirement plans for certain U.S. and Puerto Rico non-bargained employees. Eligible non-bargained employees hired prior to July 1, 2012 were given a choice of remaining in their respective defined benefit plan until the plan freezes on December 31, 2022 or freezing their accrued benefits in their respective defined

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benefit plan as of December 31, 2012 and receiving an additional 2% non-matching Company contribution into the Company's applicable defined contribution plan. Eligible employees hired or rehired on or after July 1, 2012 automatically receive the 2% non-matching Company contribution into the applicable defined contribution plan in lieu of participating in the defined benefit plan. Beginning January 1, 2023, all eligible employees will receive the 2% non-matching contribution into the applicable defined contribution plan.

In February 2012, our Board of Directors approved amendments to our postretirement medical plan with respect to post-65 retiree medical coverage. Effective January 1, 2013, we discontinued offering company-sponsored retiree medical coverage for certain individuals age 65 and older. We transitioned affected individuals to coverage through the individual Medicare market and will provide a tax-advantaged subsidy to those retirees eligible for subsidized company coverage that can be used toward reimbursing premiums and other qualified medical expenses for individual Medicare supplemental coverage that is purchased through our third-party Medicare coordinator.

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Results of Operations – Three Months Ended June 30

In millions, except per share amounts	2013		% of revenues		2012		% of revenues	
Net revenues	$3,932.7				$3,821.3			
Cost of goods sold	(2,678.8	)	68.1	%	(2,644.0	)	69.2	%
Selling and administrative expenses	(770.9	)	19.6	%	(703.6	)	18.4	%
Gain (loss) on sale/asset impairment	—		—	%	4.2		(0.1	)%
Operating income	483.0		12.3	%	477.9		12.5	%
Interest expense	(62.4	)			(62.1	)		
Other, net	(1.7	)			4.1			
Earnings before income taxes	418.9				419.9			
Provision for income taxes	(99.8	)			(54.8	)		
Earnings from continuing operations	319.1				365.1			
Discontinued operations, net of tax	5.6				7.8			
Net earnings	324.7				372.9			
Less: Net earnings attributable to noncontrolling interests	(7.5	)			(7.1	)		
Net earnings attributable to Ingersoll-Rand plc	$317.2				$365.8			
Diluted net earnings (loss) per ordinary share attributable to Ingersoll-Rand plc ordinary shareholders:								
Continuing operations	$1.03				$1.14			
Discontinued operations	0.02				0.02			
Net earnings	$1.05				$1.16			

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

Net Revenues

Net revenues for the three months ended June 30, 2013 increased by 2.9%, or $111.4 million, compared with the same period in 2012, which resulted from the following:

Volume	1.9	%
Pricing	1.1	%
Currency exchange rates	0.1	%
Divestitures	(0.2	)%
Total	2.9	%

The increase in revenues was primarily driven by volume improvements within the Climate Solutions, Residential Solutions, and Security Technologies segments, as well as improved pricing across all segments.

Operating Income/Margin

Operating margin for the three months ended June 30, 2013 decreased to 12.3% from 12.5% for the same period of 2012. The decline was primarily due to unfavorable product mix and increased investment spending, including $21.0 million of spin-related costs. These declines were partially offset by improved pricing in excess of material inflation and productivity benefits in excess of other inflation across all segments.

Interest Expense

Interest expense for the three months ended June 30, 2013 increased $0.3 million, compared with the same period of 2012, primarily as a result of increased average debt balances for the three months ended June 30, 2013.

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Other, Net

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

In millions	2013	2012
Interest income	$2.5	$3.9
Exchange gain (loss)	(6.8)	(1.0)
Earnings (loss) from equity investments	1.7	(0.8)
Other	0.9	2.0
Other, net	$(1.7)	$4.1

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

Provision for Income Taxes

For the three months ended June 30, 2013, the effective tax rate was 23.8%, which approximates the projected annual effective rate for 2013. For the three months ended June 30, 2012, the effective tax rate was 13.0%, which included a discrete tax benefit of $47 million, primarily related to a tax law change. The 2013 annual effective tax rate is below the U.S. statutory rate of 35.0% primarily due to earnings in non-U.S. jurisdictions, which, in aggregate, have a lower effective rate. Revenues from non-U.S. jurisdictions account for approximately 40% of our total revenues, such that a material portion of our pretax income is earned and taxed outside the U.S. at rates ranging from 0% to 38%. When comparing the results of multiple reporting periods, among other factors, the mix of earnings between U.S. and foreign jurisdictions can cause variability on our overall effective tax rate.

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Results of Operations – Six Months Ended June 30

In millions, except per share amounts	2013	% of revenues	2012	% of revenues
Net revenues	$7,045.1		$6,972.0	
Cost of goods sold	(4,870.9)	69.1%	(4,893.4)	70.2%
Selling and administrative expenses	(1,497.7)	21.3%	(1,393.2)	20.0%
Gain (loss) on sale/asset impairment	—	—%	4.5	(0.1)%
Operating income	676.5	9.6%	689.9	9.9%
Interest expense	(123.4)		(131.5)	
Other, net	(8.8)		3.9	
Earnings before income taxes	544.3		562.3	
Provision for income taxes	(123.4)		(92.8)	
Earnings from continuing operations	420.9		469.5	
Discontinued operations, net of tax	(1.6)		5.6	
Net earnings	419.3		475.1	
Less: Net earnings attributable to noncontrolling interests	(14.1)		(13.7)	
Net earnings attributable to Ingersoll-Rand plc	$405.2		$461.4	
Diluted net earnings (loss) per ordinary share attributable to Ingersoll-Rand plc ordinary shareholders:				
Continuing operations	$1.35		$1.45	
Discontinued operations	(0.01)		0.02	
Net earnings	$1.34		$1.47	

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

Net Revenues

Net revenues for the six months ended June 30, 2013 increased by 1.0%, or $73.1 million, compared with the same period in 2012, which resulted from the following:

Pricing	1.1%
Volume	0.2%
Currency exchange rates	(0.1)%
Divestitures	(0.2)%
Total	1.0%

The increase in revenues was primarily driven by improved pricing across all segments.

Operating Income/Margin

Operating margin for the six months ended June 30, 2013 decreased to 9.6% from 9.9% for the same period of 2012. The decline was primarily due to unfavorable product mix and increased investment spending, including $32.0 million of spin-related costs and $34.0 million of restructuring costs. These declines were partially offset by improved pricing in excess of material inflation and productivity benefits in excess of other inflation across all segments.

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Interest Expense

Interest expense for the six months ended June 30, 2013 decreased $8.1 million, compared with the same period of 2012, primarily as a result of lower average debt balances throughout the majority of the six months ended June 30, 2013, until June 2013 debt offering discussed in Liquidity and Capital Resources.

Other, Net

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

In millions	2013	2012
Interest income	$6.0	$8.6
Exchange gain (loss)	(13.7)	(2.8)
Earnings (loss) from equity investments	(2.5)	(6.0)
Other	1.4	4.1
Other, net	$(8.8)	$3.9

The decrease in Other, net for the six months ended June 30, 2013 resulted primarily from foreign currency losses, including a realized foreign currency translation loss of $10.0 million related to the devaluation of the Venezuelan Bolivar.

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

Provision for Income Taxes

For the six months ended June 30, 2013 the effective tax rate was 22.7%. For the six months ended June 30, 2012 the effective tax rate was 16.5%, which included a discrete tax benefit of $44 million, primarily related to a tax law change. The effective tax rate for the six months ended June 30, 2013 is lower than the U.S. statutory rate of 35.0% primarily due to earnings in non-U.S. jurisdictions, which, in aggregate, have a lower effective rate. Revenues from non-U.S. jurisdictions account for approximately 40% of our total revenues, such that a material portion of our pretax income is earned and taxed outside the U.S. at rates ranging from 0% to 38%. When comparing the results of multiple reporting periods, among other factors, the mix of earnings between U.S. and foreign jurisdictions can cause variability on our overall effective tax rate.

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Review of Business Segments

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

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

Climate Solutions

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

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

	Three months ended			Six months ended		
Dollar amounts in millions	2013	2012	% change	2013	2012	% change
Net revenues	$2,058.2	$1,967.1	4.6 %	$3,674.6	$3,628.9	1.3 %
Segment operating income	271.1	238.5	13.7 %	352.2	332.6	5.9 %
Segment operating margin	13.2 %	12.1 %		9.6 %	9.2 %	

Net revenues for the three months ended June 30, 2013 increased by 4.6%, or $91.1 million, compared with the same period of 2012, primarily related to higher volumes (3.5%) and improved pricing (1.2%).

Segment operating margin improved to 13.2% for the three months ended June 30, 2013, compared to 12.1% for the same period of 2012. The improvement was primarily driven by pricing improvements in excess of material inflation (0.8%) and productivity benefits in excess of other inflation (0.7%), partially offset by increased investment spending (0.4%).

Net revenues for the six months ended June 30, 2013 increased by 1.3%, or $45.7 million, compared with the same period of 2012, primarily related to improved pricing (1.1%).

Segment operating margin improved to 9.6% for the six months ended June 30, 2013, compared to 9.2% for the same period of 2012. The improvement was primarily driven by pricing improvements in excess of material inflation (0.9%) and productivity benefits in excess of other inflation (0.7%), partially offset by unfavorable product mix (0.6%) and increased investment and restructuring spending (0.7%).

Our Trane commercial HVAC business continues to be impacted by weakness in the worldwide commercial building markets. However, Trane commercial HVAC revenues increased due to improvements in equipment revenues, more than offsetting a slight decline in parts, services, and solutions. Net revenues in our transport businesses increased driven by improvements in the Americas and Europe.

Residential Solutions

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

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

	Three months ended			Six months ended		
Dollar amounts in millions	2013	2012	% change	2013	2012	% change
Net revenues	$713.0	$652.5	9.3 %	$1,177.0	$1,074.1	9.6 %
Segment operating income	79.8	51.7	54.4 %	86.7	41.0	111.5 %
Segment operating margin	11.2 %	7.9 %		7.4 %	3.8 %	

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Net revenues for the three months ended June 30, 2013 increased by 9.3%, or $60.5 million, compared with the same period of 2012. The increase was due to higher volumes (5.5%), improved pricing (1.6%), and $17.3 million of 2013 revenues related to a product line transferred from the Security Technologies segment (2.7%), partially offset by unfavorable currency impacts (0.5%).

Segment operating margin improved to 11.2% for the three months ended June 30, 2013, compared to 7.9% for the same period of 2012. The increase was primarily driven by productivity benefits in excess of other inflation (2.4%) and pricing improvements in excess of material inflation (1.7%), partially offset by unfavorable currency impacts (0.3%) and increased investment spending (0.2%).

Net revenues for the six months ended June 30, 2013 increased by 9.6%, or $102.9 million, compared with the same period of 2012. The increase was due to higher volumes (4.7%), improved pricing (2.0%), and $35 million of 2013 revenues related to a product line transferred from the Security Technologies segment (3.3%), partially offset by unfavorable currency impacts (0.4%).

Segment operating margin improved to 7.4% for the six months ended June 30, 2013, compared to 3.8% for the same period of 2012. The increase was primarily driven by productivity benefits in excess of other inflation (2.7%), pricing improvements in excess of material inflation (2.0%), partially offset by unfavorable product mix (0.4%) and unfavorable currency impacts (0.3%).

Trane residential HVAC revenues increased due to improved activity levels in new residential construction. These improvements were slightly offset by a continued mix shift to lower SEER units. Residential security revenues increased as a result of improved sales to new builder markets in the United States.

Industrial Technologies

Our Industrial Technologies segment provides products, services and solutions that enhance energy efficiency, productivity and operations. It offers our global customers a diverse and innovative range of products including compressed air systems, tools, pumps, fluid and material handling systems, as well as golf, utility, and rough terrain vehicles. It also includes a diverse range of service offerings including full coverage and preventative maintenance service contracts, service parts, installation, and remanufactured compressors and tools. This segment includes the Club Car, Ingersoll Rand, and ARO® market-leading brands.

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

	Three months ended			Six months ended		
Dollar amounts in millions	2013	2012	% change	2013	2012	% change
Net revenues	$762.9	$790.3	(3.5)%	$1,443.2	$1,479.0	(2.4)%
Segment operating income	122.4	134.4	(8.9)%	224.6	225.9	(0.6)%
Segment operating margin	16.0%	17.0%		15.6%	15.3%	

Net revenues for the three months ended June 30, 2013 decreased by 3.5%, or $27.4 million, compared with the same period of 2012. The decrease was primarily related to lower volumes (4.7%), partially offset by improved pricing (0.9%) and favorable currency impacts (0.4%).

Segment operating margin declined to 16.0% for the three months ended June 30, 2013, compared to 17.0% for the same period of 2012. The decline was due to unfavorable volume/product mix (2.3%), partially offset by productivity benefits in excess of other inflation (1.3%).

Net revenues for the six months ended June 30, 2013 decreased by 2.4%, or $35.8 million, compared with the same period of 2012. The decrease was primarily related to lower volumes (3.2%), partially offset by improved pricing (0.7%).

Segment operating margin improved to 15.6% for the six months ended June 30, 2013, compared to 15.3% for the same period of 2012. The increase was primarily driven by productivity benefits in excess of other inflation (1.7%), partially offset by unfavorable volume/product mix (1.5%).

Air and Productivity revenues declined due to volume declines in all geographic regions. Club Car revenues increased due to growth in the golf car and utility vehicle markets.

Security Technologies

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

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

	Three months ended			Six months ended		
Dollar amounts in millions	2013	2012	% change	2013	2012	% change
Net revenues	$398.6	$411.4	(3.1)%	$750.3	$790.0	(5.0)%
Segment operating income	86.2	82.4	4.6 %	145.0	152.2	(4.7)%
Segment operating margin	21.6 %	20.0 %		19.3 %	19.3 %	

Net revenues for the three months ended June 30, 2013 decreased by 3.1%, or $12.8 million, compared with the same period of 2012. The decrease was primarily driven by $23.1 million of 2012 revenues related to a product line transferred to the Residential Solutions segment (5.6%), partially offset by higher volumes (2.2%).

Segment operating margin improved to 21.6% for the three months ended June 30, 2013, compared to 20.0% for the same period of 2012. The improvement was primarily related to favorable volume/product mix (0.6%) and productivity benefits in excess of other inflation (0.3%).

Net revenues for the six months ended June 30, 2013 decreased by 5.0%, or $39.7 million, compared with the same period of 2012. The decrease was primarily driven by $40.8 million of 2012 revenues related to a product line transferred to the Residential Solutions segment (5.2%).

Segment operating margin remained flat at 19.3% for the six months ended June 30, 2013 and 2012. Productivity benefits in excess of other inflation (0.3%) offset unfavorable volume/product mix (0.3%).

Our results reflect continued weakness in worldwide commercial building markets, primarily in Europe, partially offset by pricing improvements.

Discontinued Operations

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

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

In November 2007, 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. During the second quarter of 2012, Doosan Infracore paid the Company a total of $46.5 million to settle outstanding receivables and disputed post-closing matters.

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

Liquidity and Capital Resources

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

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In June 2013, we issued $1.55 billion principal amount of Senior Notes in three tranches through our wholly-owned subsidiary, IR-Global pursuant to Rule 144A of the Securities Act. The tranches consist of $350 million of 2.875% Senior Notes due in 2019, $700 million of 4.250% Senior Notes due in 2023, and $500 million of 5.750% Senior Notes due in 2043. In connection with the issuance of each series of notes, IR-Global, the Guarantors and the initial purchasers of the notes entered into a Registration Rights Agreement dated June 20, 2013. Each Registration Rights Agreement requires IR-Global and the Guarantors to use their commercially reasonable efforts to execute an effective exchange offer registration statement with the SEC no later than 365 days after the closing date of the notes offering and to complete an exchange offer within 30 business days of such effective date. If a registration default occurs additional interest shall accrue on the notes. The proceeds from these notes were used to fund the July 2013 redemption of $600 million of 6.000% Senior Notes due 2013 and $655 million of 9.500% Senior Notes due 2014 and to fund expenses related to the spin-off of the commercial and residential security businesses, with any remaining proceeds to be used for general corporate purposes.

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

In December 2012, we announced an increase in our quarterly ordinary share dividend from $0.16 to $0.21 per share beginning with our March 2013 payment. In addition, our Board of Directors authorized the repurchase of up to $2.0 billion of our ordinary shares under a new share repurchase program upon completion of the current share repurchase program. These repurchases will be accounted for as a reduction of Ordinary shares and Capital in excess of par value as they will be canceled upon repurchase. We commenced purchases under this new repurchase program in April 2013. During the six months ended June 30, 2013, we repurchased 8.5 million shares for approximately $477.6 million. We expect our available cash flow, committed credit lines and access to the capital markets will be sufficient to fund the increased dividend and share repurchases.

The following table contains several key measures to gauge our financial condition and liquidity at the period ended:

In millions	June 30, 2013	December 31, 2012
Cash and cash equivalents	$2,200.5	$882.1
Short-term borrowings and current maturities of long-term debt	1,626.7	963.7
Long-term debt	3,155.1	2,269.3
Total debt	4,781.8	3,233.0
Total Ingersoll-Rand plc shareholders’ equity	7,094.1	7,147.8
Total equity	7,176.2	7,229.3
Debt-to-total capital ratio	40.0 %	30.9 %

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

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

Commercial Paper Program

We use borrowings under our commercial paper program for general corporate purposes. The Company had no commercial paper outstanding at June 30, 2013 or December 31, 2012.

Debentures with Put Feature

At June 30, 2013 and December 31, 2012, we had $343.0 million of fixed rate debentures outstanding, which only require early repayment at the option of the holder. These debentures contain a put feature that the holders may exercise on each anniversary of the issuance date. If exercised, we are obligated to repay in whole or in part, at the holder’s option, the outstanding principal

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amount (plus accrued and unpaid interest) of the debentures held by the holder. If these options are not exercised, the final maturity dates would range between 2027 and 2028.

On February 15, 2013, holders of these debentures had the option to exercise the put feature on $37.2 million of the outstanding debentures. No holder chose to exercise the put feature at that date. On October 15, 2013, holders of these debentures will have the option to exercise the put feature on the remaining $305.8 million outstanding debentures. Based on our cash flow forecast and access to the capital markets, we believe we will have sufficient liquidity to repay any amounts exercised as a result of the put features.

Other

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

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

Cash Flows

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

In millions	2013	2012
Operating cash flow provided by (used in) continuing operations	$430.5	$379.5
Investing cash flow provided by (used in) continuing operations	(130.5)	(101.8)
Financing cash flow provided by (used in) continuing operations	1,045.2	(480.3)

Operating Activities

Net cash provided by continuing operating activities during the six months ended June 30, 2013 was $430.5 million, compared with net cash provided by continuing operating activities of $379.5 million during the comparable period in 2012. Operating cash flows for the six months ended June 30, 2013 reflect improvements in working capital management, partially offset by lower earnings.

Investing Activities

Net cash used in continuing investing activities during the six months ended June 30, 2013 was $130.5 million, compared with $101.8 million during the comparable period of 2012. The change in investing activities is primarily attributable to an increase in capital expenditures during the six months ended June 30, 2013.

Financing Activities

Net cash provided by continuing financing activities during the six months ended June 30, 2013 was $1,045.2 million, compared with net cash used in continuing financing activities of $480.3 million during the comparable period in 2012. The change in financing activities is primarily related to proceeds from issuance of long term debt of $1,546.2 million and lower repayments of long term debt in 2013, partially offset by increased repurchase of ordinary shares and an increase to our quarterly stock dividend.

Pensions

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

We monitor the impact of market conditions on our defined benefit plans on a regular basis. None of our defined benefit pension plans have experienced a significant impact on their liquidity due to the volatility in the markets. For further details on pension plan activity, see Note 9 to the condensed consolidated financial statements.

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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, 2012.

Commitments and Contingencies

We are involved in various litigations, claims and administrative proceedings, including those related to asbestos, environmental, and product liability matters. Amounts recorded for identified contingent liabilities are estimates, which are reviewed periodically and adjusted to reflect additional information when it becomes available. Subject to the uncertainties inherent in estimating future costs for contingent liabilities, except as expressly set forth in Note 19 to the condensed consolidated financial statements, management believes that the liability which may result from these legal matters would not have a material adverse effect on our financial condition, results of operations, liquidity or cash flows.

Critical Accounting Policies

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

Management believes there have been no significant changes during the six months ended June 30, 2013, to the items that we disclosed as our critical accounting policies in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2012. However, the following are expanded disclosures for our existing Allowance for doubtful accounts and Revenue recognition policies included in our critical accounting policies in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2012:

Allowance for doubtful accounts - We maintain an allowance for doubtful accounts receivable which represents our best estimate of probable loss inherent in our accounts receivable portfolio. This estimate is based upon our two step policy that results in the total recorded allowance for doubtful accounts. The first step is to create a specific reserve for significant accounts as to which the customer's ability to satisfy their financial obligation to the Company is in doubt due to circumstances such as bankruptcy, deteriorating operating results or financial position. In these circumstances, management uses its judgment to record an allowance based on the best estimate of probable loss, factoring in such considerations as the market value of collateral, if applicable. The second step is to record a portfolio reserve based on the aging of the outstanding accounts receivable portfolio and the Company's historical experience with our end markets, customer base and products. Actual results could differ from those estimates. These estimates and assumptions are reviewed periodically, and the effects of changes, if any, are reflected in the statement of operations in the period that they are determined.

Revenue recognition - Revenue is recognized and earned when all of the following criteria are satisfied: (a) persuasive evidence of a sales arrangement exists; (b) the price is fixed or determinable; (c) collectability is reasonably assured; and (d) delivery has occurred or service has been rendered. Delivery generally occurs when the title and the risks and rewards of ownership have substantially transferred to the customer. Both the persuasive evidence of a sales arrangement and fixed or determinable price criteria are deemed to be satisfied upon receipt of an executed and legally binding sales agreement or contract that clearly defines the terms and conditions of the transaction including the respective obligations of the parties. If the defined terms and conditions allow variability in all or a component of the price, revenue is not recognized until such time that the price becomes fixed or determinable. At the point of sale, the Company validates that existence of an enforceable claim that requires payment within a reasonable amount of time and assesses the collectability of that claim. If collectability is not deemed to be reasonably assured, then revenue recognition is deferred until such time that collectability becomes probable or cash is received. Delivery is not considered to have occurred until the customer has taken title and assumed the risks and rewards of ownership.

Service and installation revenue are recognized when earned. In some instances, customer acceptance provisions are included in sales arrangements to give the buyer the ability to ensure the delivered product or service meets the criteria established in the order. In these instances, revenue recognition is deferred until the acceptance terms specified in the arrangement are fulfilled through customer acceptance or a demonstration that established criteria have been satisfied. If uncertainty exists about customer acceptance, revenue is not recognized until acceptance has occurred.

We offer various sales incentive programs to our customers, dealers, and distributors. Sales incentive programs do not preclude revenue recognition, but do require an accrual for the Company's best estimate of expected activity. Examples of the sales incentives that are accrued for as a contra receivable and sales deduction at the point of sale include, but are not limited to, discounts (i.e. net 30 type), coupons, and rebates where the customer does not have to provide any additional requirements to receive the discount.

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Sales returns and customer disputes involving a question of quantity or price are also accounted for as a reduction in revenue and a contra receivable. At December 31, 2012 and 2011, the Company had a customer claim accrual (contra receivable) of $23.0 million and $22.0 million, respectively. All other incentives or incentive programs where the customer is required to reach a certain sales level, remain a customer for a certain period of time, provide a rebate form or is subject to additional requirements are accounted for as a reduction of revenue and establishment of a liability. At December 31, 2012 and 2011, the Company had a sales incentive accrual of $82.4 million and $76.9 million, respectively. Each of these accruals represents the best estimate the Company expects to pay related to previously sold units. These estimates are reviewed regularly for accuracy. If updated information or actual amounts are different from previous estimates, the revisions are included in our results for the period in which they become known. Historically, the aggregate differences, if any, between our estimates and actual amounts in any year have not had a material impact on the Consolidated Financial Statements.

The Company enters into maintenance and extended warranty contracts with customers. Revenue related to these services is recognized on a straight-line basis over the life of the contract, unless sufficient historical evidence indicates that the cost of providing these services is incurred on an other than straight-line basis. In these circumstances, revenue is recognized over the contract period in proportion to the costs expected to be incurred in performing the service.

The Company, primarily through its Climate Solutions and Security Technologies segments, provides equipment (e.g. HVAC, security), integrated solutions, and installation designed to customer specifications through construction-type contracts. The term of these types of contracts is typically less than one year, but can be as long as three years. Revenues related to these contracts are recognized using the percentage-of-completion method in accordance with GAAP. This measure of progress toward completion, utilized to recognize sales and profits, is based on the proportion of actual cost incurred to date as compared to the total estimate of contract costs at completion. The timing of revenue recognition often differs from the invoicing schedule to the customer, with revenue recognition in advance of customer invoicing recorded to unbilled accounts receivable and invoicing in advance of revenue recognition recorded to deferred revenue. At December 31, 2012, all recorded receivables (billed and unbilled) are due within one year. The Company re-evaluates its contract estimates periodically and reflects changes in estimates in the current period using the cumulative catch-up method. These periodic reviews have not historically resulted in significant adjustments. If estimated contract costs are in excess of contract revenues, then the excess costs are accrued.

We enter into sales arrangements that contain multiple elements, such as equipment, installation and service revenue. For multiple element arrangements, each element is evaluated to determine the separate units of accounting. The total arrangement consideration is then allocated to the separate units of accounting based on their relative selling price at the inception of the arrangement. The relative selling price is determined using vendor specific objective evidence (VSOE) of selling price, if it exists; otherwise, third-party evidence (TPE) of selling price is used. If neither VSOE nor TPE of selling price exists for a deliverable, a best estimate of the selling price is developed for that deliverable. The Company primarily utilizes VSOE to determine its relative selling price. The Company recognizes revenue for delivered elements when the delivered item has stand-alone value to the customer, the basic revenue recognition criteria have been met, and only customary refund or return rights related to the delivered elements exist.

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

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

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

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

Recently Issued Accounting Pronouncements

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

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

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

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

Other than as discussed above, management believes there have been no significant changes during the six months ended June 30, 2013, 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, 2012. For a further discussion, refer to the “Recent 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,” “shou “will be,” “will continue,” “will likely result,” or the negative thereof or variations thereon or similar terminology generally intended to identify forward-looking statements.

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

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

- overall economic, political and business conditions in the markets in which we operate;

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- the demand for our products and services;
- competitive factors in the industries in which we compete;
- changes in tax requirements (including tax rate changes, new tax laws and revised tax law interpretations);
- the outcome of any litigation, governmental investigations or proceedings;
- the outcome of any income tax audits or settlements;
- interest rate fluctuations and other changes in borrowing costs;
- other capital market conditions, including availability of funding sources and currency exchange rate fluctuations;
- availability of and fluctuations in the prices of key commodities and the impact of higher energy prices;
- the ability to achieve cost savings in connection with our productivity programs;
- potential further impairment of our goodwill, indefinite-lived intangible assets and/or our long-lived assets;
- the possible effects on us of future legislation in the U.S. that may limit or eliminate potential U.S. tax benefits resulting from our incorporation in a non-U.S. jurisdiction, such as Ireland, or deny U.S. government contracts to us based upon our incorporation in such non-U.S. jurisdiction; and
- our ability to complete the proposed spin-off of our commercial and residential security businesses and fully realize the expected benefits of such transaction.

Some of the significant risks and uncertainties that could cause actual results to differ materially from our expectations and projections are described more fully in the “Risk Factors” section of this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended December 31, 2012. There may also be other factors that have not been anticipated or that are not described in our periodic filings with the SEC, generally because we did not believe them to be significant at the time, which could cause results to differ materially from our expectations.

Item 3 – Quantitative and Qualitative Disclosures about Market Risk

There has been no significant change in our exposure to market risk during the second quarter of 2013. 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, 2012.

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 June 30, 2013, 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 to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There has been no change in the Company’s internal control over financial reporting that occurred during the second quarter of 2013 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

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PART II – OTHER INFORMATION

Item 1 – Legal Proceedings

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

Tax-Related Matters

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

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

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

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

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

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

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

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

We have vigorously contested all of these proposed adjustments and intend to continue to do so. Although the outcome of these matters cannot be predicted with certainty, based upon an analysis of the merits of our position we believe that we are adequately reserved under the applicable accounting standards for these matters and do not expect that the ultimate resolution will have a

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material adverse impact on our future results of operations, financial condition, or cash flows. As we move forward to resolve these matters with the IRS, the reserves established may be adjusted. Although we continue to contest the IRS's position, there can be no assurance that we will be successful. If the IRS's position with respect to the 2002-2006 tax years is ultimately sustained we would be required to record additional charges and the resulting liability will have a material adverse impact on our future results of operations, financial condition and cash flows.

For a further discussion of tax matters, see Note 15 to the condensed consolidated financial statements.

Asbestos-Related Matters

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

See also the discussion contained in our Annual Report on Form 10-K for the period ended December 31, 2012 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 condensed consolidated financial statements in this Form 10-Q.

Item 1A – Risk Factors
Other than as noted below, 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, 2012. 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, 2012.
Changes in tax laws, regulations or treaties, changes in our status under U.S. or non-U.S. tax laws or adverse determinations by taxing authorities could increase our tax burden or otherwise affect our financial condition or operating results, as well as subject our shareholders to additional taxes.
The realization of any tax benefit related to our reorganizations could be impacted by changes in tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof by the U.S. tax authorities or non-U.S. tax authorities. From time to time, proposals have been made and/or legislation has been introduced to change the tax laws of various jurisdictions or limit tax treaty benefits that if enacted could materially increase our tax burden and/or effective tax rate and could have a material adverse impact on our financial condition and results of operations. For instance, recent U.S. legislative proposals would broaden the circumstances under which we would be considered a U.S. resident for U.S. tax purposes, which would significantly diminish the realization of any tax benefit related to our reorganizations. There are other recent U.S. legislative proposals that could modify or eliminate the tax deductibility of various currently deductible payments, which could materially and adversely affect our effective tax rate and cash tax position. Moreover, other U.S. legislative proposals could have a material adverse impact on us by overriding certain tax treaties and limiting the treaty benefits on certain payments by our U.S. subsidiaries to our non-U.S. affiliates, which could increase our tax liability. We cannot predict the outcome of any specific legislation in any jurisdiction. While we monitor proposals that would materially impact our tax burden and/or effective tax rate and investigate our options, we could still be subject to increased taxation on a going forward basis no matter what action we undertake if certain legislative proposals are enacted, certain tax treaties are amended and/or our interpretation of applicable tax law is challenged and determined to be incorrect. In particular, any changes and/or differing interpretations of applicable tax law that have the effect of disregarding the Ireland Reorganization, limiting our ability to take advantage of tax treaties between jurisdictions, modifying or eliminating the deductibility of various currently deductible payments, or increasing the tax burden of operating or being resident in a particular country, could subject us to increased taxation.
While our U.S. operations are subject to U.S. tax, we believe that a significant portion of our non-U.S. operations are generally not subject to U.S. tax other than withholding taxes. The IRS or a court, however, may not concur with our conclusions including our determination that we, and a significant number of our foreign subsidiaries, are not currently controlled foreign corporations (CFC) within the meaning of the U.S. tax laws. A contrary determination, which could also arise through significant future acquisitions of our stock by U.S. persons, could also potentially cause U.S. holders (direct, indirect or constructive owners) of 10% or more of our stock (or the voting stock of our non-U.S. subsidiaries) to include in their gross income their pro rata share of certain of our and our non-U.S. subsidiary income for the period during which we (and our non-U.S. subsidiaries) were a CFC. In addition, gain (or a portion of such gain) realized on CFC shares sold by such shareholders may be treated as ordinary income depending on certain facts. Treatment of us or any of our non-U.S. subsidiaries as a CFC could have a material adverse impact on our results of operations, financial condition, and cash flows.
As described further in "Legal Proceedings", we have received several notices from the IRS containing proposed adjustments to our tax filings in connection with audits of the 2001-2006 tax years. The IRS has not contested the validity of our reincorporation in Bermuda in any of these notices. We have and intend to continue to vigorously contest these proposed adjustments.
Although the outcome of these matters cannot be predicted with certainty, based upon an analysis of the merits of our position, we believe that we are adequately reserved for these matters and do not expect that the ultimate resolution will have a material adverse impact on our future results of operations, financial condition, or cash flows. As we move forward to resolve these matters with the IRS, the reserves established may be adjusted. Although we continue to contest the IRS's position, there can be no assurance that we will be successful. If the IRS's position with respect to 2002-2006 is ultimately sustained, the resulting liability will have a material adverse impact on our future results of

operations, financial condition and cash flows.

Although we expect them to do so, at this time the IRS has not yet proposed any similar adjustments for years subsequent to 2006 as the federal income tax audits for those years are still in process or have not yet begun. It is unclear how the IRS will apply its position to subsequent years or whether the IRS will take a similar position with respect to other intercompany debt instruments.

The inability to realize any anticipated tax benefits related to our reorganizations could have a material adverse impact on our results of operations, financial condition, and cash flows.

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

Issuer Purchases of Equity Securities

The following table provides information with respect to purchases by the Company of its ordinary shares during the second quarter of 2013:

Period	Total number of shares purchased (000's) (a) (b) (c)	Average price paid per share (a) (b) (c)	Total number of shares purchased as part of program (000's) (a) (c)	Approximate dollar value of shares still available to be purchased under the program ($000's) (c)
April 1 - April 30	2,441.4	$54.55	2,439.3	$1,870,813
May 1 - May 31	3,341.5	56.21	3,341.3	1,683,008
June 1 - June 30	2,763.6	56.69	2,762.3	1,526,423
Total	8,546.5	$55.89	8,542.9	

(a) In April 2011, we announced that our Board of Directors authorized the repurchase of up to $2.0 billion of our ordinary shares under a share repurchase program. Based on market conditions, share repurchases were made from time to time in the open market and in privately negotiated transactions at the discretion of management. The repurchase program was completed in April 2013.
(b) We may also reacquire shares outside of the repurchase program from time to time in connection with the surrender of shares to cover taxes on vesting of share based awards. In April, May, and June, 2,140; 209; and 1,216 shares, respectively, were reacquired in transactions outside the repurchase programs.
(c) In December 2012, our Board of Directors authorized the repurchase of up to $2.0 billion of our ordinary shares under a new share repurchase program upon completion of the 2011 share repurchase program. The new share repurchase program began in April 2013. Based on market conditions, share repurchases will be made from time to time in the open market and in privately negotiated transactions at the discretion of management. The repurchase program does not have a prescribed expiration date.

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Item 6 – Exhibits
(a) Exhibits

Exhibit No.	Description	Method of Filing
3.1	Articles of Association, as amended and restated on June 6, 2013	Incorporated by reference to Exhibit 3.1 to the Company's Form 8-K (File No. 001-16831) filed with the SEC on June 10, 2013
4.1	Indenture, dated as of June 20, 2013, by and among Ingersoll-Rand Global Holding Company Limited, as issuer, Ingersoll-Rand plc, Ingersoll-Rand Company Limited and Ingersoll-Rand International Holding Limited, as guarantors and The Bank of New York Mellon, as Trustee.	Incorporated by reference to Exhibit 4.1 to the Company's Form 8-K (File No. 001-16831) filed with the SEC on June 26, 2013
4.2	First Supplemental Indenture, dated as of June 20, 2013, by and among Ingersoll-Rand Global Holding Company Limited, as issuer, Ingersoll-Rand plc, Ingersoll-Rand Company Limited and Ingersoll-Rand International Holding Limited, as guarantors and The Bank of New York Mellon, as Trustee, relating to the 2.875% Senior Notes due 2019.	Incorporated by reference to Exhibit 4.2 to the Company's Form 8-K (File No. 001-16831) filed with the SEC on June 26, 2013
4.3	Second Supplemental Indenture, dated as of June 20, 2013, by and among Ingersoll-Rand Global Holding Company Limited, as issuer, Ingersoll-Rand plc, Ingersoll-Rand Company Limited and Ingersoll-Rand International Holding Limited, as guarantors and The Bank of New York Mellon, as Trustee, relating to the 4.250% Senior Notes due 2023.	Incorporated by reference to Exhibit 4.3 to the Company's Form 8-K (File No. 001-16831) filed with the SEC on June 26, 2013
4.4	Third Supplemental Indenture, dated as of June 20, 2013, by and among Ingersoll-Rand Global Holding Company Limited, as issuer, Ingersoll-Rand plc, Ingersoll-Rand Company Limited and Ingersoll-Rand International Holding Limited, as guarantors and The Bank of New York Mellon, as Trustee, relating to the 5.750% Senior Notes due 2043.	Incorporated by reference to Exhibit 4.4 to the Company's Form 8-K (File No. 001-16831) filed with the SEC on June 26, 2013
4.5		

	Form of Registration Rights Agreement, dated as of June 20, 2013, by and among Ingersoll-Rand Global Holding Company Limited, Ingersoll-Rand plc, Ingersoll-Rand Company Limited, Ingersoll-Rand International Holding Limited and the Representatives of the Initial Purchasers named therein.	Incorporated by reference to Exhibit 4.5 to the Company's Form 8-K (File No. 001-16831) filed with the SEC on June 26, 2013
10.1	Ingersoll-Rand plc Incentive Stock Plan of 2013	Incorporated by reference to Exhibit 4.4 to the Company's Form S-8 (File No. 333-189446) filed with the SEC on June 19, 2013

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10.2	Form of IR Stock Option Agreement	Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 001-16831) filed with the SEC on June 10, 2013
10.3	Form of IR Restricted Stock Unit Agreement	Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K (File No. 001-16831) filed with the SEC on June 10, 2013
10.4	Form of IR Performance Stock Unit Agreement	Incorporated by reference to Exhibit 10.3 to the Company's Form 8-K (File No. 001-16831) filed with the SEC on June 10, 2013
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32	Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
101	The following materials from the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Comprehensive Income, (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statement of Cash Flows, and (iv) Notes to Condensed Consolidated Financial Statements.	Furnished herewith.

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INGERSOLL-RAND PLC
SIGNATURES

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

	INGERSOLL-RAND PLC (Registrant)
Date: July 24, 2013	/S/ STEVEN R. SHAWLEY Steven R. Shawley, Senior Vice President and Chief Financial Officer Principal Financial Officer
Date: July 24, 2013	/S/ RICHARD J. WELLER Richard J. Weller, Vice President and Corporate Controller Principal Accounting Officer