EMERSON ELECTRIC CO
Form 8-K
November 06, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event
reported): November 6, 2018

Emerson Electric Co.

(Exact Name of Registrant as Specified in Charter)

Missouri	1-278	43-0259330
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

8000 West Florissant Avenue St. Louis, Missouri	63136
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code:

(314) 553-2000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

¨ Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Item 2.02 Results of Operations and Financial Condition

Quarterly Results Press Release

On Tuesday, November 6, 2018, a press release was issued regarding the fourth quarter 2018 results of Emerson Electric Co. (the "Company"). A copy of this press release is furnished with this Current Report on Form 8-K as Exhibit 99.1.

References to underlying orders in the press release refer to the Company's trailing three-month average orders growth versus the prior year, excluding currency, acquisitions and divestitures.

Non-GAAP Financial Measures

The press release contains non-GAAP financial measures as such term is defined in Regulation G under the rules of the Securities and Exchange Commission. While the Company believes these non-GAAP financial measures are useful in evaluating the Company, this information should be considered as supplemental in nature and not as a substitute for or superior to the related financial information prepared in accordance with GAAP. Further, these non-GAAP financial measures may differ from similarly titled measures presented by other companies. The reasons management believes that these non-GAAP financial measures provide useful information are set forth in the Company's most recent Form 10-K filed with the Securities and Exchange Commission.

Forward-Looking and Cautionary Statements

Statements in the press release that are not strictly historical may be "forward-looking" statements, which involve risks and uncertainties, and Emerson undertakes no obligation to update any such statements to reflect later developments. These risks and uncertainties include economic and currency conditions, market demand, pricing, protection of intellectual property, competitive and technological factors, and the impact of the Tax Cuts and Jobs Act, among others, as set forth in the Company's most recent Annual Report on Form 10-K and subsequent reports filed with the SEC.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

Exhibit Number	Description of Exhibits
99.1	Emerson's November 6, 2018 press release announcing fourth quarter 2018 results.

SIGNATURE

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 hereunto duly authorized.

		EMERSON ELECTRIC CO. (Registrant)	
Date:	November 6, 2018	By:	/s/ John A. Sperino
			John A. Sperino
			Vice President and Assistant Secretary

EXHIBIT INDEX

Exhibit Number	Description of Exhibits
99.1	Emerson's November 6, 2018 press release announcing fourth quarter 2018 results.

;background-color:#cceeff;padding-left:2px;padding-top:2px;padding-bottom:2px;">
—

0.2

217.0

1,423.3

—

1,640.6

Intangible assets, net
—

—

—

—

83.9

10,358.3

—

10,442.2

Other noncurrent assets

—

—

0.7

12.7

906.4

569.0

—

1,488.8

Total assets
$
8,317.6

$
9,267.9

$
20,283.1

$
20,140.9

$
14,453.5

$
122,639.9

$
(176,348.7
)

$
18,754.2

Current liabilities:

Accounts payable and accruals
$
51.7

$
—

$
3.9

$
50.8

$
433.1

$
2,821.7

$
—

$
3,361.2

Short-term borrowings and current maturities of long-term debt
—

—

—

581.0

351.9

70.2

(239.8
)

763.3

Accounts and note payable affiliates
1,250.2

40.3

4,812.5

7,352.8

9,455.3

8,140.2

(31,051.3
)

—

Total current liabilities
1,301.9

40.3

4,816.4

7,984.6

10,240.3

11,032.1

(31,291.1
)

4,124.5

Long-term debt
—

—

299.6

2,004.2

372.6

202.9

—

2,879.3

Note payable affiliate
—

—

10,789.4

—

—

—

(10,789.4
)

—

Other noncurrent liabilities
—

—

3.8

—

1,894.4

2,836.5

—

4,734.7

Total liabilities
1,301.9

40.3

15,909.2

9,988.8

12,507.3

14,071.5

(42,080.5
)

11,738.5

Temporary equity
3.3

—

—

—

—

—

—

3.3

Equity:

Total equity
7,012.4

9,227.6

4,373.9

10,152.1

1,946.2

108,568.4

(134,268.2
)

7,012.4

Total liabilities and equity
$
8,317.6

$
9,267.9

$
20,283.1

$
20,140.9

$
14,453.5

$

122,639.9

$
(176,348.7
)

$
18,754.2

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

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

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

Repurchase of ordinary shares							
Other, net	(4.5)	—	—	—	—	—	(4.5)
Net cash provided by (used in) continuing financing activities	0.8	0.4	7.5	253.7	(36.5)	(706.2)	(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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INGERSOLL-RAND PLC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Unaudited)

Condensed Consolidating Statement of Cash Flows
For the six months ended June 30, 2011

In millions	IR Ireland	IR Limited	IR International	IR Global	IR New Jersey	Other Subsidiaries	IR Ireland Consolidated
Net cash provided by (used in) continuing operating activities	$(4.2)	$(0.1)	$(6.8)	$(96.4)	$49.3	$410.9	$ 352.7
Net cash provided by (used in) discontinued operating activities	—	—	—	—	(15.9)	(4.3)	(20.2)
Net cash provided by (used in) operating activities	(4.2)	(0.1)	(6.8)	(96.4)	33.4	406.6	332.5
Cash flows from investing activities:							
Capital expenditures	—	—	—	—	(14.9)	(65.3)	(80.2)
Acquisition of businesses, net of cash acquired	—	—	—	—	—	(2.0)	(2.0)
Proceeds from sale of property, plant and equipment	—	—	—	—	1.6	33.1	34.7
Net cash provided by (used in) continuing investing activities	—	—	—	—	(13.3)	(34.2)	(47.5)
Net cash provided by (used in) discontinued investing activities	—	—	—	—	—	44.4	44.4
Net cash provided by (used in) investing activities	—	—	—	—	(13.3)	10.2	(3.1)
Cash flows from financing activities:							
Net proceeds (repayments) in debt	—	—	—	(0.2)	(7.6)	(48.6)	(56.4)
Debt issuance costs	—	—	—	(2.4)	—	—	(2.4)
Net inter-company proceeds (payments)	21.5	0.1	(5.2)	191.9	97.5	(305.8)	—
Dividends paid to ordinary shareholders	(63.1)	—	—	—	—	—	(63.1)
Dividends paid to noncontrolling interests	—	—	—	—	—	(18.3)	(18.3)
Proceeds from shares issued under incentive plans	101.9	—	—	—	—	—	101.9
Repurchase of ordinary shares	(56.0)	—	—	—	—	—	(56.0)
Other, net	(0.5)	—	—	—	—	(1.0)	(1.5)

Net cash provided by (used in) continuing financing activities	3.8	0.1	(5.2)	189.3	89.9	(373.7)	(95.8)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	—	—	11.9	11.9
Net increase (decrease) in cash and cash equivalents	(0.4)	—	(12.0)	92.9	110.0	55.0	245.5
Cash and cash equivalents - beginning of period	0.4	—	12.0	99.9	135.5	766.5	1,014.3
Cash and cash equivalents - end of period	$—	$—	$—	$192.8	$245.5	$821.5	$ 1,259.8

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause a difference include, but are not limited to, those discussed under Part II, Item 1A – Risk Factors in this Quarterly Report on Form 10-Q and under Part I, Item 1A – Risk Factors in the Annual Report on Form 10-K for the fiscal year ended December 31, 2011. The following section is qualified in its entirety by the more detailed information, including our financial statements and the notes thereto, which appears elsewhere in this Quarterly Report.

Overview

Organizational

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

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

Trends and Economic Events

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

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

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

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Recent Developments

Pension and Other Postretirement Plan Amendments

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

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

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

Dividend Increase and Share Repurchase Program

In April 2011, our Board of Directors authorized the repurchase of up to $2.0 billion of our ordinary shares under a new share repurchase program. On June 8, 2011, we commenced share repurchases under this program. As of December 31, 2011, we repurchased 36.3 million shares for approximately $1.2 billion under this program. During the six months ended June 30, 2012, we repurchased 0.9 million shares for approximately $35.0 million. These repurchases were accounted for as a reduction of Ordinary shares and Capital in excess of par value as they were canceled upon repurchase. In December 2011, we announced an increase in our quarterly stock dividend from $0.12 per share to $0.16 per share beginning with our March 2012 payment.

Divested Operations

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

Discontinued Operations

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

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

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

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

Net Revenues

Net revenues for the three months ended June 30, 2012 decreased by 6.6%, or $270.1 million, compared with the same period in 2011, which resulted from the following:

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

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

Operating Income/Margin

Operating margin for the three months ended June 30, 2012 increased to 12.5% from 7.3% for the same period of 2011. Included in Operating income for the three months ended June 30, 2011 is a $201 million asset impairment charge related to the divestiture of Hussmann, which had a 4.9 point impact on 2011 Operating margin. Excluding this asset impairment charge, Operating margin for the second quarter of 2012 increased by 0.3 points compared to the same period of 2011. The increase was primarily due to improved pricing across all sectors and the realization of benefits resulting from productivity actions, offset partially by inflation, unfavorable product mix, and increased restructuring costs and investments. Also included in Operating income for the three months ended June 30, 2011 was a $23 million gain associated with the sale of assets from a restructured business in China. This gain had a 0.6 point impact on Operating margin for the three months ended June 30, 2011.

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Interest Expense

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

Other, Net

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

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

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

Provision for Income Taxes

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

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

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

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

Net Revenues

Net revenues for the six months ended June 30, 2012 decreased by 5.3%, or $393.2 million, compared with the same period in 2011, which resulted from the following:

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

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

Operating Income/Margin

Operating margin for the six months ended June 30, 2012 increased to 9.9% from 4.6% for the same period of 2011. Included in Operating income for the six months ended June 30, 2011 is a $387 million asset impairment charge related to the divestiture of Hussmann, which had a 5.3 point impact on 2011 Operating margin. Excluding this asset impairment charge, Operating margin for the six months ended June 30, 2012 was flat compared to the same period of 2011. Improved pricing across all sectors and the realization of benefits resulting from productivity actions offset increased inflation, restructuring costs and investments, unfavorable foreign currency impacts, and the effect of the stock option forfeiture adjustment discussed in Note 11 to the condensed consolidated financial statements. Also included in Operating income for the six months ended June 30, 2011 was a $23 million gain associated with the sale of assets from a restructured business in China. This gain had a 0.3 point impact on Operating margin

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for the six months ended June 30, 2011.

Interest Expense

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

Other, Net

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

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

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

Provision for Income Taxes

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

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Review of Business Segments

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

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

Climate Solutions

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

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

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

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

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

	Three months ended			Six months ended		
Dollar amounts in millions	2012	2011	% change	2012	2011	% change
Net revenues	$1,967.1	$2,265.4	(13.2)%	$3,628.9	$4,090.3	(11.3)%
Segment operating income	238.5	273.2	(12.7)%	332.6	367.3	(9.4)%
Segment operating margin	12.1%	12.1%		9.2%	9.0%	

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

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

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

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

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

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

Residential Solutions

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

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

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

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

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

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

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

Trane residential HVAC revenues increased slightly due to increased shipments in all equipment categories due to improved activity levels in both the new residential construction and replacement markets, including higher than expected revenue from newly introduced value priced products. These improvements are offset slightly by a continued mix shift to lower SEER units. Residential security revenues increased as a result of improved sales to new builder markets, “big box” customers, and South American customers.

Industrial Technologies

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

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	2012	2011	% change	2012	2011	% change
Net revenues	$790.3	$771.9	2.4 %	$1,479.0	$1,412.4	4.7 %
Segment operating income	134.4	120.5	11.5 %	225.9	205.7	9.8 %
Segment operating margin	17.0 %	15.6 %		15.3 %	14.6 %	

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

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

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

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

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

Security Technologies

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

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

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

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

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

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

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period of 2011. The decrease, which lowered Segment operating margin to 20.0% from 21.8%, was primarily related to unfavorable volume/product mix ($11 million), increased investment spending ($9 million) and unfavorable currency impacts ($2 million), partially offset by improved pricing ($11 million) and net productivity benefits ($2 million).
Net revenues for the six months ended June 30, 2012 decreased by 0.9%, or $7.1 million, compared with the same period of 2011. The decrease was primarily driven by unfavorable currency impacts (2%) and lower volumes (1%), partially offset by improved pricing (2%).

Segment operating income for the six months ended June 30, 2012 decreased by 6.7%, or $10.9 million, compared with the same period of 2011. The decrease, which lowered Segment operating margin to 19.3% from 20.5%, was primarily related to unfavorable volume/product mix ($16 million), increased investment spending ($12 million) and unfavorable currency impacts ($4 million), partially offset by improved pricing ($19 million) and net productivity benefits ($4 million).
The weakness in worldwide commercial building markets continues to impact segment revenues. Our results reflect declines in Europe, partially offset by slight improvements in the Americas and Asia.

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

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

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

In millions	Three months ended	Six months ended

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

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

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

Discontinued Operations

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

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

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

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

Integrated Systems and Services Divestiture

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

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

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

Other Discontinued Operations

On November 30, 2007, we completed the sale of our Bobcat, Utility Equipment and Attachments businesses (collectively, Compact Equipment) to Doosan Infracore for gross proceeds of approximately $4.9 billion, subject to post-closing purchase price adjustments. Compact Equipment manufactured and sold compact equipment, including skid-steer loaders, compact track loaders, mini-excavators and telescopic tool handlers; portable air compressors, generators and light towers; general-purpose light construction equipment; and attachments. We were in dispute regarding post-closing matters with Doosan Infracore. During the second quarter of 2011, we collected approximately $48.3 million of our outstanding receivable from Doosan Infracore related to certain purchase price adjustments. During the second quarter of 2012, Doosan Infracore paid us a total of $46.5 million to settle the outstanding receivable and remaining disputed post-closing matters.

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

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Liquidity and Capital Resources

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

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

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

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

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

Commercial Paper Program

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

Debentures with Put Feature

At June 30, 2012 and December 31, 2011, we had outstanding $343.6 million of fixed rate debentures which only require early repayment at the option of the holder. These debentures contain a put feature that the holders may exercise on each anniversary of the issuance date. If exercised, we are obligated to repay in whole or in part, at the holder’s option, the outstanding principal amount (plus accrued and unpaid interest) of the debentures held by the holder. If these options are not exercised, the final maturity dates would range between 2027 and 2028.

On February 15, 2012, holders of these debentures had the option to exercise the put feature on $37.2 million of the outstanding debentures. No holder chose to exercise the put feature at that date. In November 2012, holders of these debentures will have the option to exercise the put feature on $306.4 million of the outstanding debentures. Based on our cash flow forecast and capital resources, we believe we will have sufficient liquidity to repay any amounts redeemable as a result of these put options.

Exchangeable Senior Notes Due 2012

In April 2009, we issued $345.0 million of 4.5% Exchangeable Senior Notes (the Notes) through our wholly-owned subsidiary, Ingersoll-Rand Global Holding Company Limited (IR-Global). The Notes were fully and unconditionally guaranteed by each of IR-Ireland, IR-Limited and Ingersoll-Rand International Holding Limited (IR-International). Holders had the option to exchange their Notes for the Company's ordinary shares through April 12, 2012. The Notes were subject to certain customary covenants,

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

We accounted for the Notes in accordance with GAAP, which required us to allocate the proceeds between debt and equity at the issuance date, in a manner that reflected our nonconvertible debt borrowing rate. At issuance, we allocated approximately $305 million of the gross proceeds to debt, with the remaining discount of approximately $40 million (approximately $39 million after allocated fees) recorded within Equity. We amortized the discount into Interest expense over the three-year term. The Notes were exchangeable at the holders' option through April 12, 2012. Therefore, the remaining equity portion of the Notes at December 31, 2011 was classified as Temporary equity to reflect the amount that could result in cash settlement at the balance sheet date.

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

Other

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

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

Cash Flows

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

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

Operating Activities

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

Investing Activities

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

Financing Activities

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

Pensions

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

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

For a further discussion of Liquidity and Capital Resources, refer to Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contained in the Company’s Annual Report on Form 10-K for the period ended December 31, 2011.

Commitments and Contingencies

We are involved in various litigations, claims and administrative proceedings, including those related to environmental and product liability matters. Amounts recorded for identified contingent liabilities are estimates, which are reviewed periodically and adjusted to reflect additional information when it becomes available. Subject to the uncertainties inherent in estimating future costs for contingent liabilities, except as expressly set forth in Note 18 to the condensed consolidated financial statements, management believes that the liability which may result from these legal matters would not have a material adverse effect on our financial condition, results of operations, liquidity or cash flows.

Critical Accounting Policies

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

Management believes there have been no significant changes during the six months ended June 30, 2012, to the items that we disclosed as our critical accounting policies in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2011.

Recently Adopted Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS)." ASU 2011-04 represents converged guidance between GAAP and IFRS resulting in common requirements for measuring fair value and for disclosing information about fair value measurements. This new guidance is effective for fiscal years beginning after December 15, 2011 and subsequent interim periods. The requirements of ASU 2011-04 did not have a material impact on our condensed consolidated financial statements. The revised disclosure requirements are reflected in Note 9.

In June 2011, the FASB issued ASU 2011-05, "Presentation of Comprehensive Income." ASU 2011-05 requires us to present components of other comprehensive income and of net income in one continuous statement of comprehensive income, or in two separate, but consecutive statements. The option to report other comprehensive income within the statement of equity has been removed. This new presentation of comprehensive income is effective for fiscal years beginning after December 15, 2011 and subsequent interim periods. The revised presentation requirements are reflected in the Condensed Consolidated Statements of Comprehensive Income.

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

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

Other than as discussed above, management believes there have been no significant changes during the six months ended June 30, 2012, to the items we disclosed as our recently adopted accounting pronouncements in "Management’s Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the period ended December 31, 2011. For a further discussion, refer to the “Recently Adopted Accounting Pronouncements” discussion contained therein.

Safe Harbor Statement

Certain statements in this report, other than purely historical information, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words “believe,” “project,” “expect,” “anticipate,” “estimate,” “forecast,” “outlook,” “intend,” “strategy,” “plan,” “may,” “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;
- the demand for our products and services;
- competitive factors in the industries in which we compete;
- changes in tax requirements (including tax rate changes, new tax laws and revised tax law interpretations);
- the outcome of any litigation, governmental investigations or proceedings;
- the outcome of any income tax audits or settlements;
- interest rate fluctuations and other changes in borrowing costs;
- other capital market conditions, including availability of funding sources and currency exchange rate fluctuations;
- availability of and fluctuations in the prices of key commodities and the impact of higher energy prices;
- the ability to achieve cost savings in connection with our productivity programs;
- potential further impairment of our goodwill, indefinite-lived intangible assets and/or our long-lived assets; and
- the possible effects on us of future legislation in the U.S. that may limit or eliminate potential U.S. tax benefits resulting from our incorporation in a non-U.S. jurisdiction, such as Ireland, or deny U.S. government contracts to us based upon our incorporation in such non-U.S. jurisdiction.

Some of the significant risks and uncertainties that could cause actual results to differ materially from our expectations and projections are described more fully in the “Risk Factors” section of this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended December 31, 2011. There may also be other factors that have not been anticipated or that are not described in our periodic filings with the SEC, generally because we did not believe them to be significant at the time, which could cause results to differ materially from our expectations.

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Item 3 – Quantitative and Qualitative Disclosures about Market Risk

There has been no significant change in our exposure to market risk during the second quarter of 2012. For a discussion of the Company's exposure to market risk, refer to Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Item 4 – Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

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

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

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

(b) Planned Remediation Efforts to Address Material Weakness

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

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

(c) Changes in Internal Control Over Financial Reporting

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

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PART II – OTHER INFORMATION

Item 1 – Legal Proceedings

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

Tax-Related Matters

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

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

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

Although the outcome of this matter cannot be predicted with certainty, based upon an analysis of the merits of our position, we believe that we are adequately reserved for this matter and do not expect that the ultimate resolution will have a material adverse impact on our future results of operations, financial condition, liquidity or cash flows. As we move forward to resolve this matter with the IRS, the reserves established may be adjusted. Although we continue to contest the IRS's position there can be no assurance that we will be successful. If the IRS's position with respect to 2002 is ultimately sustained it will have a material adverse impact on our future results of operations, financial condition, liquidity and cash flows.

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

For a further discussion of tax matters, see Note 14 to the condensed consolidated financial statements.

Asbestos-Related Matters

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

See also the discussion contained in our Annual Report on Form 10-K for the period ended December 31, 2011 under Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, Environmental and Asbestos Matters and also Note 18 to the condensed consolidated financial statements in this Form 10-Q.

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Item 1A – Risk Factors
There have been no material changes to our risk factors contained in our Annual Report on Form 10-K for the period ended December 31, 2011. For a further discussion of our Risk Factors, refer to the "Risk Factors" discussion contained in our Annual Report on Form 10-K for the period ended December 31, 2011.
Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

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

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

(a) On April 7, 2011, we announced that our Board of Directors authorized the repurchase of up to $2.0 billion of our ordinary shares under a share repurchase program. Based on market conditions, share repurchases will be made from time to time in the open market and in privately negotiated transactions at the discretion of management. The repurchase program does not have a prescribed expiration date.
(b) We may also reacquire shares outside of the repurchase program from time to time in connection with the surrender of shares to cover taxes on vesting of share based awards. In April and June, 150 and 4,243 shares, respectively, were reacquired in transactions outside the repurchase program.

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Item 6 – Exhibits
(a) Exhibits

Exhibit No.	Description	Method of Filing
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32	Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Comprehensive Income, (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statement of Cash Flows, and (iv) Notes to Condensed Consolidated Financial Statements.	Furnished herewith.

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INGERSOLL-RAND PLC

SIGNATURES

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

	INGERSOLL-RAND PLC (Registrant)
Date: July 26, 2012	/S/ STEVEN R. SHAWLEY Steven R. Shawley, Senior Vice President and Chief Financial Officer Principal Financial Officer
Date: July 26, 2012	/S/ RICHARD J. WELLER Richard J. Weller, Vice President and Corporate Controller Principal Accounting Officer

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