

Ingersoll-Rand plc  
Form 10-Q  
October 25, 2012  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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

For the quarterly period ended September 30, 2012

or

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

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

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

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Ireland  
(State or other jurisdiction of  
incorporation or organization)  
170/175 Lakeview Dr.  
Airside Business Park  
Swords, Co. Dublin  
Ireland

98-0626632  
(I.R.S. Employer  
Identification No.)

(Address of principal executive offices, including zip code)  
+(353) (0) 18707400  
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company," in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
YES  NO

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The number of ordinary shares outstanding of Ingersoll-Rand plc as of October 12, 2012 was 301,001,865.

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## PART I-FINANCIAL INFORMATION

## Item 1. Financial Statements

## INGERSOLL-RAND PLC

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

In millions, except per share amounts	Three months ended		Nine months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Net revenues	\$3,592.8	\$3,910.1	\$10,564.7	\$11,275.3
Cost of goods sold	(2,454.4 )	(2,756.2 )	(7,347.7 )	(7,987.7 )
Selling and administrative expenses	(690.6 )	(708.6 )	(2,083.8 )	(2,115.0 )
Gain (loss) on sale/asset impairment	—	(264.8 )	4.5	(651.6 )
Operating income	447.8	180.5	1,137.7	521.0
Interest expense	(60.6 )	(69.7 )	(192.1 )	(209.7 )
Other, net	17.4	21.3	21.2	28.6
Earnings before income taxes	404.6	132.1	966.8	339.9
Provision for income taxes	(65.3 )	(28.4 )	(157.9 )	(169.0 )
Earnings from continuing operations	339.3	103.7	808.9	170.9
Discontinued operations, net of tax	(12.3 )	(10.2 )	(6.7 )	(49.7 )
Net earnings	327.0	93.5	802.2	121.2
Less: Net earnings attributable to noncontrolling interests	(5.4 )	(7.3 )	(19.2 )	(20.3 )
Net earnings attributable to Ingersoll-Rand plc	\$321.6	\$86.2	\$783.0	\$100.9
Amounts attributable to Ingersoll-Rand plc ordinary shareholders:				
Continuing operations	\$333.9	\$96.4	\$789.7	\$150.6
Discontinued operations	(12.3 )	(10.2 )	(6.7 )	(49.7 )
Net earnings	\$321.6	\$86.2	\$783.0	\$100.9
Earnings (loss) per share attributable to Ingersoll-Rand plc ordinary shareholders:				
Basic:				
Continuing operations	\$1.09	\$0.29	\$2.58	\$0.45
Discontinued operations	(0.04 )	(0.03 )	(0.02 )	(0.15 )
Net earnings	\$1.05	\$0.26	\$2.56	\$0.30
Diluted:				
Continuing operations	\$1.07	\$0.28	\$2.52	\$0.43
Discontinued operations	(0.04 )	(0.03 )	(0.02 )	(0.14 )
Net earnings	\$1.03	\$0.25	\$2.50	\$0.29
Weighted-average shares outstanding				
Basic	307.7	327.7	305.4	331.0
Diluted	312.0	340.2	312.9	347.1
Dividends declared per ordinary share	\$0.16	\$0.12	\$0.32	\$0.31
Total comprehensive income (loss)	\$485.7	\$(137.3 )	\$912.5	\$175.4
Less: Total comprehensive (income) loss attributable to noncontrolling interests	6.1	(7.2 )	(7.6 )	(19.7 )
Total comprehensive income (loss) attributable to Ingersoll-Rand plc	\$491.8	\$(144.5 )	\$904.9	\$155.7

See accompanying notes to condensed consolidated financial statements.



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INGERSOLL-RAND PLC  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (Unaudited)

In millions	September 30, 2012	December 31, 2011
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$929.6	\$1,160.7
Accounts and notes receivable, net	2,320.9	2,135.6
Inventories	1,462.1	1,278.3
Other current assets	517.0	613.9
Total current assets	5,229.6	5,188.5
Property, plant and equipment, net	1,618.6	1,639.4
Goodwill	6,112.5	6,104.0
Intangible assets, net	4,230.9	4,333.6
Other noncurrent assets	1,468.7	1,488.7
Total assets	\$18,660.3	\$18,754.2
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$1,300.5	\$1,224.2
Accrued compensation and benefits	532.2	527.7
Accrued expenses and other current liabilities	1,468.8	1,609.3
Short-term borrowings and current maturities of long-term debt	1,024.6	763.3
Total current liabilities	4,326.1	4,124.5
Long-term debt	2,271.6	2,879.3
Postemployment and other benefit liabilities	1,662.9	1,709.9
Deferred and noncurrent income taxes	1,444.3	1,530.3
Other noncurrent liabilities	1,425.4	1,494.5
Total liabilities	11,130.3	11,738.5
Temporary equity	—	3.3
Equity:		
Ingersoll-Rand plc shareholders' equity:		
Ordinary shares	302.6	297.1
Capital in excess of par value	1,342.6	1,633.0
Retained earnings	6,232.3	5,547.8
Accumulated other comprehensive income (loss)	(431.7)	(553.6)
Total Ingersoll-Rand plc shareholders' equity	7,445.8	6,924.3
Noncontrolling interest	84.2	88.1
Total equity	7,530.0	7,012.4
Total liabilities and equity	\$18,660.3	\$18,754.2

See accompanying notes to condensed consolidated financial statements.

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

In millions	Nine months ended September 30,	
	2012	2011
Cash flows from operating activities:		
Net earnings	\$802.2	\$121.2
(Income) loss from discontinued operations, net of tax	6.7	49.7
Adjustments to arrive at net cash provided by (used in) operating activities:		
(Gain) loss on sale/asset impairment	(4.5	) 651.6
Depreciation and amortization	285.4	301.8
Stock settled share-based compensation	34.7	31.0
(Gain) loss on sale of property, plant and equipment	(3.8	) (24.2
Changes in other assets and liabilities, net	(323.6	) (424.3
Other, net	25.8	62.0
Net cash provided by (used in) continuing operating activities	822.9	768.8
Net cash provided by (used in) discontinued operating activities	(87.4	) (28.0
Net cash provided by (used in) operating activities	735.5	740.8
Cash flows from investing activities:		
Capital expenditures	(170.9	) (129.1
Acquisition of businesses, net of cash acquired	—	(1.8
Proceeds from sale of property, plant and equipment	12.8	49.3
Proceeds from business dispositions, net of cash sold	—	336.7
Net cash provided by (used in) continuing investing activities	(158.1	) 255.1
Net cash provided by (used in) discontinued investing activities	36.0	44.4
Net cash provided by (used in) investing activities	(122.1	) 299.5
Cash flows from financing activities:		
Short-term borrowings, net	66.1	25.5
Proceeds from long-term debt	—	2.1
Payments of long-term debt	(417.6	) (80.1
Net proceeds (repayments) in debt	(351.5	) (52.5
Debt issuance costs	(2.5	) (2.4
Dividends paid to ordinary shareholders	(145.1	) (101.5
Dividends paid to noncontrolling interests	(16.2	) (22.9
Acquisition/divestiture of noncontrolling interests	(0.4	) (1.3
Proceeds from shares issued under incentive plans	57.7	107.4
Repurchase of ordinary shares	(374.9	) (575.6
Other, net	(4.5	) (1.5
Net cash provided by (used in) continuing financing activities	(837.4	) (650.3
Effect of exchange rate changes on cash and cash equivalents	(7.1	) (0.5
Net increase (decrease) in cash and cash equivalents	(231.1	) 389.5
Cash and cash equivalents - beginning of period	1,160.7	1,014.3
Cash and cash equivalents - end of period	\$929.6	\$1,403.8
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 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, 2011. In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments, which include normal recurring adjustments, necessary to present fairly the consolidated unaudited results for the interim periods presented. Certain reclassifications of amounts reported in prior years have been made to conform to the 2012 classification.

On December 30, 2011, the Company completed the divestiture of its 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, the Company has reported this business as a discontinued operation for all periods presented. See Note 15 for a discussion of the Company's discontinued operations.

On September 30, 2011 and November 30, 2011, the Company completed transactions to sell its Hussmann refrigerated display case business to a newly-formed affiliate (Hussmann Parent) of private equity firm Clayton Dubilier & Rice, LLC (CD&R). The Company negotiated the final terms of the transaction to include the Company's ownership of a portion of the common stock of Hussmann Parent, which represents significant continuing involvement. Therefore, the results of Hussmann are included in continuing operations for all periods presented, with the Company's ownership interest reported using the equity method of accounting subsequent to September 30, 2011. See Note 15 for a discussion of the Company's divested operations.

Note 2 – Recent Accounting Pronouncements

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 the Company's 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 the Company 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 the Company's condensed consolidated financial statements.

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INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

## Recently Issued Accounting Pronouncements

In July 2012, the FASB issued ASU 2012-02, "Intangibles - Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets 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 an indefinite-lived intangible asset is less than its carrying amount. If a conclusion is reached that the indefinite-lived intangible asset 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 September 15, 2012, and the related interim and annual goodwill impairment tests. The Company does not believe the requirements of ASU 2012-02 will have a material impact on the condensed consolidated financial statements.

## Note 3 – Inventories

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

The major classes of inventory were as follows:

In millions	September 30, 2012	December 31, 2011
Raw materials	\$577.1	\$478.7
Work-in-process	135.3	114.4
Finished goods	850.9	787.9
	1,563.3	1,381.0
LIFO reserve	(101.2	) (102.7
Total	\$1,462.1	\$1,278.3

## Note 4 – Goodwill

The changes in the carrying amount of goodwill for the nine months ended September 30, 2012 were as follows:

In millions	Climate Solutions	Residential Solutions	Industrial Technologies	Security Technologies	Total
December 31, 2011 (gross)	\$5,342.8	\$2,328.0	\$366.8	\$906.4	\$8,944.0
Acquisitions and adjustments	0.3	—	—	—	0.3
Currency translation	4.8	—	0.6	2.8	8.2
September 30, 2012 (gross)	5,347.9	2,328.0	367.4	909.2	8,952.5
Accumulated impairment *	(839.8	) (1,656.2	) —	(344.0	) (2,840.0
Goodwill (net)	\$4,508.1	\$671.8	\$367.4	\$565.2	\$6,112.5

\* No impairment charges were recorded by the Company in 2012.

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INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

## Note 5 – Intangible Assets

The gross amount of the Company's intangible assets and related accumulated amortization were as follows:

In millions	September 30, 2012			December 31, 2011		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Completed technologies/patents	\$207.9	\$(129.7)	) \$78.2	\$207.1	\$(112.6)	) \$94.5
Customer relationships	1,957.3	(493.0)	) 1,464.3	1,958.5	(412.5)	) 1,546.0
Trademarks (finite-lived)	95.8	(30.4)	) 65.4	96.1	(27.6)	) 68.5
Other	70.0	(58.0)	) 12.0	69.7	(56.1)	) 13.6
Total finite-lived intangible assets	2,331.0	\$(711.1)	) 1,619.9	2,331.4	\$(608.8)	) 1,722.6
Trademarks (indefinite-lived)	2,611.0		2,611.0	2,611.0		2,611.0
Total	\$4,942.0		\$4,230.9	\$4,942.4		\$4,333.6

Intangible asset amortization expense was \$34.5 million and \$36.1 million for the three months ended September 30, 2012 and 2011, respectively. For the nine months ended September 30, 2012 and 2011, intangible asset amortization expense was \$104.7 million and \$109.7 million, respectively. Future estimated amortization expense on existing intangible assets in each of the next five years amounts to approximately \$145 million for 2012, \$142 million for 2013, \$138 million for 2014, \$112 million for 2015, and \$66 million for 2016.

## Note 6 – Debt and Credit Facilities

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

In millions	September 30, 2012	December 31, 2011
Debentures with put feature	\$343.6	\$343.6
Exchangeable Senior Notes	—	341.2
6.000% Senior notes due 2013	600.0	—
Current maturities of long-term debt	10.2	12.5
Other short-term borrowings	70.8	66.0
Total	\$1,024.6	\$763.3

## Commercial Paper Program

The Company uses borrowings under its commercial paper program for general corporate purposes. The Company had commercial paper of \$64.0 million and \$0 outstanding at September 30, 2012 and December 31, 2011, respectively.

## Debentures with Put Feature

At September 30, 2012 and December 31, 2011, the Company 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, 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, 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. On October 15, 2012, holders of these debentures had the option to exercise the put feature on \$306.4 million of the outstanding debentures. Holders chose to exercise the put feature on \$0.6 million of the outstanding debentures at that date, and will be paid in November 2012.



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INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

## Exchangeable Senior Notes Due 2012

In April 2009, the Company issued \$345.0 million of 4.5% Exchangeable Senior Notes (the Notes) through its wholly-owned subsidiary, Ingersoll-Rand Global Holding Company Limited (IR-Global). The Notes were fully and unconditionally guaranteed by each of IR-Ireland, Ingersoll-Rand Company Limited (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 Company accounted for the Notes in accordance with GAAP, which required the Company to allocate the proceeds between debt and equity at the issuance date, in a manner that reflected the Company's nonconvertible debt borrowing rate. At issuance, the Company allocated approximately \$305 million of the gross proceeds to debt, with the remaining discount of approximately \$40 million (approximately \$39 million after allocated fees) recorded within Equity. The Company amortized the discount into Interest expense over the three-year term. As the Notes were exchangeable at the holders' option through April 12, 2012, 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.

The Company settled all remaining outstanding Notes during the second quarter of 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.

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

In millions	September 30, 2012	December 31, 2011
6.000% Senior notes due 2013	\$—	\$599.9
9.500% Senior notes due 2014	655.0	655.0
5.50% Senior notes due 2015	199.9	199.8
4.75% Senior notes due 2015	299.7	299.6
6.875% Senior notes due 2018	749.4	749.3
9.00% Debentures due 2021	125.0	125.0
7.20% Debentures due 2013-2025	90.0	97.5
6.48% Debentures due 2025	149.7	149.7
Other loans and notes	2.9	3.5
Total	\$2,271.6	\$2,879.3

## Credit Facilities

On May 26, 2010, the Company entered into a 3-year, \$1.0 billion revolving credit facility through its 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. The Company also has a 4-year, \$1.0 billion revolving credit facility maturing on May 20, 2015, through its 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 the Company's commercial paper program as well as for other general corporate purposes.

## Note 7 – 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.

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INGERSOLL-RAND PLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

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 Accumulated other comprehensive income (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 \$1,672.5 million and \$1,818.5 million at September 30, 2012 and December 31, 2011, respectively. At September 30, 2012 and December 31, 2011, a gain of \$0.1 million and \$2.3 million, net of tax, respectively, was included in AOCI related to the fair value of the Company's currency derivatives designated as accounting hedges. The amount expected to be reclassified into Net earnings over the next twelve months is a gain of \$0.1 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 September 30, 2012, the maximum term of the Company's currency derivatives was approximately 12 months.